

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

Application No.: **OA 7/2015**

In the matter of determination of ARR & ERC of M/s Infoparks Kerala for the first control period 2015-16 to 2017-18, based on the application submitted as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014.

Applicant : M/s Infoparks Kerala

**PRESENT : Shri T.M.Manoharan, Chairman
Shri K.Vikraman Nair, Member**

ORDER DATED 11.11.2015

1. M/s. Infoparks, Kerala, Kochi (*hereinafter called the licensee or Infopark*) a Government of Kerala undertaking, engaged in the development of infrastructure for information technology (IT) and information technology enabled services (IT enabled Services) is the applicant. Infopark was granted distribution licence vide order dated 10-5-2010 of the Commission and the electricity distribution operations had commenced from 1-7-2013. The Infopark Phase II campus at Kochi was granted distribution licence vide order dated 18-10-2011 and the operations are now being initiated.
2. The KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 (herein after referred to as Tariff Regulations, 2014) was notified on 14.11.2014 as per notification No.787/SEA/2011/KSERC. As per the provisions of the said regulations, the licensee should submit the application for determination of tariff for the first control period, on or before 31.12.2014. The licensee had filed OA No.7/2015 as early as on 30.01.2015. After scrutiny of the application, a public hearing was conducted on 20.04.2015.
3. Meanwhile, KSEB Ltd had filed a Writ Petition No. 465/2015 on 06.01.2015 before the Hon'ble High Court of Kerala, challenging certain provisions in the Tariff Regulations 2014, with the following prayers:

- (i)** Issue a writ of certiorari or any other appropriate writ, order or direction calling for the records leading to Exhibit P5 and quash the same as illegal as it violates Article 14 of the Constitution of India;
 - (ii)** To issue writ of mandamus or any other appropriate writ, order or direction to the respondent to revise Exhibit P5 regulations strictly as per the legal mandate provided in the Electricity Act, 2003, National Electricity Policy, National Tariff Policy and on the basis of past performance of KSEB including its audited accounts; and
 - (iii)** Issue such other writs, orders or directions which this Hon'ble Court may deem fit and proper to issue on the facts and circumstances of the case.
4. KSEB had also filed a petition for granting an ex-parte interim order staying the operation and implementation of Exhibit P5, pending adjudication of the writ petition. The Hon'ble High Court in its order dated 07.01.2015 issued an order to the effect that the tariff proposal, if any, submitted by the petitioner, namely KSEB Ltd, shall not be rejected on the basis of Exhibit P5 regulations. The Exhibit P5 regulation is the Tariff Regulations, 2014. As soon as the copy of the writ petition was received by the Commission a detailed counter affidavit was filed on 17.03.2015. Further, the Commission also filed a detailed petition to get the interim order dated 07.01.2015 vacated. So far the interim order dated 07.01.2015 has not been vacated and the writ petition has not been heard by the Hon'ble High Court. The licensees other than KSEB Ltd, are purchasing electricity from KSEB Ltd for the supply among their consumers. If different retail supply tariffs are fixed for the consumers of small licensees, who supply electricity to a very small number of consumers in comparatively very small areas, it is likely to create a sense of disparity among consumers. In the case of Thrissur Municipal Corporation, the supply of electricity within the area of corporation is done by the Thrissur Corporation Electricity Department (TCED) and KSEB Ltd. Therefore the tariff for consumers under TCED and KSEB Ltd would be different if differential retail supply tariff is adopted. Therefore the Commission has been following the principle of uniform retail supply tariff (RST) for all consumers in the State and differential bulk supply tariff (BST) for different licensees depending upon their consumer mix, expected revenue from charges and various constituents of the aggregate revenue requirement. Therefore the bulk supply tariff can be fixed for a small licensee only after the retail supply tariff is fixed based on the applications for determination of tariff filed by KSEB Ltd. The Commission found it difficult to apply the Tariff Regulation, 2014 to the small licensees and to exempt KSEB Ltd from

the application of the provisions of the said regulations. The issuance of orders on the application No.OA 7/2015 filed by the applicant is delayed in view of the fact that the writ petition challenging the validity of the Tariff Regulations, 2014 is pending before the Hon'ble High Court and that the interim order of the Hon'ble High Court dated 07.01.2015 has not been modified or vacated. In view of the fact that no order has been received from the Hon'ble High Court, the Commission has decided to process the application and to issue provisional orders on ARR & ERC for the first control period without determining the revised bulk supply tariff (BST) applicable to the applicant.

