

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

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

**OP 14/2023**

In the matter of : Petition filed by M/s KINESCO Power and Utilities Private Limited for approval of ARR & ERC for the Control Period 2022-23 to 2026-27

Petitioner : M/s KINESCO Power and Utilities Private Limited

Represented by : Sri. Ajith Kumar T.N, CEO, KPUPL  
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL  
Smt. Sreedevi.S, Assistant Manager (Finance), KPUPL  
Sri. Sajeev M.S., Resident Engineer, KPUPL

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 , KPUPL

**Order Dated 19.03.2024**

1. KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of five industrial parks of KINFRA and are (1) KEPIP Kakkanad, (2) Hi-Tech Park Kalamassery, (3) KIITP Kanjikode, (4) KINFRA Mega Food Park Kozhipara, Kanjikode and (5) KINFRA Petrochemical Park, Ambalamugal, Kochi.
2. The Kerala State Electricity Regulatory Commission (hereinafter referred to as 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 (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 has filed the petition for approval of ARR & ERC for the Control Period 2022-23 to 2026-27 vide letter dated 21-04-2022, which was received on 22-04-2022 in the Office of the Commission. Since there was a delay in filing the petition, M/s KINESCO Power and Utilities Pvt Ltd has filed petition for condonation of delay along with prescribed fees. The Commission considered the matter and vide Order dated 28.04.2022 (OP 26/2022) condoned the delay of 91days and the petition for approval of ARR & ERC for the Control Period 2022-23 to 2026-27 was admitted as OP No.14/2023.
4. The Commission vide letter dated 14.12.2022 had directed the licensee to submit revised submission based on the Tariff Order dated 25.06.2022, which was submitted vide letter dated 06.03.2023 with the following prayers.
  - a) Approve the revised ARR &ERC, for the ensuing control period from the year 2022-23 to 2026-27 detailed in Table-25 & 26.
  - b) Approve the revenue surplus / deficit for the ensuing control period from the year 2022-23 to 2026-27 detailed in Table 27.
  - c) Approve Return on Net Fixed Assets (RoNFA) instead of ROE
  - d) Allow to file separate petition for Capital Investment plan for the MYT control period 2022-23 to 2026-27.
  - e) Exempt KPUPL from RPO obligation, considering the initiatives taken by us to achieve the target of procurement of solar power under RPO obligation.
  - f) Consider allowing the electricity duty paid under Section (3) by the licensee as expenditure.
  - g) Consider the interest on the regulatory surplus as 'other income' only after excluding the amount of expenditures that are disallowed in truing up of accounts like Electricity duty u/s.3.
  - h) Consider approving the T&D loss in ARR-ERC to a more realistic level.
  - i) Due to the outbreak of the pandemic Covid-19 in the nation and the subsequent impact on the business of our consumers, the requirement of power has been reduced since March 2020. ARR-ERC has been prepared based on the business scenario of post Covid-19. Moreover, it has become difficult for anyone to estimate the duration of this trend.

The Commission may kindly allow KPUPL to file Midterm Performance Review.

- j) Condone any inadvertent omissions, errors and shortcomings and permit KPUPL to add/change/modify/alter this filing and make further submissions as may be required at a future date.
5. Based on this, the comparison of ARR&ERC for the Control Period as per the petition and Truing Up petition claim and Trued Up amount for the previous years is shown in Table 1 and Table 2 below.

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

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Cost of Power Purchase	5256.31	5901.25	6459.08	7070.78	7741.70
Employee Expenses	95.10	103.62	112.82	122.80	134.14
Administration & General Expenses	122.45	123.56	134.75	147.08	161.26
Repair & Maintenance Expenses	122.31	152.90	191.12	238.86	298.51
Depreciation	99.04	143.31	148.41	153.64	157.18
Interest and finance charges on long term loans	66.20	119.18	111.87	103.69	94.50
Total Revenue Expenditure	5761.41	6543.82	7158.05	7836.86	8587.29
Return on Equity /Net Fixed Assets	45.64	60.74	75.84	75.84	75.84
Tax on ROE	177.45	169.00	181.00	194.00	206.00
<b>Aggregate Revenue Requirement</b>	<b>5984.50</b>	<b>6773.56</b>	<b>7414.89</b>	<b>8106.70</b>	<b>8869.13</b>
Other Income & non-Tariff income	119.54	124.08	129.68	141.44	155.46
Revenue from sale of power	6117.08	6792.01	7480.27	8222.31	8766.08
Wheeling Charges (income)	39.79	41.50	42.33	43.18	44.04
<b>Total Income</b>	<b>6276.41</b>	<b>6957.59</b>	<b>7652.28</b>	<b>8406.93</b>	<b>8965.58</b>
<b>Net Revenue (gap)/ Surplus</b>	<b>291.91</b>	<b>184.03</b>	<b>237.38</b>	<b>300.23</b>	<b>96.44</b>

