

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 28 / 2022

Present : **Adv. A. J. Wilson, Member**
Sri. B. Pradeep, Member

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

Petitioner : M/s Kanan Devan Hills Plantations Company Private Limited (KDHPCL)

Represented by : Sri. P.M. Srikrishnan, Executive Director, KDHPCL
Sri. Raju Warriar, KDHPCL
Sri. Sachin Prabhu, KDHPCL
Sri. R. Jayaraman, KDHPCL

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. Shan B.S, Asst. Executive Engineer, KSEB Ltd
Smt. Archana M, Asst. Engineer, KSEB Ltd

First hearing : 20.05.2022 at the KDHPCL Recreation Club, High Range Club Road, Munnar

Second Hearing: : 13.02.2024 at the Court Hall, Office of the Commission

Order Dated 26.02.2024

1. M/s Kanan Devan Hill Plantations Company Private Limited (hereinafter referred to as KDHPCL, the petitioner or the licensee) is the distribution licensee supplying electricity in its license area at Munnar. KDHPCL procures electricity from KSEB Ltd for the supply to its consumers and for its own consumption.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred to as Tariff Regulations, 2021) on 16-11-2021 for the five-year Control Period starting from the first day of April 2022 and ending on the thirty first day of March 2027. As per Regulation 10(1) of the said regulations, every distribution business/licensee shall file, on or before the thirty first day of December 2021, the petition for approval of Aggregate Revenue Requirement and determination of tariff for each year of the Control Period.

3. 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 summary of the projected ARR&ERC as per the petition and a comparison of the previous years' (Truing up Petition and Order on Truing Up) is shown below.

Table 1
Projections for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Purchase of power	2,685.82	2,827.51	2,855.77	2,884.34	2,913.23
Employee Cost	167.50	174.96	182.75	190.89	199.39
Administration and General Expenses	13.88	14.50	15.14	15.82	16.52
Repairs and Maintenance Expenses	42.01	43.88	45.83	47.88	50.01
Depreciation	13.65	15.65	17.86	20.03	23.03
Interest and Finance charges	50.11	55.74	59.53	62.92	66.00
Other Debits	14.62	14.81	15.01	15.22	15.42
Return on Net Fixed Assets	6.30	5.03	5.03	5.03	5.03
Total Expenditure/ ARR	2,993.89	3,152.09	3,196.92	3,242.13	3,288.63
Revenue from Sale of Power	2,914.40	3,075.64	3,106.44	3,137.45	3,168.70
Other Income	47.40	39.66	37.82	35.19	31.71
Total Revenue/ERC	2,961.80	3,115.30	3,144.26	3,172.64	3,200.41
Revenue Surplus / (Deficit)	(32.09)	(36.78)	(52.66)	(69.49)	(88.22)

Table 2
Income and Expenditure for the previous years (Rs. lakh)

Particulars	2020-21		2021-22	
	Truing Up Petition	Trued Up	Truing Up petition	Trued Up
Power purchase cost	2689.53	2668.62	2665.23	2661.77
Employee Expenses	166.07	157.48	172.12	169.31
Administration & General Expenses	10.34	9.32	17.33	14.96
Repair & Maintenance Expenses	48.55	48.55	52.84	50.90
Depreciation	22.71	13.82	13.16	12.37
Interest on Working Capital and finance charges	17.73	47.42	54.62	48.11
Other debits	12.6	1.13	14.08	1.13
Provision for Bad debts	0.35	-	0.00	-
Return on Net Fixed Assets	-	3.83	3.46	3.83
Total Expenditure/ARR	2967.88	2950.17	2992.84	2962.38
Revenue from Sale of Power	2884.83	2884.83	2955.48	2949.85
Other income	11.66	81.19	50.97	71.25
Total Income/ERC	2896.49	2966.02	3006.45	3021.10
Revenue (Gap)/Surplus	-71.39	15.85	13.61	58.72

4. After examining the petition, the Commission admitted the petition as OP No. 28/2022 and posted for hearing the petition on 20.05.2022 at the KDHPCL Recreation Club, High Range Club Road, Munnar.

Public Hearing on the Petition

5. The hearing on the petition was conducted on 20.05.2022 at the KDHPCL Recreation Club, High Range Club Road, Munnar. The licensee was represented by Sri. P.M. Srikrishnan, Executive Director, Sri. Raju Warriar, Sri. Sachin Prabhu, and Sri. R. Jayaraman and other officers of KDHPCL. Sri. Sachin Prabhu presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are:
- a) The licensee has proposed revenue gaps for each year of the control period
 - b) The licensee has not projected any increase in the number of consumers during the control period which is projected to remain same at 15940 nos whereas has proposed increase in the sales for each year of the Control period. The major sale of the licensee is to the HT IA Industrial and LT I Domestic category.
 - c) The licensee has estimated a distribution loss of 10.00% for the control period.
 - d) The Power purchase cost for the years of the control period has been estimated based on the increase in the sales.
 - e) KDHPCL has proposed the O&M expenses as per the ceiling norms fixed by the Commission.
 - f) The licensee has proposed capital investment for the control period which mainly includes re-conductoring works, replacement of mechanical meters with electronic meters, voltage improvement works etc.
 - g) The licensee in the petition has claimed depreciation on straight line method as per the Tariff Regulations 2021 after considering the asset addition in each year
 - h) The interest and finance charges projected by the licensee for the Control period includes interest on working capital, interest on security deposit, interest on normative loan and bank charges
 - i) The licensee has claimed return on net fixed assets at 5.50% as specified in the Regulations.
 - j) Other debits, includes Section 3(1) Duty under the Kerala Electricity Duty Act and periodical inspection charges of Electrical Inspectorate.
 - k) The Revenue from the sale of power for the control period is estimated at the prevailing tariffs.

- l) The non-tariff income accounted by the licensee in the application includes interest receivable on KDHPCL deposit with KSEB Ltd and miscellaneous recoveries and interest on accumulated surplus
6. KSEB Ltd, vide letter No. KSEBL/TRAC/AE1/KDHPCL-ARR 2022-27/2022-23 /122 dated 24.05.2022 submitted the following comments on the petition;
- a. The licensee has taken an assumption that the number of consumers and the consumer mix to remain same for the control period as in the financial year 2020-21. The assumption has no base and need to be modified.
 - b. The licensee has not proposed a distribution loss reduction targets for the control period. The Commission may approve distribution loss considering a decreasing trajectory.
 - c. Detailed project report with regard to the capital investment has not been submitted, which is to be furnished to the Commission. The Capital Investment proposal may be approved only after prudence check.
 - d. The licensee in the petition has submitted that the supply availability for the years of the control period is 81.56%. It was submitted that the supply availability may be considered based on Regulation 90 of the Tariff Regulations, 2021.
 - e. The licensee has claimed Section 3(1) Electricity Duty which may be disallowed as done in the previous years.
 - f. The licensee has claimed bank charges on Rs.7.18 crore which is the bank guarantee to KSEB as per Orders of Hon'ble Supreme Court of India in Civil Appeal No.2144/2011. The same maybe disallowed as done in the previous years.
 - g. Depreciation may be allowed only after considering the age of the assets and depreciation shall not be allowed for the assets created out of consumer contribution.
 - h. The licensee has stated that the actual O&M expenses may be considered while truing up the accounts. KSEB Ltd submitted that O&M expense being a controllable expense may be limited to the approved norms.
7. The Commission vide Order dated 25th June 2022 in OP 11/2020 had approved the ARR & ERC of KSEB Ltd for the Control Period and the Tariff Order applicable to the consumers and other distribution licensees. The licensee vide letter dated 14.06.2022 submitted additional details based on the clarifications sought by the Commission during the hearing and vide letter dated 09.11.2022 submitted the revised petition based on the revised tariff. The revised ARR and ERC for the control period is tabulated below;

Table 3
Revised estimates for the Control Period (Rs. Lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Purchase of power	2,969.78	3,126.37	3,157.62	3,189.21	3,221.15
Employee Cost	167.50	174.96	182.75	190.89	199.39
Administration and General Expenses	13.88	14.50	15.14	15.82	16.52
Repairs and Maintenance Expenses	42.01	43.88	45.83	47.88	50.01
Depreciation	13.65	15.65	17.86	20.03	23.03
Interest and Finance charges	52.03	57.90	61.71	65.12	68.23
Other Debits	14.62	14.81	15.01	15.22	15.42
Return on Net Fixed Assets	6.30	5.03	5.03	5.03	5.03
Total Expenditure/ ARR	3,279.77	3,453.11	3,500.95	3,549.20	3,598.78
Revenue from Sale of Power	3,066.37	3,248.68	3,281.12	3,313.88	3,346.89
Other Income	47.40	32.96	24.39	14.62	3.58
Total Revenue/ERC	3,113.77	3,281.64	3,305.51	3,328.50	3,350.47
Revenue Surplus / (Deficit)	(166.00)	(171.47)	(195.44)	(220.70)	(248.31)

8. The Commission conducted de novo hearing on the revised petition on 13.02.2024 at the Court Hall, Office of the Commission. Sri. Raju Warriar, Sri. Sachin Prabhu, and Sri. R. Jayaraman of KDHPCL represented the petitioner. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer, Sri. Shan B.S, Asst. Executive Engineer and Smt. Archana M, Asst. Engineer represented KSEB Ltd. Sri. Sachin Prabhu presented details on the petition and responded to the queries of the Commission. Sri. Shan B.S briefed the comments of KSEB Ltd on the petition.

