

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**PETITION NO.T.P.15 OF 2006**

PRESENT: Shri. C.Balakrishnan            Chairman  
              Shri.C.Abdulla                 Member  
              Shri.M.P.Aiyappan            Member

**January 5, 2006**

**IN THE MATTER OF APPROVAL OF REDUCTION IN TARIFF FOR LT-1 (a)  
DOMESTIC AND LT-VII (A) & (B) – COMMERCIAL CONSUMERS OF KSEB.**

**ORDER**

1. The Kerala State Electricity Board as per their petition No.KSEB/TRAC/TR 05/DCE/05/DCE/05/2 dated 2-1-06 have submitted a proposal for approval of the reduction of tariff in respect of LT-1 (a) Domestic and LT-VII (A) & (B) Commercial category of consumers. The prayer of the Board as per the petition is:

- (i) issue orders for reducing the tariff for LT 1 (a) domestic and LT VII (A) and LT-VII (B) commercial consumers by 20 paise per unit from the existing tariff with effect from 1-1-2006.
- (ii) Issue directives to the State Government for bearing the revenue drop of about Rs.120 crores as Government subsidy for the year 2006-07.
- (iii) Permit the Board to adjust the revenue drop of about Rs.30 crore for the remaining three months of the current financial year on account of the proposed tariff revision against the provision for return on equity claimed by the Board for the year 2005-06 and
- (iv) Permit the Board to submit the truing up of revenues and costs based on actuals at the end of the respective financial years.

2. The petition of the Electricity Board is based on the direction issued by the Government of Kerala vide letter No.10990/C1/95/PD dated 21-12-2005 of Additional Chief Secretary and Principal Secretary (Power), Government of Kerala which reads;

“I am directed to convey the instructions of the Government to reduce LT-1 domestic tariff and LT VII (A) Commercial tariff by 20 paise per unit. Necessary proposals may be submitted to State Electricity Regulatory Commission accordingly.” Board has stated that Government had directed to add LT VII (B) Consumers also for reducing Tariff by 20 paise / Unit.

3. The Commission after detailed deliberations came to the conclusion that, as the proposal is for giving reduction in tariff to certain classes of consumers only, it attracts the provisions of Section 65 of the Electricity Act, 2003 which reads

“If the State Government requires the grant of any subsidy to any consumer or classes of consumers in the tariff determined by the State Commission under Sec.62, the State Government shall, notwithstanding any direction which may be given under Sec.108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licensee or any other person concerned to implement the subsidy provided for by the State Government:

PROVIDED THAT no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard.”

4. Hence it was decided to take up the matter with the Government of Kerala, whether they are ready to grant subsidy to the tune of Rs.30 Crores to

KSEB to compensate the revenue drop. It was also decided that the subsidy demanded by KSEB for the year 2006-07 would be decided on finalization of ARR for 2006-07 and shall be taken up with the Government separately.

5. Commission as per letter No.KSERC/TP-15/2006/06 dated 3-1-06 sought the willingness of the Government of Kerala for the subsidy requested by KSEB.

6. Government of Kerala as per their letter No.101/A1/06/PD dated 4-1-06 have expressed their willingness to release the subsidy as required for reducing the tariff as mentioned above.

7. The Commission had approved the ARR of Rs.3367.32 Crores and a total Expected Revenue from Charges of Rs.3316.01 Crores for 2005-06 as per Order No.TP-6 of 2004 dated March 23, 2005, leaving the revenue gap of Rs.51.31 Crores. Since the approved revenue gap was less than 2% of the total revenue requirements, Commission approved the continuance of the existing tariff till further orders. The Government of Kerala had communicated to the Commission vide their letter dated 1-03-2005 that the Government were not in favour of increasing the tariff for bridging the revenue gap. Considering this the Commission had directed that if the Government wished to provide subsidy to the Board to meet the gap determined by the Commission, they may communicate to the Commission the amount of subsidy and the consumer classes to which the subsidy is to be directed as early as possible. Commission had directed Government of Kerala to provide the Tariff subsidy, as per Section 65 of the Act, to be paid to the Board in advance in twelve equal monthly instalments. The additional revenue gap by way of the present tariff reduction for the year 2005-06 amounting to Rs.30 Crores can be treated similarly.

8. In the light of the above, Commission orders the following:

- (i) KSEB is informed that the existing Tariff Order shall continue to be in force until the Commission revises it.

- (ii) KSEB shall collect the charges from LT-1(a) Domestic & LT-VII (A) & LT VII (B) – Commercial consumers by reducing 20 paise per unit w.e.f. 1-1-06.
- (iii) The shortfall in revenue due to the Government directive for the remaining months of 05-06 shall be released by the Government as subsidy on monthly instalment. In this context, to make things transparent to public, KSEB may split the energy bills of each consumer to exhibit the subsidy component distinctly, so that the Public will also be in a position to appreciate the quantum of subsidy they receive every month.
- (iv) The revenue gap for 2006-07 shall be decided based on the procedures laid down by the Commission for finalization of ARR & ERC for 2006-07.
- (v) The attention of KSEB / Government is drawn to the provision under section 65 of the Electricity Act 2003, which reads as follows to deal with the non payment of subsidy “***Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard.***”

Authenticated copy for issue

Ajitha.S  
Secretary