5. As mentioned earlier, M/s Infoparks Kerala filed the application for approval of ARR&ERC for the first control period 2015-16 to 2017-18 as per the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014 on 30.01.2015 and it was admitted as OA No.7/15. A comparative statement of the ARR&ERC for the year 2014-15 and for 2015-16 to 2017-18, the first control period as per application is furnished below.

Table – 1
Comparative Statement of ARR & ERC

Rs.lakhs

Particulars	ARR-ERC Approved	Control Period Estimates		
		2014-15	2015-16	2016-17
Income:				
Revenue from Sale of Power.	524.24	574.23	1029.32	1612.47
Other Income	-	2.00	2.00	2.00
Total Income.	524.24	576.23	1031.32	1614.47
Expenditure				
Purchase of Power	500.36	570.53	1062.52	1600.67
Repairs and Maintenance	17.00	20.32	25.40	30.45
Employee Cost	3.12	5.32	16.08	16.80
Administration and General Expenses	3.80	6.03	6.24	6.61
Depreciation	-	-	-	-
Interest & Finance Charges	-	-	-	-
Return on Equity	10.00	-	-	-
Total Expenditure.	534.28	602.20	1110.24	1654.53
Net Surplus/(Deficit)	(10.04)	(25.97)	(78.92)	(40.06)

In the initial application filed, the licensee has not claimed any amount for depreciation of the assts or interest and finance charges for the control period. The licensee subsequently submitted their claims on the same which are detailed under the concerned heads.

Hearing on the Matter

6. Public hearing was held on 20-04-2015 at the conference hall of M/s Infoparks Kerala, Cherthala. In the hearing representatives of the licensee and KSEB Limited were present. M/s Infoparks Kerala was represented by Sri. V.R.Vijayan, Senior Manager and Sri.Sarathchandran, Engineer, Infopark. Sri. V.R.Vijayan presented the details of the petition on ARR & ERC for the first control period. Sri. B. Pradeep, Executive Engineer, KSEB Ltd presented the objections of KSEB Ltd and submitted written remarks on the application which are briefly stated here under:
 - a. It was submitted that the licensee's claim of the A&G expenses, R&M expenses and employee costs have increased considerably as compared to the previous year and the projected expenditure under the above heads were not in tune with the norms approved by the Commission as per the Tariff Regulations 2014 and prayed that the Commission may have a prudence check on the expenses and may approve such items only at the reasonable levels.
 - b. KSEB Ltd pointed out that the per unit realization on public lighting for the year 2015-16 has reduced from current year's actual estimated value.
 - c. It was submitted that the claim of the licensee under the head non-tariff income included only the miscellaneous charges receivable and did not account the interest receivable for security deposit available with KSEB Ltd.
7. M/s Infopark submitted on 4th May 2015, the clarifications and other required details on the comments of KSEB Ltd. The licensee also submitted the details of the claim on depreciation of the assets of the licensee. While submitting the ARR application, the licensee had remarked that:
 - a. It has not included the capital cost incurred for higher infrastructure for IT parks, in accordance to with the Minutes of Meeting dated 5th July 2012 Chaired by the Hon'ble Chief Minister of Kerala.
 - b. Without considering the capital cost and related accountable expenditure, Infopark is incurring loss in the licensee operation.

- c. The difference between Bulk Supply Tariff (BST) and Retail Supply Tariff (RST) is only five paise.

Analysis and decision of the Commission

8. The Commission has considered the application and the clarifications filed by the Licensee, submissions during the hearing, and the observations presented by the KSEB Ltd on the application. The decision of the Commission is given in the following sections.
9. **No. of Consumers and Sale of Power:** -As per Regulation 11 (10) of Tariff Regulations 2014, the applicant/distribution licensee shall develop the forecast of expected revenue from existing charges based on the estimates of contract demand and quantum of electricity to be supplied to the consumers and to be wheeled on behalf of the users of the distribution system for each financial year of the control period. Further Regulation 73 provides as follows:

“73.Sales forecast. – (1) The distribution business/licensee shall submit, along with the application for approval of aggregate revenue requirement and determination of tariff, a forecast of expected demand and sale of electricity to different categories of consumers and to each consumption slab within each tariff category, in its area of supply.