Analysis and decision of the Commission

9. The Commission considered the petition for approval of ARR & ERC for the Control Period 2022-23 to 2026-27, the additional clarifications and the revised submission furnished by the licensee along with the comments of KSEB Ltd. The analysis and decisions of the Commission on the petition for approval of ARR & ERC for the Control Period are detailed below

No. of Consumers & Sale of Power

10. As per Regulation 10 (8) of Tariff Regulations 2021, the distribution licensee shall develop the forecast of expected revenue from existing charges based on the estimates of contract demand and quantum of electricity to be supplied to the consumers and to be wheeled on behalf of the users of the distribution system for each financial year of the control period. Further, Regulation 72 provides as follows:

72. Sales Forecast. – (1) The distribution business/ licensee shall file, along with the petition for approval of Aggregate Revenue Requirement and determination of tariff, a forecast of the expected demand and sale of electricity to different categories of consumers and to each consumption slab within each tariff category, in its area of supply for the Control Period.

(2) Sale of electricity, if any, to electricity traders or other distribution licensees shall be separately indicated.

(3) The Commission shall examine the forecasts for its reasonableness based on the proposed growth in number of consumers and proposed consumption per consumer, the demand for electricity in the preceding financial years, anticipated growth in the succeeding financial years and any other factor, which the Commission may consider relevant and thereafter approve the distribution licensee's forecast of sale of electricity to the consumers, with such modifications as deemed appropriate.

11. The licensee has not projected any increase in the number of consumers during the control period which is projected to remain same at 15940 nos whereas has proposed increase in the sales for each year of the Control period. The major sale of the licensee is to the HT IA Industrial and LT I Domestic category. The number of consumers and energy sales forecasted for the control period is tabulated below;

Table 4
Category-wise consumers and sales

Particulars	Number of Consumers for the entire Control Period	Sales In Lakh Units				
		2022-23	2023-24	2024-25	2025-26	2026-27
LT I Domestic	13,489	74.99	73.77	74.51	75.25	76.01
LT IV Industries	90	4.04	5.67	5.72	5.78	5.84
LT V Agriculture	5	0.13	0.27	0.27	0.28	0.28
LT VI Non-Domestic	917	14.40	16.16	16.34	16.49	16.66
LT VII Commercial	1,170	18.13	28.98	29.26	29.56	29.85
LT VIII Public Lighting	231	3.43	2.98	3.01	3.04	3.07
LT TOD Tariff	2	0.10	0.10	0.10	0.10	0.10
LT Total	15,904	115.22	127.93	129.21	130.50	131.81
HT IA Industrial	22	287.04	289.05	291.94	294.86	297.81
HT II (Non Ind/Comr)	3	4.12	4.08	4.12	4.16	4.20
HT III Agriculture	2	3.34	2.88	2.91	2.94	2.97
HT IV Commercial	9	13.09	20.33	20.53	20.74	20.95
HT Total	36	307.59	316.34	319.50	322.70	325.93
Total	15,940	422.81	444.27	448.71	453.20	457.74

12. With regard to the projections made in the petition, the licensee has stated that there has been reduction in the consumption in the commercial and industrial sectors as an aftermath of outbreak of COVID-19 pandemic on the economic activity in the licensed region. It is further stated that the markets and economic activity is picking up as of late in the licensed distribution area. The Commission is not in agreement with the projections on the number of consumers. However, since the costs in ARR are related to sales volume and the same is projected in line with the past trends, the Commission is not inclined to revise the projection at this stage. **Considering the increase in the sales proposed for the control period, the Commission hereby approves the sales units as projected by the licensee for the Control Period.**

Energy Requirement and Distribution Loss

13. As per Regulation 73, the licensee is to provide voltage level distribution loss and distribution loss reduction trajectory for the Control Period with supporting studies along with the petition. The Commission has to approve the target level of losses based on the opening level of losses, the figures filed by licensee and other relevant factors. The licensee has not proposed distribution loss reduction targets for the control period but has estimated a distribution loss of 10.00% for the control period.
14. The licensee has given the estimates of the Feedback energy for computation of distribution loss. It is seen that for the calculation of Distribution loss of KDHPCL, feedback energy is also considered since feedback is the energy wheeled though the lines of KDHPCL for the consumers of KSEB Ltd. The details of the energy requirement and the distribution loss for the control period given in the petition is as shown below.

**Table 5
Comparison of Distribution Loss**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy purchased (lakh units)	480.02	504.39	509.43	514.52	519.68
KSEB Energy Feedback (lakh units)	92.09	96.77	97.74	98.71	99.70
Gross energy in the system (lakh units)	572.11	601.16	607.17	613.23	619.38
Energy Sales (lakh units)	422.81	444.27	448.71	453.20	457.74
Distribution loss (lakh units)	57.21	60.12	60.72	61.32	61.94
Distribution loss %	10.00%	10.00 %	10.00 %	10.00 %	10.00 %

15. A comparison of the distribution loss of the licensee during the past years is tabulated below;

**Table 6
Comparison of Distribution Loss for the Previous Years**

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Approved in ARR (%)	12.00	11.13	10.75	10.40	10.00
Truing Up Petition (%)	11.13	11.44	10.47	10.98	10.99
Trued Up (%)	12.00	11.13	10.75	10.40	10.00

16. The Commission has examined the details of the distribution loss given in the petition. The licensee during the previous control period had also not proposed any distribution loss reduction targets. The Commission while issuing the Orders had approved loss reduction targets which was 10.00% for the last year of the control period. The Commission noted that, the licensee has proposed the capital investment plan for the Control Period in the ARR&ERC Petition. The major investments are replacement of energy meters, Installation of transformers for improvement of supply voltage of LT Lines and reconductoring of 11 KV Distribution lines. The licensee further stated that, the major benefits from these investments are reduction in distribution loss in their system. The Commission further noted that the licensee has also filed separate petition for approval of constructing 33 / 11 kV substation at Munnar which is under consideration of the Commission.
17. Based on the above observation the Commission noted that, distribution loss being a controllable parameter which is having direct impact on power purchase cost and available energy for distribution; it is a criterion that the licensees should continuously strive to improve upon. ***The Commission is of the considered view that the distribution loss is to be reduced and distribution loss of the first year of the Control Period (2022-23) is fixed by the Commission as 9.60%. Thereafter, the loss reduction target of 0.25% has to be achieved during each year of the Control Period by the licensee. The Commission hereby further directs the licensee to follow the guidelines issued by the CEA on 'Electricity Distribution Network Planning Criteria' regarding the measure for reducing the technical losses in the system. Accordingly, the approved distribution loss for the Control period is shown below.***

Table 7
Approved Energy input & Distribution Loss for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Sales (lakh units) (1)	422.81	444.27	448.71	453.20	457.74
KSEB Ltd Energy Feedback (lakh units) (2)	92.09	96.77	97.74	98.71	99.70
Total Energy Output (lakh Units) (1+2)	514.90	541.04	546.45	551.91	557.44
Distribution Loss (%)	9.60%	9.35%	9.10%	8.85%	8.60%
Distribution Loss (lakh Units)	54.68	55.81	54.71	53.59	52.45
Gross energy in the system (lakh units)	569.58	596.85	601.16	605.50	609.89
KSEB Ltd Energy Feedback (lakh units)	92.09	96.77	97.74	98.71	99.70
Energy purchased (lakh units)	477.49	500.08	503.42	506.79	510.19

Power purchase cost

18. The licensee has proposed the power purchase cost for each year of the Control Period. The licensee has projected the power purchase cost considering the increase in energy input and the applicable tariff for the relevant

years of the Control Period. The Commission vide Order dated 25.06.2022 in OP No.11/2020 has approved the Tariff Order and the licensee has revised the power purchase cost in line with revised BST applicable to M/s. Kanan Devan Hill Plantations Private Limited. The details of the power purchase cost are tabulated hereunder.

