

installation of transformers etc., minimum revenue realisation was ensured through Minimum Guarantee (MG) agreements. The MG agreements envisaged a minimum sale revenue through the utilisation of the assets created for providing the service connection over a fixed period, which is sufficient to make the investment break-even. Among such works, new connections for productive sectors like industrial, agriculture etc. were released under special priority. For connections not included in the MG category, line rental charges were collected for a period of 3 years.

3. However, the financial difficulties faced by KSEB resulted in substantial backlog in the release of new service connections. Later, to overcome the financial difficulties and to speed up release of new connections, Board introduced a scheme to provide electric connections by accepting contributions (Consumer Contribution Scheme) from consumers and such consumers were given connection on priority basis. The practice of consumer contribution was dispensed with effect from 01-04-1985 vide B.O. Plg. Com. 767/CC/84 dated 18-03-1985.
4. However, the increasing capital requirements to ensure development of power sector to meet the growing demand of the enlarging economy were not fully available from Government. In this backdrop, KSEB had introduced Service Connection Charges with effect from 01-08-1988 with a view to recover a portion of the cost of providing service connection arising out of the duty to supply. In order to avoid hardship to consumers belonging to the lower income group, they were exempted from paying Service Connection Charges. The Service Connection Charges were periodically revised and as per the latest B.O. No. 2004/97 (Plg. Com. 3482/97) dated 10-09-1997, the revised rate of Service Connection Charges applicable to various consumers are given below:

Service Connection Charges made effective from 09-09-1997

LT I Domestic			
	Single Phase		
		Upto 30 units	Exempted
		31 - 65 units	Rs.300
		66 - 100 units	Rs.525
		Above 100 units	Rs.750
	Three Phase		
		Upto 10 kW	Rs.1500
		Above 10 kW	Rs.1500 + 200 per kW
LT II Colonies			
	Single Phase		Rs.750
	Three Phase		Rs.1500
LT III Temporary Connection			Exempted
LT IV Industrial			
		Upto 5 kW	Rs.115 per kW
		Above 5 kW	Rs.225 per kW
LT V Agriculture			Exempted
LT VI A , B, C Non Domestic			
	Single / Three Phase		Rs.200
LT VII A, C, D Commercial			
	Single Phase		Rs.750
	Three Phase		
		Upto 10 kW	Rs.2250
		Above 10 kW	Rs.4500
LT VII B Commercial			Exempted
HT other than Agriculture			
			Rs.450 per kW subject to a minimum of Rs. 50,000
EHT			Rs.450 per kW

Orphanages recognised by Government, telephone booths approved by telecommunications department and run by physically handicapped persons are exempted from payment of Service Connection Charges.

5. Meanwhile, KSEBoard introduced the OYEC scheme for providing new electric connections on out of turn priority to those applicants who are willing to remit the OYEC charges prescribed by the Board from time to time. The same was introduced vide Board order No. TC1/9515/88 dated 09-09-1988. The amount remitted was meant only to give out of turn

priority in providing electric connection and the consumer had no right over the transformer, post, line materials for various lengths of service line and posts required for effecting supply.

6. With the enactment of Electricity Act 2003, the governing laws have changed and KSEB is continuing as the State Transmission Utility and Distribution licensee owning generation assets as per the notifications issued by the Government in accordance with the provisions in the Act. As per section 46 of the Act, the State Commissions may authorise the distribution licensees to recover cost of providing new services. The section is quoted below:

*"46. The State Commission **may, by regulations, authorise a distribution licensee** to charge from a person requiring a supply of electricity in pursuance of section 43, any expenses reasonably incurred in providing any electric line or electrical plant used for the purpose of giving that supply."*
(emphasis added)

7. Accordingly, vide notification dated 02-03-2005, the Hon. Commission notified Kerala Electricity Supply Code Regulations, 2005 in exercise of powers conferred to it under Section 181 of the Act, wherein KSEB is authorised to recover charges at the rates prescribed by the Commission as follows:

"7. Power to recover expenditure.- (1) Subject to the conditions under clause 8, the Commission authorizes the Licensee under Section 46 of the Act, to recover from the owner or occupier of any premises requiring supply the expenses reasonably incurred by the Licensee for providing any electric line or electrical plant required specifically for the purpose of giving such supply.

Provided that the Licensee shall not be entitled to recover such expenditure if such expenditure is under the scheme approved

by the Commission or other wise charged in the Annual Revenue Requirements of the Licensee.

Provided also that, the Licensee may exempt any person requiring connection under clause 8(1) from payment of expenditure if such person is below poverty line requiring supply with a connected load below 500 W or if such person belongs to SC/ST category requiring supply with a connected load below 1000 W.