(2) Sale of electricity, if any, to electricity traders or other distribution licensees shall be separately indicated.

(3) The Commission shall examine the forecasts for reasonableness based on the growth in number of consumers and in consumption, the demand of electricity in previous financial years, anticipated growth in the next financial year and any other factor, which the Commission may consider relevant and approve forecast of sale of electricity to the consumers with such modifications as deemed fit.”

10. As per the submission of the licensee, Infoparks Cherthala and Infopark Phase II at Kakkanad is in infancy stage and they have started operation only recently and they are in a phase of active growth. The licensee currently has a total of 23 consumers including HT consumers. Infopark expects increase in the number of consumers during the control period. The number of consumers are expected to

increase to 40 for the year 2015-16, 86 in 2016-17 and 118 in 2017-18. The licensee mainly expects an increase in the LT industrial and IT enabled category. The expected sale of power for the year 2015-16 is 8.29 MU. The licensee expects increase in the number of consumers and sale of power for entire control period. The projected consumer mix and sales projection of the licensee for the control period are as follows:

Table – 2
Energy sales projections for the control period

consumer category	2015-16		2016-17		2017-18	
	No. Of consumers	Sales (MU)	No. Of consumers	Sales (MU)	No. Of consumers	Sales (MU)
Industrial	30	1.27	70	2.52	100	3.65
Commercial	6	0.21	8	0.30	8	0.40
Street lighting	1	0.04	2	0.20	2	0.28
HT 1B	3	6.77	6	11.81	8	17.86
Total	40	8.29	86	14.83	118	22.19

Distribution Loss and Energy Requirement:

- As per Regulation 74, the licensee is to provide voltage level distribution loss and distribution loss trajectory for the control period. Necessary supporting studies have to be furnished along with the application. The distribution licensee shall also propose the loss reduction targets for each financial year of the control period along with the distribution loss levels. The Commission has to approve the target level of losses based on the opening level of losses, the figures filed by licensee and other relevant factors. The distribution loss projected by the licensee for 2014-15 is 2%. The Commission had approved the distribution loss as projected by the licensee. The licensee has projected the distribution loss at the same level of 2% for the entire control period which is shown below

Table – 3
Distribution loss and energy input projected for the control period

Particulars	2014-15	2015-16	2016-17	2017-18
	Approved	Projected	Projected	Projected
Energy input (MU)	8.23	8.46	15.13	22.64
Energy sales (MU)	8.07	8.29	14.83	22.19
Distribution loss (MU)	0.16	0.17	0.30	0.45
Distribution loss (%)	2.00%	2.00%	2.00%	2.00%

12. The Commission considered the distribution loss proposed for the control period. Since, reduction in distribution loss is an important parameter which has a direct impact on power purchase cost and available energy for distribution, it is a criterion that the licensees should continuously strive to improve upon. In the instant case, taking into consideration the limited geographical area of its operation and the nature of infrastructure build up, the Commission is of the opinion that distribution loss can be pegged at 1.80%. On the basis of the above facts, and the approved level of distribution loss, the energy requirement approved for the control period is shown below.

Table-4

Approved Distribution loss and energy input for the Control Period			
	2015-16	2016-17	2017-18
Energy Purchased (MU)	8.44	15.10	22.60
Energy Sold (MU)	8.29	14.83	22.19
Distribution Loss (MU)	0.15	0.27	0.41
Distribution Loss %	1.80%	1.80%	1.80%

13. **Power Purchase Cost:** -As per Regulation 75, the licensee has to submit a power procurement plan for the control period consistent with the sales forecast of unrestricted demand for electricity within the area of supply from each tariff category over the financial year. Tariff for estimating the cost of power purchase shall be the tariff determined by the Commission for such purchase. Hence, the power purchase cost shall be based on the forecast of sales and existing approved tariff.
14. It is mentioned by the licensee that initially they were availing power for Cherthala at 11 KV voltage level which was subsequently changed to 110 KV from September 2014. They have a power purchase agreement for 750KVA with KSEB Ltd. which is valid up to 30th June 2015. On 19th September 2014, they have entered into a PPA with KSEB for availing 3 MVA power at 11 KV voltage at Infopark Phase II at Kakkanad
15. The licensee proposes an increase in the power purchase cost for each year of the first control period. As per the petition submitted by the licensee, the power purchase cost is expected to be Rs.570.53 lakhs for the year 2015-16, Rs.1062.52 lakhs for the year 2016-17 and 1600.67 lakhs for the year 2017-18 respectively. The licensee has projected the power purchase cost at the prevailing tariff rate.

