

**KERALA STATE ELECTRICITY REGULATORY
COMMISSION**

THIRUVANANTHAPURAM

Petition No: OP 13/2023

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

In the matter of : Petition filed by M/s SmartCity (Kochi) Infrastructure Private Limited for approval of ARR & ERC for the Control Period 2022-23 to 2026-27

Petitioner : M/s SmartCity (Kochi) Infrastructure Private Limited

Represented by : Sri. Jinu John Jacob, Company Secretary
Smt. Sini.P.S, Senior Director-Projects
Sri.Ranjithlal, Senior Manager- Asset & Infrastructure

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
Smt. Biji Christudas, Assistant Engineer, KSEB Ltd

Date of Hearing: : 10.03.2023 at the Conference Hall
Smart City Pavilion, Kochi

Order Dated 26.03.2024

1. M/s SmartCity (Kochi) Infrastructure Private Limited (hereinafter referred to as SCK or the licensee or the petitioner) is an Information Technology Special Economic Zone in Kochi, Kerala. SCK is a Joint Venture company formed by Government of Kerala (16% holding) and Dubai Holding (84% holding) for development of infrastructure for knowledge-based industries. Smart City is spread over an area of 246 acres (99.6 ha) and envisions a minimum 8.8 million sq ft of built-up space out of which at least 6.21 million sq ft will be specifically for information technology and services. Total 246 acres of land of SCK is divided into Land-A-131.41 Acres, land-B-100.66 Acres & Land-C-13.94 Acres. The licensee has filed petition for the approval of ARR & ERC for the Control Period 2022-23 to 2026-27 as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021.

2. The Commission had notified the 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 (hereinafter referred to as Control Period). 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 filed the present petition for the approval ARR & ERC for the Control Period from 2022-23 to 2026-27 on 26.08.2022 with a delay of 244 days. The licensee had also filed petition for condonation of the delay stating reasons for the delay. The Commission had considered the submission made by the licensee and condoned the delay vide Order dated 19.09.2022 in IA No.06/2022.
4. 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 has filed the present petition for the approval of ARR & ERC for the Control Period from 2022-23 to 2026-27 as per the Tariff Regulation, 2021 in the Multi Year Tariff Framework based on the Tariff Order dated 25th June 2022. Based on this, the projection of ARR&ERC for the Control Period as per the petition is shown below.

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

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Power Purchase Cost	451.65	581.84	694.83	778.90	917.97
Employee Expenses	17.58	18.20	18.83	19.49	20.18
A&G Expense	10.51	10.72	11.69	12.32	14.11
R & M Expense	17.72	17.85	19.02	19.16	20.42
Depreciation	80.99	80.87	80.72	80.15	79.59
Interest on Normative Loan	70.53	72.80	75.08	77.35	79.63
Interest on Security Deposits	4.53	6.06	6.36	6.68	7.01
Return on Equity	54.60	54.60	54.60	54.60	54.60
Aggregate Revenue Requirement	708.11	842.94	961.13	1048.66	1193.51
Revenue from Sale of power	563.15	687.86	841.98	938.37	1044.98
Non-Tariff Income	6.04	6.10	6.12	6.20	6.23
Total Revenue/ERC	569.19	693.96	848.10	944.57	1051.21
Revenue Gap / Surplus	(-)138.92	(-)148.98	(-)113.03	(-)104.09	(-)142.30

5. The licensee had projected revenue deficit during all the years of the Control Period. The petition was admitted as OP 13/2023.

Hearing on the Matter

6. The public hearing on the petition was conducted on 10-03-2023 at the Conference Hall, Smart City Pavilion, Kochi. The licensee was represented by Sri.Jinu John Jacob, Company Secretary, Smt. Sini P.S, Senior Director-Projects and Sri. Ranjithlal, Senior Manager- Asset & Infrastructure. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas, Assistant Engineer represented KSEB Ltd. The consumers in the license area also participated in the hearing. Sri.Ranjithlal presented the petition before the Commission and clarified the queries of the Commission.
7. The main points of the petition for approval of ARR & ERC are briefed below.
 - a) The licensee has projected increase in the number of consumers and sales (12 % to 15%) during the Control Period. The licensee has stated that growth is expected considering additional load anticipated from new consumers.
 - b) The licensee has projected year on year distribution loss reduction. Smart City is sharing the losses of Infopark in proportion to the energy sourced apart from the own distribution loss.
 - c) Power purchase cost increases year on year, duly considering the increase in sales.
 - d) With regard to employee cost, the licensee has projected year on year increase during the Control Period. The licensee has no permanent employees engaged in the distribution business instead, services of employees of the principal business are utilised. The licensee has apportioned 50% of the total salary of three employees towards the distribution business activity.
 - e) The repair and maintenance expense projected by the licensee includes the O&M cost of the outsourced agency and for materials and services. The operation, routine repairs and maintenance of the distribution system is carried out through contractors. The licensee has stated that the contract is awarded after a due transparent process of competitive tendering as per the existing rules of the company. The licensee has also stated that, one operator is employed at substation round the clock, for overall co-ordination one technical executive and for cleaning two staff also considered. The cost for spares, one time maintenance cost and AMC contracts are also included as part of the R&M expense.
 - f) The A&G expenses projected by the licensee includes Insurance, Telephone & Postage, Water charges, Printing & Stationery, Office Expenses,

- V-sat, Internet and related charges. The licensee has claimed Energy Audit Fee and Duty under Section 3 of the Kerala Electricity Duty Act as part of A&G expenses.
- g) 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.
 - h) The licensee in the petition had claimed depreciation for the assets, interest on normative loan and Return on Equity which is 14% return on the 30% of the equity.
 - i) Revenue from sale of power for the Control Period is based on the sales projection considering the pre-revised tariff up to 26th June 2022 and the prevailing tariff for all the remaining years. The licensee projects a revenue growth ranging between 11% to 22 %.
 - j) With regard to Non-Tariff Income, only a minor increase is projected. Major part of the non-tariff income (90%) is from the interest on security deposit with KSEB Ltd and interest of FD. The income from interest on delayed or deferred payment of bills are reducing year on year by 2%. The licensee expects the bill payment by consumers to be more regular and the late payment surcharge income would get reduced.
 - k) Accordingly, in the petition, the licensee has projected revenue gap for all the years of the Control Period.
8. During the hearing, the licensee submitted before the Commission that they have revised the current petition based on the decision of the board, wherein it was decided and concluded that the capital expenditure of the distribution licensee has been met out of loan and internal accruals. Accordingly, the projection on depreciation, interest on normative loan and RoE is revised. The licensee stated that the revised petition shall be submitted before the Commission without much delay.
9. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas represented KSEB Ltd. Smt. Biji Christudas submitted the views of KSEB Ltd on the petition and submitted the following written comments.
- a) There are calculation errors in the projections on Revenue from Sale of Power and the tariff applied for the full year 2022-23 is the revised tariff instead of applying the pre-revised tariff upto June 2022, which is to be revised.

