

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

Application No. : **OA 1/2016**

In the matter of : Application for the approval of revised ARR & ERC for the year 2016-17 filed by M/s Rubber Park India Private Limited as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014.

Applicant : M/s Rubber Park India Private Limited, Industrial Park,
Valayanchirangara

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

ORDER DATED 10/05/2016

1. Rubber Park India Private Limited (*hereinafter called the Licensee or RPIL*) a joint venture company of the Rubber Board and M/s Kerala Industrial Infrastructure Development Corporation (KINFRA), is a distribution licensee under the Electricity Act, 2003. The Licensee receives electricity at 110 kV from the Kerala State Electricity Board Ltd (*herein after called KSEBL*) and distributes to the Industrial units within the industrial park at Valayanchirangara near Perumbavoor in Ernakulam District. M/s Rubber Park India Private Limited filed application for the revised ARR & ERC for the years 2016-17 and 2017-18 vide letter No.RP/E/02/11023 dated 27th November 2015. The Commission considered the application submitted for the year 2016-17 and admitted the same as OA No. 01/16. The Commission vide letter dated 11-01-2016 sought clarifications from the licensee regarding the application submitted by them. The licensee had submitted the additional clarifications required on the application vide letter dated 25-01-2016.

2. The Commission on 03-09-2015 had issued order in OA 10/2015 finalising the ARR & ERC for the first control period (2015-16 to 2017-18). A comparison on the Aggregate Revenue Requirement and Expected Revenue from charges approved by the Commission vide the order dated 03-09-2015 and the same as per the revised submission are detailed below.

Table 1
RPIL- Comparison on Approved Revenue gap/surplus for the control period and revised estimates for 2016-17 & 2017-18

| Particulars | 2016-17 | | | 2017-18 | | |
|-------------------------------------------|-----------------------|----------------------|-------------------------|-----------------------|----------------------|-------------------------|
| | Approved (Rs.lakh) | Revised (Rs.lakh) | Difference (Rs.lakh) | Approved (Rs.lakh) | Revised (Rs.lakh) | Difference (Rs.lakh) |
| Purchase of Power | 1416.10 | 1467.08 | 50.98 | 1486.70 | 1540.561 | 53.861 |
| R & M Expenses | 25.75 | 34.00 | 8.25 | 27.26 | 37.00 | 9.74 |
| Employee Cost | 27.62 | 49.42 | 21.80 | 29.24 | 54.36 | 25.12 |
| A & G Expenses | 19.07 | 32.92 | 13.85 | 20.19 | 36.21 | 16.02 |
| Depreciation | 50.05 | 50.77 | 0.72 | 50.05 | 52.06 | 2.01 |
| Interest & Finance Charges | 35.57 | 40.26 | 4.69 | 32.17 | 41.72 | 9.55 |
| Return on Equity | 37.93 | 41.52 | 3.59 | 37.93 | 42.55 | 4.62 |
| ARR | 1612.09 | 1715.97 | 103.88 | 1683.54 | 1804.46 | 120.92 |
| Less Non-Tariff income | 7.60 | 10.34 | 2.74 | 8.30 | 11.37 | 3.07 |
| Less income from wheeling charges | 0.04 | 0.032 | -0.008 | 0.04 | 0.032 | -0.008 |
| Aggregate Revenue Requirement from Tariff | 1604.45 | 1705.598 | 101.148 | 1675.20 | 1793.058 | 117.858 |
| Revenue from existing tariffs | 1503.04 | 1502.601 | -0.439 | 1577.55 | 1577.112 | -0.438 |
| Revenue gap/Surplus | (101.41) | (202.997) | -101.587 | (97.65) | (215.946) | -118.296 |
| Net Surplus/(Deficit) | (101.41) | (202.997) | -101.587 | (97.65) | (215.946) | -118.296 |

The licensee has filed the application for the approval of the revised ARR & ERC for the years 2016-17 and 2017-18.

3. As per clause (a) of sub regulation (2) of regulation 11 of the KSERC (Terms and conditions for determination of tariff) Regulations 2014, the licensee shall submit application for approval of revised aggregate revenue requirement, if any, for the ensuing financial year and determination of tariff for the ensuing financial year:
4. As per the regulation quoted above, the licensee is allowed to revise only the aggregate revenue requirement for the ensuing financial year, i.e, for the year 2016-17. Hence the Commission considers only the revised estimates for the year 2016-17 in the present proceedings.