The licensee expects increase in the number of consumers for the entire control period.

Table-5
Estimated Cost of Power Purchase for the control period

	2015-16	2016-17	2017-18
Energy requirement (MU)	8.46	15.13	22.64
Rate of demand charge (Rs./kVA)	300.00	300.00	300.00
Demand charges (Rs.lakhs)	101.25	222.75	344.25
Rate of energy charges (Rs.kWh)	5.55	5.55	5.55
Energy charges (Rs.lakhs)	469.28	839.77	1256.42
Total cost of power purchase(Rs.lakhs)	570.53	1062.52	1600.67

16. After analysis and consideration of the details and the background information submitted by the licensee and relying on the fact that the licensee is in its process of growth, the Commission approves the figures projected by the licensee. The cost of power purchase approved for the control period is shown below.

Table-6
Approved Cost of Power Purchase for the control period

	2015-16	2016-17	2017-18
Energy requirement (MU)	8.44	15.10	22.60
Maximum demand billed (KVA)	3750	7850	12750
Rate of demand charge (Rs./kVA)	300.00	300.00	300.00
Demand charges (Rs.lakhs)	101.25	211.95	344.25
Rate of energy charges (Rs.kWh)	5.55	5.55	5.55
Energy charges (Rs.lakhs)	468.42	838.05	1254.30
Total cost of power purchase(Rs.lakhs)	569.67	1050.00	1598.55

17. **Interest and Finance Charges:** - The licensee has not claimed any interest and finance charges for the control period.
18. **Depreciation:** - The licensee had not claimed any depreciation for the control period in the initial submission. At the hearing conducted on 20-04-2015, the Commission directed the licensee to submit the details of the claim, if any, on depreciation and subsequently vide letter 04-05-2015 they submitted the details which is tabulated hereunder. As per Regulation 28(2)(c), the licensee shall submit all such details and documentary evidence as may be required, to substantiate its

claims for depreciation. The licensee has not submitted any such evidences. The licensee is directed to submit all such details and documentary evidences pertaining to the financial year 2015-16 along with the annual filings pertaining to the financial year 2016-17. The details and documentary evidences pertaining to 2016-17 and 2017-18 shall also be submitted. In the absence of such details and documentary evidences to substantiate the claims of the licensee, the Commission will not be able to grant final approval for such claims.

Table-7
Depreciation proposed for the control period

(Rs Lakhs)

			2015-16	2016-17	2017-18
Particulars	Depreciation rate	Asset Value	Depreciation Claim	Depreciation Claim	Depreciation Claim
Civil works	3.34%	186.94	6.24	6.04	5.83
HT Distribution System					
Transformers	5.28%	180.30	9.52	9.02	8.54
Switch gear	5.28%	288.03	15.21	14.41	13.64
Batteries	5.28%	13.45	0.71	0.67	0.64
Others	3.34%	52.70	1.76	1.70	1.64
LT Distribution System					
Distribution Lines	5.28%	14.61	0.77	0.73	0.69
Transformers	5.28%	20.26	1.07	1.01	0.96
Switch gear	5.28%	110.00	5.81	5.50	5.21
Batteries	5.28%	1.67	0.09	0.08	0.08
Others/DG	5.28%	99.97	5.28	4.99	4.74
Total		1117.93	46.46	44.16	41.98

19. The licensee had not claimed any depreciation for the year 2014-15. The licensee has not claimed any addition to the existing assets for of the control period. The licensee has not proposed depreciation as per the provisions of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014. Sub regulation (1) and (2) of Regulation 28 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 is quoted here under.

"28. Depreciation. – (1) The value base for the purpose of depreciation shall be the original capital cost of the asset approved by the Commission:

Provided that no depreciation shall be allowed on revaluation reserve created on account of revaluation of assets.

