

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Application No : **OA 8/2016**

**In the matter of Truing up of accounts of M/s Infoparks Kerala for the year 2014-15**

**Applicant : M/s Infoparks Kerala**

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

**ORDER DATED 09.11.2016**

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 license 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 license vide order dated 18-10-2011 and the operations are now being initiated.
2. M/s Infopark Kochi vide letter No.INFOPARK/KSERC/441/2016 dated 11<sup>th</sup> March 2016 has submitted application for the truing up of accounts for the financial year 2014-15. The Commission considered the application submitted by the licensee and admitted it as OA No. 08/16. The Commission vide letter dated 29-03-2016 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 04-05-2016.
3. The Commission had, on 23-04-2014 issued an order vide OP 36/2013 approving the application for ARR & ERC for the financial year 2014-15. A comparison of the Aggregate Revenue Requirement and Expected Revenue from Charges approved as per the order on ARR & ERC dated 23-04-2014 and the application submitted by the licensee for the truing up of accounts is tabulated below.

**Table-1**  
**Comparison on the ARR Approved and the application for truing up of 2014-15**  
**(Rs.lakh)**

Particulars	Approved as per Order dated 23-04-2014	For Truing up	Variation
<b>Expenditure</b>			
Purchase of Power	500.36	132.45	(367.91)
R&M Expenses	17.00	8.05	(8.95)
Employee costs	3.12	4.50	1.38
A & G expenses	3.80	3.98	0.18
Depreciation	0.00	-	0.00
Interest & Finance charges	0.00	-	0.00
Return on Equity	10.00	10.00	0.00
<b>Total expenses</b>	<b>534.28</b>	<b>158.98</b>	
<b>Revenue</b>			
Revenue from sale of	524.24	127.73	(396.51)
Non-Tariff Income	-	0.97	0.97
<b>Total Revenue</b>	<b>524.24</b>	<b>128.70</b>	
<b>Revenue Surplus/(Gap)</b>	<b>(10.04)</b>	<b>(30.28)</b>	

4. In the application, the licensee has claimed the revenue **gap amounting to Rs.30.28 lakh** for the year 2014-15 as against a revenue gap of Rs.10.04 lakh approved by the Commission in the order on ARR&ERC dated 23-04-2014.

#### **Hearing on the Matter**

5. Public hearing on the application of M/s Infopark for the truing up of accounts for the year 2014-15 was held at the Court Room, Office of the Commission, Thiruvananthapuram on 28-06-2016. M/s Infopark was represented by Sri. V.R.Vijayan, Senior Manager (Projects), Sri. Rajendrakumar, Senior Manager(Finance) and Sri.Sarathchandran, Engineer, Infopark. Sri. V.R.Vijayan presented the details of the application and responded to the queries of the Commission on the truing up of accounts for the year 2014-15.
6. Sri. Manoj.G, Assistant Executive Engineer, KSEB Ltd. presented the remarks/comments of KSEB Limited and submitted written remarks on the application. The summary of the comments are abstracted below:
- a. The licensee has claimed an employee cost of Rs.4.50 lakh for the year 2014-15 against the approved cost of Rs.3.12 lakh.

- b. The A&G expenses incurred is Rs.3.98 lakh against the approved cost of Rs.3.80 lakh.
- c. The increase in the employee cost and the A&G expenses are above the approved level at 40% and 4.52% respectively for 2014-15.
- d. The actual deficit as per the application for the truing up of accounts for the year 2014-15 is Rs.30.27 lakh as against the approved level of Rs.10.04 lakh.
- e. KSEB Ltd. prayed that the Commission may allow only the prudent expenses in accordance with the order dated 23-04-2014.
7. During the hearing, KSEB Ltd also pointed out the issue on the power purchase made by the licensee and the T&D loss actually incurred thereon. The Commission directed the licensee to furnish additional remarks if any, on the comments made by KSEBL. The Commission further directed that the licensee should furnish information in accordance with the regulations.
8. The licensee vide letter No.Infopark/KSERC/1178/2016 dated 15<sup>th</sup> July 2016 submitted the additional documents with regard to the clarifications sought for, by the Commission and the remarks / comments of KSEB Ltd and has corrected/revised the claims for truing up which is tabulated hereunder.