- b) Operation & Maintenance expense projected is increasing year on year. The O&M expenses is a controllable expense and Commission may take a prudent approach as the norms as not fixed in the Tariff Regulations, 2021.
 - c) The licensee has claimed Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963, as part of A&G expense. It was submitted that electricity duty under Section 3 is to be borne by the licensee and cannot be passed on to the consumers and it was requested that the Commission shall take a uniform approach regarding the same.
 - d) Depreciation may be allowed only based on the trued up values.
 - e) Interest on normative loan may be allowed only after verifying the asset details and exercising prudence check.
 - f) Requirement of working capital and its interest may be allowed only based on the provisions of the regulations.
 - g) RoE may be allowed only based on the approval of capital expenditure.
10. The Commission during the hearing sought clarifications on the petition and directed the licensee to furnish the details for consideration while finalization of the Order. The Commission also directed Smart City to submit a deviation statement (item-wise), in view of the significant variation in Revenue from Sale of Power, depreciation, interest on normative loan, return on equity explaining the effect of changes in Revenue Gap and reasons for such variations compared to the original petition. KSEB Ltd was directed to submit their opinion/stand with regard to KSEB Ltd meeting the RPO and their written comments on the petition.
11. The licensee vide letter No.SCK/P16-P93/43/2023 dated 23.03.2023 submitted the revised petition and the reply to the clarifications sought by the Commission. Based on this, the comparison of revised projection for the Control Period as per the petition and Truing Up petition claim and Trued Up amount for the previous years is shown below.

Table 2
Revised Projections for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Power Purchase Cost	432.84	581.84	672.03	778.90	917.97
Employee Expenses	17.58	18.20	18.83	19.49	20.18
Administration & General Expenses	10.51	10.72	11.69	12.32	14.11
Repair & Maintenance Expenses	17.72	17.85	19.02	19.16	20.42
Depreciation	78.87	78.72	78.59	78.59	78.59
Interest and finance charges on long term loans	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.00	0.00	0.00	0.00	0.00
Interest on consumer security deposits	4.53	6.06	6.36	6.68	7.01

Return on Equity	0.00	0.00	0.00	0.00	0.00
Total Expenditure	562.05	713.38	806.53	915.15	1058.27
Revenue from sale of power	555.68	687.70	831.61	917.78	1006.84
Other Income & non-Tariff income	6.03	6.10	6.12	6.20	6.23
Total income	561.71	693.80	837.73	923.98	1013.07
Revenue gap/Surplus	-0.34	-19.58	31.20	8.83	-45.21

Table 3
Comparative of the Truing up of accounts for previous years (Rs. lakh)

Particulars	2019-20		2020-21		2021-22
	Truing Up Claim	Trued Up	Revised Truing Up Petition	Trued Up	Truing Up Petition
Power Purchase Cost	348.28	348.28	281.32	281.32	335.57
Employee Cost	13.72	10.66	16.43	16.24	16.46
R&M Expenses	19.51	19.51	16.47	16.47	21.09
A&G Expenses	4.12	4.12	4.46	4.46	5.64
Depreciation	58.58	56.34	78.87	78.87	78.87
Prior period Depreciation	-	76.07	-	-	-
Interest and financing charges	88.72	56.18	73.21	1.85	2.90
Prior period Interest and financing charges	-	85.32	-	-	-
Return on equity	54.60	47.59	48.59	-	-
Prior period Return on equity	-	62.34	-	-	-
Total Expenditure	587.53	766.41	519.35	399.21	466.73
Revenue from sale of power	388.90	388.90	291.76	291.76	364.78
Other income	11.14	11.14	4.76	4.76	7.61
Total income	400.04	400.04	296.52	296.52	372.39
Revenue(Gap)/surplus	(187.49)*	(366.37)*	(222.83)	(102.69)	(94.34)

**Increase in trued up Revenue Gap in 2019-20 compared to the corresponding claim of the licensee is because of prior period expenses (depreciation, interest and finance charges and return on equity) approved (provisional) by the Commission in the Order dated 09.12.2022 on capital expenditure (OP 67/2021)*

Analysis and decision of the Commission

- 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

- 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.

14. The licensee has proposed for increase in the number of consumers and sales for the years of the Control Period.

Table 4
Comparison of Number of Consumers and Sales

Year	Number of consumers	Sales (Lakh units)	
Actuals			
2017-18	31	26.09	
2018-19	35	32.68	
2019-20	53	44.21	
2020-21	53	28.75	
2021-22	59	37.50	
Projection			% Increase
2022-23	69	49.50	32%
2023-24	79	55.44	12%
2024-25	85	62.10	12%
2025-26	90	69.55	12%
2026-27	93	79.89	15%

15. The licensee has taken an optimistic growth potential for the next Control Period in all the phases. The licensee has stated that the energy sales in the campus is estimated based on expected consumption of new consumers and expected increase in consumption of existing consumers, considering the potential of business growth, and expected economic condition. Currently, Smart City Campus comprises One building and facilities built and owned by Smart City, One building

by individual lessees and One International School. There are Two private buildings (SandsInfini IT & Prestige) under construction and that are expected to be completed during the next Control Period. Increase in consumer loads are expected from these buildings. The total energy Sales to LT&HT consumers is tabulated below.

Table 5
Estimation of Sale of Power (in lakh Units)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
LT Consumers	26.44	29.62	33.17	37.15	42.72
HT consumers	23.06	25.83	28.93	32.40	37.26
Total	49.50	55.45	62.10	69.55	79.98

16. Due to Covid-19, the sales had reduced during the years 2020-21 and 2021-22. Thus, the sale for the year 2022-23 is projected to sale in 2019-20 which is 32% higher than 2021-22 sales. For the remaining years in the Control Period up to 2025-26, an increase of 12% is considered based on the commissioning of new buildings and leasing of units. For the year 2026-27, the licensee has considered an increase of 15% increase considered. ***Considering the increase in the sales proposed for the Control Period, the Commission hereby approves the sales units and number consumers as projected by the licensee for the Control Period.***

Energy requirement & Distribution Loss

17. 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 application. 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 proposed a distribution loss reduction targets for the years of the Control Period. The Commission notes that the distribution is loss is comparatively high due to sourcing power through Infopark network. Smart City is sharing the losses of Infopark in proportion to the energy sourced apart from the own distribution loss. The energy input and the distribution loss projected for the Control Period is tabulated below.