(2)The generation business/company or transmission business/licensee or distribution business/ licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective business, computed in the following manner:-

(a) depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure-I to these Regulations for the first twelve financial years from the date of commercial operation;

(b) the remaining depreciable value as on the Thirty First day of March of the financial year ending after a period of twelve financial years from the date of commercial operation shall be spread over the balance useful life of the assets as specified in Annexure- I;

(c) the generating business/company or transmission business/ licensee or distribution business/licensee, shall submit all such details and documentary evidence, as may be required under these Regulations and as stipulated by the Commission from time to time, to substantiate the above claims;

(d) the salvage value of the asset shall be ten per cent of the allowable capital cost approved by the Commission and depreciation shall be a maximum of ninety per cent of the approved capital cost of the asset."

20. As per the said regulation, depreciation shall be computed annually based on the straight line method at the rates specified in the regulations, where as the licensee has proposed the depreciation for the control period based on the written down value of assets for each year of the control period.
21. The Commission after considering the submissions has decided that the claim of the licensee for depreciation can be approved only as per the Regulation 28 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014. Accordingly the depreciation provisionally approved for each year of the control period is as shown below.

Table-8
Depreciation approved for each year of the control period (Rs.lakhs)

Particulars	Depreciation approved for 2015-16	Depreciation approved for 2016-17	Depreciation approved for 2017-18
Civil works	6.24	6.24	6.24
Transformers	9.52	9.52	9.52
Switch gear	15.21	15.21	15.21
Batteries	0.71	0.71	0.71
Others	1.76	1.76	1.76
Distribution Lines	0.77	0.77	0.77
Transformers	1.07	1.07	1.07
Switch gear	5.81	5.81	5.81
Batteries	0.09	0.09	0.09
Others/DG	5.28	5.28	5.28
Total	46.46	46.46	46.46

O&M expenses

22. As per the Regulations, O&M expenses consist of employee costs, repair and maintenance expenses and administration and general expenses.
23. **Employee cost:** - The licensee had proposed an employee cost of Rs.10.32 lakhs for the year 2014-15 whereas the Commission had approved Rs. 3.12 Lakhs. As per the application filed by the licensee under the MYT framework, the licensee proposes an increase under this head, for each year of the first control period. The licensee has proposed a total employee cost of Rs 5.32 Lakhs for 2015-16. The split up is as follows

Table-9
Details of proposed employee cost for 2015-16

Description	Amount	Remarks
Resident Engineer - Cherthala	Rs.162000	50 % of the Electrical Engineer cost is only taken as he is partly handling project works also
Resident Engineer - Kakkanad	Rs.270000	50 % of the Electrical Engineer cost is only taken as he is partly handling project works also
Accountant	Rs.100800	70 % of the salary of accountant only is taken as his services are utilised for projects also
Total	5,32,800	

24. It is further submitted by the licensee that, considering the growth of business, it had considered full salary for the employees for the years 2016-17 and 2017-18, which amount to a total of Rs.16.08 lakhs and 16.80 lakhs respectively. The licensee has not submitted the detailed split up of the employee cost for the subsequent years of the control period. The Commission is not aware of the policy which the licensee intend to follow with regard to the manner in which the networks are maintained - ie whether it is going to maintain the network with its own staff or whether it intends to outsource this function to an third party, as is being done by some other licensees. The licensee may provide these details to the Commission, in case they feel that there is a need to relook into the approved rates - especially on the background that the norms of the licensees were fixed without much historical data and also considering the fact that the licensee is in its initial stage of operation. The licensee has projected the employee costs, not in line with the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014.

25. The regulation 81(9) of the Tariff Regulations, 2014, states as follows:

“The distribution business of Infoparks shall be allowed to recover operation and maintenance expenses as per the norms specified in Annexure-IX to these Regulations for each financial year of the control period.”

26. As per Regulation 81 (9), the allowable employee costs for the control period is as shown below:

Table.10
Employee costs approved for the control period
(Rs.lakhs)

Year	Projected	Approved
(1)	(2)	(3)
2015-16	5.32	3.30
2016-17	16.08	3.50
2017-18	16.80	3.70

The Commission approves the amounts shown in column (3) of Table 10 above provisionally, pending receipt of the details to substantiate the claims of the licensee.