**Table-2**  
**Comparison on the ARR Approved and the revised submission for truing up**  
**(Rs.lakh)**

Particulars	Approved as per Order dated 23-04-2014	Revised submission For Truing up	Variation
<b>Expenditure</b>			
Purchase of Power	500.36	125.69	(374.67)
R&M Expenses	17.00	8.05	(8.95)
Employee costs	3.12	3.29	0.17
A & G expenses	3.80	3.98	0.18
Depreciation	0.00	-	0.00
Interest & Finance charges	0.00	-	0.00
Return on Equity	10.00	10.00	0.00
<b>Total expenses</b>	<b>534.28</b>	<b>151.01</b>	
<b>Revenue</b>			
Revenue from sale of power	524.24	108.52	(415.72)
Non-Tariff Income	-	0.86	0.86
<b>Total Revenue</b>	<b>524.24</b>	<b>109.38</b>	
<b>Revenue Surplus/(Gap)</b>	<b>(10.04)</b>	<b>(41.63)</b>	

9. In the initial application, the licensee had arrived at a revenue gap of Rs.30.28 lakh for the year 2014-15 as against a revenue gap of Rs.10.04 lakh approved by the Commission in the order on ARR&ERC dated 23-04-2014. In the revised submissions to the Commission, the licensee has arrived at a **revenue gap of Rs.41.63 lakh**
10. KSEB Ltd. vide letter dated 22-07-2016 submitted additional remarks/observations stating that the actual expenses for power purchase for the year 2014-15 shown by the licensee is not in sync with the billing data of KSEB Ltd and hence the distribution loss incurred by the licensee is more than the approved level of 2.00%.

### **Analysis and decision of the Commission**

11. The Commission considered the application of the licensee for truing up of accounts for the year 2014-15, the clarifications and the additional details submitted by the licensee thereon along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the application for truing up of accounts for the year 2014-15 are detailed below:
12. **No. of Consumers and Sale of Power:** - The licensee in the application of ARR & ERC for the year 2014-15 had estimated the energy sales of 8.07 MU for 23 consumers which were approved by the Commission as such. In the initial application submitted by the licensee for the purpose of truing up of accounts, the actual energy sale for the year 2014-15 is only 1.73 MU as given below.

**Table-3**  
**Infopark- Details of sales for 2014-15**

Particulars	2014-15 ARR Approved		2014-15 Truing up claimed	
	No. of Consumers	Energy sold MU	No. of Consumers	Energy sold MU
HT 1B	3	6.87	2	1.51
LT IV B	13	0.95	13	0.17
LT VII A	6	0.21	6	0.01
Street lighting	1	0.04	1	0.04
<b>Total</b>	<b>23</b>	<b>8.07</b>	<b>22</b>	<b>1.73</b>

13. However, the licensee had revised the actual sale for the year 2014-15 as 1.48 MU vide letter No.Infopark/KSERC/1178/2016 dated 15<sup>th</sup> July 2016. The details are given below.

**Table-4**  
**Infopark- Details on revised Actual sales for the year 2014-15**

Particulars	Revised Actual sales for 2014-15	
Consumer Category	No. of Consumers	Energy sold MU
HT 1B	2	1.292
Industrial IT & IT enabled	20	0.174
Commercial	1	0.004
Construction Power	3	0.007
<b>Total</b>	<b>26</b>	<b>1.48</b>

14. The licensee during the hearing stated that the decrease in the sale is due to the delay in completion of the construction and other legal issues which arose during the construction stage and they expected the construction to be completed in the financial year itself. The expected increase in demand has also not materialized since one of their major HT consumer was not able to scale up their operations as originally planned. The Commission accepts the submission made by the licensee and approves the revised sales for the purpose of truing up of accounts for the financial year 2014-15.