Table 6
Distribution loss projected for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy Input (lakh Units)	51.73	57.86	64.71	72.37	83.22
Sales (lakh Units)	49.50	55.45	62.10	69.55	79.98
Distribution Loss (lakh Units)	2.23	2.41	2.61	2.82	3.24
Distribution Loss (%)	4.31%	4.17%	4.03%	3.89%	3.89%

18. It is pertinent to note that the Commission in the Order on truing of accounts for the year 2019-20 dated 21.12.2022 in OP 59/2022 had viewed that loading the same rate of distribution loss approved for power distribution system in Infopark for the transmission of power to SmartCity through the 220/33 KV substation is not prudent and had directed that all the three parties of the PPA (SmartCity, Infopark and KSEB Ltd) to review the PPA specifically with regard to clause 8.1 and a considered decision is to be taken to rectify the anomaly. The Commission directed that the parties (SmartCity, Infopark and KSEB Ltd) to sit together and reach to a consensus, duly identifying an appropriate formula in addressing the matter in a prudent manner. Commission also stated that, if the licensees are not able to address the issue, a technical report can be submitted to the Commission, so that the Commission can analyse and reach to a considered decision. Though it was informed that meetings have been conducted between the parties, no significant progress is seen achieved so far.
19. The Commission while truing up the accounts for the year 2020-21 had viewed that distribution loss is a controllable factor and reduction in distribution loss is an important efficiency parameter and therefore would be regulating only the distribution loss incurred in the system of licensee. The Commission had approved a distribution loss of 1.71% as against 5.94% considering the energy delivered at periphery of SmartCity only. It was also stated that the data will be used for determining the distribution loss targets for future. The distribution loss approved for the year 2020-21 is as shown below.

Table-7
Distribution loss approved for 2020-21

Particulars	2020-21		
	ARR Approved	As per Truing up petition	Trued Up
Energy delivered at periphery of Smart City (lakh units)	90.91	30.57	29.25
Energy Sold (lakh units)	88.91	28.75	28.75
Distribution Loss (lakh units)	2.00	1.82	0.50
Distribution Loss %	2.20%	5.94%	1.71%

20. The actual distribution loss for the year 2021-22 is 5.045%. The Commission is yet to issue the final orders on the truing up of accounts for 2021-22. Accordingly, the Commission is of the considered view that, as decided in the Order on truing up of 2020-21, only the energy delivered at periphery of Smart City is to be considered for the approval of Distribution loss for the years of the Control Period.
21. The tri-party power purchase agreement entered into between KSEB Ltd, Infopark and Smart City in July 2019 was for 5 years and as per clause 8.1 the electrical

energy supplied at the delivery point of Smart City shall be calculated by adding the loss in the Infopark system at the rate approved by the Commission, along with consumption recorded in the energy meter at the interconnection point. Accordingly, the actual quantum of energy received at the interconnection point of the licensee has been subject to an upward revision to 104.50% for billing purpose of KSEB Ltd. Out of the total energy supplied to the Infopark system by KSEB Ltd, the quantum of energy billed to the licensee as stated above has been deducted and the net quantum of energy is billed to Infopark as their consumption. On a review of the above agreement the Commission note the following discrepancies.

- a) Power purchase of the licensee has been reckoned wrongly by considering 104.50% of the actual quantum of energy received. Instead it should have been assessed taking the actual energy received by the licensee as 95.50% of the energy supplied. (i.e actual energy received / 95.50*100)
 - b) The distribution loss approved by the Commission in the ARR&ERC petition filed by Infopark for the years 2019-20, 2020-21 and 2021-22 are 4.50%,3.00% and 2.50% respectively, whereas the parties to the contract has adopted the same rate of 4.50% for purpose of billing in the year 2020-21 also.
 - c) There is no realistic assessment of actual energy loss, happening in the Infopark system which are exclusively used for delivery of power to SmartCity
22. In this connection the Commission has issued directions in OP 59/2022 to review the PPA specifically with regard to clause 8.1. However no significant progress is achieved so far (March 2024). Further, the licensee has stated that the distribution loss of the distribution network is within the approved limit, if loss of Infopark is not considered. Considering the above, the Commission is of the view that no further interference is required in the matter as long as the parties to the contract has no objection on the commercial arrangement followed exclusively for billing purpose.
23. ***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 1.71% being the distribution loss level as approved by the Commission during Truing Up Order 2020-21. Thereafter, the loss reduction target of 0.05% 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 8
Approved Distribution loss for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Total Energy Output-Sales (lakh Units)	49.50	55.45	62.10	69.55	79.98
Distribution Loss (%)	1.71%	1.66%	1.61%	1.56%	1.51%
Distribution Loss (lakh Units)	0.86	0.94	1.02	1.10	1.23
Energy to be purchase from KSEB Ltd (lakh units)	50.36	56.39	63.12	70.65	81.21

Renewable Purchase Obligation

24. The licensee in the petition has not projected any cost with regard to meeting the RPO obligation as part of the power purchase cost. The licensee has stated that distribution licensees are obligated entities mandated to fulfil renewable purchase obligation under 'KSERC (Renewable Energy and Net Metering) Regulations, 2022'. The licensee has only limited option to generate solar and non-solar power within the Campuses and the licensee has also limited manpower, infrastructure and resources to engage in renewable power purchase contract considering the complexity involved. The licensee has also requested to the Commission may issue suitable directions to the seller entity (KSEB Ltd) to meet the RPO obligation as envisaged in Regulation-4 (vi) (i) of RE Regulation, 2020 and claim the respective costs from the petitioner as per sub-section (ii) of the above regulation.
25. The licensee has stated that, as per the co-developer guideline in order to promote the renewable energy utilization SmartCity insisting, all co-developers to install maximum capacity solar plants at roof tops and covered parking roof tops. Accordingly following co-developers installed roof top solar PV plants at their buildings.
 - SCK-01 having capacity - 564 kWp
 - MariApps Marine Solutions - 90.4 kWp
 - Gems Modern Academy - 63 kWp.
26. The licensee further stated that, energy generated from these plants is net metered and adjusted in the invoices. Solar energy generation of these plants are counted for Renewable Energy Obligation (RPO), but not counted for Energy requirement due to non-exporting of units into grid. The generation of the solar plants are tabulated below;

Table 9
Generation of the solar plants for the Control Period

Consumer	2022-23	2023-24	2024-25	2025-26	2026-27
SCK01	7.53	7.48	7.43	7.38	7.33
Gems Modern Academy	0.81	0.81	0.80	0.79	0.79
Mariapps India Pvt Ltd	1.07	1.06	1.06	1.05	1.04
Total	9.42	9.35	9.29	9.22	9.16

27. As per the Regulation 4(6) of the KSERC (Renewable Energy and Net Metering) Regulations, 2020.

“A distribution licensee which is engaged in bulk purchase of electricity from another licensee shall not have separate obligation for purchase of renewable energy if, -(i) the seller licensee meets the renewable purchase obligation for the energy sold to the licensee or (ii) The licensee reimburses to the seller licensee the additional cost incurred as approved by the Commission by the seller licensee for the generation or purchase of renewable energy to meet the renewable purchase obligation of the licensee.”