27. **Repair and Maintenance Expenses:** - The licensee claims the R & M expenses for both Cherthala and Kakkanad under the head. The licensee expects a repair and maintenance charge of Rs.20.32 lakhs for the year 2015-16, Rs.25.04 lakhs for 2016-17 and Rs. 30.45 lakhs for 2017-18. The Commission had approved Rs.17.00 lakhs for the year 2014-15. The split up of the claim of the licensee on the R&M expenses is shown below.

Table-11
R&M expenses proposed for the control period
(Rs. Lakhs)

Particulars	2015-16	2016-17	2017-18
Plant & Machinery	17.00	22.00	27.00
Buildings	0.32	0.40	0.45
Lines & Cable networks	2.00	2.50	2.50
Furniture and Fixtures	1.00	0.50	0.50
Total	20.32	25.40	30.45

28. The R&M expenses projected by the licensee are much on the higher side as compared with the KSERC (Terms and Conditions for Determination of Tariff) Regulation, 2014. The admissible R&M expense as per Regulation 81(9) of KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014 is shown below.

Table-12
Approved R&M expenses for the control period
(Rs. Lakhs)

R&M expenses	Projected	Approved
(1)	(2)	(3)
2015-16	20.32	17.99
2016-17	25.40	19.05
2017-18	30.45	20.16

Accordingly the Commission approves the amounts shown in Column (3) of Table 12 above.

29. **Administration and General Expenses:** - The licensee proposes an A&G expense which higher and that which is not in line with the KSERC (Terms and

conditions for determination of tariff) Regulations 2014. The licensee projects an amount of Rs.6.03 lakh for the year 2015-16 which includes license fee and other related fee of Rs.3.00 lakh. The proposal for A&G expenses for the year 2016-17 and 2017-18 are Rs.6.24 lakh and Rs.6.61 lakh respectively. The split up details of the expenses proposed by the licensee for the control period is shown below:

Table-13
Administration and General Expenses for the control period
(Rs. Lakhs)

Particulars	2015-16	2016-17	2017-18
Insurance	0.30	0.35	0.40
Telephone & Postage, etc	0.24	0.24	0.24
Legal Charge	0.50	0.50	0.50
Audit Fees	0.25	0.20	0.20
Vehicle expenses	1.00	1.20	1.50
Advertisements, exhibition publicity	0.05	0.05	0.05
Miscellaneous Expenses	0.10	0.11	0.12
Licensee Fee and other fees	3.00	3.00	3.00
Internet and related charges	0.36	0.36	0.36
Books & Periodicals	0.01	0.01	0.01
Computer Stationary	0.02	0.02	0.02
Others- PPA	0.20	0.20	0.20
A&G Expenses	6.03	6.24	6.61

30. It was submitted by the licensee that the insurance of the entire Electrical Installation against fire and break down is arranged on a competitive tender basis and the same is booked under this head. It was further stated that the Section III duty has not been accounted under any heads for the control period. A&G expenses constitute a controllable item. As per the petition, the licensee has not projected the A&G expenses for the control period in line with Regulation 81(9) of the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014.
31. The licensee is directed to limit the administrative and general expenses as per the KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014. The

amounts of A&G expense approved as per the regulation are shown in column (3) in Table 14 below.

Table-14
A&G approved for the control period
(Rs. Lakhs)

A&G expenses (1)	Projected (2)	Approved (3)
2015-16	6.03	4.02
2016-17	6.24	4.26
2017-18	6.61	4.51

32. **Return on Equity:-**The Commission had allowed a provisional return of Rs.10 lakh for the year 2014-15. The licensee has not claimed return on equity for the first control period. As per Regulation 29(2) of the KSERC (Terms and Conditions for determination of tariff) regulations 2014, RoE allowable can be assessed based on the Net Fixed Assets - ie. @ 3% of NFA. As per Regulation 29(2) of the Tariff Regulations 2014, if the equity in the regulated business is not clearly identifiable, return shall be allowed at the rate of 3% of the net fixed assets at the beginning of the year. Accordingly the approved ROE is given below:

Table - 15
Approved return for the control period
(Rs. Lakhs)

	2015-16	2016-17	2017-18
Gross Assets	1117.93	1117.93	1117.93
Cumulative Depreciation	-	46.46	92.92
Depreciation approved for the current year	46.46	46.46	46.46
Assets eligible for return	1117.93**	1071.47	1025.01
Rate of Return	3%	3%	3%
Eligible Return	33.54	32.14	30.75

** The Gross Assets and Net fixed assets eligible for return for the year 2015-16 are the same, as 2015-16 is the first year for allowing depreciation to the licensee.

