

PRESS RELEASE

Kerala State Electricity Regulatory Commission in its order dated **2-12-2009** disposed of the petition filed by KSEB for **rationalisation/revision** of the tariff applicable to the Domestic, High Tension Commercial, Kerala Water Authority and licensees by rejecting the proposal. The Commission after examining the financial position of the Board, has **concluded that there is no need for a tariff revision for meeting the additional revenue requirements at present**. The Commission also observed that the rationalisation proposal was inconsistent with the provisions of the Electricity Act 2003, National Electricity Policy and Tariff Policy, in so far as it increases the cross subsidy level and causes tariff shock to a section of consumers. The Commission arrived at this decision after consulting the State Advisory Committee and considering the views of stakeholders in the public hearings held at Thiruvananthapuram, Ernakulam, and Kozhikode.

KSEB filed the tariff rationalisation petition on 24-07-2009 for raising an additional revenue of Rs.150.86 crores. The Commission in its earlier Order on the petition on Aggregate Revenue Requirement (ARR) and Expected Revenue from Charges (ERC) of KSEB for 2009-10 had provisionally admitted a revenue gap of Rs.335.30 Crore. After the truing up or final approval after scrutiny based on audited accounts for the year 2005-06, the net gap for 2009-10 was reduced to Rs.153.94 Crore. The Commission is of the view that because of the various measures adopted by the Board in improving productivity and efficiency in operations during the last three years sufficient surplus will be available to meet the estimated net revenue gap for the year 2009-10 once the truing up exercise is carried out for the years 2006/07, 2007/08 and 2008/09. Increasing efficiency through better management practices is noticeable during this period. The Commission, noticed that during this period, capital expenditure remained much less than the approved level. However KSEB is found to be concentrating on achieving targets under capital expenditure during 2009-10. The status of arrears as on 30-6-2009 shows Rs.1672 Crore including arrears from KWA. It is observed that the arrears to be collected from State Govt. departments itself is Rs.157.08 crore and from State Undertakings excluding KWA is Rs.220.39 Crore. These arrears have to be collected immediately to reduce borrowing for meeting working capital expenditure. KSEB should take up this matter with Government and the Government should

help the Board by timely payment of its electricity dues which will ultimately benefit the ordinary consumer. Considering these factors, the Commission decided that, the proposal for additional revenue through tariff revision is not required at present and expressed the view that the present Board appears to be capable of improving its finances with better management avoiding the necessity of a tariff revision in the near future. However, the Commission is positive to any tariff revision proposal in line with the provisions of the law, if the Board can substantiate the need for it.

The Commission has rejected the rationalisation of domestic tariff proposed by KSEB which leads up to 48% increase in bill causing tariff shock to certain consumers. **The Commission also rejected the proposals for 18% increase in tariff for HT IV Commercial** consumers which results in increase in cross subsidy levels and discrimination for non admissible reasons. The proposal of reducing the tariff for KWA by 10% will be possible only if the Government provide the subsidy upfront as per Section 65 of the Electricity Act, 2003. It is not up to the KSEB to provide subsidy which is against the provisions of the Act

The Commission decided to adopt a uniform retail tariff for all the consumers in the State irrespective of the licensee supplying power. Hence, bulk supply tariff applicable to the licensees will be decided simultaneously along with finalisation of ARR & ERC of respective licensees including KSEB thereby ensuring fair and reasonable return for the licensees. This will be taken up next year onwards. **Till then the proposal of increase to the tune of 25% in bulk supply tariff applicable to licensees is deferred.**

The Commission has approved the proposal of KSEB simplifying the existing Time of Day (ToD) Tariff for HT and EHT Consumers, **by increasing the incentives by 5% during off peak period.** The revised ToD scheme will be effective from 1-1-2010.

As an initial step towards introduction of ToD for LT consumers, **the Commission has introduced optional Maximum Demand based tariff for LT IV Industrial, LT VII(A) & (C) commercial categories with connected load of 20kW and above.** The consumers who opt for Maximum Demand Based tariff shall execute supplementary agreement with KSEB showing their required maximum demand in kVA. Further, the Commission has introduced **an optional ToD tariff for LT IV Industrial consumers** who have opted maximum demand based tariff

and having more than or equal to 30 kVA contract demand. Both schemes shall be effective from 1-4-2010.

The Commission also approved the proposal of KSEB to include the cardamom drying and curing units under LT IV industrial Tariff and filtering and packing units using extracted oil brought from out side to be under LT VII(A). Tariff applicable to ATM counters of banks shall be the same as that applicable to banks. Further, based on connected load, Gymnasium shall be billed under respective LT I(b) and LT VII (C) tariff. **The proposal reclassifying Akshaya e-centres and subsidising electric crematorium were disallowed. The proposals on re categorizing LPG bottling units in HT, Seafood processing units in HT, Home stay, Blood Banks of IMA/Government Hospitals/Local Self Governments and Photo Studios are deferred for further study.**

The Detailed order is available in the Web site of the Commission www.erckerala.org

Sd/-
Secretary