Hearing on the Matter

5. Public hearing was held on 05-02-2016 at the Conference Hall of Rubber Park India Private Limited, Valayanchirangara, Ernakulam. M/s Rubber Park India (P) Ltd. was represented by Sri.J. Krishna Kumar, MD, and Sri.Anees.T.M, Resident Engineer. Sri.Anees.T.M presented the details of the revised application for the approval of ARR&ERC for the years 2016-17 and 2017-18. Sri. Anil.J, EE, TRAC and Sri. Prasad.S, AEE,TRAC, KSEBL presented the objections of KSEBL and submitted written remarks on the application which are abstracted below
 - a. As per the data provided by the licensee, the T&D loss claimed is 7.02% and 7.08% respectively for the years 2016-17 and 2017-18 as against the approved distribution loss of 2.00%. It is submitted that the Hon'ble Commission may allow only reasonable power purchase expenses limiting the T&D loss level at the approved level of 2%.
 - b. The projection of the licensee on the Operation and Maintenance cost such as R&M expenses, Employee cost and A&G expenses are higher than the provision in the KSERC (Terms and Conditions for Determination of Tariff) Regulation, 2014. The plea of the petitioner for revising the O&M cost at this stage is not maintainable.
 - c. The claim of interest and finance charges is higher than the amount approved in the order on the ARR&ERC for the control period in OA 10 of 2015. The Commission may approve only reasonable level based on debt-equity ratio as allowable under Regulation 27 of KSERC (Terms and Conditions for determination of Tariff) Regulations 2014.

- d. It is stated that the request of the licensee for approving the investment for procuring spares in the ensuing years may not be allowed as the same was not included in the initial project stage. The proposed capital investment plan of the licensee is outside the scope of the MYT regulation.
- e. The average revenue realization for the years 2016-17 and 2017-18 shows a decreasing trend without any downward revision of tariff. Hence the revenue from energy for the years 2016-17 and 2017-18 may be approved based on the per unit realization of 2015-16, considering the fact that there is no downward tariff revision.

The applicant submitted on 05-02-2016 its remarks on the comments of KSEBL during the hearing. The Commission directed M/s Rubber Park India (P) Ltd to submit additional remarks, if any on the comments made by KSEBL within two weeks

- 6. In reply to the remarks of the KSEB Ltd, the licensee M/s RPIL has on 05-02-2016 clarified the following.
 - a. The remarks on the distribution loss was wrong and clarified that the projected T&D loss is 2.4% only as per the revised application. They also stated that additional loss was due to the installation of 0.2S class metering equipments during the year 2015-16 in place of the old 0.5 class metering equipments.
 - b. Against the comment of KSEB Ltd on the higher O&M charges claimed by the licensee, RPIL stated that the amount approved in the order on ARR is inadequate for the smooth functioning of the distribution licensee operation. It was further stated that the licensee has filed the revised application for the ARR & ERC as per regulation 11(2) (a) of the KSERC (terms and conditions for determination of Tariff) Regulations 2014, which allows the distribution licensee to file revised application on the ARR & ERC for the ensuing financial year .
 - c. The claim of interest and finance charge is revised based on the capital investment scheme proposed for the year and further stated that the licensee had carried out modification of the metering arrangement on the EHT side metering as directed by the Commission.

- d. RPIL also clarified that the argument of KSEB Ltd that the inclusion of spares for the ensuing years which was not shown in the initial project was not correct. It was further stated that the claim was in par with regulation 24 of the KSERC (terms and conditions for determination of Tariff) Regulations 2014 and the licensee was also able to fully meet the improved level of performance as per the Standards of Performance Regulation 2015.
- e. It was also clarified that the licensee has not revised the revenue from sale of power as pointed out by KSEB Ltd in the comments submitted.