(2) The State Government may direct the Licensee to provide new electric connections to any category of consumer on payment of cost as specified in these regulations in advance to the Licensee.

(3) The expenditure charged by the Licensee shall be based on the schedule of rates approved by the Commission and published by the Licensee annually effective from every first day of April."

8. Hon. Commission vide letter No. KSERC/Supply Code/2/140/2005/1031 dated 26-07-2005 approved the estimate rates for distribution works submitted by KSEB. While adopting these rates, the Board, vide order dated 24-08-2005 had issued orders clarifying that Service Connection Charges need not be levied from consumers who are availing power connection by remitting the estimate amount approved by the Hon. Commission.
9. At that time, a large number of service connections were being registered without collecting the estimate rates for distribution works for providing supply, as per the earlier provisions in law. In view of the adverse social impacts in withdrawing the facility all of a sudden, the matter of treating such applications were brought before the Hon. Commission and the Government by the Board.

10. Hon. Commission vide letter dated 10-08-2005 had permitted KSEB to release the connections pending under normal development category which were registered on realisation of charges prevailing at that time, which included Service Connection Charges, utilizing Board's own funds and to cover the amount in the ARR and ERC.
11. Meanwhile, the Government directed KSEB to continue release of service connections under normal development scheme also. The State Government vide letter no. 6540/A1/05/PD dated 16-07-2005 issued instructions to KSEB for providing electricity connections to various categories of consumers as below.

“ Sub clause (1) of clause 7 of the Kerala Electricity Supply Code empowers the licensee to recover from the consumer the reasonable expenses for providing electricity to him. If such expenses are under the schemes approved by KSERC or charged in ARR, they cannot be recovered from the consumer. Similarly SC / ST consumers with connected load below 1000 W and BPL consumer with connected load 500 W are exempted from such recovery of expenses. There are two other categories of applicants for electricity connection viz., OYEC and normal development. OYEC category has to pay the entire expenses for getting electricity connection. Sub clause (1) of clause 7 refers to the OYEC category. Government would like to continue the Normal Development category as well.”

12. Thus the State Government had directed KSEB to continue the existing Normal Development category and provide electricity to them by meeting the expenditure from special schemes approved by KSERC or by charging such expenditure to ARR, for which Board shall provide sufficient amount in the ARR.
13. In view of the coming into existence of Supply Code in 2005 and the directions issued by Government, KSEB decided to stop realising Service Connection Charges over and above the estimate rate of distribution

works for providing supply. For those consumers who were registered for release of supply under normal plan development works, Service Connection Charges were continued to be collected as recovery of a part of the cost authorised by the Commission.

14. It may be noted that KSEB has not introduced any new charges after the formation of KSERC and notification of the Supply Code regulations. Instead, the Service Connection Charges, which were charged over and above OYEC amount, were stopped. Thus the consumers who are ready to remit the estimate rates approved by the Commission are not required to remit the Service Connection Charges. Only for those consumers who were not in a position to remit the entire estimate rates of distribution works for providing supply as authorised by the Commission, the Service Connection Charges were continued to be collected as a part of cost of providing such supply. In case of those consumers who initially remit the Service Connection Charges as part of the estimate rate, when they later show willingness for remitting the entire costs, Board has directed to adjust the Service Connection Charges remitted earlier, against the estimate amount to be remitted. The connections registered by remitting the part of the estimate rate as Service Connection Charges were released under normal development works and these include domestic connections, industrial connections and agricultural connections.
15. Accordingly, Service Connection Charges are not being levied from consumers who are availing power connection by remitting the cost of providing service connection (the estimate rate approved by the Hon. Commission). Also, persons below poverty line with connected load below 500 W or persons belonging to SC / ST category with connected load below 1000 W are exempted from payment of cost incurred if no extension of distributing main is necessitated for providing supply. However, as directed by the Government and approved by KSERC, KSEB continued the scheme of giving new service connection without realizing

the entire cost to applicants under normal category. Similarly, certain group of consumers like cancer patients, physically challenged persons including blind etc. were exempted from payment of cost of providing supply and connection is released on out of turn priority. Also all agricultural consumers, LT industrial consumers registered under SSI, self-employment scheme or other special schemes were exempted from payment of the entire estimate cost of providing supply. Considering the adverse social implications of insisting recovery of full cost of providing new service connections all of a sudden to a substantially large section of applicants, most of whom are from the underprivileged sections of the society and who were earlier availing the benefit of obtaining service connection without remitting the full cost, KSEB continued to provide electric connection to these groups of consumers by realizing only a part of the cost of providing supply, in the form of Service Connection Charge.