28. The power supplied by KSEB Ltd to other distribution licensee is a mix up of energy from various sources inclusive of renewable sources, the cost for meeting the renewable power purchase obligation of the buyer licensees through KSEB Ltd will always be lower than directly meeting the RP obligation.
29. KSEB Ltd vide letter No. KSEBL/TRAC/AE2 General/License-RPO/2022-23/19 dated 10.04.2023 submitted the details with regard to the anticipated renewable energy. KSEB Ltd further stated that, it is willing to meet the shortage in the renewable purchase obligations of licensee after accounting their own RE generation as per the existing targets fixed by the Commission, either by own generation or through purchase, with a suitable mechanism to pass the additional expenditure incurred by KSEB Ltd for meeting the RP Obligations.
30. The Commission considered the above submissions by the licensee and KSEB Ltd and noticed that KSEB Ltd is willing to meet the RP Obligations of licensee also with a suitable mechanism to pass through the additional expenditure. **As such, the Commission hereby orders KSEB Ltd to meet the RP obligation of licensee after accounting their own RE generation as per the existing targets fixed by the Commission and also directs licensee to pay the additional cost to KSEB Ltd at the rates as may be fixed by the Commission from time to time.**

Power Purchase Cost

31. The licensee has proposed the power purchase cost for each year of the Control Period considering the increase in energy from KSEB Ltd and the increase in the contract demand. The Commission vide Order dated 25.06.2022 in

OP No.11/2020 has approved the Tariff Order. The licensee has considered the applicable tariff for the relevant years of the Control Period. The power purchase cost for the years of the Control Period includes wheeling charges for drawing power from KSEB Ltd through Infopark 220 KV substation. The projection is tabulated below.

Table 10
Power Purchase Cost Projected for the Control Period

Year	Max Demand MVA	Energy received LU	Annual Fixed charges Rs Lakh	Variable Cost Rs/kWh	Total Variable Charges Rs Lakh	Other Charges-Wheeling Charge Rs Lakh	Total Cost Rs Lakh	Avg cost of energy Rs/kWh
2022-23	3.00	51.73	100.05		302.01	30.79	432.84	8.37
<i>April-2022 to June-2022</i>		13.67	23.10	5.65	77.48	7.57	108.15	7.91
<i>July-2022 to March-2023</i>		38.06	76.95	5.90	224.53	23.22	324.69	9.03
2023-24	6.00	57.86	205.20	5.90	341.35	35.29	581.84	10.06
2024-25	6.00	64.71	250.80	5.90	381.76	39.47	672.03	10.39
2025-26	9.00	72.37	307.80	5.90	426.96	44.14	778.90	10.76
2026-27	11.00	83.22	376.20	5.90	491.00	50.76	917.97	11.03

32. Considering the power purchase from KSEB Ltd at the distribution loss reduction targets approved for the Control Period, the increase in the contract demand 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 in the preceding paragraphs. Thus, the level of distribution loss and the energy requirement approved for the Control Period are shown below:***

Table 11
Power purchase cost approved for the Control Period

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Energy purchased from KSEB Ltd (lakh units)	50.36	56.39	63.12	70.65	81.21
Total Demand Charge (Rs. lakh)	100.05	205.20	250.80	307.80	376.20
Energy Charge (Rs)	5.65/5.90	5.90	5.90	5.90	5.90
Total Energy Charge (Rs. lakh)	294.97	332.70	372.41	416.84	479.14
Wheeling Charge	30.09	34.40	38.50	43.10	49.54
Total Power Purchase Cost	425.11	572.30	661.71	767.73	904.88

33. It is further clarified that the approved power purchase cost is provisional and based on the energy delivered at the periphery of SmartCity. ***The Commission will reconsider the power purchase cost based on the changes/amendment of PPA (the review of PPA specifically with regard to clause 8) relating to the realistic assessment of actual energy loss, incurred in the Infopark system which is exclusively used for delivery of power to SmartCity. Accordingly, the Commission will redetermine the T&D losses and power purchase expenses will be approved at the time of truing up of accounts after prudence check.***

Operation and Maintenance Expenses

34. Operation and Maintenance expenses consist of three components. Employee Cost, Repair and Maintenance Expenses and Administrative and General Expenses. The Commission as per Regulation 80 (2) of the Tariff Regulations, 2021 has fixed limits of the O&M expenses for each year of the distribution licensees considering an escalation of 4.454% for the years of the Control Period considering 2020-21 as the base year, whereas had not fixed the norms for Smart City, as the truing up of accounts considered for deriving at the norms had not been completed. The comparison of Operation and Maintenance Expenses projected for the years of the Control Period with that of previous years is tabulated below;

Table 12
Operation & Maintenance Expenses projected for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
Employee Expenses	17.58	18.20	18.83	19.49	20.18
R&M Expenses	17.72	17.85	19.02	19.16	20.42
A&G Expenses	10.51	10.72	11.69	12.32	14.11
Total O&M Expenses	45.81	46.77	49.54	50.97	54.71

Table 13
Operation & Maintenance Expenses of previous years (Rs. lakh)

Particulars	2019-20		2020-21		2021-22
	Truing Up Claim	Trued Up	Revised Truing Up Petition	Trued Up	Truing Up Petition
Employee Cost	13.72	10.66	16.43	16.24	16.46
R&M Expenses	19.51	19.51	16.47	16.47	21.09
A&G Expenses	4.12	4.12	4.46	4.46	5.64
Total O&M Expenses	37.35	34.29	37.36	37.17	43.19

35. The analysis of each head under operation and maintenance expense projected by the licensee for each year of the Control Period is detailed below.