Analysis and decision of the Commission

7. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014. The said regulations are effective from 14-11-2014, and provide for filing of ARR&ERC application in a multiyear framework. As per the said regulations application for approval of ARR&ERC is to be filed for a control period of three years ie., for 2015-16 to 2017-18. M/s Rubber Park Limited has submitted its application for approval of ARR&ERC for the said three years. The Commission on 03-09-2015 had issued order on OA 10/2015 finalising the ARR & ERC for the first control period (2015-16 to 2017-18).
8. As per the regulation 11(2) (a) of the KSERC (terms and conditions for determination of Tariff) Regulations 2014, the licensee is allowed to revise only the aggregate revenue requirement for the ensuing financial year. The Commission considers only the revised estimates for the year 2016-17 and orders are issued accordingly.

Sale of energy:

9. Vide the order dated 03.09-2015 in application OA 10/205, the Commission has approved the energy sale for the year 2016-17 as 26.16 MU. In the present revised application, the licensee has not revised the energy sales for the year 2016-17.

Distribution loss

10. In the application for approval of ARR & ERC for the control period the Commission has approved a loss reduction target at 2.00%. In the revised

estimates submitted, the licensee has projected a distribution loss of 2.4 % for the years 2016-17. The details of the claim are shown below.

Table 2
RPIL-Details of Distribution Loss

| Particulars | 2016-17 | |
|-------------------------------|--------------|------------------|
| | ARR approved | Revised estimate |
| Total Energy sales (MU) | 26.16 | 26.16 |
| Distribution loss % | 2.00% | 2.40% |
| Total Energy Requirement (MU) | 26.69 | 26.78 |

11. The licensee has submitted that,

‘actual distribution loss incurred by the licensee for the year 2015-16 up to September 2015 is 2.2 % against the approved loss level of 2%. The licensee had installed new metering equipments along with ABT metering on 22.08.2015 on the 110kV side metering of Rubber Park for recording the purchase of energy from KSEB Ltd. The company had replaced existing 0.5 class CTs, PTs and ToD meter with more accurate 0.2 S class CTs, PTs and ABT meter. Since the CEA metering regulations 2006 is not insisting installation of 0.2 class metering equipments for HT and LT consumers, the metering of the industrial consumers is through existing 0.5 class metering equipments. This will result in a probable disparity of 0.30% in energy purchased from KSEB Ltd and energy disbursed to the consumers. The balance energy of 0.3% on account of the metering disparity will also be compounded in to the present total distribution loss of the licensee’

The Commission has appraised the submission of the licensee. There is no rationale in the claim of the licensee that, they expect higher distribution loss on account of the installation of more accurate 0.2 S class meters on the 110 kV side metering of Rubber Park for recording the energy purchase from KSEB Ltd. More accurate meter will not increase technical loss in the distribution system

12. The Commission notes that taking into consideration the limited geographical area of operation and the consumer mix, the licensee is capable of attaining the targets fixed by the Commission if the licensee takes appropriate and efficient procedures and steps for the same. Hence, the Commission is of the view that reduction in distribution loss being a performance parameter, the licensee shall initiate earnest efforts to limit the T&D loss to the approved level of 2.00%.

AT&C loss:

13. Since the licensee has prepayment metering system in the entire licence area, the collection efficiency reported by the Licensee is 100%. Hence AT&C loss for the year 2016-17 is fixed at 2.00% as approved in the order issued for the control period.

Cost of Power Purchase:

14. The licensee had projected revised distribution loss of 2.4 % against the approved distribution loss of 2 % in the ARR order. Accordingly the licensee has also revised the energy purchase for the years 2016-17. The licensee has estimated the cost of power purchase for the years 2016-17 at the prevailing BST rates. The licensee had also projected the cost for renewable power purchase obligation for the years 2016-17. A comparison on the details of the claim as per the application is tabulated hereunder.

Table 3
RPIL-Details of Power Purchase Cost

| Particulars | 2016-17 | |
|-------------------------------------|--------------|------------------|
| | ARR Approved | Revised estimate |
| Energy Sold (MU) | 26.16 | 26.16 |
| Distribution loss % | 2.00% | 2.40 % |
| Energy Purchase (MU) | 26.69 | 26.78 |
| Contract Demand(kVA) | 5603 | 5603 |
| Demand Charges (Rs./kVA) | 300 | 300 |
| Total Demand charges (Rs in lakh) | 201.70 | 201.71 |
| Energy Charges (Rs./kWh) | 4.55 | 4.55 |
| Total energy Charges (Rs.in lakh) | 1214.40 | 1218.49 |
| RPO Obligation cost (Rs.in lakh) | - | 46.882 |
| Cost of power purchase (Rs.in lakh) | 1416.10 | 1467.08 |

15. As per Regulation 75, the licensee has to submit a power procurement plan for the control period consistent with the sales forecast to meet the 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 BST approved by the Commission for such purchase. The existing bulk supply tariff applicable for the licensee is Rs.300/kVA as demand charges and Rs.4.55 per

kWh as energy charge. Hence, the power purchase cost shall be based on the forecast of sales and existing approved tariff. The Commission approves only the power purchase cost considering the approved distribution loss of 2.00% as shown below.