Table 8
Power purchase cost projected for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Input (lakh units)	480.02	504.39	509.43	514.52	519.68
Demand Charge (Rs. lakh)	425.66	453.13	457.66	462.23	466.86
Energy Charge (Rs. lakh)	2544.12	2673.24	2699.96	2726.98	2754.29
Total Power Purchase Cost	2969.78	3126.37	3157.62	3189.21	3221.15
Average Power Purchase Cost	6.19	6.20	6.20	6.20	6.20

19. Considering the power purchase from KSEB Ltd at the distribution loss reduction targets approved for the Control Period and the relevant tariff applicable for the years of the Control Period, the power purchase cost approved is shown below. It is clarified that, for the purpose of approval, the BST rates applicable for 2022-23 alone is factored in and any change thereafter will be considered during truing up of accounts of the relevant financial years. ***Accordingly, the Commission fixes the distribution loss for the Control Period as preceding paragraphs. Thus, the energy requirement and the power purchase cost approved for the Control Period are shown below:***

Table 9
Power purchase cost approved for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Input (lakh units)	477.49	500.08	503.42	506.79	510.19
Demand Charge (Rs. lakh)	425.66	453.13	457.66	462.23	466.86
Energy Charge (Rs. lakh)	2530.70	2650.42	2668.13	2685.99	2704.01
Total Power Purchase Cost	2956.36	3103.55	3125.79	3148.22	3170.87

Operation & Maintenance expenses

20. Operation and Maintenance expenses consist of three components. Employee Cost, Repair and Maintenance Expenses and Administration and General Expenses. The Commission as per Regulation 80(2) of the KSERC (Terms and conditions for determination of tariff) Regulations, 2021, has approved the operation & maintenance cost for the Control Period. Commission has taken an escalation of 4.454% for the years of the Control Period considering 2020-21 as the base year. The licensee has projected the Operation and maintenance expenses as per the normative limit specified in the regulations as tabulated below.

Table 10
O&M Expenses for the Control Period (Rs. Lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Employee Cost	167.50	174.96	182.75	190.89	199.39
Administration and General Expenses	13.88	14.50	15.14	15.82	16.52
Repairs and Maintenance Expenses	42.01	43.88	45.83	47.88	50.01
Total O&M Expenses	223.39	233.34	243.72	254.59	265.92

21. For the control period, the licensee has claimed the O&M expenses as per the norms approved by the Commission which is a positive step, whereas mere projection as per the norms and claiming higher expenses while truing up the accounts is not a prudent practice.
22. With regard to employee cost, the licensee in the petition has stated that the wage/salary structure of the employees in electricity distribution business other than members of the Management Staff are governed by industry wide triennial wage settlements. The same is due for amendment in the ensuing financial year and the particulars of the settlement including the wage/salary increase is yet to be decided. The annual increase in the employee costs allowed by the regulations has always been grossly inadequate to cover the actual increase in costs and the actual employee costs incurred by us for the required number of employees. The licensee has stated that this was also the principle arising in the petition filed by KSEB Ltd before the Hon. APTEL in Appeal No 1 and 19 of 2013 that for the required number of employees for the operations on the base costs at-least the annual increase in costs should be allowed.
23. The licensee has stated that, in the previous Plantation Labour Committee Settlement held in 2019, the basic wages of daily rated workers increased by 20%. The normal increment in the dearness allowance during the current settlement period alone was around 2.7% year on year on the total wages. Therefore, the 4.84% increase in expenses allowed by the Commission in the Tariff Regulation, 2021 covers the year-on-year increase in the dearness allowance; it barely covers the triennial increase in salaries/wages. The licensee has submitted that the actual increase in the Employee costs year after year should be allowed during the truing up of the accounts for the respective financial years in the Control Period.
24. With regard to R&M expenditure the licensee has stated that the distribution network is old and ageing. Though all earnest efforts are taken for modernization and upkeep of the network for reliable and efficient power supply, recent pattern of unprecedented and unpredictable rainfalls and climatic conditions wreak havoc in the High Ranges and the distribution network of the Licensee. The extent of the damage and the cost of repairs due to such instances are not under the control of the Licensee and hence cannot be

foreseen or budgeted. Accordingly, it was submitted before the Commission that the genuine expenses incurred for preventive maintenance and undertaking breakdown repair which may not be regularly incurred, be allowed while truing up of the accounts of the respective financial years in the Control Period.

25. O&M expense being a controllable expense may be limited to the approved norms and if the licensee feels that the norms for Employee cost fixed in the current control period (2022-27) is inadequate, the licensee can file a separate petition showing the details and justification for revising the norms adequately to compensate the actual employee cost while truing up the accounts.
26. ***The Commission is of the view that the licensee should take all efforts to limit the O&M expenses within the normative level and any additional expenses relating to pay revision, uncontrollable factors or one-time expenses can be considered at the time of Truing Up of accounts only after prudence check by the Commission. Accordingly, the Commission reiterates that the O&M expenses is approved only in line with Regulation 80(2) as proposed by the licensee.***

Capital Investment Plan for the Control Period

27. The licensee has proposed capital investment for the Control Period which mainly includes re-conductoring works, replacement of mechanical meters with electronic meters, voltage improvement works etc. The year wise split up of the capital investment for the control period is tabulated below;

**Table 11
Capital Investment plan for the Control Period**

Particulars	Rs. lakh
2022-23	
Rerouting and re-conductoring of HT OH line from Kundaly Dam to Chundavurrai Factory - 4 Km	18.12
Re-conductoring of HT OH line from Kundaly Dam to Chittavurrai Factory - 4.5 Km	20.25
Voltage improvement at Munnar Colony	5.00
Re-conductoring of HT OH line from ITD to Kalaar - 5 Km	22.50
Total	65.87
2023-24	
Energy meter Replacement - 3000 Nos	30.00
Voltage improvement at Chundavurrai	5.00
Re-conductoring Work from Nettigudi to Guderale - 4 Km.	18.00
Motor Vehicle (pick up) - 1 No.	9.00
Total	62.00
2024-25	
Re-conductoring Work from Nettigudi to Guderale - 2 Km	9.00
Re-conductoring Work from Nettigudi to Devikulam - 5 Km	22.50
Energy meter Replacement - 3000 Nos.	30.00
Total	61.50

2025-26	
Voltage improvement at Letchmi	9.00
Re-conductaring Work from Earlston Bungalow to Devikulam - 5 Km	22.50
Re-conductaring Work from Ind-swiss to Arivikad - 2 Km	9.00
Voltage improvement at Kanniamallay	5.00
Energy meter Replacement - 1000 Nos	10.00
Total	55.50
2026-27	
Re-conductoring Work from Madupatty to Thenmallay - 7 Km	31.50
Voltage improvement at Periaurrai	4.00
Re-conductoring Work from ODK to Periakanal - 5 Km	22.50
Total	58.00

28. The licensee has submitted the detailed project report with regard to the proposed investment plan for the control period which is briefed below;

A. Replacement of energy meters of consumers in the distribution area

29. The licensee has submitted that in the areas of distribution of power supply of KDHPCL, most of the meters installed in the consumer premises are electro-mechanical which are old, obsolete, and prone to faults. On detection of any malfunction, the same is to be replaced with newer electronic meters. The old and ageing electro-mechanical meters are unable to register consumption of power by new energy efficient devices like LEDs etc. which consume low energy. Further, due to mechanical friction, the accuracy of such meters is also prone to error. Due to all these reasons, there are losses in the energy metering and the same can be curtailed by introduction of newer electronic meters with improved accuracy and reliability. Accordingly, the licensee has assessed the requirement of the meters and intents to replace the existing electromechanical meters with electronic meters in a phased manner. With regard to selection of meters, the licensee has stated that they had put on trial the electronic meters purchased from M/s L & T, M/s Secure, M/s Kelton and M/s HPL and it was found that the meters manufactured by M/s L&T and M/s Secure are suitable. The licensee has stated that they have replaced almost 9000 Meters in their distribution area, and the balance requirement of meters to be replaced is approximately 7000. As per the details submitted, the licensee is intending the replace the meters during the years 2023-24, 2024-25 and 2025-26.

30. The licensee has submitted the cost estimates wherein the approximate cost of replacement of one electronic meter is Rs.1000/-. Apart from cost of the electronic meter, the other requirement for the replacement of the meters includes meter board, fuse base and carrier wiring material, and labour etc. for installation. The cost of one electronic meter is Rs.700/- and the balance amount is for accessories. The rough estimate for replacing 3000 electronic meters is as given below:

Table 12
Estimate for replacement of Meters

Description	Unit	Qty	Rate in Rs.	Amount in Rs.
5-30 AMP Electronic Kwh Meters	Nos	3000	700.00	21,00,000
Meter Wooden MTR Board10X12"	Nos	3000	150.00	450,000
32A Porcelain Fusebar and carrier	Nos	3000	130.00	390,000
Wiring Accessories				10,000
Labour				50,000
Total				30,00,000

31. As per the estimates, the total cost for replacement of 7000 energy meters will be Rs.70.00 lakh. The licensee has submitted that the proposed meters have improved reliability and the chances of breakdown and replacement are reduced. The new meters will also improve the metering efficiency which will help reduce the distribution losses in the network.

B. Installation of transformers for improvement of supply voltage of LT Lines in the in the distribution area

32. The licensee has stated that they have identified some areas in LT side, where improvement in the supply voltages is necessary and have proposed to achieve the improvement by installation of new LT transformers for separation of load. The proposed plan is tabulated below;

Table 13
Summary of voltage improvement works

Year	Area	Proposal	Rs. lakh
2022-23	Munnar Colony	New 100 kVA transformer	5.03
2023-24	Chunduvurrai Estate	New 100 kVA transformer	5.03
2025-26	Letchmi Estate	New 63 kVA transformer and Replacement of existing 1kms ACSR conductors	9.00
	Kanniamallay Division	New 100 kVA transformer	5.03
2026-27	Periavurrai Division	New 63 kVA transformer	4.03

33. The licensee has stated that the estimates are prepared at the current cost and the said investments are required for improving the voltage which will be beneficial to the consumers in that area.

