

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**Present : Preman Dinaraj, Chairman**

**OA No.14/2020**

**In the matter of approval of Capital Investment Plan for the year 2020-21  
submitted by Rubber Park India (P) Limited.**

Applicant : M/s Rubber Park India (P) Limited, Ernakulam.  
Represented by Shri. Anees, Resident Engineer

Respondent : Kerala State Electricity Board Limited  
Represented by Shri. Suresh , Executive Engineer &  
Shri. Manoj, AEE,TRAC,

**Order dated 25.09.2020**

1. M/s Rubber Park India (P) Limited (*hereinafter referred to as the licensee or M/s RPIL*) has filed a petition before the Commission on 24-07-2020, seeking approval of capital investment plan for 2020-21 as per Regulation 70 (2) of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2018. In the said petition, the licensee sought the approval for the capital investment of Rs.53.87 lakh for the year 2020-21. The proposal includes a 'Unitized substation' with a building for housing the distribution substation, RMU, Transformer and LV distribution board. The summary of the investment proposal submitted before the Commission is shown below:

**Table 1**

**Detailed Estimate for the construction of a New 800 kVA Unitized Substation**

Sl. No	Description	Unit	Qty	Rate	Sub Total	Total (Rs)
1	800 kVA, 11 kV/433 V, 3 Phase, 50 Hz, Dyn 11, indoor ONAN type, copper wound distribution Transformer					18,99,342.88
a)	Supply	No	1	1800325	18,00,325	
b)	Installation on suitable concrete foundation	No	1	99017.88	99,018	
2	11 kV, 630 MVA, 800A SF6 type, motorised extensible Ring main unit					7,91,250.00
a)	Supply	No	1	750000	7,50,000	
b)	Installation on suitable concrete foundation	No	1	41250	41,250.00	

Sl. No	Description	Unit	Qty	Rate	Sub Total	Total (Rs)
3	8 Way LV Board with MCCB					11,89,564.57
a)	Supply	No	1	1127549	11,27,549	
b)	Installation, testing and commissioning	No	1	62015.21	62,015	
4	Dismantle the already laid 11 kV, 3 X 300 sq.mm XLPE cable after excavating the soil at a depth of 1 meter from the ground level and shift to RPIL store.	Meters	30	416.8722		12,506.17
5	Supply of 11 kV, 3X 300 sq.mm XLPE Al. cable.	Meters	80	2090.7		1,67,256.00
6	Laying of 11 kV, 3X 300 sq.mm XLPE power cable in excavated trench at a depth of 1 Meter from the ground level	Meters	50	359.5173		17,975.87
7	Laying of 11 kV, 3X300 sqmm XLPE power cable direct in ground including excavation, sand cushioning, protective covering and refilling the trench etc. as required.	Meters	10	416.8722		4,168.72
8	Supplying and making outdoor cable end termination with heat shrinkable jointing kit complete with all accessories including lugs suitable for 3X 300 sq.mm XLPE Al. cable	Each	4	13239.19		52,956.76
9	Supply of 400 sq mm A2XFY 1.1 kV LT cable	Meters	80	5060		4,04,800.00
10	Laying of 400 Sq mm A2XFY, 1.1 kV LT cable in excavated trench at a depth of 0.75 Meter from the ground level including soil excavation and back filling.	Meters	70	346.9272		24,284.90
11	Supplying and making end termination with brass compression gland and aluminum lugs for 400 Sq mm A2XFY cable	Set	2	1691.27		3,382.54
12	Supply and making outdoor heat shrinkable type straight through cable joint with approved make of kit for 3C X 300 sq mm, 11kV XLPE cable	Set	1	14884.3		14,884.30
13	Supply, providing earthing with copper earth plate 600 mm X 600 mm X 3 mm thick	Set	4	11595.48		46,381.93
14	Supplying and laying 25 mm X 5 mm copper strip at 0.50 meter below ground as strip earth electrode	Meter	20	832.3455		16,646.91
15	Civil Works		1	515000		5,15,000.00
16	Preparation Drawings / Documents / Getting scheme approval and sanction for energisation including liaison work with Electrical inspectorate. Statutory Fees will be paid by the client on production of receipt.	Lum	1	70000		70,000.00
17	Contingencies	Lum	1			1,56,912.05
	<b>Total</b>					<b>53,87,313.58</b>

- As per the details given in the petition, the petitioner has a vacant plot of land of 14.42 acres in Irapuram Park area. Of this, the licensee has allotted an area of

5.282 acres to 6 allottees. Of these three companies have already started their construction activity and applied for contract demand for a total of 330 kVA (150 kVA each for two companies and 30 kVA for the third company). The other three companies are yet to start the construction activities. The licensee expects six to nine new consumers in the remaining area of 9.14 acres. Hence the licensee has proposed a unitized substation with a capacity of 800 kVA.