Table 4
RPIL-Approved Power Purchase Cost for the year 2016-17

| Particulars | 2016-17 | | |
|-------------------------------------|--------------|------------------|-------------------|
| | ARR Approved | Revised estimate | Revision Approved |
| Energy Sold (MU) | 26.16 | 26.16 | 26.16 |
| Distribution loss % | 2.00% | 2.40 % | 2.00% |
| Energy Purchase (MU) | 26.69 | 26.78 | 26.69 |
| Contract Demand(kVA) | 5603 | 5603 | 5603 |
| Demand Charges (Rs./kVA) | 300 | 300 | 300 |
| Total Demand charges (Rs in lakh) | 201.70 | 201.71 | 201.70 |
| Energy Charges (Rs./kWh) | 4.55 | 4.55 | 4.55 |
| Total energy Charges (Rs.in lakh) | 1214.40 | 1218.49 | 1214.40 |
| RPO Obligation cost (Rs.in lakh) | - | 46.882 | |
| Cost of power purchase (Rs.in lakh) | 1416.10 | 1467.08 | 1416.10 |

The Commission will approve the cost of meting the RPO in the process of truing up for the year 2016-17.

Depreciation:

16. The Commission approved a depreciation of Rs.50.05 lakh for each year of the control period. In the application submitted to revise the ARR, the licensee has claimed a higher depreciation amounting to Rs 50.77 lakh. The licensee has stated that the increase was due to the additional capitalisation amounting to Rs. 65.15 lakh. The expenditure is on installation of ABT meter and related modification of the existing 110/11 kV substation which was capitalized on 22.09.2015.
17. The Commission is of the view that the increase in the assets will be considered as per Regulation during the truing up process based on the audited accounts. The licensee has also stated that, no assets are created out of consumer contribution and grants. Hence, in the revised application also, the Commission approves the deprecation at Rs 50.05 lakh, the same level approved vide the order dated 03-09-2015.

Table 5
RPIL- Depreciation approved for the 2016-17

| Asset class | (Rs.lakh) |
|------------------------|--------------|
| Distribution Lines | 11.00 |
| Sub stations | 25.00 |
| LT Distribution System | 2.00 |
| IT Equipments | - |
| Others | 12.05 |
| Total | 50.05 |

Interest and Finance Charges

18. The licensee has claimed a higher interest and financing charge in the revised application for the year 2016-17. The licensee has claimed an interest on normative loan of Rs.40.27 lakh. The normative interest charges allowed for the control period is Rs 38.97 lakh for 2015-16, Rs.35.57 lakh for 2016-17 and Rs.32.17 lakh for 2017-18 as shown below

Table 6
RPIL- Approved interest on normative loan for the control period

| | 2015-16 | 2016-17 | 2017-18 |
|---------------------------------------|---------|---------|---------|
| Opening level of NFA (Rs.lakh) | 573.90 | 523.85 | 473.80 |
| 70% of the Net Fixed Assets (Rs.lakh) | 401.73 | 366.70 | 331.66 |
| Base Rate (%) | 9.70% | 9.70% | 9.70% |
| Normative interest (Rs.lakh) | 38.97 | 35.57 | 32.17 |

The higher amount of interest and finance charge claimed by the licensee will be considered subject to prudence check while finalising the truing up of accounts of 2016-17. Hence in the revised application also, the Commission approves the interest & finance charges at the same level as approved by the Commission vide the order dated 03-09-2015 for the control period 2015-16 to 2017-18.