**Distribution Loss and Energy Requirement.**

15. In the application for approval of ARR & ERC for the year 2014-15, the licensee had proposed a T&D loss reduction target of 2.00 % which was approved by the Commission. As per the application for truing up, the actual power purchase from KSEB Ltd during the year 2014-15 was 1.60 MU and the sale to the consumers was 1.480 MU, thus incurring a loss of 0.12 M, i.e., 7.50% of the total energy input during the year 2014-15.
16. The Commission notes that taking into consideration the limited geographical area of operation and the limited consumer mix, the licensee can attain the targets fixed by the Commission if the licensee takes appropriate and efficient measures for the same. The licensee too has not provided any technically plausible reason for such a wide variation. Since, distribution loss reduction being a performance parameter the Commission approves only 2.00% as the distribution loss for the year 2014-15 for the purpose of truing up. Accordingly,

the total quantum of power purchase approved by the Commission for the purpose of truing up is detailed below.

**Table-5**  
**Technopark- Energy input and distribution loss approved for the year 2014-15 for the purpose of truing up**

Particulars	ARR Order	Application for truing up	Approved for truing up
Energy sales (MU)	8.07	1.48	1.48
Distribution loss target	2.00%	7.50%	2.00%
Distribution loss in MU	0.16	0.12	0.03
Total power purchase from KSEB (energy input) for the year 2014-15 MU	8.23	1.60	1.51
Excess power purchase on account of non-achievement of T&D loss MU			0.09

17. **Power Purchase Cost:** - The actual power purchase cost as per the revised submissions for the truing up of accounts for the year 2014-15 is Rs. 125.69 lakh as against the approved power purchase cost of Rs. 500.36 lakh. The Commission had revised the BST tariff applicable to the distribution licensees with effect from 16-08-2014. There was no change in the demand charges. The details of the actual power purchase cost claimed by the licensee are tabulated hereunder.

**Table-6**  
**Infopark- Cost of Power Purchase claimed for 2014-15**

Energy purchase from KSEB Ltd (MU)	1.60
Maximum Demand	2813
Contract Demand (kVA)	3750
Rate of demand charge (Rs./kVA)	300
Demand charges (Rs.lakh)	<b>35.57</b>
Rate of energy charges (Rs.kWh)	5.55
Energy charges (Rs.lakh)	<b>89.20</b>
Bank Charges	<b>0.92</b>
Total cost of power purchase(Rs.lakh)	<b>125.69</b>

18. As detailed above, the cost of power purchase claimed by the licensee includes the **bank charges amounting to Rs 0.92 lakh**. This cannot be approved under cost of power purchase. However, the Commission may consider the bank charges under interest and finance charges as interest on working capital requirement. Thus, excluding the bank charges, the cost of power purchase

claimed by the licensee for the year 2014-15 is Rs 124.77 lakh at the average cost of Rs 7.80/unit including demand charges, for purchasing 1.60 MU from KSEB Ltd.

19. However, as detailed under Table-5 above, at the approved T&D loss of 2%, the actual quantum of power purchase approved by the Commission for the purpose of truing up for the year 2014-15, 1.51MU only. Thus, at the average power purchase rate of Rs 7.80 per unit including demand charges, the cost of power purchase for the approved quantum of power purchase is Rs 117.78 lakh for the year 2014-15.
20. Accordingly, for the purpose of truing up, the cost of power purchase approved for the year 2014-15 is Rs 117.78 lakh. The details are given below.