C. Re-conductoring of 11 KV Distribution lines in the distribution area

34. The licensee has submitted that they have approximately 180 kilometers of Overhead High Tension 11 KV lines in the Distribution network supplying power to licensed distribution area of power supply which were drawn long ago. The conductors are small and most of the conductors are Squirrel and Weasel type conductors. Over the years, the conductors have been exposed to the nature under conditions of heavy rain and winds, etc. and have been damaged. Further the overhead lines are drawn through Company and Government Forest areas and hence damages due to trees falling over the lines cannot be avoided.

35. It is stated that the old and aged distribution lines with narrow gauge and increased number of joints in the network have an adverse bearing on line losses of the licensee. The licensee have been undertaking re-conductoring works in the distribution network in a phased manner and have completed the re-conductoring works over 50 kms of the network. It is further submitted that there has been a considerable reduction in the line breakdown and distribution line losses. The re-conductoring work has the following benefits:

1. **Reduction in line loss:** Once the existing small conductors are replaced with newer lines with wider gauge, there will be reduction in the line losses in the said feeders and as a whole the net line loss in the system will also reduce.
2. **Stability of Line:** With the new ACSR conductors we can expect more stability in the distribution system.

36. Accordingly, for improving the quality of power supply, reliability and efficiency of the power distribution system, the licensee has planned to undertake the remaining re-conductoring works over the years in a phased manner as shown below.

Table 14
Summary Estimate for Re-conductoring works

Year	Name of Feeder	Area to be re-conductored		Kms to be re-conductored	Rs.lakh
		From	To		
2022-23	Madupatty	Kundaly Dam	Chundavurrai Factory	4.00	18.12
	Madupatty	Kundaly Dam	Chittavurrai Factory	4.50	20.25
	ITD	ITD	Kalaar Factory	5.00	22.51
2023-24	Nettigudi	Nettigudi	Gudemale Factory	4.00	18.12
2024-25	Nettigudi	Nettigudi	Devikulam	5.00	22.51
	Nettigudi	Gudarale	Silent Valley	2.00	9.08
2025-26	Nettigudi	Cigarette Point	Devikulam	5.00	22.51
	Madupatty	Indo-Swiss	Arivikad	2.00	9.08
2026-27	Madupatty	Madupatty	Thenmallay	7.00	31.58
	Nettikudi	ODK	Periakanal	5.00	22.51
Total				43.50	196.27

37. The licensee has submitted that the size of the existing conductor used for drawing the 11 kV Overhead line is small and hence has less weight compared to the proposed conductors. The existing span length is high with average of around 70 meters. With the new ACSR conductors we need to reduce the span length in view of the increase in weight of the new conductors. Most of the existing posts are tubular or rail post and will not be suitable and needs replacement. The licensee has assessed that for drawing one kilometer a minimum of seven (7) new posts on an average needs to be inserted in the existing line. Accordingly the estimate for HT-Line re-conductoring cost per kilometre with Raccoon Conductor work out as follows:

Table 15
Estimate cost per kilometre with Raccoon Conductor

Description	Unit	Qty	Rate in Rs.	Amount Rs.
Angle Iron Post	No	7	12,500	87,500
HT Cross Arm	No	7	1,200	8,400
Disc Insulators	No	12	650	7,800
Pin Insulators	No	12	125	1,500
ACSR – 1 kms x 3 line	kgs	1050	225	236,250
GI Wire for earth	kgs	50	100	5,000
Stay Set	No	10	2,500	25,000
Transportation – Tractor with labour	LS			30,000
Labour Charge	LS			50,000
Earthing	No	7	225	1,575
Total				4,53,025

38. The licensee as part of the petition has submitted split up of the area wise estimate for the re-conductoring work and has stated that the work is necessary to keep the distribution system in good condition and to avoid breakdown which will in turn improve the quality and reliability of power supply in the distribution area and reduce the distribution losses in our network.
39. The Commission had gone through the capital investment proposals of the licensee in detail. The licensee has furnished the estimated cost of the work and the rationale for such works. In this context, the Commission reiterates that the works for which provisional approval has been accorded shall be executed through proper tendering process ensuring sufficient participation of bidders, and following due procedure. Also, the licensee shall explore new technologies in energy metering as well as in network components like covered conductors, ABC, UG cables etc, transformers, insulators etc and modernise the network in a planned manner while carrying out capital works in the control period based on a proper cost benefit analysis. **Accordingly, the Commission provisionally approve the capital investment plan for the control period and hereby directs the licensee to submit the supporting documents before the Commission while claiming the assets additions in Truing Up of accounts for the Control Period. The approval of asset addition will be considered only after the prudence check by the Commission.**

Depreciation

40. Depreciation for the Control Period from FY 2022-23 to FY 2026-27 has been computed in accordance with Regulation 27 of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 and also considering the asset-class wise depreciation rates as provided under the said Regulations. In addition to the yearly depreciation for existing assets, depreciation for new assets added also has been considered. In respect of the assets expected to be added during the years in the Control Period, depreciation has been

considered in the respective year. The details of the depreciation claimed by the licensee for the years of the control period are tabulated below;

**Table 16
Depreciation proposed to Control Period 2022-23**

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		Beginning of the year	Additions during the year	End of the year	Beginning of the year	Additions during the year	End of the year
Transformers	5.28	274.66	65.87	340.53	154.56	9.30	163.86
Distribution lines	5.28	40.16	-	40.16	28.75		28.75
Others	6.33	25.97	-	25.97	18.69	0.82	19.51
Meters	6.33	86.14	-	86.14	38.97	3.39	42.36
IT Equipment	15.00	0.92	-	0.92	0.54	0.14	0.68
Gross Asset	-	427.85	65.87	493.72	241.51	13.65	255.16
Less: Consumer contribution	-	7.89	-	7.89	-		-
Net Asset considered for depreciation	-	419.96	65.87	485.83	241.51	13.65	255.16

**Table 17
Depreciation proposed to Control Period 2023-24**

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		Beginning of the year	Additions during the year	End of the year	Beginning of the year	Beginning of the year	Additions during the year
Transformers	5.28	340.53	23.00	363.53	163.86	10.07	173.93
Distribution lines	5.28	40.16	-	40.16	28.75		28.75
Others	6.33	25.97	9.00	34.97	19.51	0.79	20.3
Meters	6.33	86.14	30.00	116.14	42.36	4.71	47.07
IT Equipment	15.00	0.92	-	0.92	0.68	0.08	0.76
Gross Asset	-	493.72	62.00	555.72	255.16	15.65	270.81
Less: Consumer contribution	-	7.89	-	7.89	-		-
Net Asset considered for depreciation	-	485.83	62.00	547.83	255.16	15.65	270.81

**Table 18
Depreciation proposed to Control Period 2024-25**

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		Beginning of the year	Additions during the year	End of the year	Beginning of the year	Beginning of the year	Additions during the year
Transformers	5.28	363.53	31.50	395.03	173.93	11.14	185.07
Distribution lines	5.28	40.16	-	40.16	28.75		28.75
Others	6.33	34.97	-	34.97	20.3	0.76	21.06
Meters	6.33	116.14	30.00	146.14	47.07	5.90	52.97
IT Equipment	15	0.92	-	0.92	0.76	0.06	0.82
Gross Asset	-	555.72	61.50	617.22	270.81	17.86	288.67
Less: Consumer contribution	-	7.89	-	7.89	-		-
Net Asset considered for depreciation	-	547.83	61.50	609.33	270.81	17.86	288.67

Table 19
Depreciation proposed to Control Period 2025-26

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		Beginning of the year	Additions during the year	End of the year	Beginning of the year	Beginning of the year	Additions during the year
Transformers	5.28	395.03	44.50	440.53	185.07	12.83	197.90
Distribution lines	5.28	40.16	-	40.16	28.75		28.75
Others	6.33	34.97	-	34.97	21.06	0.76	21.82
Meters	6.33	146.14	10.00	156.14	52.97	6.44	59.41
IT Equipment	15	0.92	-	0.92	0.82		0.82
Gross Asset		617.22	55.50	672.72	288.67	20.03	308.70
Less: Consumer contribution	-	7.89	-	7.89	-		-
Net Asset considered for depreciation		609.33	55.50	664.83	288.67	20.03	308.70

Table 20
Depreciation proposed to Control Period 2026-27

Asset Group	Rate (%)	Gross Fixed Assets			Depreciation		
		Beginning of the year	Additions during the year	End of the year	Beginning of the year	Beginning of the year	Additions during the year
Transformers	5.28	440.53	58.00	498.53	197.90	15.84	213.74
Distribution lines	5.28	40.16	-	40.16	28.75		28.75
Others	6.33	34.97	-	34.97	21.82	0.76	22.58
Meters	6.33	156.14	-	156.14	59.41	6.43	65.84
IT Equipment	15	0.92	-	0.92	0.82		0.82
Gross Asset	-	672.72	58.00	730.72	308.70	23.03	331.73
Less: Consumer contribution	-	7.89	-	7.89	-		-
Net Asset considered for depreciation	-	664.83	58.00	722.83	308.70	23.03	331.73

41. The Commission examined the submission of the licensee and noted that, the opening GFA balance as on 01.04.2022 does not tally with the GFA claim of 2021-22 Truing Up Petition. The Commission further noted that, licensee has not properly categorised new assets addition in the asset group and rate of depreciation has to be provided with Tariff Regulations, 2021. The relevant portion of the Regulations is given below.