16. It may be noted that the intention of KSEB was not to charge some additional charges on consumers over and above those authorised by the Commission. Also it was not the intention of KSEB to continue with the scheme without obtaining proper approval from the Commission. In order to obtain approval of the Commission for the scheme of providing new service connections after collecting part of the authorised estimate rates, KSEB vide petition dated 25-06-2010 has sought the approval of the Commission on collection of Service Connection Charges as above by incorporating the same in the Schedule of Miscellaneous Charges in the Terms and Conditions of Supply approved for KSEB by the Commission. However, in view of the subsequent order dated 08-09-2010 of the Commission on the matter, during the public hearing on the petition on 05-01-2011, KSEB had sought to submit a detailed proposal for continuation of the system. The matter was also discussed in the 22nd Advisory Committee meeting of the Commission during which the

- Commission had desired to look into the financial impact of the scheme on existing consumers of KSEB.
17. For working out the financial implications of the matter on KSEB as well as existing consumers the data pertaining to the year 2009-10 has been relied upon in this proposal. Since the present proposal deals with only LT consumers, the data regarding Service Connection Charges, service connections released etc. is entirely related to LT consumers alone of KSEB.
 18. It may be noted that 2,88,331 electric connections were released in LT during the financial year 2009-10 by remitting the entire estimate rates as authorised by the Commission for providing supply. During the same period, another 1,67,929 consumers have availed electric connection by remitting only a part of the actual cost of providing supply by way of Service Connection Charges. As per the accounts of KSEB, during 2009-10 an amount of Rs. 13.96 Crore is collected from LT consumers against Service Connection Charges. These charges are accounted as consumer contributions received towards cost of capital assets and thus is reflected in the ARR & ERC of KSEB as a source of fund for capital works. The amount collected against the estimate rates for distribution works as authorised by the Commission for release of new connections are also accounted similarly.
 19. Thus the collection of Service Connection Charges has resulted in a reduction of interest and finance charges of KSEB and is reflected in the ARR & ERC to that extent. It may kindly be noted that the Service Connection Charges collected from various group of consumers have been properly accounted in the books of account of KSEB and the income from such charges were utilised for creating capital assets and the resultant reduction in borrowings of KSEB has reflected as reduction in Annual Revenue Requirements of KSEB. In other words, the collection of Service Connection Charges has already reflected in the books of accounts of

KSEB as well as in the tariff determination process of the Commission so far.

20. The maximum cost realisable from the 1,67,929 consumers who had not remitted the full estimate cost as authorised by the Commission works out to about Rs. 112.98 Crore against the amount of Rs. 13.96 Crore received as Service Connection Charges. The estimate amount for providing these connections during the above period is worked out as detailed below on the following assumptions.

Assumptions:

Average length of overhead line in case of overhead (OH) services = 100 m

Average number of posts = 2 Nos.

Connected load for three phase connections = < 10 kW

Details for the period 2009-'10

Type of Service connection		No. of connections released	Avg. Rate in Rs.	Cost as per approved rates (Rs. Crore)
Overhead	Single phase	57606	15000	86.41
	Three phase	1575	33900	5.34
	Single phase to three phase conversion	37	14500	0.05
Weather proof	Single phase	104800	1850	19.39
	Three phase	3865	4600	1.78
	Single phase to three phase conversion	46	2500	0.01
Total		167929		112.98

21. Thus the capital cost incurred by KSEB during 2009-10 over and above the amount received as Service Connection Charges collected as part of the estimate rate authorised by the Commission for release of new service connections under normal plan works out to Rs. 99.02 Crore (Rs. 112.98 Crore – Rs. 13.96 Crore). In the ARR, the financing cost of this amount could be reflected as interest and finance charges. The other element which reflects in the ARR is the depreciation allowable for the assets so created. However, since at present, all the assets created are being

accounted for allowing depreciation, the depreciation value does not create any additional impact in the ARR of KSEB.

22. In the ARR for the years from 2005-06 onwards the interest and finance charges has been consistently getting reduced due to enhanced debt servicing on the part of KSEB. Thus it could be argued that creation of assets for releasing new service connections after availing part of the estimate cost has not resulted in any increase in the ARR of KSEB during the period after the notification of Supply Code in 2005. However, to assess the impact of releasing service connections under normal plan works on the existing consumers of KSEB, as desired by the Commission during the 22nd Advisory Committee meeting on 08-12-2010, a normative approach could be followed.
23. For assessing the impact of carrying out these distribution works out of own funds to the tune of Rs. 99.02 Crore as estimated above, a normative 70:30 debt : equity ratio and an interest rate of 9% is considered here. Thus the annual interest & finance charges that will reflect in that year's ARR could be normatively assessed as about Rs. 6.24 Crore. The amount could diminishingly reflect in subsequent ARRs also until the normative debt is fully serviced.
24. Against this liability, the consumers who availed the service connection after remitting part of the estimate rates is required to pay monthly rental charges as per the petition filed by KSEB on 25-06-2010. The charges applicable for 3 years were at the following rates.

