

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 56/2022

Present : **Sri.T.K.Jose, Chairman**
Adv. A. J. Wilson, Member
Sri. B. Pradeep, Member

In the matter of : Petition filed by M/s Thrissur Corporation Electricity Department Kerala for approval of ARR & ERC for the Control Period 2022-23 to 2026-27

Petitioner : M/s Thrissur Corporation Electricity Department

Represented by : Smt. Sheeba Babu, Chairman, Public Works Standing Committee
Sri.Krishnakumar, Asst.Secretary
Sri. T.S Jose, Electrical Engineer
Sri. Muhamed Munaz, Consultant

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajan, Deputy Chief Engineer, TRAC, KSEB Ltd
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd
Sri. Rajesh R, Assistant Executive Engineer, KSEB Ltd
Sri. Shine Raj, Assistant Engineer, KSEB Ltd

Date of Hearing : 03.03.2023 at the Conference Hall, PWD Rest House, Thrissur

Daily Order Dated 17.03.2023

1. M/s Thrissur Corporation Electricity Department under Thrissur Municipal Corporation is a deemed distribution licensee under the Electricity Act, 2003 having an operational history since August 1937, when the generation & distribution business of Cochin State Power & Light Corporation Ltd was purchased by the then Thrissur Municipality. The current license area of the TCED corresponds to the administrative limits of the old Thrissur Municipality covering an area of approximately 12.65 sq.km, even though the current administrative jurisdiction of the Thrissur Corporation covers an area of approximately 101.42 sq.km.
2. The licensee has filed the present petition for the approval of ARR & ERC for the Control Period 2022-23 to 2026-27 as per the provisions of Tariff Regulations 2021. The public hearing on the petition was conducted on 03-03-2023 at the Conference Hall of PWD Rest House, Thrissur. The licensee was represented by Smt. Sheeba Babu, Chairman, Public Works Standing Committee, Sri. Krishnakumar, Asst. Secretary, Sri. T.S Jose, Electrical Engineer, Sri. Muhamed Munaz, Consultant and other officers of the licensee. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer, Sri. Rajesh R, Assistant Executive Engineer and Sri. Shine Raj, Assistant Engineer represented KSEB Ltd. Sri. Muhamed Munaz,

presented the petition before the Commission and clarified the queries of the Commission.

3. The main points of the petition for approval of ARR & ERC are briefed below.

- The licensee has projected increase in the number of consumers and sales revenue during the control period. The licensee has stated that growth is expected for the control period considering anticipated additional load from new consumers.
- The licensee has not projected any year on year distribution loss reduction targets.
- Power purchase cost increases year on year, duly considering the increase in sales and contract demand.
- The O&M expenses projected for the years of the control period is higher than the norms approved by the Commission. The licensee submitted that O&M expenses may be allowed, as proposed in the petition as against the norms prescribed in the Tariff Regulations 2021.
- With regard to employee cost, the licensee submitted that the cost includes salary, DA and other benefits to employees and terminal benefits to its retired employees. The licensee has stated that they expect two pay revisions for its employees and has projected a provision for the control period and the same is claimed as other expenses.
- The Administrative and General Expenses projected for the control period includes items such as rent, rates and taxes, insurance, telephone charges, conveyance charges, legal charges, audit fee, consultancy charges, printing and stationary, advertisement charges, statutory fee including payments to the Commission. Electricity duty under Section 3 (1) paid to the Government is also considered as part of A&G expense.
- The R&M expenses claimed is for Plant & Machinery, Lines & Cable Networks and Office Equipments. The licensee in the petition has stated that 10%-12% increase is projected during the Control Period.
- The licensee in the petition for approval of ARR&ERC has proposed a capital investment plan for the years of the control period which includes projects for loss reduction, for modernisation, Automation, Solar Projects, EV Charging Stations etc. The licensee has also filed separate petition for approval of the Capital investments for the Control Period.
- The licensee has claimed depreciation as per the provisions of the Tariff Regulations, 2021. The licensee has also claimed depreciation for the capital expenditure for the years of the control period.
- The interest and finance charges claimed by the licensee include interest on security deposit
- The licensee has projected RoNFA for each year @ 5.5%

- The licensee has projected the Revenue from Sale of Power as per the revised tariff. The major sale of power and revenue realisation is from LT I A, LT VII A, HT II B and HT IV category of consumers.
 - Major components of Non-Tariff Income include Interest on investments, fixed and call deposits and bank balances, Miscellaneous Charges, Commission for collection of electricity duty, Interest on delayed or deferred payment of bills, Pole Rent Income, Recovery of theft and pilferage of energy, Meter/metering equipment/service line rentals and SD interest from KSEB. The projected non-tariff income is decreasing year on year during the Control period
4. Sri. Shine Raj, Assistant Engineer submitted the views of KSEB Ltd on the petition before the Commission and submitted that the written comments would be submitted subsequently.
5. After hearing the licensee and the respondent, the Commission sought clarifications on the petition. The Commission viewed that the business plan of the licensee is not proper and took a serious note on the fact that the gross expenditure has been increasing abnormally. With regard to projection on sales, Commission noted that the estimations are not realistic. The Commission directed that the Electricity Department and the Consultants engaged in the preparation of the petition shall sit together and after proper discussion submit revised petition in line with the projected capital investments. The Commission also requires the following clarifications on the petition for further processing.
- a) It is proposed to implement Revamped Distribution Sector Scheme (RDSS) under Ministry of Power to improve operational efficiency and financial sustainability for strengthening the supply and expecting Govt of India grant up to 60 per cent. Details of projects are as below:

Sl.No	Item of Investment	Period of investment	Amount (Rs. in lakh)
1	Loss Reduction Projects	2022-23 to 2025-26	2852.96
2	Modernisation Projects	2022-23 to 2024-25	4782.60
3	SCADA and DMS	2022-23 to 2025-26	3000.00
4	Total		10635.56
5	Grant receivable under RDSS	60%	6381.34

Though the 60 % grant from Government of India admissible under RDSS is about Rs.6381.34 lakh, actual amount of Government grant reckoned during the control period is only Rs.337.10 lakh. Depreciation and Return on NFA have been claimed on the balance amount. This needs to be clarified.

- b) It is proposed to install Prepaid/Smart meters at a total cost of Rs.2588.00 lakh to comply with CEA regulations during the Control Period replacing all Consumer meters, HT meters, DT meters and Feeder meters. It is proposed to implement the same on DBFOOT basis. However, the entire cost of meters is capitalised and Depreciation as well as Return on NFA claimed thereon during the control period as below:

(Rupees in lakh)

Year	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Cost of meters capitalised	400.17	400.17	400.17	691.95	691.95	2584.41
Cost of meters removed	0	0	0	0	603.70	603.70
Depreciation claimed on meters	42.72	63.80	84.88	113.66	118.31	
Cumulative depreciation adjusted against meters removed					0	0

- c) As meters are installed on DBFOOT basis, it is to be clarified how the cost of Rs.2584.41 lakh is capitalised and depreciation is claimed. In addition, Meter rent to the tune of Rs.251.15 lakh is also levied during the Control period which is based on existing meters needs review.
- d) Though it was proposed to install Prepaid Smart meters, the licensee claimed increase in Consumer's Security Deposit and Interest on SD as below:

(Rupees in lakh)

Year	2022-23	2023-24	2024-25	2025-26	2026-27
Consumer SD	4024.48	4084.85	4146.12	4208.31	4271.44
Interest on SD	187.14	189.95	192.79	195.69	198.62

In view of implementation of prepaid Metering System, licensee may clarify how the Security Deposit is collected from Consumers and Interest on SD is claimed.

- e) The Gross Value of meters as on 01 April 2022 was Rs.610.35 lakh, cumulative depreciation allowed was Rs.222.88 lakh and Net Value was Rs.387.48 lakh. Though, these meters are proposed to be replaced with smart meters, the corresponding Gross Value and Cumulative depreciation have not been removed from the Gross Fixed Assets instead Rs.603.70 lakh is removed in 2026-27. TCED is to clarify as to why it is not done every year.
- f) As per Regulations, the rate of depreciation for Meters is 9 per cent and that of Software is 30 per cent. But the licensee worked out and claimed depreciation on Meters at the rate of 5.28 per cent and on Software at the rate of 15 per cent during the control period. The basis for the same needs to be clarified.
- g) As per Regulations, the salvage value of Vehicles is 10 per cent and that of IT Equipments and Software is zero. Thus, the Net Values cannot be negative figures. As per the petition, the figures are as below:

(Rupees in lakh)

Sl No	Item	Year	Gross Value	Cumulative depreciation	Net Value
1	Vehicles	2026-27	53.68	58.97	-5.29
2	IT Equipments	2025-26	174.76	193.83	-19.07
3	Software	2021-22	29.38	30.20	-0.83

It needs to be clarified how depreciation was claimed in excess of the Gross Value of the assets put to use.

- h) The licensee proposes to implement Loss Reduction Projects costing Rs.2852.96 lakh during 2022-23 to 2025-26. However, there is no proposal to achieve reduction of T&D losses from 6.87 per cent instead propose to maintain the loss at the prevailing level during the control period. Commission noticed that, the licensee in para 5.2.2 has stated that TCED expects to reduce its loss significantly in the control period by installing smart/prepaid meters. It is also to be noted that the actual distribution loss for 2021-22 is 6.70%. It may be clarified why the licensee is not proposing reduction in T&D loss despite huge investment towards loss reduction.
- i) It is proposed to install solar plants having a total capacity of 20 MW during the Control period.

Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Solar generation (MU)	0.53	0.57	0.57	0.58	0.58	0.58

However, there is no corresponding increase in solar generation during the Control period which needs clarification.

- j) Other expenses claimed under A&G expenses includes pooram related expenses. The licensee is to submit how the pooram expenses is considered as part of distribution business and submit details of other expenses claimed under A&G expenses.
- k) Return on NFA is claimed on Net Fixed Assets after deducting Consumers Contribution. But it is noticed that Grant received from Government for creating the asset has not been deducted. The licensee is to clarify the same.
6. KSEB Ltd was directed to submit their comments without delay. The Commission directed TCED to revise petitions with all proper details to substantiate their projections in the petition and submit the clarifications on the petition on or before 31.03.2023. In case submission of details are not made within the date stipulated, the Commission shall presume that the licensee has no further submissions to make and the Order shall be finalized accordingly.

Sd/-
Sri. B. Pradeep
Member

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. T.K Jose
Chairman

Approved for issue

Sd/-
Secretary