27. Depreciation. –

(1) Depreciation shall be calculated on the original capital cost of the asset as approved by the Commission:

Provided that, no depreciation shall be allowed on the increase in value of the assets, on account of revaluation of assets:

Provided further that the depreciation shall not be allowed on the assets created through consumer contribution, deposit works, capital subsidies and grants.

(2) *The generation business/ company or transmission business/ licensee or distribution business/ licensee shall be permitted to recover depreciation on the approved capital cost of fixed assets used in their respective business, computed in the following manner: -*

(i) depreciation shall be allowed upto a maximum of 90% of the approved capital cost of asset.

(ii) depreciation shall be computed annually based on the straight-line method at the rates specified in Annexure 1 to these Regulations for the first thirteen financial years from the date of Commercial operation;

(iii) the remaining depreciable value as on the thirty first day of March of the financial year ending after a period of thirteen financial years from the date of Commercial operation shall be spread over the balance useful life of the assets;

(iv) the generating business/ company or transmission business/ licensee or distribution business/ licensee, shall file all such details and documentary evidence, as may be required under these Regulations and as may be required by the Commission from time to time, to substantiate the above claims;

(v) No depreciation shall be allowed for assets created through consumer contribution, deposit works, capital subsidies and grants;

(vi) the salvage value of the fully depreciated asset shall be ten per cent of the allowable capital cost as approved by the Commission;

Provided that the salvage value of Information Technology equipment and computer software shall be considered at zero percent of the allowable capital cost.

42. The Commission further noted that, the licensee has not submitted any details of assets they have dismantled in view of the replacement of existing assets. ***The Commission hereby directs that, the assets which are dismantled due to the replacement of existing assets is to be withdrawn from the books of accounts when new assets are commissioned/replaced and carryout necessary changes in the books of accounts in the petition for Truing Up of Accounts.***
43. As per Tariff Regulations 2021, the depreciation on assets created out of consumer contribution is not allowable. The assets for Rs.14.96 lakh is created out of consumer contribution which the Commission excluded consistently while approving the ARR&ERC and Truing up of accounts upto the year 2021-22 and disallowed depreciation thereon amounting to Rs.0.79 lakh. In the petition, the licensee has also deducted Rs.7.89 lakh as Consumer contribution from gross fixed assets. The Commission also noted that no asset was scrapped and disposed of during the year and hence there cannot be reduction in the amount of consumer contribution during the year. Therefore, the Commission reckons the same amount of Rs.14.96 lakh as consumer contribution as was considered during the previous year 2021-22.

44. The Commission has considered the calculation of depreciation based on the opening balance of assets as per the Truing Up Order dated 23.11.2023 for the year 2021-22. **Considering the provisional approval on proposed capital expenditure in para 38 and the provisions and rates specified in the Tariff Regulations 2021, the depreciation provisionally approved for the Control Period is tabulated below.**

Table 21
Depreciation approved for the Control Period

Year	Depreciation claimed by the licensee	Depreciation for the asset's addition in 2021-22	Depreciation Recalculated based on Truing Up order 2021-22 (Rs. lakh)	Depreciation for Consumer Contributed Assets (Rs. lakh)	Depreciation approved for the Control Period (Rs. lakh)
2022-23	13.65	0.21	13.86	0.79	13.07
2023-24	15.65	0.21	15.86	0.79	15.07
2024-25	17.86	0.21	18.07	0.79	17.28
2025-26	20.03	0.21	20.24	0.79	19.45
2026-27	23.03	0.21	23.24	0.79	22.45

Interest and Finance Charges

45. The licensee has projected interest and finance charges for each year of the Control Period which includes interest on normative loan, interest on working capital, interest on security deposits and the Bank Charges on Bank Guarantee/L.C to KSEB. The claim of the licensee is tabulated below;

Table 22
Interest & Finance charges claimed for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on Normative Loan	8.25	11.85	15.13	18.02	20.59
Interest on Working Capital	24.61	26.05	26.37	26.70	27.03
Interest on Security deposits	10.83	11.48	11.59	11.71	11.82
Bank Charges on LC to secure cost of monthly power purchase from KSEB Ltd	2.47	2.61	2.63	2.66	2.68
Bank Charges on Rs.7.18 Cr Bank Guarantee to KSEB	5.86	5.92	5.98	6.04	6.10
Interest and Finance charges	52.03	57.90	61.71	65.12	68.23

46. Each of the items claimed under interest and finance charge is examined below.

a) Interest on normative loan

47. The licensee has in this petition claimed interest on normative loan as shown below.

Table 23
Interest on Normative Loan projected for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Gross Normative loan - Opening	86.92	139.14	185.49	229.13	264.60
Cumulative repayment of Normative Loan upto previous year	-	-	-	-	-
Net Normative loan - Opening	86.92	139.14	185.49	229.13	264.60
Increase/Decrease due to ACE/de-capitalization during the Year	65.87	62.00	61.50	55.50	58.00
Repayments of Normative Loan during the year	(13.65)	(15.65)	(17.86)	(20.03)	(23.03)
Net Normative loan - Closing	139.14	185.49	229.13	264.60	299.57
Average Normative Loan	113.03	162.32	207.31	246.87	282.09
Average Base Rate of SBI during the year	7.30%	7.30%	7.30%	7.30%	7.30%
Interest on Normative loan	8.25	11.85	15.13	18.02	20.59

48. The licensee has considered the Average Base Rate of SBI during the year for the computation of interest on normative loan. As per Regulation 29 of Tariff Regulations 2021, the rate of interest shall be the weighted average rate calculated on the basis of the actual loan portfolio at the beginning of each financial year. Further, provided that if the regulated business of the licensee does not have actual loan, but normative loan is outstanding, then interest shall be allowed at the base rate. The base rate as per Tariff Regulation, 2021 is External Benchmark based Lending Rate (EBLR) as on 01.04.2022. **Accordingly, the Commission considers the assets created during the Control Period for computation of interest on normative loan. The approved amount is shown below.**

Table 24
Interest on Normative Loan approved for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Net Normative loan - Opening	77.59	130.39	177.32	221.54	257.59
Increase/Decrease due to assets additions/de-capitalization during the Year	65.87	62.00	61.50	55.50	58.00
Less: Repayments of Normative Loan during the year	13.07	15.07	17.28	19.45	22.45
Net Normative loan - Closing	130.39	177.32	221.54	257.59	293.14
Average Normative Loan	103.99	153.86	199.43	239.57	275.37
WA Rate of Interest of actual Loans*	6.65%	6.65%	6.65%	6.65%	6.65%
Interest on Normative loan	6.92	10.23	13.26	15.93	18.31

**EBLR of 6.65 % as on 01-04-2022

b) Interest on Working Capital

49. The normative level of working capital and the interest thereon is computed as stipulated in the Regulation 32 (5) of the Tariff Regulation, 2021 which is quoted below;

32. Interest on Working Capital. –

(1) The generation business/ company or transmission business/ licensee or distribution business/ licensee or the State Load Despatch Centre shall be

allowed interest on the normative level of working capital for the financial year, computed as under,-

(v) In the case of distribution business/ licensee the working capital shall comprise of,-

a) operation and maintenance expenses for one month; plus

b) cost of maintenance spares equivalent to one-twelfth of the average of the book value of stores, materials and supplies at the beginning and end of the financial year; plus

c) receivables equivalent to the expected revenue from sale of electricity for two months at the prevailing tariff:

Provided that the amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from the users of the distribution system and consumers shall be reduced while computing the working capital requirement:

Provided further that, in the case of distribution business/ licensees, who are supplying electricity to their consumers on prepaid metering system, interest on working capital shall not be allowed.

50. Accordingly, the interest on working capital projected by the licensee for the years of the Control Period is tabulated below;

Table 25
Working capital projected for the control period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
O & M Expenses- One month	18.62	19.45	20.31	21.22	22.16
Maintenance spares	-	-	-	-	-
Receivables-2 months	509.68	540.05	545.44	550.89	556.38
Less: security Deposit from consumers	254.84	270.02	272.72	275.44	278.19
Total working Capital	273.45	289.47	293.03	296.66	300.35
Interest rate (%)	9.00	9.00	9.00	9.00	9.00
Interest on working capital	24.61	26.05	26.37	26.70	27.03

51. The licensee has worked out the interest on working capital requirement as per the provisions of the Tariff Regulations 2021. Based on the approved O&M expenses and power purchase cost, the interest on working capital approved for the control period is worked as under.