3. The licensee has also furnished the detailed estimate of the capital investment of Rs.53.87 lakh for the year 2020-21. The major items are 800 kVA transformer of Rs.18.00 lakh, RMU (11kV) of Rs.7.50 lakh, 8 way LV board with MCCB of Rs.11.27 lakh and Civil works of Rs. 5.15 lakh. Cost estimate was prepared after taking quotations from M/s.KEL, Kochi (Transformer 800kVA), M/s Intrans electro components (P) Ltd (LT Panel). Other estimates were prepared based on CPWD rates. The total capital works are proposed to be financed from the equity of the company.
4. The Commission admitted the petition as OA No.14/2020. Due to Covid-19 pandemic and consequent restrictions, the hearing was conducted through video conference.

### **Hearing on the Petition**

5. The hearing was held on 08-09-2020 at 11 AM. Shri. Anees, Resident Engineer, M/s Rubber Park India (P) Limited, presented the petition on behalf of the petitioner. He mentioned that in the previous year, the licensee had proposed a 500kVA unitised substation as part of the capital expenditure programme for 2018-19. But the Commission in its Order dated 29-08-2018, in OP No.7/2018, stated that the proposal would be considered if the licensee furnishes detailed estimate with supporting details along with pending/prospective applications for power connections. Accordingly, the present application is preferred before the Commission. In consequence to the amendment of Kerala Electricity Supply (Amendment) Code, 2020, whereby LT supply can be given up to 150kVA to industrial parks and industrial estates, the licensee expects more number of consumers with 150kVA contract demand. The estimate for the proposal was prepared based on CPWD rates. However, market rates were used in cases where the items are not available in CPWD rate schedule. According to the licensee, a total of 90 to 100 days will be required for completion of the project, including obtaining approval from the electrical inspectorate.
6. Sri. Manoj. G., AEE presented the comments on behalf of KSEB Ltd. The major points presented by the respondent M/s KSEB Ltd are summarised below:-

- It has to be ascertained whether the land now been allotted is with the licence area of the licensee.
  - The licensee was earlier submitted a proposal for capital investment for a 500 kVA unitised substation in the year 2018-19. In the present petition, the capacity has been enhanced to 800 kVA. However, the cost of installation has been doubled.
  - M/s KSEB Ltd stated that, unitised substations are costlier than conventional HT/LT substations. Unitised substations are usually proposed in places where there are space constraints for installing outdoors transformers and its associated switching equipments. As an industrial park having 20 acres of additional land, land is not a constraint for installing two or more transformers and associated network of required capacity. If the licensee chooses a 500kVA convention type of transformer installations with RMU, the cost as per the approved Cost data would be about Rs.13.5 lakh only. Thus, a two transformer installation for 1000 kVA would be about Rs.27 lakh only. Thus, according to KSEB Ltd, the capital expenditure proposal is not optimal.
  - KSEB Ltd further stated that as per the provisions of 49(5) and 47(7)(b) of Supply Code, 2014 the RPL as the developer of the park is responsible for the development of the internal distribution system ie., to establish transformers and distribution mains. If the distribution licensee claims the cost through capital investment plan, the should be transferred to other consumers which is against the judgment dated 16-10-2018 of the Hon. High Court of Kerala in WA No.1448 and 1482 of 2017. Hence cost cannot be part of the ARR of RPIL.
7. During the hearing, RPIL furnished their reply to the major comments of KSEB Ltd. RPIL, in their reply stated that the land which is now allocated is part of their licensed area, which was earlier allotted to M/s Apollo Tyres and taken over from the Company due to non-fulfilment of allotment conditions. The land is now re-allocated to new consumers. Hence, the argument of KSEB Ltd that land is outside the licence area is not correct. The licensee clarified that the proposal is for meeting the requirement of load growth as per the provisions the Tariff Regulations. Further, it is also not correct to say that unitised substation is not necessary. The present proposal is not for a compact substation, instead the transformer, RMU and panels are situated in one area, which the licensee has termed as 'unitised substation'. The park is already developed with underground cables and ring main units and installing conventional transformer stations only for this area is not appropriate. Further, it is the duty of the park to provide necessary electrical infrastructure for the new lessees and it is an integral part of the distribution system.