Table 7
RPIL- Approved interest on normative loan for 2016-17

| | 2016-17 |
|---------------------------------------|---------|
| Opening level of NFA (Rs.lakh) | 523.85 |
| 70% of the Net Fixed Assets (Rs.lakh) | 366.70 |
| Base Rate (%) | 9.70% |
| Normative interest (Rs.lakh) | 35.57 |

O&M expenses

19. As per the Regulations, O&M expenses consists of employee costs, repair and maintenance expenses and administration and general expenses.

Employee cost:

20. The Commission approved Rs 27.62 lakh for 2016-17 as employee cost in the ARR order for the control period strictly in line with the KSERC (Terms and conditions for determination of tariff) Regulations 2014. In the revised application, the licensee has projected an employee cost of Rs. 49.42 lakh for 2016-17. The licensee has stated that the higher projection of employee cost is due to appointment of a permanent Managing Director, with a pay scale of class B PSU under Government of Kerala.
21. The Commission can allow the employee cost, only in line with the KSERC (Terms and conditions for determination of tariff) Regulations 2014 only. As per Regulation 81 (5), the allowable employee costs for the year 2016-17 is Rs.27.62 lakh. Hence, in the revised application, the Commission approves the employee cost for the year 2016-17 as Rs 27.62 lakh.

Repair and Maintenance Charges

22. The Commission approved Rs 25.75 lakh for 2016-17 as repair and maintenance cost in the ARR order for the control period as per the provisions of KSERC (Terms and conditions for determination of tariff) Regulations 2014. In the revised application submitted for the year 2016-17, the licensee has projected an R&M expense of Rs. 34.00 lakh for 2016-17. The licensee has not submitted any split up of the R&M proposed. All the projection is for the maintenance of lines and cable networks.
23. The R&M charges are on account of the contract awarded to M/s.Electrotek Engineers Private Ltd for operation and maintenance of substation which was conducted through bidding process. The details of the same are submitted along with the clarifications.
24. As in the case of employee expenses, the Commission can allow the R&M expense only as per Regulation 81(5) of KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014. Hence the Commission hereby approves the R&M expenses for the year 2015-16 at Rs.25.75 lakh.

Administration and General Expenses

25. The A&G expense claimed by the licensee is higher than the amount approved by the Commission. The Commission had approved Rs.19.07 lakh for 2016-17 in the order on ARR&ERC for the control period. In the revised ARR for the year 2016-17 the licensee has projected an A&G expenses at Rs. 32.92 lakh which is very much on the higher side. The split up details of the expenses is shown below:

Table 8

RPIL- Administration and General Expenses proposed for 2016-17

| Particulars | Rs.lakh |
|--------------------------------------|--------------|
| Rent Rates & Taxes | 1.10 |
| Insurance | 1.93 |
| Telephone & Postage, etc. | 0.69 |
| Legal charges | 1.10 |
| Audit Fees | 1.10 |
| Consultancy charges | 1.10 |
| Other professional charges | 0.13 |
| Conveyance | 1.47 |
| Vehicle Expense | 2.17 |
| Electricity charges | 0.96 |
| Printing & Stationery | 0.42 |
| Advertisements, exhibition publicity | 0.24 |
| Training expenses | 0.55 |
| Miscellaneous expenses | 1.51 |
| Bank Charges | 0.55 |
| Office Expenses | 0.44 |
| License Fee and other related fee | 0.74 |
| Security arrangements | 7.28 |
| Others | 1.10 |
| Ele. Duty u/s 3(I), KED Act | 16.50 |
| A&G Expenses | 41.09 |

26. The major items of expenses booked under A&G expense are charges for security arrangement, vehicle expenses and the duty payable by the licensee to the Government under section 3 of the Kerala Electricity Duty Act, 1963..
27. As in the case of employee expenses and R&M expenses, the Commission can allow the A&G expense strictly as per Regulation 81(5) of KSERC (Terms and Conditions for Determination of Tariff) Regulation 2014. Hence the Commission hereby approves the A&G M expenses for the year 2015-16 at Rs.19.07 lakh.