Table 26
Interest on Working capital approved for the control period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
O & M Expenses- One month	18.62	19.45	20.31	21.22	22.16
Maintenance spares					
Receivables-2 months	509.68	540.05	545.44	550.89	556.38
Less: security Deposit from consumers	254.84	270.02	272.72	275.44	278.19
Total working Capital	273.46	289.48	293.03	296.67	300.35
Interest rate (SBI-EBLR+2%) (%) *	8.65%	8.65%	8.65%	8.65%	8.65%
Interest on working capital	23.65	25.04	25.35	25.66	25.98

* EBLR of 6.65 % as on 01-04-2022

c) Interest on the security deposit

52. The licensee in the petition has estimated the interest on security deposit from consumers at the rate of 4.25% as shown below.

Table 27
Interest on Security Deposit for the control period (Rs.lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Security Deposit (Rs Lakhs)	254.84	270.02	272.72	275.44	278.19
Interest on Deposit @ 4.25%	10.83	11.48	11.59	11.71	11.82

53. The Commission has examined the claims on interest on the security deposit of the licensee. In this connection, Regulation 72 of the Kerala Electricity Supply Code, 2014 is reproduced hereunder.

72. Interest on security deposit.- (1) *The licensee shall pay to the consumer, interest on the security deposit furnished by him at the bank rate prevailing on the first of April of that year and it shall be payable annually with effect from date of such deposit.*

(2) *The interest accrued during the financial year shall be adjusted in the energy bill of the consumer during the first quarter of the ensuing financial year.*

(3) *If the adjustment of interest is delayed, interest at twice the bank rate shall be payable for the delayed period.*

54. As per Regulation 72 of the Kerala Electricity Supply Code, 2014 cited above, the licensee has to pay interest on the security deposit at the bank rate prevailing in the first April of that year. **Considering this and the bank rate of 4.25% prevailing as on 01-04-2022, the Commission provisionally allows interest on security deposit for the control period as shown below.**

Table 28
Approved Interest on Security Deposit for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Security Deposit (Rs. lakh)	196.29	254.84	270.02	272.72	275.44
Interest on Deposit @ 4.25%	8.34	10.83	11.48	11.59	11.71

d) Bank Charges on Bank Guarantee/L.C to KSEB Ltd

55. The licensee has claimed Bank charges which includes the Letter of Credit issued in favour of KSEB Ltd to secure monthly power purchase bills and the bank charges on Rs.7.18 crore Bank Guarantee provided to KSEB Ltd as per the directions of the Hon. Supreme Court of India in civil appeal 2144/2011. The split up of the claim is shown below.

Table 29
Bank Charges projected for the Control Period.

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Bank Charges on LC to secure cost of monthly power purchase from KSEBL	2.47	2.61	2.63	2.66	2.68
Bank Charges on Rs 7.18 Cr Bank Guarantee to KSEB	5.86	5.92	5.98	6.04	6.10
Total	8.33	8.53	8.61	8.70	8.78

56. The licensee has estimated the bank charges for opening the letter of credit to KSEB Ltd as per the power purchase agreement. **Considering the same, the Commission approves the bank charges for opening letter of credit as projected for the control period.**

57. With regard to the bank guarantee provided to KSEB Ltd as per the Orders of Hon. Supreme Court, the Commission has specifically directed the licensee that bank guarantee charges for the above purpose shall not be included in the allowable expenses. This is because the licensee has filed first appeal against the order of the Commission approving the arrear amount payable to KSEB Ltd. In the first Appeal, Hon. APTEL has upheld the order of the Commission. The licensee has filed second appeal before the Hon. Supreme Court and Hon. Supreme Court in the interim order, directed to provide bank guarantee for the said amount. **The Commission is of the opinion that pending the outcome of the case before the Hon'ble Supreme Court, this amount shall not be considered at present. Accordingly, the Commission approves only the Bank Charges on L.C to KSEB Ltd. as part of interest and finance charges**

Summary of the Interest and Finance Charges Approved

58. The interest and finance charges approved for the control period is tabulated below.

Table 30
Interest & Finance charges approved for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on Normative Loan	6.92	10.23	13.26	15.93	18.31
Interest on Working Capital	23.65	25.04	25.35	25.66	25.98
Interest on Security deposits	8.34	10.83	11.48	11.59	11.71
Bank Charges on LC to secure cost of monthly power purchase from KSEB Ltd	2.47	2.61	2.63	2.66	2.68
Bank Charges on Rs.7.18 Cr Bank Guarantee to KSEB	-	-	-	-	-
Interest and Finance charges	41.38	48.71	52.72	55.84	58.68

Other Debits

59. The licensee in Form D.4.3 has claimed Other Debits which include Section 3(1) Duty under the Kerala Electricity Duty Act and periodical inspection charges. The details of the claim are tabulated below;

Table 31
Details of Any other items (Rs.lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Duty III	13.43	13.56	13.70	13.84	13.97
Inspection Charges	1.19	1.25	1.31	1.38	1.45
Total	14.62	14.81	15.01	15.22	15.42

60. As shown above, the licensee has included Section III duty and inspection charges under other debits. Commission has not been admitting Section 3(1) Duty as a revenue expenditure since as per the Kerala Electricity Duty Act, the Electricity Duty under this Section on the sales of energy should be borne by the Licensee and shall not be passed on to the consumers. Section 3 of the Kerala Electricity Duty Act, 1963 is quoted hereunder,

“3. Levy of electricity duty on certain sales of energy by licensees;-

(1) Save as otherwise provided in sub-section (2); every licensee in the State of Kerala shall pay every month to the Government in the prescribed manner, a duty calculated at 6 naye paise per unit of energy sold for a price more than 12 naye paise per unit;

Provided that no duty under this sub-section shall payable by the Kerala State Electricity Board on the energy sold by it to another licensee.

(2) Where a licensee holds more than one license, duty shall be calculated and levied under this section separately in respect of each license.

(3) The duty under this Section on the sales of energy should be borne by the licensee and shall not be passed on to the consumer.”

61. From the above statutory provision, it can be concluded that,

- (1) The Electricity Duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963, is payable by the licensee to the Government
- (2) The Duty shall be calculated at the rate of 6 paise per unit of energy which is sold at a price of more than 12 paise per unit.
- (3) Duty shall be calculated only on the energy sold.
- (4) The Duty paid by the licensee under Section 3 (1) cannot be passed on to the consumer and therefore it cannot be claimed as an expenditure.

62. Accordingly, the licensee, if considered appropriate, may approach the Government of Kerala with regard to the Duty under section 3 for an appropriate decision on the matter. Until then Section 3 Duty cannot be considered as a pass-through as part of ARR.

63. The licensee has also claimed periodical inspection charges under other debits. Commission considers the same and approves the periodical inspection

charges under other debits. **According to the Other debits approved for the control period is tabulated below;**

Table 32
Approved other debits for the Control Period (Rs.lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Inspection Charges	1.19	1.25	1.31	1.38	1.45
Section 3 Duty	-	-	-	-	-
Total	1.19	1.25	1.31	1.38	1.45

Return on Net Fixed Assets

64. The licensee has claimed Return on NFA for the MYT control period 2022-23 to 2026-27 has been computed as per Regulation 28 of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021. As per Regulation 28(2) of the Tariff Regulations 2021, if there is no equity invested in the business or equity invested in the regulated business of the distribution licensee is not clearly identifiable, return at the rate of 5.50% shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business. Accordingly, the licensee has claimed a RoNFA at the rate of 5.50% on the net fixed assets at the beginning of the financial year as shown below.

Table 33
Computation of RoNFA claimed for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Net Fixed Assets at the beginning of the year	209.28	238.56	284.91	328.55	364.02
Less: Consumer contribution	7.89	7.89	7.89	7.89	7.89
Less: Net Fixed Assets on which interest is allowed	86.92	139.14	185.49	229.13	264.60
Balance value of Net fixed assets at the beginning of the year	114.47	91.53	91.53	91.53	91.53
Rate of return	5.50%	5.50%	5.50%	5.50%	5.50%
Total return on Net Fixed Assets	6.30	5.03	5.03	5.03	5.03

65. Regulation 28 of the Tariff Regulations, 2021 provides for Return on equity share capital or net fixed assets.

28. Return on Paid up Equity or Net Fixed Assets. –

(1). Return on equity shall be computed in rupee terms, on the paid-up equity share capital and shall be allowed at the rate of fourteen percent (14%) per annum:

Provided that in the case of increase in the equity share capital of the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre, the additional amount of equity share capital infused into the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre, and approved by the Commission for the assets put to its intended use shall be provided with ROE at 14% per annum on pro rata

basis from the date of issuance of the equity shares:

Provided further that the generating business/ company, transmission business/ licensee, distribution business/ licensee and State Load Despatch Centre shall provide the complete details of the source of funding for such equity share capital.

(2). If there is no equity share capital invested in the business or the equity invested in the regulated business of the generating business/ company or transmission business/ licensee or distribution business/ licensee or State Load Despatch Centre or such equity share capital is not clearly identifiable, return at the rate of 5.50 percent shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business:

Provided that the net fixed assets shall be exclusive of the assets created out of consumer contribution, deposit works, capital subsidy or grants.