Sl. No.	Particulars	Monthly Rental Charges	
		Single Phase	Three Phase
1	Overhead service line beyond weather proof service (35 metre clear span) including phase line adding, line conversion and HT / LT lines	5 paise/metre	10 paise/metre
2	Insertion of a post	50 paise	

25. As per the accounts of KSEB, the total rent received during 2009-10 from the consumers at the above rates is Rs. 1.02 Crore. This is properly accounted in the books of accounts of KSEB as well as included in the ARR & ERC as non-tariff income. Thus, only balance amount against the normative interest & finance charges will appear as a cost to be recovered from the existing consumers through tariff. Considering that the total energy sales of KSEB during 2009-10 was 14,047 MU, the per unit loading on the existing consumers will be nominal and will be of the order of 0.37 paise per unit.
26. As per the books of accounts of KSEB, the rental charges of service line and service connection charges received during the period from 2005-'06 to 2009-'10 are detailed below:

Amount in Rs. Core

Period	Service Connection Charges	Service Line Rent
2005-06	15.19	0.26
2006-07	6.84	0.72
2007-08	6.87	0.65
2008-09	16.09	1.16
2009-10	13.96	1.02
Total	58.95	3.81

The details regarding the number of consumers who are the beneficiaries of the normal development category scheme from 2005-06 and the amount foregone by KSEB on account of not collecting cost of supply from them are being collected from field offices. It is submitted that KSEB would furnish such details separately.

27. In view of the fact that all the consumers of KSEB had availed electric connection without remitting the estimate rates of works until the Supply Code was implemented in 2005, the socialization of cost incurred by KSEB for providing the new connections to those who are financially not in a position to take the entire burden of the estimate rate as above may kindly be considered as justifiable by the Hon. Commission. It needs to be noted that until 1988 all consumers were availing new service connections without remitting the cost of works in any form. Even after introduction of OYEC scheme, a substantial number of consumers continued to avail the supply under normal development scheme and only the privileged sections in the society has been able to avail supply on out of turn priority under the OYEC scheme. Thus a huge majority of the existing consumers had enjoyed the benefit of availing new service connection without incurring the full estimated cost and thus imposing a negligible burden on the existing consumers for extending the same benefit to those sections in the society who are financially not in a position to take the entire burden of estimate cost of distribution works required for release of their connections may be considered as justifiable.
28. It may further be noted that KSEB has not included the entire amount required for carrying out the works required for release of these connections in the ARR & ERC for the relevant years. The plan works in distribution sector to be carried out using own funds and through consumer contributions were always proposed as a combined proposal. The interest and finance charges were always claimed after considering the finance available through consumer contributions also. The consumer contributions always contained the remittance made by consumers against the estimate rate of distribution works as well as the Service Connection Charges. Thus the first proviso of clause 7(1) of the Supply Code is not applicable in this case.

29. In view of the large number of applications still received for availing new connections without remitting the entire estimate costs, it may be prudent to continue the system of releasing the new connections after charging a nominal amount as a part of the estimate rates to ensure inclusive growth of the economy. This is especially relevant since the cost of socialization of the expenses is only marginal and considering the fact that out of the existing consumers who are liable for paying this socialization cost, a huge majority has actually availed the benefit of service connection without paying the full cost or any cost at all.
30. The alternate options of either insisting for recovery of full estimate rate from all consumers or to stop collecting part of the authorised amount as Service Connection Charges has its own perils. Stopping Service Connection Charges and continuing release of service connections under normal plan works as at present would increase the ARR to that extent and thus the burden on existing consumers would be still increasing. On the other hand, insisting of full estimate rate from all consumers (except BPL and SC / ST consumers under weather proof category) would create a huge financial burden on around 1.5 lakhs of new consumers annually, who are in the low income group and not in a position to remit the entire estimate cost. This may result in denying this modern form of energy to a sizeable section of the society in the 21st century, who still require the support of the society at large, when the National Electricity Policy targets electrification of all households by 2012.
31. KSEB at present is in a position to raise adequate resources for capital works through debt and thus the development requirements of the sector will not be affected due to the necessity to raise debt for the release of service connections by realising only a part of the estimate rate. Based on the capital requirements of the sector from time to time and the debt raising capability of KSEB, the system may be reviewed on a periodical basis, as may be found necessary. Moreover, the State is presently striving

towards 100% electrification of households and once the same is attained the financial burden for continuation of the present system could be minimal.