Return on Equity:

28. The Commission in its order on ARR & ERC for the control period has allowed the licensee a RoE of Rs.37.93 lakh for each year of the control period which was 14% of the normative equity. The licensee in the revised application for the year 2016-17 estimates a RoE of Rs.41.52 lakh as the return on equity in view of the additional capital expenditure of Rs. 65.15 lakh during 2015-16. The expenditure is for the installation of ABT meter and related modification of the 110/11 kV substation as per the direction issued by the Commission in 2012. It is submitted that the expenditure was capitalised on 22-09-2015.
29. The Commission has examined the proposal of the licensee. The Commission can consider the additional capitalisation only after prudence check at the time of truing up based on audited accounts. Hence, in the revised application, the Commission is not in a position to consider the RoE on the additional capitalisation claimed for the year 2015-16. Hence the RoE approved in the revised application is at the same level amounting to Rs 37.93 lakh approved vide the order dated 03-09-2015 on ARR&ERC for the first control period 2015-16 to 2017-18.

Table 9**RPIL- Approved return for the control period (Rs. Lakh)**

| | 2016-17 |
|--------------------------------------|---------|
| Opening level of GFA | 903.10 |
| Normative level of equity of returns | 270.93 |
| RoE (14% of Normative Equity) | 37.93 |

Provision for bad debts:

30. The licensee has not provided any provision for bad debts. The Commission notes that since the licensee is following the pre-payment billing system, the chances of having bad debts are low. Hence no provision is allowed.

Aggregate Revenue Requirement:

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

Table 10
RPIL- Approved for the 2016-17

| | Approved | Revised | Revision Approved |
|-------------------------------------------|----------------|----------------|----------------------|
| | (Rs.lakh) | (Rs.lakh) | (Rs.lakh) |
| Purchase of Power | 1416.10 | 1467.08 | 1416.10 |
| Repairs and Maintenance | 25.75 | 34.00 | 25.75 |
| Employee Cost | 27.62 | 49.42 | 27.62 |
| A & G Expenses | 19.07 | 32.92 | 19.07 |
| Depreciation | 50.05 | 50.77 | 50.05 |
| Interest & Finance Charges | 35.57 | 40.26 | 35.57 |
| Return on Equity | 37.93 | 41.52 | 37.93 |
| Aggregate Revenue Requirements | 1612.09 | 1715.97 | 1612.09 |

Revenue from Sale of Power:

32. The licensee has estimated total revenue from sale for power of Rs.1502.60 lakh for the year 2016-17. The estimates are calculated at prevailing tariff rates. The details of the revenue from tariff for the control period are furnished below:

Table 11
RPIL- Revenue from sale of power projected by RPIL for 2016-17

| Category | No. of Consumers | Energy Sales (MU) | Revenue in Rs. Lakh | Avg realisation (Rs/unit) |
|--------------------|---------------------|-------------------------|---------------------------|---------------------------------|
| HT industrial | 16 | 24.21 | 1395.67 | 5.76 |
| LT IV industrial | 19 | 1.76 | 100.07 | 5.69 |
| LT VI non-domestic | 2 | 0.05 | 4.14 | 8.28 |
| LT VII | 43 | 0.12 | 9.58 | 7.98 |
| Street light | 1 | 0.02 | 0.63 | 3.15 |
| Total | 81 | 26.16 | 1502.6 | 5.74 |

33. The Commission in the order on the ARR & ERC approved for the entire control period, had approved revenue from sale of power of Rs 1503.04 lakh for the year 2016-17 considering the average growth rate of 5% as reflected in the trend of past, growth in sales in the number of units, keeping the current rates constant as shown below.

Table 12
RPIL- Approved Revenue from sale of power for the year 2016-17

| Category | Sales | Revenue | Average Realisation |
|-----------------------|-------|-----------|---------------------|
| | (MU) | (Rs.lakh) | Rs./kWh |
| HT industrial | 24.21 | 1387.23 | 5.73 |
| LT IV industrial | 1.76 | 101.02 | 5.74 |
| Temporary Connections | 0.01 | 0.9 | 9.00 |
| Rubber park utilities | 0.18 | 13.89 | 7.72 |
| Total Sales | 26.16 | 1503.04 | 5.75 |

34. The energy sale projection approved by the Commission vide the order dated 03-09-2015 and the energy sale projected in the revised application dated 03-09-2015 are the same. Further, the Commission has not revised RST of the consumers since its order dated 14-08-2014. Hence, there is no reason for reduction in tariff as projected by the licensee. Hence, the Commission approved the revenue from sale of for the year 2016-17 for the revised application at the same level as that approved by the Commission vide the order dated 03-09-2015 as detailed in the Table above.