66. Based on above Regulation 28 of Tariff Regulations, 2018, the return shall be allowed at 5.50 percent on the net fixed assets at the beginning of the financial year for such regulated business. During the control period for 2018-19 to 2021-22, the Commission has allowed the interest charges on a normative basis for the assets added (after deducting depreciation) since the transfer of license, treating the same as fully funded through loans as per the provisions of the Regulations. The Commission had not allowed any additional return in the form of Return on NFA for the entire assets. However, the licensee is reasonably eligible for the return on the amount of investment of Rs.127.76 lakh for which no return was allowed. The Commission considers the same stand in the matter for the value of assets of Rs.127.76 lakh at the time of transfer. Considering this, the Commission hereby allows the Return on NFA which is shown below.

Table-34
RoNFA approved for the control period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Opening GFA	431.76	497.63	559.63	621.13	676.63
(Less) Accumulated depreciation	211.45	224.52	239.59	256.87	276.32
(Less) Consumer contribution	14.96	14.96	14.96	14.96	14.96
(Less) GFA for which interest charges are allowed	77.59	130.39	177.32	221.54	257.59
Balance value of Net Fixed Assets at the beginning of the year	127.76	127.76	127.76	127.76	127.76
Rate of Return	5.50%	5.50%	5.50%	5.50%	5.50%
Return on Net Fixed Assets	7.03	7.03	7.03	7.03	7.03

Revenue from Sale of Power

67. The licensee has not projected any change in the number of consumers for the control period, whereas has proposed an increase in the revenue from the sale of power considering the increase in the sale. A comparison of the category wise revenue from sale of power projected for the control period is shown below.

Table 35
Revenue from Sale of power for the Control Period

Particulars	Number of Consumers for the control period	2022-23			2023-24		
		Sales In lakh units	Total Revenue (Rs. lakh)	Average Realization (Rs/unit)	Sales In lakh Units	Total Revenue (Rs. lakh)	Average Realization (Rs/unit)
LT I Domestic	13,489	74.99	373.71	4.98	73.77	357.98	4.85
LT IV Industries	90	4.04	32.48	8.04	5.67	41.04	7.24
LT V Agriculture	5	0.13	0.37	2.85	0.27	0.72	2.67
LT VI Non-Domestic	917	14.40	136.67	9.49	16.16	149.90	9.28
LT VII Commercial	1,170	18.13	205.76	11.35	28.98	303.20	10.46
LT VIII Public Lighting	231	3.43	19.44	5.67	2.98	16.54	5.55
LT TOD Tariff	2	0.10	0.01	0.10	0.10	0.81	8.10
HT IA Industrial	22	287.04	2106.58	7.34	289.05	2138.48	7.40
HT II (Non Ind/Comr)	3	4.12	38.60	9.37	4.08	38.25	9.38
HT III Agriculture	2	3.34	16.64	4.98	2.88	14.87	5.16
HT IV Commercial	9	13.09	127.80	9.76	20.33	178.50	8.78
Total	15,940	422.81	3058.06	7.23	444.27	3240.29	7.29
Electricity Duty Recovery			115.60			116.76	
Other state Levies Recovery/Fuel Surcharge & Excess Over quota			0.05			0.05	
Miscellaneous Charges from Consumers			-			-	
(i) Fuse off calls/ New Application Fee			0.03			0.03	
(ii) Reconnection fee			0.28			0.29	
(iii) Public lighting			0.01			0.01	
(iv) Maintenance charge			0.03			0.03	
(vi) Delayed payment Charges			6.98			7.05	
(vii) Other receipts-Power Theft. Etc.			0.93			0.94	
Gross Revenue From Sale of Power			3181.97	7.53		3365.44	7.58
Less: i) Electricity Duty Payable to Govt. (Contra)			115.60			116.76	
ii) Other State Levies Payable to Govt. (Contra)			-			-	
Net Revenue from Sale of Power	15,940	422.81	3066.37	7.25	444.27	3248.68	7.31

Table 36
Revenue from Sale of power for the Control Period

Particulars	Number of Consumers for the control period	2024-25			2025-26		
		Sales In Lakh Units	Total Revenue (Rs. lakh)	Average Realization (Rs/unit)	Sales In Lakh Units	Total Revenue (Rs. lakh)	Average Realization (Rs/unit)
LT I Domestic	13,489	74.51	361.58	4.85	75.25	365.18	4.85
LT IV Industries	90	5.72	41.44	7.24	5.78	41.85	7.24
LT V Agriculture	5	0.27	0.73	2.70	0.28	0.73	2.62
LT VI Non-Domestic	917	16.34	151.38	9.26	16.49	152.89	9.27
LT VII Commercial	1,170	29.26	306.22	10.47	29.56	309.27	10.46

LT VIII Public Lighting	231	3.01	16.71	5.55	3.04	16.88	5.55
LT TOD Tariff	2	0.10	0.82	8.20	0.10	0.82	8.20
HT IA Industrial	22	291.94	2159.85	7.40	294.86	2181.45	7.40
HT II (Non Ind/Comr)	3	4.12	38.63	9.38	4.16	39.01	9.38
HT III Agriculture	2	2.91	15.01	5.16	2.94	15.16	5.16
HT IV Commercial	9	20.53	180.28	8.78	20.74	182.08	8.78
Total	15,940	448.71	3272.65	7.29	453.20	3305.32	7.29
Electricity Duty Recovery			117.93			119.11	
Other state Levies Recovery/Fuel Surcharge & Excess Over quota			0.05			0.05	
Miscellaneous Charges from Consumers			-				
(i) Fuse off calls/ New Application Fee			0.03			0.03	
(ii) Reconnection fee			0.29			0.29	
(iii) Public lighting			0.01			0.01	
(iv) Maintenance charge			0.03			0.03	
(vi) Delayed payment Charges			7.12			7.19	
(vii) Other receipts-Power Theft. Etc.			0.95			0.96	
Gross Revenue From Sale of Power			3399.05	7.58		3432.99	7.57
Less: i) Electricity Duty Payable to Govt. (Contra)			117.93			119.11	
ii) Other State Levies Payable to Govt. (Contra)							
Net Revenue from Sale of Power	15,940		3281.12	7.31		3313.88	7.31

Table 37
Revenue from Sale of power for the Control Period

Particulars	Number of Consumers for the control period	2026-27		
		Sales In Lakh Units	Total Revenue (Rs. lakh)	Average Realization (Rs/unit)
LT I Domestic	13,489	76.01	368.72	4.85
LT IV Industries	90	5.84	42.28	7.24
LT V Agriculture	5	0.28	0.73	2.61
LT VI Non-Domestic	917	16.66	154.39	9.27
LT VII Commercial	1,170	29.85	312.36	10.46
LT VIII Public Lighting	231	3.07	17.05	5.55
LT TOD Tariff	2	0.10	0.83	8.20
HT IA Industrial	22	297.81	2203.27	7.40
HT II (Non Ind/Comr)	3	4.2	39.40	9.38
HT III Agriculture	2	2.97	15.32	5.16
HT IV Commercial	9	20.95	183.90	8.78
Total	15,940	457.74	3338.25	7.29
Electricity Duty Recovery			119.11	
Other state Levies Recovery/Fuel Surcharge & Excess Over quota			0.05	
Miscellaneous Charges from Consumers				
(i) Fuse off calls/ New Application Fee			0.03	

(ii) Reconnection fee			0.29	
(iii) Public lighting			0.01	
(iv) Maintenance charge			0.03	
(vi) Delayed payment Charges			7.26	
(vii) Other receipts-Power Theft. Etc.			0.97	
Gross Revenue From Sale of Power			3466.00	7.57
Less: i) Electricity Duty Payable to Govt. (Contra)			119.11	
ii) Other State Levies Payable to Govt. (Contra)				
Net Revenue from Sale of Power	15,940	457.74	3346.89	7.31

68. As per the details submitted in the petition, the major revenue is realized from HT I A Industrial category, LT I Domestic & LT VII Commercial categories. The licensee has projected the revenue from sales considering the applicable tariff for the consumer categories. The Commission clarifies that the RST rates applicable for 2022-23 alone are factored in and any change thereafter will be considered during truing up of accounts of the relevant financial years.