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

8. The Commission has examined the proposal of the licensee and the comments of KSEB Ltd. The licensee has proposed a unitised substation of 800kVA and associated works for an estimated cost of Rs.53.87 lakh. The proposed investment for providing supply to the new consumers in the area within the park. Already 5.282 acres of the park area has been allotted to 6 new allottees and out of these, three consumers have sought requirement of a total of 330 kVA.
9. The licensee has clarified that the land is very much within the licenced area. KSEB Ltd has commented that the cost of the proposal is very high and recommended to establish a conventional type transformer installation. While concurring with the comment of the KSEB Ltd that the cost estimates proposed by the licensee is high, the Commission is, however, not convinced that the comment of KSEB Ltd to install a conventional type installations. As stated by the licensee, transformer installation in the park is required to have uniformity in approach and to be in line with existing infrastructure architecture.
10. The argument of KSEB Ltd that the investment is to be undertaken by the park developer is also not consistent with the duties of a distribution licensee. As per the provisions of Section 42 (1) of the Electricity Act, 2003, it is the duty of the distribution licensee to develop and maintain an efficient, co-ordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions contained in this Act. Further “distribution system” is the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers. Thus, these two provisions make it clear that the primary function of the distribution licensee is to develop distribution system, which extends till the point of connection of the consumers. Hence, the cost of such developments is a part of the expenses of the distribution licensee. Further, as per guidelines for ‘Approval of Capital Expenditure” under KSERC (Terms and conditions for determination of Tariff) Regulations, 2018 the distribution licensee may undertake investments for meeting the requirements of load growth. The present investment can be categorised as of this.
11. KSEB Ltd had also cited the judgement of the Hon.High Court of Kerala in WA 1448/1482 of 2017, and argued that such investments being part of the ARR of the licensee, it gets transferred to other consumers, which is against the said judgment. The Commission has examined the said judgment. The said judgment is applicable for two different cases of consumers seeking supply which requires installation of dedicated transformers. The Commission noted that the said case is a specific direction to KSEB Ltd asking them to approach the Commission for determining the tariff specifically for the parties due to the installation of dedicated

transformers. The present proposal is not for providing supply to specific consumers but for meeting the requirements of load growth of a distribution licensee. Hence, the said judgment cannot be made applicable to the present situation.

12. Regarding the proposal of the licensee, the Commission is pointed out that as per the provisions of the Tariff Regulations governing capital expenditure approval, such proposal should have proper justification amply providing for the need for the investments, alternate options (eg:- sizing / capacity of transformer considering the load growth), basis for selection of the optimal alternative or least cost option, technical and financial viability including cost benefit analysis etc., It is the responsibility of the Commission to ensure that the consumers have to pay the least cost for the service rendered by the licensee. In the absence of these details, the Commission ability to evaluate the appropriateness of the investments and the cost effectiveness would be severely hampered. **Hence, the Commission urges that all licensees shall in future strictly comply with the requirement of the Regulations while seeking for approval of capital investment proposals.**

13. After examining the proposal for its necessity, the Commission is convinced that there exists a requirement for the addition of distribution assets ie., the transformer station, RMUs and distribution panels for meeting the load growth in the said area. However, the Commission is not convinced regarding the cost estimates of the proposal. The Commission notes that the licensee had on 09-01-2018 filed a similar petition seeking approval of capital investment plan for 2018-19, wherein a proposal unitised substation for 500kVA with a total cost of Rs.27.00 lakh. As against the said proposal, the present proposal is almost double the cost without commensurate increase in capacity. Though the licensee has claimed that the estimates have been prepared based on the CPWD rates and market rates, such high cost increase cannot be justified. **Hence, the Commission hereby directs that the licensee shall adopt transparent tendering procedure and shall finalise the contracts only when responsive and competitive bids are received in sufficient numbers. In its absence, the licensee is hereby directed to retender the relevant works/ purchase.**

14. The licensee has proposed that the funding of the proposal is from their own sources. However, the licensee fails to substantiate the how such funding will be made from the existing resources. Hence the licensee shall furnish the proper details on the funding of the proposal during the truing up of accounts.

### **Orders of the Commission**

15. After due consideration of the petition and the views expressed during the public hearing, the Commission approves the proposal, subject to the following

conditions.

- a. The licensee shall take up the work only through competitive bidding process for procurement of materials and execution so as to ensure least cost execution of the proposal.
- b. The licensee shall ensure that there is proper response for the tenders floated and shall resort to retender in its absence as specified in Para 13 of this Order
- c. The licensee shall indicate the correct source of funding for the proposal during the truing up of accounts for the respective year.
- d. In future, the licensee shall furnish capital investment proposals in line with the provisions contained in Regulation 70 of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018, incorporating all details.

With the above, the petition disposed of, Ordered accordingly.

**Sd/-**  
**Preman Dinaraj,**  
**Chairman**

Approved for issue

Satheesh Chandran CR  
Secretary (i/c)