Employee Cost

36. The licensee has projected year on year increase in the employee cost for the years of the Control Period. The petitioner has no permanent employees engaged in the distribution business and part services of employees of the principal business are utilised. The licensee has apportioned 50% of the total salary of three employees (Assistant Director-Asset & Infrastructure, Dy. Manager-MEP & Dy. Manager- Accounts) as part of the distribution business activity. The licensee has stated that, during April-2022, the management had approved at salary hike of 7% and 3.5% hike is considered in every year throughout the Control Period. The split-up details of the employee cost projected for the years of the Control Period is tabulated below;

Table 14
Split Up of the projected Employee cost (Rs. lakh)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Estimated	Projected	Projected	Projected	Projected	Projected
Basic Salary	6.13	6.56	6.79	7.03	7.27	7.53
House Rent Allowance	3.91	4.18	4.33	4.48	4.64	4.80
Conveyance Allowance	1.68	1.80	1.86	1.93	2.00	2.07
Other Allowances	3.54	3.79	3.92	4.06	4.20	4.35
Provident Fund Contribution	0.77	0.83	0.86	0.89	0.92	0.95
Gratuity Payment	0.19	0.20	0.21	0.22	0.23	0.23
Others (Personal Accident)	0.20	0.22	0.23	0.23	0.24	0.25
Gross Employee Expenses	16.42	17.58	18.20	18.84	19.50	20.18
% Increase		16.58%	17.20%	17.83%	18.49%	19.18%

37. A comparison of the actual employee cost claimed in the petition for truing up of accounts and the approved employee cost as per the Orders in Truing up of accounts is tabulated below;

Table 15
Split Up of Employee cost for the previous Control Period (Rs. lakh)

Particulars	2018-19		2019-20		2020-21		2021-22
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	Truing Up Petition
Basic Salary	6.06	9.12	6.13	6.13	6.13	6.13	6.13
House Rent Allowance	3.63		3.91	3.91	3.91	3.91	3.91
Conveyance Allowance	1.50		1.68	1.68	1.68	1.68	1.68
Other Allowances	2.83		3.54	3.54	3.54	3.54	3.54
Medical Reimbursement	0.15		-	-	-	-	-
Provident Fund Contribution	0.77		0.77	0.77	0.77	0.77	0.77
Gratuity Payment	0.25		0.25	0.00	0.19	0.00	0.34

Others (Personal Accident)	0.08		0.23	0.23	0.20	0.20	0.42
Gross Employee Expenses	15.27		16.53	16.26	16.43	16.24	16.80
Less: Expenses Capitalised	5.49		5.61	5.61	-	-	-
Less: Gratuity Payment	-		-	-	-	-	0.34
Net Employee Expenses	9.78	9.12	10.91	10.66	16.43	16.24	16.46

38. The licensee has been maintaining only the very essential staff for the distribution business of the licensee. Considering the operations of the licensee, the minimum staffing pattern, the methodology considered in fixing the normative expenses in Tariff Regulation at an escalation of 4.454% considering 2020-21 as the base year, the employee cost approved for the Control Period is tabulated below.

Table 16
Employee cost approved for the Control Period

Year	Rs. lakh
2022-23	16.96
2023-24	17.72
2024-25	18.51
2025-26	19.33
2026-27	20.19

39. *The Commission noted that, regarding the additional expenses or one-time expenses, the licensee shall submit all data to substantiate the expenses if any while truing up the accounts for the relevant years of the Control Period which shall be considered if prudent.*

Repairs and Maintenance Expenses

40. The repair and maintenance expense projected by the licensee include the O&M cost of the outsourced agency and for materials and services. The operation, routine repairs and maintenance of the distribution system is carried out through contractors. The licensee has stated that the contract is awarded after a due transparent process of competitive tendering as per the existing rules of the company. The licensee has stated that the projected at an average escalation of 4%. The R&M expenses projected for the Control Period is tabulated below.

Table 17
Split Up of the projected R&M Expenses (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
R&M Contracts	16.44	16.49	17.61	17.67	18.86
R&M materials	1.29	1.35	1.42	1.49	1.56
Total Expenses	17.73	17.84	19.03	19.16	20.42

41. The licensee has stated that, presently one operator is employed at substation round the clock. The licensee has also stated, for the overall co-ordination one

technical executive and for cleaning two staff also considered. The cost for spares, one time maintenance cost and AMC contracts are also included as part of the R&M expense. The R&M expense incurred by the licensee during the previous years are tabulated below;

Table 18
Details of R&M expenses for the previous Control Period (Rs. lakh)

Particulars	2018-19		2019-20		2020-21		2021-22
	For Truing Up	Trued Up	For Truing Up	Trued Up	For Truing Up	Trued Up	For Truing Up
Technical Executive	1.72	1.72	3.96	3.96	4.00	4.00	3.94
Electricians	8.44	8.44	8.93	8.93	8.19	8.19	8.46
Housekeeping Staffs	3.40	3.40	3.75	3.75	2.61	2.61	3.90
Total	13.55	13.55	16.64	16.64	14.80	14.80	16.30
Material & Services	2.80	2.80	2.87	2.87	1.67	1.67	4.79
Grand Total	16.36	16.36	19.51	19.51	16.47	16.47	21.09

42. The Commission while approving the Orders on Truing up of accounts for the previous Control Period had considered the submission and had approved the approved the actual expenses claimed by the licensee till 2020-21. ***The Commission is of the view that the licensee should take all efforts to limit the R&M expenses within the normative level and any expenses relating to uncontrollable factors or one-time expenses can be considered in Truing Up of accounts by the Commission only after prudence check. Considering the limited area of operations of the licensee, the methodology considered in fixing the normative expenses in Tariff Regulation at an escalation of 4.454% considering 2020-21 as the base year, the R&M expenses approved for the Control Period is tabulated below.***

Table 19
R&M Expense approved for the Control Period

Year	Rs. lakh
2022-23	17.20
2023-24	17.97
2024-25	18.77
2025-26	19.61
2026-27	20.48

Administration and General Expenses

43. The A&G expenses projected by the licensee includes Insurance, Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges. The licensee has also claimed Energy Audit Fee and Duty under Section 3 of the Kerala Electricity Duty Act as part of A&G expenses. The split up claimed by the licensee is tabulated below.

