

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 12 / 2023

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

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

Petitioner : M/s Technopark, Trivandrum

Represented by : Smt. Jayanthi L, Chief Finance Officer
Sri. Madhavan Praveen, GM Projects
Sri. Viswanathan N, Dy Manager (Fin)
Sri. Anfal, Dy. Manager (Electrical)

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd
Sri. Rajesh R, Assistant Executive Engineer, KSEB Ltd
Smt. Biji Christudas, Assistant Engineer, KSEB Ltd

Date of Hearing: : 16.05.2023 at Court Hall, Office of the Commission

Daily Order Dated 17.05.2023

1. M/s Technopark, Thiruvananthapuram, is a deemed distribution licensee for distribution of electricity in the Technopark campus. M/s. Technopark has four licence areas namely (1) Technopark Phase I, (2) Technopark Phase II & III, (3) Technocity Pallippuram and (4) Technopark Kollam. 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.
2. The public hearing on the petition was conducted on 16-05-2023 at the Court Hall, Office of the Commission. The petitioner was represented by Smt. Jayanthi L, Chief Finance Officer, Sri. Madhavan Praveen, GM Projects, Sri. Viswanathan N, Dy Manager (Fin) and Sri. Anfal, Dy. Manager (Electrical). Sri. Ajith Kumar K.N, Executive Engineer, Sri. Rajesh R, Assistant Executive Engineer and Smt. Biji Christudas, Assistant Engineer represented KSEB Ltd. Sri. Anfal, Dy. Manager (Electrical) 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 sales for the years of the control period. A sales growth of 10.74% - 12.91 % is projected for the control period. The licensee has stated that the projections are after considering the expected new consumers.
- The licensee proposes a distribution loss reduction target for the years of the control period. The licensee is proposing to reduce the distribution loss to 2.53% by 2026-27.
- The licensee stated that they are not able to meet the Renewable Purchase Obligation of the licensee and stated that they shall pay the cost for the same if KSEB Ltd meets the RPO for the licensee also.
- Power purchase cost increases year on year, duly considering the increase in sales.
- 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. It was submitted that the normative costs allowed in the regulation are lower than the actual cost incurred in previous years and are not adequate to carry on the business.
- With regard to employee cost, the licensee has apportioned the cost of the employees and projected year on year increase for the control period. The licensee has stated that DA % increase is taken twice in a year (Jan&July) approximately 2% to 4% and based on Technopark Board decision approx 7% increase is given to consolidated pay yearly.
- The repair and maintenance expense projected by the licensee includes the O&M Contract outsourced for the operation and maintenance. The licensee has stated that they have been strictly following the competitive tendering process for the O&M Contract and the L1 bidder is awarded. The licensee has projected 5% increase in the R&M expenses.
- The A&G expenses projected by the licensee includes electricity charges, energy audit charges, inspectorate charges, security charges, Insurance, Telephone & Postage, Printing & Stationery and related charges. The major part of the A&G expenses claimed is Duty under Section 3 of the Kerala Electricity Duty Act.
- The licensee has stated that no capital investment plan has been included and a separate capital investment petition will be submitted after detailed study for approval.
- The licensee has claimed Rs.171.89 lakh as depreciation for each year of the control period in the straight line method.

- The licensee has proposed for interest on normative loan for the first two years of the Control Period.
- The licensee has projected Return on Net Fixed Assets at 3% for each year of the control period.
- The revenue from sale of power is proposed based on the revised tariff as approved by the Commission. The licensee has projected an increase in the non-tariff income for each year of the Control Period.
- The licensee, for each year of the Control Period, proposes a Revenue Gap and presented the petition with the following prayers;
 - Approve the ARR, ERC and Revenue Gap submitted.
 - Allow Capital Expenditure Petition to be filed separately.
 - Allow Purchase of REC to meet RPO or alternatively and direct seller entity to meet RPO as envisaged in regulation.
 - Allow Section 3 (1) Electricity Duty as an expense.

4. Smt. Biji Christudas submitted the views of KSEB Ltd on the petition before the Commission.

- Technopark has submitted the detailed category wise split up of the number of consumers and sales for the control period wherein increase is projected, whereas the methodology adopted for the projection is not clear.
- It was submitted that reduction in distribution loss is an important parameter which has a direct impact on power purchase cost. The licensee has projected a loss reduction trajectory which reduced the loss to 2.53% in 2026-27 which is higher than the distribution loss of 1.44%, approved by the Commission in the ARR & ERC order for the previous control period 2018-19 to 2021-22.
- It was submitted that the petition lacks clarity on the methodology considered for calculating the annual fixed charges and the issue with regard to sale of power at the Kundara Park is to be addressed.
- The O&M expenses are controllable expenses and the claim by licensee in petition for 2022-23 to 2026-27 is significantly higher than the norms specified by the Commission. It was submitted that the O&M expenses may be limited to the approved norms.
- A&G expenses claimed includes Electricity Duty payable to the Government under section 3(1) of the Duty Act 1963. It was submitted that Commission may take a uniform approach regarding Section 3(1) duty as the same is not a pass through.

- The licensee has estimated depreciation in the straight line method as per the Tariff Regulations, 2021. It was submitted that depreciation is to be allowed only after considering the age of assets.
 - Interest on normative loan and RoE may be allowed only after verification of asset details and exercising prudence checks.
 - With regard to projection of revenue from sale of power, it was submitted that there has been an error in applying tariff and calculating revenue from sale of power for the entire control period. It was also stated that the licensee has not applied the tariff for the year 2022-23 on pro-rata basis.
5. During the hearing, the Commission sought clarifications on the petition and **directed the licensee to submit a fully revised petition** considering the actual sales, income and expenditure for the year 2022-23. The Commission also stated that the licensee shall take efforts to attract the consumers to various areas of the licensee in order to effectively utilise the assets to its potential.
6. Commission directs Technopark to submit their counter, if any on the written comments of KSEB Ltd. The details shall be furnished on or before 31.05.2023. In case submission of details is 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/-
C.R.Satheesh Chandran
Secretary