**Table.7**  
**Infopark- Cost of power purchase** **Rs.lakh**

Particulars	ARR Approved	Truing up claimed	Approved for Truing up
Cost of power purchase	500.36	125.69	117.78

21. **Interest and Finance Charges:** - The licensee had not projected the interest and finance charges in the application of ARR for the year. In the application for the truing up of accounts also, has not claimed any interest and finance charges. However, the licensee has claimed Rs 0.92 lakh as bank charges as part of the cost of the power purchase, but not provided the reasons for incurring the same. Commission has noted that, the licensee has not claimed any interest and finance charges or interest on working capital fund. Since the licensee has started its business operation only last and its operations are yet to be stabilized, the Commission has taken a lenient view on this matter and approve the bank charges as part of the interest and finance charges. However, in future, the Commission shall not allow bank charges or such other claims without supporting documents.
22. **Depreciation:** - In the application for the truing up of accounts for the year 2014-15, the licensee has not claimed any depreciation.
23. **Employee cost:** - The Commission approved Rs 3.12 lakh for employee cost in the ARR order for the year 2014-15 as against the projection of Rs.10.32 lakh.

The Commission had not approved the pass through of the projection of cost made for shift operators stating that the estimation was redundant. For the purpose of truing up, the licensee has booked amount of Rs. 3.29 lakh as employee cost for carrying out the distribution business. The licensee has stated that they have considered only half salary of Resident Engineer and 25% of one Accountant at Infopark Cherthala. The details of the actual employee cost claimed are tabulated hereunder.

**Table-8**  
**Infopark-Details of actual employee cost for 2014-15 (Rs. Lakh)**

Particulars	For Truing up
Basic Salary	0.93
Dearness Allowance (DA)	1.81
Rent & Conveyance allowance	0.09
Earned leave encashment	0.23
Other Allowances	0.23
<b>Total</b>	<b>3.29</b>

24. The Commission views that the claim made by the licensee is only the minimum requirement in each location to monitor the technical matters and financial matters respectively. As the functions of the licensee is yet to be fully operational and being in the growth stage, the Commission approves the actual employee cost incurred by the licensee as per the audited accounts for the purpose of truing up of accounts for the year 2014-15.
25. **Repair and Maintenance Expenses:** - The Commission had approved an amount of Rs.17.00 lakh as R&M cost for the year 2014-15. The actual amount claimed by the licensee is Rs.8.05 lakh for the AMC contract of Cherthala and Phase II. The licensee has stated that the R&M is outsourced based on competitive tendering process. Being an IT park, the operating crew is required on 24 hrs basis. The licensee has further stated that the same operating staff is also engaged for doing preventive and break down maintenance.
26. As the functions of the licensee is yet to be fully operational and being in the growth stage the Commission decides that the actual repair and maintenance expense incurred by the licensee is approved for truing up of accounts of the financial year 2014-15.



**Table.9**  
**Infopark-Details of R&M** Rs.lakh

Particulars	ARR Approved	Truing up claimed	Approved for Truing up
R&M expenses	17.00	8.05	8.05

27. **Administration and General Expenses:** In the order dated 23-4-2014, in the matter of ARR&ERC of M/s Infopark for the 2014-15, the Commission had approved the A&G expenses at Rs 3.80 lakh. However, in the application for truing up, the licensee has claimed the A&G expenses at Rs 3.98 lakh.
28. A&G expense is a controllable item. Since the actual volume of operation of the licensee during the year 2014-15 much less than the approved level, the Commission cannot approve the A&G expenses as claimed by the licensee as per the application for truing up. Hence, the Commission limit the A&G expenses for the purpose of truing up at the approved level for the year 2014-15. Accordingly, the A&G expenses approved for the purpose of truing up for the year 2014-15 is detailed below.

**Table.10**  
**Infopark-Details of A&G expenses** Rs.lakh

Particulars	ARR Approved	Truing up claimed	Approved for Truing up
A&G expenses	3.80	3.98	3.80

29. **Return on Equity:-** The licensee has claimed any RoE of Rs.10.00 lakh in the application for truing up for the year 2014-15. The Commission had approved a RoE of Rs.10 lakh in the order on the application of ARR & ERC. The Commission for the purpose of truing up, approves the return of Rs.10.00 lakh for the year 2014-15, the same amount approved by the Commission vide the order on ARR.
30. **Aggregate Revenue Requirements:** The Aggregate Revenue Requirements approved in the truing up of accounts for the financial year 2014-15 are summarised as given below:

**Table 11**  
**Infopark- Aggregate Revenue Requirements approved for truing up 2014-15**  
**(Rs lakh)**

Particulars	Approved as per Order dated 23-04-2014	Revised submission For Truing up	Trued Up
<b>Expenditure</b>			
Purchase of Power	500.36	125.69	117.78
R&M Expenses	17.00	8.05	8.05
Employee costs	3.12	3.29	3.29
A & G expenses	3.80	3.98	3.80
Depreciation	0.00	0.00	0.00
Interest & Finance charges	0.00	0.00	0.92
Return on Equity	10.00	10.00	10.00
<b>Total expenses</b>	<b>534.28</b>	<b>151.01</b>	<b>143.84</b>

31. **Revenue from Tariff:** The licensee, as per revised submission, has claimed total revenue from sale of energy of Rs.108.52 lakh against approved revenue from sale of energy of Rs.524.24 lakh as approved in the order on the application of ARR for the year 2014-15. There is a significant decrease in the actual revenue from sale of energy. The revenue from tariff for the financial year 2014-15 claimed is tabulated hereunder.

**Table-12**  
**Infopark- Actual Revenue from sale of Power (Rs. Lakh)**

Tariff category	2014-15		
	No. Of consumers	Sales (MU)	Total Charges
HT 1B	2	1.292	96.60
Industrial IT & IT enabled	20	0.174	11.10
Commercial	1	0.004	0.32
Construction Power	3	0.007	0.50
<b>Total</b>	<b>26</b>	<b>1.48</b>	<b>108.52</b>

32. The Commission approves the actual revenue from sale of energy as claimed by the licensee for the year 2014-15.

33. **Non-Tariff Income:** The actual non-tariff income accounted by the licensee in the application for truing up of accounts is Rs 0.86 lakh as the interest on security deposits with KSEB Ltd. The Commission approves the non-tariff claimed by the licensee for the purpose of truing up for the year 2014-15.
34. **Revenue Surplus/Gap:** Based on the above, the revenue surplus/gap for the year 2014-15 estimated by the licensee and that approved by the Commission for the purpose of truing up of accounts are as follows.

**Table -13**

**Infopark- Revenue gap/surplus for truing up of the year 2014-15 (Amount Rs. Lakh)**

Particulars	ARR order	Truing up petition	Approved for truing up
<b>Expenditure</b>			
Purchase of Power	500.36	125.69	117.78
R&M Expenses	17.00	8.05	8.05
Employee costs	3.12	3.29	3.29
A & G expenses	3.80	3.98	3.80
Depreciation	0.00	0.00	0.00
Interest & Finance charges	0.00	0.00	0.92
Return on Equity	10.00	10.00	10.00
<b>Total expenses</b>	<b>534.28</b>	<b>151.01</b>	<b>143.84</b>
<b>Revenue</b>			
Revenue from sale of power	524.24	108.52	108.52
Non-Tariff Income	-	0.86	0.86
<b>Total Revenue</b>	<b>524.24</b>	<b>109.38</b>	<b>109.38</b>
<b>Revenue Surplus/(Gap)</b>	<b>-10.04</b>	<b>-41.63</b>	<b>-34.46</b>

**Orders of the Commission**

35. The Commission, after considering the application of Infopark for truing up of the accounts for the financial year 2014-15 and the details and clarifications

submitted by it, hereby approves a total expenditure of Rs.143.84 lakh, a total revenue of Rs.109.38 lakh and a revenue gap of Rs.34.46 lakh for the year 2014-15.

The application is disposed off accordingly.

**Sd/-**  
**K.Vikraman Nair**  
**Member**

**Sd/-**  
**S.Venugopal**  
**Member**

**Sd/-**  
**T.M.Manoharan**  
**Chairman**

Approved for issue

**Sd/-**  
**Santhosh Kumar.K.B**  
**Secretary**