Table 20
A&G Expenses projected for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected
A&G Expenses	5.91	5.68	6.17	6.27	7.33
Energy Audit Fee	1.63	1.71	1.79	1.88	1.98
Ele Duty - Sec 3 (1)	2.97	3.33	3.73	4.17	4.80
Total A&G Expenses	10.51	10.72	11.69	12.32	14.11

44. The licensee has considered an escalation factor of 5% for various cost components. The licensee has submitted the detailed split up of the A&G expenses projected for the Control Period which is tabulated below;

Table 21
A&G Expenses projected for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Insurance	1.16	1.22	1.28	1.34	1.41
Telephone & Postage, etc.	0.17	0.18	0.19	0.20	0.21
Audit Fees	0.26	0.28	0.29	0.30	0.32
Periodical Inspection charges	0.88	0.93	0.98	1.02	1.08
Conveyance / Transportation	0.15	0.16	0.17	0.17	0.18
Water charges	0.10	0.11	0.11	0.12	0.12
Printing & Stationery	0.08	0.09	0.09	0.10	0.10
Bank Charges	1.53	1.61	1.69	1.77	1.86
Office Expenses	0.74	0.77	0.81	0.85	0.90
License Fee and other related fee	0.11	0.12	0.12	0.13	0.13
V-sat, Internet and related charges	0.21	0.22	0.23	0.25	0.26
Books & periodicals	0.00	0.00	0.01	0.01	0.01
Computer Stationery	0.01	0.01	0.01	0.01	0.01
Others -PPA, ARR	0.50	0.00	0.20	0.00	0.75
Energy Audit Fee	1.63	1.71	1.79	1.88	1.98
A&G Expenses	7.54	7.39	7.96	8.15	9.31
Ele. Duty u/s 3(l), KED Act	2.97	3.33	3.73	4.17	4.80
Total A&G Expenses	10.51	10.72	11.69	12.32	14.11

45. It is seen that the A&G expenses for the years of the Control Period include the claim of Electricity duty under Section 3 (1). Duty under Section 3 cannot be passed on to the consumers in view of the statutory provisions of the Kerala Electricity Duty Act, 1963. If considered appropriate, the licensee 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 expenditure under ARR.
46. Since the normative A&G expenses had not been fixed in the Tariff Regulations, 2021, the Commission has analysed the actual and trued up expenses for the previous Control Period. The A&G expenses for the previous Control Period is tabulated below;

Table 22
Details of A&G expenses for the previous Control Period (Rs. lakh)

Particulars	2018-19 Claimed and Trued Up	2019-20 Claimed and Trued Up	2020-21 Claimed and Trued Up	2021-22 For Truing Up
Insurance	0.72	0.90	1.05	1.13
Telephone & Postage, etc.	0.25	0.17	0.16	0.15
Audit Fees	0.20	0.20	0.25	0.25
Conveyance	-	-	0.14	0.04
Periodical Inspection charges	1.94	0.01	-	0.85
Water charges	0.07	0.09	0.10	0.12
Printing & Stationery	0.13	0.13	0.08	0.08
Advertisement	0.18	-	-	0.15
Bank Charges	1.16	1.54	1.46	1.49
Office Expenses	0.65	0.70	0.70	0.70
License Fee and other related fee	0.04	0.13	0.11	0.14
Outsourcing of metering and billing system	1.98	-	-	-
V-sat, Internet and related charges	0.29	0.20	0.20	0.21
Books & periodicals	0.00	0.00	0.00	0.00
Computer Stationery	0.14	0.03	0.01	-
Others -PPA, ARR	0.58	-	0.20	0.33
Total A&G Expenses	8.33	4.12	4.46	5.64

47. The Commission notes that the projection of A&G expense for the Control Period is including the Energy Audit Fee and Duty under Section 3 of the Kerala Electricity Duty Act. During the previous years, the licensee had not claimed any expenses towards Energy Audit Fee and Electricity Duty. The Commission is of the view that the licensee has only projected only the required A&G expense, if the claim of Energy Audit Fee and Electricity Duty is excluded. The expense towards Energy Audit Fee is projected, since periodical and annual audit through accredited agency is mandatory as per Bureau of Energy Efficiency regulations, the Commission views that the same is to be considered separately.
48. ***Accordingly, considering the operations of the licensee, the methodology considered in fixing the normative expenses in Tariff Regulation at an escalation of 4.454% considering 2020-21 as the base year, the A&G expenses approved for the Control Period is tabulated below.***

Table 23
A&G Expenses approved for the Control Period

Year	Rs. lakh
2022-23	4.66
2023-24	4.87
2024-25	5.08
2025-26	5.31
2026-27	5.55

O&M Expenses Approved

49. The Commission has fixed the normative O&M expenses by applying the escalation rate of 4.454% as in the Tariff Regulations, 2021. While fixing the norms relying on historical inflation data, the Commission decided that actual escalation rates based on the actual inflation existing for each year of the Control Period would be considered at the time of Truing Up of the concerned financial year. As per the Regulation 80(2) of the Tariff Regulations, 2021 all components of O&M expenses are controllable expenses and as per Regulation 14 (2), the aggregate loss on account of controllable factors shall be borne by the distribution licensee and shall not be passed on to the consumer in any manner. ***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 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 directs the licensee to limit the Operation and Maintenance expense as approved below.***

Table 24
Operation & Maintenance Expenses Approved (Rs. lakh)

Particulars	2022-23		2023-24		2024-25	
	Projected	Approved	Projected	Approved	Projected	Approved
Employee Expenses	17.58	16.96	18.20	17.72	18.83	18.51
R&M Expenses	17.72	17.20	17.85	17.97	19.02	18.77
A&G Expenses	10.51	4.66	10.72	4.87	11.69	5.08
Total O&M Expenses	45.81	38.83	46.77	40.55	49.54	42.36

Table 25
Operation & Maintenance Expenses Approved (Rs. lakh)

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Employee Expenses	19.49	19.33	20.18	20.19
R&M Expenses	19.16	19.61	20.42	20.48
A&G Expenses	12.32	5.31	14.11	5.55
Total O&M Expenses	50.97	44.25	54.71	46.22

Capital Investment Plan for the Control Period

50. The licensee in the petition has stated that no capital investment plan has been proposed and included for the years of the Control Period. It is stated that a separate capital investment petition will be submitted after detailed study.

51. The Tariff Regulations 2021 clearly specifies procedure to be followed by the licensee while proposing the capital investment plan. Regulation 71 of the Tariff Regulations 2021 is quoted below;

“ 71. Capital Investment Plan. –

(1) It is the primary responsibility of the distribution business/ licensee to ensure optimum utilization of the capital expenditure in its projects to enhance economy, efficiency and productivity and to meet the Performance Standards specified by the Commission.

(2) The distribution business/ licensee shall, along with the petition for determination of aggregate revenue requirements for the Control Period, file to the Commission for its approval, a detailed yearly capital investment plan, financing plan and the physical targets for meeting the requirement of load growth, reduction in distribution losses, improvement in the quality of supply, reliability, metering, consumer services etc., in accordance with the ‘Guidelines for Provisional Clearance of Capital Investment’ specified in Annexure 4 to these Regulations.