Other revenue:

35. Revenue other than sale of power includes, wheeling charges recoveries, reactive energy charges, miscellaneous charges from consumers etc., As per the details furnished by the licensee, wheeling charges for providing open access to M/s M fuels is about Rs.0.032 per year. The Commission in the order issued for the entire control period had approved other revenue charges as 0.04 lakh. In this application also, the Commission approves the other revenue as Rs 0.04 lakh. The actual may be considered at the time of truing up.

Non-Tariff Income:

36. The Commission in the order on ARR & ERC had approved the non-tariff income as projected by the licensee. In the revised application submitted, the licensee projects a higher non-tariff income. The licensee expects a non tariff income of Rs.10.34 lakh for 2016-17 as against an approved non tariff income of Rs.7.60 lakh for 2016-17. As per the details in the application, non tariff income includes interest on the investments, deposits, bank balances and other miscellaneous receipts. The Commission approves the revised projection on the non – tariff income as projected by the Licensee for the year 2016-17.

Total revenue for the control period

37. The total revenue approved for the control period is as shown below:

Table 13

RPIL- Total revenue from tariff and non-tariff

| Income | 2016-17 | | |
|-----------------------------|------------------------------------|--------------------|-------------------|
| | Approved in Order dated 03-09-2015 | Revision Projected | Revision Approved |
| Particulars | (Rs.lakh) | (Rs.lakh) | (Rs.lakh) |
| Revenue from Sale of Power. | 1503.04 | 1502.60 | 1503.04 |
| Wheeling charges recoveries | 0.04 | 0.032 | 0.04 |
| Non-tariff income | 7.60 | 10.34 | 10.34 |
| Total Income | 1510.68 | 1512.97 | 1513.42 |

Revenue Surplus/Gap:

38. 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 14

RPIL- Approved Revenue gap/surplus for the control period

| Particulars | 2016-17 | | |
|---------------------------------------|------------------------------------|--------------------|-------------------|
| | Approved in Order dated 03-09-2015 | Revision Projected | Revision Approved |
| | (Rs.lakh) | (Rs.lakh) | (Rs.lakh) |
| Purchase of Power | 1416.10 | 1467.08 | 1416.10 |
| Repairs and Maintenance | 25.75 | 34.00 | 25.75 |
| Employee Cost | 27.62 | 49.42 | 27.62 |
| A & G Expenses | 19.07 | 32.92 | 19.07 |
| Depreciation | 50.05 | 50.77 | 50.05 |
| Interest & Finance Charges | 35.57 | 40.26 | 35.57 |
| Return on Equity | 37.93 | 41.52 | 37.93 |
| Aggregate Revenue Requirements | 1612.09 | 1715.97 | 1612.09 |
| Less Non-Tariff income | 7.60 | 10.34 | 10.34 |
| Less income from wheeling charges | 0.04 | 0.032 | 0.04 |
| Net ARR | 1604.45 | 1705.598 | 1601.71 |
| Revenue from existing tariffs | 1503.04 | 1502.601 | 1503.04 |
| Revenue gap/Surplus | (101.41) | (202.997) | (98.67) |
| Net Surplus/(Deficit) | (101.41) | (202.997) | (98.67) |

Directives of the Commission

39. The Commission hereby directs the licensee to comply with the following:

- a. The licensee shall submit the review of the performance of the licensee for the year 2015-16
- b. Get the Capital expenditure plan approved on time
- c. Compliance of the directives issued by the Commission in previous orders

Orders of the Commission

40. (1) After carefully considering the claims of the applicant and the views expressed by M/s KSEB Ltd the Commission hereby approves provisionally the revision in the ARR and ERC for the licensee for the year 2016-17 as stated below,-

| Financial Year | 2016-17 |
|-------------------------|----------------|
| ARR (Rs. in lakh) | 1601.71 |
| ERC (Rs. in lakh) | 1503.04 |
| Surplus / (Revenue Gap) | (98.67) |

(2) The licensee shall limit the expenditure to the levels approved by the Commission.

(3) The existing RST and BST shall continue until further orders.

The application is disposed of and it is ordered accordingly.

Sd/-
K.Vikraman Nair
Member

Sd/-
T.M.Manoharan
Chairman

Approved for issue

Sd/-
Santhosh Kumar.K.B
Secretary