33. **Capital Asset Creation:** M/s Infopark has represented that they are constructing a 220KV substation at Kakkanad to meet the total load of the area which is estimated around 45 MVA and the construction work is nearing completion and

they have stated that they have not included the capital costs incurred for the higher infrastructure for IT parks.

34. Further it was mentioned that they are considering the request of M/s Smart City for drawing power from 220 KV SS and also considering the request of KSIDC for drawing power from 110 KV SS at Cherthala. Both the options are intended to be operated through KSEB only. Hence they have requested the Commission to approve the wheeling charge of 40 paise per unit to draw power at 11KV . It was also mentioned that M/s Smart City may draw power at 33 KV. Hence it was requested to fix the wheeling charge at 33 KV too.
35. It was also mentioned by the licensee that *"Infopark have incurred an expenditure of around Rs.40 crores for construction of 220KV substation at Infopark Phase II at Kakkanad. The lease premium of land is finalized by Infopark without loading the expenditure for 220 KV Substation. Since we could not load the cost of 220 KV Substation to the land lease premium and also due to the fact that we could not load huge cost of the same in ARR & ERC (as per Minutes of the Meeting dated 5.7.2012 and the PPA with KSEB dated 11.07.2012, the higher infrastructure could not be included in the ARR & ERC). Infopark need a way out to realize the cost. Hence we would like to get the proportionate infrastructure cost from the consumers based on their connected load/contract demand in kVA either as a onetime payment or in equal installments in 10 year period. We seek the permission of the Hon'ble Commission to put up a suitable scheme to realize cost of 220KV substation to the Commission for kind consideration and approval. It is felt that this will be a genuine approach as we are charging for the higher quality of infrastructure to the beneficiaries like IT companies itself. Since expenditure are not loaded in ARR & ERC, hope that there will not be objection from KSEB and is not affecting the general public of the state"*
36. The Commission has taken note of the above two requests. However, for the Commission to take a decision on the same, project details and cost details have to be submitted. The same may be taken up separately with the Commission.

37. **Aggregate Revenue Requirement:** The Aggregate Revenue Requirement approved for the control period is summarised as given below:

Table 16
Aggregate Revenue Requirement approved for the control period

(Rs in lakhs)

Particulars	Projected	Approved	Projected	Approved	Projected	Approved
Expenditure	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
Purchase of Power	570.53	569.67	1062.52	1050.00	1600.67	1598.55
Repairs and Maintenance	20.32	17.99	25.40	19.05	30.45	20.16
Employee Cost	5.32	3.30	16.08	3.50	16.80	3.70
Administration and General Expenses	6.03	4.02	6.24	4.26	6.61	4.51
Depreciation	46.46	46.46	44.16	46.46	41.98	46.46
Interest & Finance Charges	-	-	-	-	-	-
Return on Equity	-	33.54	-	32.14	-	30.75
Total Expenditure	648.66	674.98	1154.40	1155.41	1696.51	1704.13

38. **Revenue from Tariff:** The licensee has projected the revenue from sale of power for the control period. The licensee had revised the estimated projection for the revenue from sale of power for the year 2016-17 in their later submission. The projection for the control period is tabulated here under. The Commission approves the same

Table-17
Revenue Projections for the control period

Tariff category	2015-16			2016-17			2017-18		
	No. Of consumers	Sales (MU)	Total Charges	No. Of consumers	Sales (MU)	Total Charges	No. Of consumers	Sales (MU)	Total Charges
Industrial	30	1.27	78.20	70	2.52	155.16	100	3.65	224.67
Commercial	6	0.21	21.20	8	0.30	30.28	8	0.40	40.38
Street lighting	1	0.04	1.32	2	0.20	7.13	2	0.28	9.98
HT 1B	3	6.77	473.51	6	11.81	865.32	8	17.86	1337.44
Total	40	8.29	574.23	86	14.83	1057.89	118	22.19	1612.47

39. **Non-Tariff Income:** The licensee has projected Rs.2.00 lakhs for each year of the control period. The licensee has not submitted any split up details for non-tariff income projected by it. The licensee is directed to submit the details of the non-

tariff income while submitting the application for truing up of accounts for the year 2014-15 and for revising the ARR & ERC for subsequent years.