(3) The Capital Investment Plan shall be accompanied by all such information, particulars and documents as may be required by the Commission to substantiate the investment, justification of the proposed investments, project wise Detailed Project Report, basis of estimate, alternate solutions considered, and shall also include the capitalization schedule and financing plan.

(4) The Commission may approve the capital investment plan of the distribution business/ licensee, with appropriate modifications, if required, or reject the same:

Provided that the Commission shall afford to the distribution business/ licensee, a reasonable opportunity of being heard, before rejecting the proposal for approval of the Capital Investment Plan.

(5) The costs corresponding to the capital investments which are capitalised as per the approved Capital Investment Plan of the distribution business/ licensee for a given financial year shall be considered for its revenue requirement.”

52. The licensee has submitted that they may be permitted to file separate petition for approval of capital investments. ***Accordingly, the Commission hereby directs the licensee to submit the detailed proposal as a petition before the Commission. The capital investment plan shall be heard separately and based on the decision of the Commission, the approval of asset addition will be considered only after the prudence check by the Commission.***

Depreciation

53. Depreciation for the Control Period 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. The depreciation claimed for the years of the Control Period is tabulated below.

Table 26
Depreciation for the Control Period (Rs. lakh)

Description	Rate (%)	Gross Fixed Assets	Depreciation				
			2022-23	2023-24	2024-25	2025-26	2026-27
Land & land rights***	1.01%	21.14	0.21	0.21	0.21	0.21	0.21
Civil Works	3.34%	206.38	6.89	6.89	6.89	6.89	6.89
HV Distribution system	5.28%	391.30	20.66	20.66	20.66	20.66	20.66
Distribution lines	5.28%	62.52	3.30	3.30	3.30	3.30	3.30
Switchgears, Control gear & Protection	5.28%	892.54	47.13	47.13	47.13	47.13	47.13
Meters	5.28%	7.47	0.39	0.39	0.39	0.39	0.39
IT Equipments	15%	1.86	0.28	0.13	0.00	0.00	0.00
Gross Asset		1583.21	78.87	78.72	78.59	78.59	78.59

54. The Commission is of the considered view that depreciation for the years of Control Period shall be based on the approval of the capital Investment plan. Based on the approval of the Capital Investment Plan for the Control Period 2022-23 to 2026-27, depreciation shall be approved while truing up the accounts of the years of the control period. **Accordingly, the Commission hereby provisionally approves the depreciation as claimed by the licensee for each year of the Control Period.**

Interest and Finance Charges

55. The licensee in the petition has not projected any interest and finance charges other than interest on security deposit. The Commission while truing up the accounts for the year 2020-21 had approved the change in the capital structure as 100% Debt Capital and had directed licensee to file a separate petition before the Commission for redetermination of provisionally approved interest and finance charges for the years 2015-16 to 2019-20, based on the changes approved in the capital structure. The interest and finance charges for the year 2020-21 was also deferred. **The licensee has not yet filed the petition before the Commission. Accordingly, the Commission is not in a position to address the issue.**
56. The licensee has claimed interest on security deposit at the rate of 5.10% as part of Interest and Finance Charges. The projection made by the licensee is tabulated 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 deposits	88.76	118.76	124.70	130.93	137.48
Interest on consumer security deposits	4.53	6.06	6.36	6.68	7.01

57. The licensee has considered an interest at a rate of 5.10% for the entire period. As per Regulation 72 of the Kerala Electricity Supply Code, 2014, the licensee has to pay interest on the security deposit at the bank rate prevailing in the first April of that year. ***Considering 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 at the beginning of the year.	88.76	118.76	124.70	130.93	137.48
Interest on Deposit @ 4.25%	3.77	5.05	5.30	5.56	5.84

Carrying cost for past revenue gaps

58. The Commission had in the Trued-up Order 2020-21 (OP 80/2022) had approved Rs.516.07 lakh as the cumulative revenue gap till 2020-21. As per the provision of Tariff Regulations, 2021 the licensee is also eligible for carrying cost on past or revenue gap on account of truing up of accounts of previous years. The relevant portion of the Regulation is given below.

“76. Components of Aggregate Revenue Requirement. –

(1) The Aggregate Revenue Requirement of the distribution business/ licensee shall comprise of the following items of expenditure:-

- (i) cost of own power generation;*
- (ii) cost of power purchase;*
- (iii) transmission charges;*
- (iv) NLDC/ RLDC/ SLDC charges, if any;*
- (v) operation and maintenance expenses;*
- (vi) Contribution to the Master Trust for discharging the pension liability;*
- (vii) interest and finance charges;*
- (viii) depreciation;*
- (ix) interest on working capital and on the consumer security deposits and deposits from users of the distribution system;*
- (x) contribution to the contingency reserves, if any;*
- (xi) actual write off of bad debts, if any;*
- (xii) return on equity/ net fixed assets;*
- (xiii) Revenue surplus or revenue gap on account of truing up of accounts of previous years and the carrying cost, if any;*
- (xiv) Amortization, if any, approved by the Commission, based on the approved revenue gap of the previous years, as provided.”*

59. Based on the above Regulations the Carrying cost of cumulative revenue gap is to be allowed considering the cost of funds actually incurred by the entity for funding the revenue gap. The rate of interest to be considered for computing the carrying cost is at the rate of 6.65% per annum (EBLR rate of SBI as on 01-04-2022).

Accordingly, the provisional carrying cost for past revenue gaps to be considered for an amount of Rs.516.07 lakh works out to Rs.34.32 lakh (Rs.516.07 lakh*6.65%) is allowed for each year of the Control Period.

60. **Accordingly, the provisional Interest and Finance Charges approved for the Control Period is shown below**

Table 29
Interest and Finance Charges Approved for the Control Period (Rs. lakh)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on Normative Long-Term Loan	-	-	-	-	-
Interest on Consumer Deposits	3.77	5.05	5.30	5.56	5.84
Carrying cost for past revenue gaps	34.32	34.32	34.32	34.32	34.32
Total	38.09	39.37	39.62	39.88	40.16

Return on Equity

61. The licensee has not projected any return on Equity. Based on the change in the capital structure, the equity invested in the regulated business is not clearly identifiable and therefore the licensee is eligible for Return on Net Fixed Assets instead of Return on Equity. Return at the rate of 5.50% percent shall be allowed on the net fixed assets at the beginning of the financial year. Since the licensee has not yet filed the petition for approval of return based on the revised Capital structure, the Commission is not in a position to allow any Return. ***The licensee is directed to file a separate petition before the Commission for redetermination of provisionally approved/deferred interest and finance charges and RoE/RoNFA based on the changes approved in the capital structure without delay.***

