

# KERALA STATE ELECTRICITY REGULATORY COMMISSION

Thiruvananthapuram

PRESENT : Shri. PremanDinaraj, Chairman

**O.A. No. 64/2019**

In the matter of:

Petition filed by KSEB Ltd based on the Direction of the Commission in the Order dated 14-9-2018 on the truing up of accounts for the financial year 2016-17.

Kerala State Electricity Board . . . .Petitioner

Petitioner represented by: Shri. Biju. R, FA&CAO, KSEB  
Shri.KG.P.Namboothiri,Exe. Eng. KSEB  
Shri. Girish Kumar V.S, F.O. (TRAC), KSEB

Opposite party(s) represented : Shri. A.R.Satheesh, HT-EHT Association  
Shri. KV Prabharakan, HT-EHT Association  
Shri. Vishwanathan K, G.M(E) M/s BPCL Kochi.  
Shri. RajeshKuruville,DGM, Carbo.Universal  
Shri.,Nawas, Binani Zinc Limited  
Shri. Ratheesh Kumar, ECIL  
Shri. Selvendran, HOCL  
Shri. Ranjith Apollo Tyres  
Shri. Saji Mathew, MRF Limited

## **DAILY ORDER DATED 16-6-2020**

Hearing on the petition was held on 12-06-2020 at 11:00AM through video conference mode. Heard the petitioner, KSEB Ltd represented by Shri.Namboothiri, Exe. Eng and Biju, FA&CAO. KSEB Ltd explained that the present petition is filed for allowing the interest on normative loan and depreciation for the assets added during 2016-17.

Shri.Viswanathan, GM of BPCL stated that delays in finalization of accounts are to be avoided and truing up process should be made faster. Sri. Rajesh, Carborandum Universal citing the example of Vellathooval HEP stated that there is a discrepancy in commissioning details of certain generation projects presented in the petition and the details furnished in the Annual Statement of accounts of KSEB Ltd. Sri.Selvendran, HOCL stated that already tariff levels are high, the process should not result in increase in tariff. Shri. Ratheesh Kumar, EICL stated that there is considerable delay in filing of the petitions. Sri Ranjith Apollo Tyres endorsed the

arguments of the Association. Shri. A.A.M Nawas representing M/s Binani Zinc Limited, mentioned that capital cost for solar projects are higher than the benchmark costs approved by CERC. The cost benefit analysis of completed projects of transmission in SBU-T should have been given to understand the rationale for such projects. Further, truing up should be done in a time bound manner. Shri Shaji Mathew, MRF also expressed the similar arguments.

Shri. A.R Satheesh representing HT-EHT Association pointed out the discrepancy in the commissioning dates given in the petition and the annual report of KSEB Ltd. According to him, it is not clear whether KSEB Ltd has taken prior approval of the Commission as per the provisions of Regulations for capital expenditure. He further requested the Commission not to allow such capital expenditure where prior approval of the Commission was not obtained as per the Regulations. He also mentioned that the capital cost of solar projects commissioned are much higher than the CERC approved capital cost. Hence, the prudence of capital projects in SBUs should be checked before approving such expenditure. Further in the case of capital additions in distribution, details regarding beneficiaries, benefits from the project, improvements in KPI etc., are not furnished. There is also a possibility of double accounting of capital expenditure and hence, report of independent auditors is to be examined. It is also not clear whether KSEB has added any carrying cost on such amounts while transferring the amount from CWIP to GFA. The subsidies and grants received from MNRE for non-conventional projects are not properly accounted under respective SBU.

The Commission sought following further clarifications/queries on the petition

1. Rs.1922.37 crore was approved as employee expenses in the trued up accounts of KSEB Ltd for the FY 2016-17 as per the Orders of APTEL and Hon. High Court of Kerala. However, Rs.255.86 crore is shown as capitalized during 2016-17 towards employee cost and A&G expenses. Since the employee expenses for 27175 employees is already approved in the truing up, KSEB Ltd has to provide detailed justification for including this amount in the capitalization account in 2016-17.
2. Since there is difference in the amount of grants received from MNRE and the amounts accounted against the grants under each SBU, KSEB Ltd is to reconcile and furnish the figures of grants and contribution received from Government of India and booked to SBU-G, SBU-T and SBU-D under different projects

3. KSEB Ltd is to furnish the details of the amount booked under de-commissioned assets which has to be removed from GFA
4. The calculation of interest and expenses (employee & A&G cost)capitalized for the year
5. KSEB Ltd is to quantify and specify the controllable and uncontrollable factors attributable to cost over run and time over run.

The Commission directed the respondents to furnish the written comments, if any, on the petition with a copy to the petitioner KSEB Ltd and allowed time till 19-6-2020 for furnishing comments. KSEB Ltd shall within two weeks from 19-6-2020ie., by 6<sup>th</sup> July, 2020, furnish the reply to the comments and the additional information required on the petition.

Hearing concluded. Posted for final orders.

**Sd/-**  
**PremanDinaraj**  
**Chairman**

Approved for issue

Secretary