32. In view of the above and considering the social aspects, it is requested before the Hon. Commission to permit KSEB to provide electric connection under LT category to those applicants who are not in a position to remit the entire estimate rates, by realising a part of the estimate rate and releasing the connections under normal development as per the direction of the State Government, after realizing a portion of the expenditure by way of Connection Charges and line / post rent at the rates suggested as follows:

Connection Charges				
Tariff	Phase	Connected load	Amount	
a	LT-I (A)	Single Phase	501 to 1000 W	Rs. 300
			1001 to 2000 W	Rs. 525
		Above 2000 W	Rs. 750	
	Three phase	Up to 10 kW	Rs. 1,500	
		Above 10 kW	Rs. 1500 plus Rs. 200 per kW for loads over and above 10 kW	
b	LT-II	Single Phase	Rs. 750	
		Three phase	Rs. 1,500	
c	LT-IV	Upto 5 kW	Rs. 115 per kW	
		Above 5 kW	Rs. 225 per kW for entire connected load	
d	LT-VI (A, B, C)		Rs. 200 per kW	
e	LT-VII (A, C)	Single Phase	Rs. 750	
		Three phase	Up to 10 kW	Rs. 2,250
			Above 10 kW	Rs. 4,500

Note :

The following categories of consumers are exempted from Connection Charges:

- | | |
|-----|--|
| i | LT-I (A) consumers having connected load upto 500 W, SC/ST consumers under LT-I (A) having connected load less than 1000 Watts, LT-III, LT-V, LT-VI (D) and LT-VII (B). |
| ii | New domestic connection or conversion of 1 \emptyset to 3 \emptyset in the case of serving / retired Board employees |
| iii | Telephone booths approved by BSNL and run by physically handicapped persons (40% disability to be certified by Medical Officer not below the rank of Civil Surgeon of Health Service Department) |

iv	SSI units, Entrepreneurs engaged in manufacturing or production of goods and acknowledged by District Industries Centre, Industries having registration under Khadi & Village Industries Board or Industrial Co-operative Societies Act where the service require construction of only LT overhead lines, the length of which does not exceed 500 m and connected load does not exceed 50 kVA
v	Consumers availing service connection by remitting cost of effecting supply.

Rental Charges

(Applicable for three years from the date of service connection)

Sl. No.	Particulars	Monthly Rental Charges	
		Single Phase	Three Phase
1	Overhead service line beyond weather proof service (35 metre clear span) including phase line adding, line conversion and HT / LT lines	5 paise/metre	10 paise/metre
2	Insertion of a post	50 paise	

33. It may be noted that LT-I (A) consumers having connected load upto 500 W, SC/ST consumers under LT-I (A) having connected load less than 1000 Watts, LT-III, LT-V, LT-VI (D), LT-VII (B) could be exempted from paying Service Connection Charges so that these consumers who belong to the lower income group and generally having lower consumption are not over burdened.
34. Hon. Commission has directed KSEB to file the Board orders / circulars prescribing the criteria issued (all of them, if changes have taken place periodically) for selecting the beneficiaries and extending the benefit of normal development or concessional connections on realizing service connection charges and rental charges on service lines. It is humbly submitted before the Hon. Commission that beneficiaries of normal development category are not specified by KSEB by using any qualification criteria. It may please be noted that electric connections are released to

applicants within the time frame fixed by the Hon. Commission in the Kerala Electricity Supply Code, 2005 once the expenditure for providing that supply is remitted by the prospective consumer. Certain consumers, who are unable to remit the entire amount prescribed by the commission, are also allowed to be registered by realising only service connection charges and the connections are released periodically as per the direction of the State Government under normal development category. They are provided electric connection after levying a part of the cost of supply. Such consumers have to wait till the Government revises the target date of releasing normal weather proof and overhead service connections. Among such consumers the release of service connections are carried out on an out of turn priority in case of some category of consumers which are properly defined through earlier Board orders. Board orders in this regard are attached as *Annexure*, as desired by the Commission.

35. **Prayer**

KSEB submits before the Hon. Commission that the connection charges and rental charges as specified above may be approved for inclusion in the Schedule of Miscellaneous Charges of the Terms and Conditions of Supply for KSEB.

Acc: *Annexure*

**Chief Engineer
Commercial & Tariff**