Revenue from Sale of Power

62. Revenue from sale of power for the Control Period is based on the sales projection. The licensee has considered the pre-revised tariff up to 26th June 2022 and the prevailing tariff for all the years. The projections made for the Control Period is tabulated below;

Table 30
Revenue from Sale of Power projected for Control Period

Particulars	2022-23			2023-24			2024-25		
	Sales lakh Units	Total Charges Rs. lakh	Avg Realisation	Sales lakh Units	Total Charges Rs. lakh	Avg Realisation	Sales lakh Units	Total Charges Rs. lakh	Avg Realisation
LT Consumer	26.44	252.09	9.53	29.62	304.34	10.28	33.17	344.59	10.39
HT Consumer	23.06	303.59	13.16	25.83	383.36	14.84	28.93	487.02	16.84
Total	49.50	555.68	11.22	55.45	687.70	12.40	62.10	831.61	13.39

Table 31
Revenue from Sale of Power projected for Control Period

Particulars	2025-26			2026-27		
	Sales lakh Units	Total Charges Rs. lakh	Avg Realisation	Sales lakh Units	Total Charges Rs. lakh	Avg Realisation
LT Consumer	37.15	387.94	10.44	42.72	442.87	10.37
HT Consumer	32.40	529.84	16.35	37.26	563.97	15.14
Total	69.55	917.78	13.20	79.98	1006.83	12.59

63. The licensee projects a revenue growth ranging between 11% and 22 %. Being an IT park, major revenue realisation is from LT IV B and HT I B category. ***After due consideration of all facts, figures and comments, the Commission provisionally approves the revenue from sale of power as estimated by the licensee for the Control Period on the condition that, the actuals only be allowed at the time of Truing up of accounts of the respective years.***

Non-Tariff Income

64. The licensee has projected only a minor increase in the Non-tariff income for the years of the Control Period. Major part of the non-tariff income (90%) is from the interest received from Security deposit at KSEBL and interest of FD. The licensee has stated that only the interest component of the income has been projected.

Table 32
Non-Tariff Income

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Interest on Security deposits	1.25	1.26	1.26	1.28	1.28
Interest on FD	4.15	4.19	4.19	4.23	4.23
Commission for Elec.duty	0.19	0.22	0.24	0.27	0.31
Interest on delayed or deferred payment of bills	0.44	0.43	0.43	0.42	0.41
Total	6.03	6.10	6.12	6.19	6.23

65. The income from interest on delayed or deferred payment of bills are reducing year on year by 2%. The licensee expects the bill payment by consumers to be more regular in the next period and the late payment surcharge income would progressively get reduced from the present level. As per the split-up details, the major component of the non-tariff income of the licensee is the Interest on security deposits with KSEB Ltd & Bank fixed Deposits. ***Hence, the Commission hereby approves the projected Non-tariff income as claimed by the licensee for the Control Period.***

Revenue Surplus/Gap

66. 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 33
Revenue Surplus/ Gap, projected by the licensee and Approved by the
Commission for the Control Period (Rs. lakh)

Particulars	2022-23		2023-24		2024-25	
	Projected	Approved	Projected	Approved	Projected	Approved
Power Purchase Cost	432.84	425.11	581.84	572.3	672.03	661.71
Employee Expenses	17.58	16.96	18.20	17.72	18.83	18.51
Administration & General Expenses	10.51	4.66	10.72	4.87	11.69	5.08
Repair & Maintenance Expenses	17.72	17.20	17.85	17.97	19.02	18.77
Depreciation	78.87	78.87	78.72	78.72	78.59	78.59
Interest and finance charges	4.53	38.09	6.06	39.37	6.36	39.62
Return on Equity	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	562.05	580.89	713.38	730.95	806.53	822.28
Revenue from sale of power	555.68	555.68	687.70	687.70	831.61	831.61
Non-Tariff income	6.03	6.03	6.10	6.10	6.12	6.12
Total income	561.71	561.71	693.80	693.80	837.73	837.73
Revenue gap/Surplus	-0.34	-19.18	-19.58	-37.15	31.20	15.45

Table 34
Revenue Surplus/ Gap, projected by the licensee and Approved by the
Commission for the Control Period (Rs. lakh)

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Power Purchase Cost	778.90	767.73	917.97	904.88
Employee Expenses	19.49	19.33	20.18	20.19
Administration & General Expenses	12.32	5.31	14.11	5.55
Repair & Maintenance Expenses	19.16	19.61	20.42	20.48
Depreciation	78.59	78.59	78.59	78.59
Interest and finance charges	6.68	39.88	7.01	40.16
Return on Equity	0.00	0.00	0.00	0.00
Total Expenditure	915.15	930.45	1058.27	1069.85
Revenue from sale of power	917.78	917.78	1006.84	1006.84
Non-Tariff income	6.20	6.20	6.23	6.23
Total income	923.98	923.98	1013.07	1013.07
Revenue gap/Surplus	8.83	-6.47	-45.21	-56.78

Order of the Commission

67. 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 47

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 Expenditure	562.05	580.89	713.38	730.95	806.53	822.28
Total income	561.71	561.71	693.80	693.80	837.73	837.73
Revenue gap/Surplus	-0.34	-19.18	-19.58	-37.15	31.20	15.45

Table 48

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

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Total Expenditure	915.15	930.45	1058.27	1069.85
Total income	923.98	923.98	1013.07	1013.07
Revenue gap/Surplus	8.83	-6.47	-45.21	-56.78

Directives of the Commission

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

- a) ***The licensee shall make sure that the infrastructure created is utilized at optimum level in order to make the licensee's operations more cost effective.***
- b) ***The licensee is directed to file the petition for redetermination of provisionally approved/deferred interest and finance charges and return on equity/ RoNFA based on the changes approved in the capital structure without delay.***
- c) ***The KSEB Ltd to meet the RP obligation of Smart City after accounting their own RE generation as per the existing targets fixed by the Commission and also directs licensee to pay the additional cost to KSEB Ltd at the rates as may be fixed by the Commission from time to time.***

- d) The licensee to submit the detailed proposal of capital investment plan as a petition before the Commission at the earliest. The capital investment plan proposed shall be heard separately and appropriate orders will be issued based on the decision of the Commission.*
- e) The licensee to follow the guidelines issued by the CEA on 'Electricity Distribution Network Planning Criteria' regarding the measures for reducing the technical losses in the system.*

69. The petition is disposed of. Ordered accordingly.

Sd/-
Sri. T.K Jose
Chairman

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. B. Pradeep
Member

Approved for Issue

Sd/-
C. R. Satheesh Chandran
Secretary