69. In the petition licensee has included revenue from other operations as part of Revenue from sale of power. The same is to be considered as part of other operational income under Non-Tariff Income and is treated accordingly. **Accordingly, the Commission approves the revenue from sale of power for the control period as shown below;**

Table 38
Revenue from sale of power approved for the control period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Revenue from Sale of Power (Rs. lakh)	3058.06	3240.29	3272.65	3305.32	3338.25
Average revenue realisation	7.23	7.29	7.29	7.29	7.29

Non-Tariff Income

70. The Non-tariff income projected by the licensee for the control period is tabulated below.

Table 39
Non-Tariff income projected for the control period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Miscellaneous recoveries	2.00	2.00	2.00	2.00	2.00
Interest on accumulated Surplus	45.40	30.96	22.39	12.62	1.58
Total	47.40	32.96	24.39	14.62	3.58

71. The projection made by the licensee includes miscellaneous recoveries and interest on accumulated surplus. Considering the submissions by the licensee, the Commission hereby approves the miscellaneous recoveries as projected in the petition. The Commission notes that the licensee has not considered the Interest on Deposit with KSEB Ltd as part of non-tariff income stating that

KSEB Ltd is not paying the amount to the licensee. The Commission while truing up the accounts of the previous years had considered the same and had approved the same as part of non-tariff income. Commission is of the considered view that the interest is to be treated as part of non-tariff income. In 2021-22 Truing Up Order, the Commission is of the same view and approves Rs.14.84 lakh which was approved during the previous year. Regarding the issue of non-receipt of interest on security deposit from KSEB Ltd, the Commission reiterates the direction to take up the matter with KSEB Ltd for appropriate action. **Therefore, the Commission hereby provisionally approves Rs.14.84 lakh being the amount of interest on security deposit for the entire control period.**

72. With regard to the projection of revenue from other operations claimed as part of revenue from sale of power, the same is considered as part of other operational income under Non-Tariff Income. The projection made is tabulated below;

Table 40
Revenue from other operations (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
(i) Fuse off calls/ New Application Fee	0.03	0.03	0.03	0.03	0.03
(ii) Reconnection fee	0.28	0.29	0.29	0.29	0.29
(iii) Public lighting	0.01	0.01	0.01	0.01	0.01
(iv) Maintenance charge	0.03	0.03	0.03	0.03	0.03
(vi) Delayed payment Charges	6.98	7.05	7.12	7.19	7.26
(vii) Other Receipts-Power Theft. Etc.	0.93	0.94	0.95	0.96	0.97
Total	8.26	8.35	8.43	8.51	8.59

73. The Commission is of the considered view that these should be included under Non-tariff Income and approves accordingly. The Commission further notes that the licensee has accounted the interest on accumulated surplus as part of the non-tariff income in the Truing Up petition. As per Regulation 83 of Tariff Regulations, 2018, the other income includes normative interest income calculated based on accumulated regulatory surplus. The relevant portion of the Regulation is shown below.

83. Other Income. –

(1) The receipts of other income of the distribution business/ licensee, as approved by the Commission, shall be deducted from the Aggregate Revenue Requirement while determining the tariff of the distribution business/ licensee.

(2) The indicative list of items to be considered as other income includes, -

- (i) interest on staff loans and advances;*
- (ii) income from statutory investments;*

- (iii) income from trading;
- (iv) income from rent of land or buildings;
- (v) income from sale of scrap;
- (vi) income from staff welfare activities;
- (vii) rental from staff quarters;
- (viii) excess found on physical verification;
- (ix) interest on investments, fixed and call deposits and the bank balances;
- (x) interest on the advances to suppliers/ contractors;
- (xi) income from hire charges from the contractors and others;
- (xii) income due to right of way granted for laying fibre optic cables/ coaxial cables on the distribution system;
- (xiii) income from advertisements etc.;
- (xiv) miscellaneous receipts;
- (xv) commission for the collection of electricity duty;
- (xvi) interest received on delayed or deferred payment on the bills;
- (xvii) rebate from central generating stations;
- (xviii) interest income earned from security deposits;
- (xix) normative interest income calculated based on accumulated regulatory surplus;
- (xx) Any other receipts.

74. Considering the above Regulation, the Commission hereby considers the interest on accumulated surplus as part of non-tariff income based on the Bank Rate of 4.25% prevailing as on 01-04-2022. As per the Order on OP 27/2023 dated 23.11.2023 with regard to the Truing Up Order for the year 2021-22, the licensee is holding an accumulated surplus of Rs.1034.08 lakh at the end of the year 2021-22.
75. Accordingly, the interest on the revenue surplus is approved at a rate of 4.25% per annum (Standard rate notified by the RBI as on 01-04-2022) for an amount of Rs.1034.08 lakh amounting to Rs.43.95 lakh (Rs.1034.08 lakh*4.25%) is to be provided each year of the Control Period. **Accordingly, considering the miscellaneous recoveries, interest on accumulated surplus, Interest on Deposit with KSEB and the revenue from other operations, the Non-tariff income approved for the control period is tabulated below.**

Table 41

Non-Tariff Income approved for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Miscellaneous recoveries	2.00	2.00	2.00	2.00	2.00
Interest on Deposit with KSEB	14.84	14.84	14.84	14.84	14.84
Revenue from other operations	8.26	8.35	8.43	8.51	8.59
Interest on accumulated Surplus	43.95	43.95	43.95	43.95	43.95
Total	69.05	69.14	69.22	69.30	69.38

Revenue Surplus/Gap

76. Based on the above, the revenue surplus/gap for the Control period estimated by the licensee and that approved by the Commission are as follows.

Table - 42
Revenue Surplus/ Gap, projected by the licensee and Approved by the
Commission for the Control Period (Rs. lakh)

Particulars	2022-23		2023-24	
	Projected	Approved	Projected	Approved
Purchase of power	2,969.78	2,956.36	3,126.37	3,103.55
Employee Cost	167.50	167.50	174.96	174.96
A&G Expenses	13.88	13.88	14.50	14.50
R&M Expenses	42.01	42.01	43.88	43.88
Depreciation	13.65	13.07	15.65	15.07
Interest and Finance charges	52.03	41.38	57.90	48.71
Other Debits	14.62	1.19	14.81	1.25
Return on NFA	6.30	7.03	5.03	7.03
Total Expenditure/ ARR	3,279.76	3,242.42	3,453.11	3,408.95
Revenue from Sale of Power	3,066.37	3,058.06	3,248.68	3,240.29
Other Income	47.40	69.05	32.96	69.14
Total Revenue/ERC	3,113.77	3,127.11	3,281.64	3,309.43
Revenue Surplus / (Deficit)	-165.99	-115.31	-171.46	-99.52

Particulars	2024-25		2025-26		2026-27	
	Projected	Approved	Projected	Approved	Projected	Approved
Purchase of power	3,157.62	3,125.79	3,189.21	3,148.22	3,221.15	3,170.87
Employee Cost	182.75	182.75	190.89	190.89	199.39	199.39
A&G Expenses	15.14	15.14	15.82	15.82	16.52	16.52
R&M Expenses	45.83	45.83	47.88	47.88	50.01	50.01
Depreciation	17.86	17.28	20.03	19.45	23.03	22.45
Interest and Finance charges	61.71	52.72	65.12	55.84	68.23	58.68
Other Debits	15.01	1.31	15.22	1.38	15.42	1.45
Return on NFA	5.03	7.03	5.03	7.03	5.03	7.03
Total Expenditure/ ARR	3,500.95	3,447.85	3,549.20	3,486.51	3,598.79	3,526.40
Revenue from Sale of Power	3,281.12	3,272.65	3,313.88	3,305.32	3,346.89	3,338.25
Other Income	24.39	69.22	14.62	69.30	3.58	69.38
Total Revenue/ERC	3,305.51	3,341.87	3,328.50	3,374.62	3,350.47	3,407.63
Revenue Surplus / (Deficit)	-195.44	-105.98	-220.70	-111.89	-248.31	-118.77

Order of the Commission

77. The Commission considered the petition for approval of ARR & ERC for the Control Period 2022-23 to 2026-27, the additional clarifications and submissions furnished by the licensee along with the comments of KSEB Ltd. Accordingly the approved ARR & ERC for the Control Period 2022-23 to 2026-27 are as shown below.

Table 43
Revenue Surplus/ Gap approved by the Commission for the Control Period (Rs. lakh)

Particulars	2022-23		2023-24		2024-25	
	Projected	Approved	Projected	Approved	Projected	Approved
Total Revenue Expenditure	3,279.76	3,242.42	3,453.10	3,408.95	3,500.95	3,447.85
Total Income	3,113.77	3,127.11	3,281.64	3,309.43	3,305.51	3,341.87
Net Surplus/Gap	-165.99	-115.31	-171.46	-99.52	-195.44	-105.98

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Total Revenue Expenditure	3,549.20	3,486.51	3,598.78	3,526.40
Total Income	3,328.50	3,374.62	3,350.47	3,407.63
Net Surplus/Gap	-220.70	-111.89	-248.31	-118.77

Directives of the Commission

78. In view of the facts and reasons explained in earlier paragraphs, the Commission gives the following directives.

- a) The licensee to follow the guidelines issued by the CEA on 'Electricity Distribution Network Planning Criteria' regarding the measure for reducing the technical losses in the system and shall take steps to modernize the network in due consideration of advancement in technology.
- b) The licensee shall adopt transparent tendering procedure and shall finalise the contracts only when responsive and competitive bids are received in sufficient numbers for the Capital Investment.
- c) The assets which are dismantled due to the replacement of existing assets is to be withdrawn from the books of accounts when new assets are commissioned/replaced and carryout necessary changes in the books of accounts in the petition for Truing Up of Accounts as per the Tariff Regulations, 2021.
- d) The licensee to submit the supporting documents before the Commission while claiming the assets additions in Truing Up of accounts for the Control Period. The final approval of asset addition will be considered only after the prudence check by the Commission.

79. The petition is disposed of. Ordered accordingly.

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. B. Pradeep
Member

Approved for issue
Sd/-
C.R.Satheesh Chandran
Secretary