40. **Revenue Surplus/Gap:** Based on the above, the revenue surplus/gap for the control period estimated by the licensee and that approved by the Commission are as follows

Table -18
Revenue Gap, Projected by the licensee and Approved by the Commission for the control period (Amount in Rs. Lakhs)

Particulars	Projected 2015-16	Approved 2015-16	Projected 2016-17	Approved 2016-17	Projected 2017-18	Approved 2017-18
Income:						
Revenue from Sale of Power.	574.23	574.23	1057.89	1057.89	1612.47	1612.47
Other Income	2.00	2.00	2.00	2.00	2.00	2.00
Total Income	576.23	576.23	1059.89	1059.89	1614.47	1614.47
Expenditure						
Purchase of Power	570.53	569.67	1062.52	1050.00	1600.67	1598.55
Repairs and Maintenance	20.32	17.99	25.40	19.05	30.45	20.16
Employee Cost	5.32	3.30	16.08	3.50	16.80	3.70
Administration and General Expenses	6.03	4.02	6.24	4.26	6.61	4.51
Depreciation	46.46	46.46	44.16	46.46	41.98	46.46
Interest & Finance Charges	-	-	-	-	-	-
Return on Equity	-	33.54	-	32.14	-	30.75
Total Expenditure	648.66	674.98	1154.40	1155.41	1696.51	1704.13
Net Surplus/(Deficit)	(72.43)	(98.75)	(94.51)	(95.52)	(82.04)	(89.66)

Directives of the Commission

41. In view of the facts and reasons explained in earlier paragraphs, the Commission gives the following directives. The licensee shall,
- (i) Promote demand side management and energy efficiency measures within its area of license.
 - (ii) Promote renewable energy either by generation or by purchase of renewable energy certificates.
 - (iii) Bring down the distribution loss to the level stipulated in this order.

- (iv) Limit the expenditure to the amounts approved in this order.
- (v) Submit the capital investment plan to the Commission and obtain the approval of the Commission.
- (vi) To take up the matters mentioned in para 34 and 35, separately with all the details required for taking an appropriate decision on the same.
- (vii) Disclose the strategy the licensee intends to take with regard to maintenance of the network - whether the same is intended to be outsourced or maintained by own staff.

Orders of the Commission

42. (1) After careful examination of the claims of the applicant, the facts and data presented in the application for the approval of ARR & ERC, the views expressed during public hearing and the clarifications submitted by the applicant, the Commission hereby approves provisionally the ARR & ERC for the control period from 2015-16 to 2017-18 as stated in the table below.

Table 19
Approved the ARR & ERC for the control period
(Rs. in lakh)

Particulars	2015-16 Approved	2016-17 Approved	2017-18 Approved
Total Income	576.23	1059.89	1614.47
Total Expenditure.	674.98	1155.41	1704.13
Net Surplus/(Deficit)	(98.75)	(95.52)	(89.66)

- (2) The licensee shall limit the expenditure to the levels approved by the Commission.
 - (3) The BST and RST as determined by the Commission in its order dated 25-09-2014 in OP No. 09/2014 will continue until further orders.
 - (4) The licensee shall prepare and maintain the accounts relating to the distribution of electricity separately in view of the directions issued by the Commission.
43. These orders are issued subject to the result of the judgment of the Hon'ble High Court in Writ Petition No.465/2015 filed by KSEB Ltd in view of the fact that the

impact if any on ARR and ERC of KSEB Ltd may have consequential impact on the ARR and ERC of the licensee, since the Commission is following the principles of uniform retail supply tariff (RST) and differential bulk supply tariff (BST).

The application is disposed of and ordered accordingly.

Sd/-
K. Vikraman Nair
Member

Sd/-
T.M.Manoharan
Chairman

Approved for issue

Sd/-
Santhosh Kumar.K.B
Secretary