**Table 2**  
**Comparison for the period 2019-20 to 2021-22 (Rs. lakh)**

Particulars	2019-20		2020-21		2021-22	
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up
Purchase of Power	6330.51	6209.42	4449.97	4357.86	4587.68	4482.03
R&M Expenses	88.61	88.61	76.32	76.32	95.68	80.01
Employee Cost	76.05	73.62	59.57	59.57	67.93	59.19
A &G Expenses	108.81	53.27	86.86	49.20	110.46	70.63
Depreciation	110.27	0.00	101.05	69.54	67.17	67.17
Prior Period Depreciation	0.00	0.00	0.00	122.23	0.00	0.00
Interest & Finance Charges	101.01	86.13	71.99	62.98	69.26	55.95
Prior Period Interest (claw back)	0.00	0.00	0.00	-13.60	0.00	0.00
Return on Equity	45.64	4.43	45.64	4.43	45.64	4.43
Tax on RoE	92.58	0.00	0.00	0.00	0.00	0.00
Adjustment of profit on a/c of loss due to write-off of assets	67.19	0.00	0.00	0.00	0.00	0.00
<b>Total Expenditure</b>	<b>7020.67</b>	<b>6515.48</b>	<b>4891.40</b>	<b>4788.53</b>	<b>5043.82</b>	<b>4819.41</b>

Revenue from Sale of Power	6988.74	6967.66	5181.25	5164.98	5267.07	5251.09
Non- Tariff Income*	153.57	334.54	162.30	361.57	195.95	301.51
<b>Total Income</b>	<b>7142.31</b>	<b>7302.20</b>	<b>5343.55</b>	<b>5526.55</b>	<b>5463.02</b>	<b>5552.60</b>
<b>Net Surplus/(Deficit)</b>	<b>121.64</b>	<b>786.72</b>	<b>452.15</b>	<b>738.02</b>	<b>419.20</b>	<b>733.19</b>

6. After examining the petition, the Commission posted for hearing the petition on on 10-03-2023 at the Conference Hall, Office of KPUPL, Kakkanad, Kochi.

### **Public Hearing on the Petition**

7. The public hearing on the petition was conducted on 10-03-2023 at the Conference Hall, Office of KPUPL, Kakkanad, Kochi. The licensee was represented by Sri. Ajith Kumar T.N, CEO, KPUPL, Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL, Smt. Sreedevi.S, Assistant Manager (Finance), KPUPL, Sri. Sajeev M.S., Resident Engineer, KPUPL and other officers of the licesnee. 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. Sajeev M.S presented the petition before the Commission and clarified the queries of the Commission. 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 for the control period. The licensee has stated that growth is expected during the control period considering additional load expected from new consumers at Kakkanad, Kalamassery and Palakkad license areas. KPUPL has also sought for inclusion of KINFRA Petrochemical Park as an additional license area to KPUPL. The petition is under the consideration of the Commission. The energy sale to the consumers to this new license area has not been considered in the projection due to the reason that the final order has not been issued by the Commission.
- b) The licensee has projected year on year fluctuation in the distribution loss.
- c) Power purchase cost increases year on year, duly considering the increase in sales projected in the license areas. The licensee has also considered the solar self-generation and provision for RPO as part of power purchase cost for the Control Period.
- d) The licensee submitted that O&M expenses may be allowed, as proposed in the petition. Compared to the norms prescribed in the Tariff Regulations 2021, the amount claimed is very much on the higher side.
- e) With regard to employee cost, the licensee has projected year on year increase for the control period. Other than CEO, only one regular

employee has been engaged in the distribution business of KPUPL. All other technical and administrative functions are outsourced. There has been a steady increase in the connected load in all parks and the trend is expected to remain the same. Petro-chemical plant and an electronic cluster are expected to commence during the ensuing MYT period and additional cost for the same is considered as part of employee cost.

- f) The repair and maintenance expense projected by the licensee includes the O&M Contract outsourced for the operation and maintenance of 110 KV Substation at Kakkanad and other distribution equipments in each license area of KPUPL, which is the major portion of R&M cost. The licensee has stated that they have been strictly following the competitive tendering process for the O&M Contract. The L1 bidder has quoted 9.64% higher rate than the estimated rate for the year 2021-22.
- g) 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 major part of the A&G expenses claimed is Duty under Section 3 of the Kerala Electricity Duty Act.
- h) The licensee in the ARR&ERC petition has mentioned about their proposed capital investment plan for the years of the Control Period and stated that separate capital investment petition will be submitted before the Commission.
- i) With regard to depreciation, the licensee has stated that the depreciation has been reworked from the year 2009-10 as per the straight-line method over the useful life of the assets and the effect has been applied in the present petition. It was further stated that, the assets register and supporting documents shall be submitted before the Commission immediately.
- j) The licensee in the petition had claimed interest and finance charges for the loans for the years of the Control Period. The rate of interest considered for the loan is 11.50% throughout the MYT Period.
- k) With regard to return, the licensee had been claiming Return on Equity which is 14% on the equity capital. Now the licensee has sought for 3% return on net fixed assets.
- l) Increase in the revenue from sale of power and wheeling charges to M/s Nitta Gelatin has been projected for the control period.
- m) With regard to Non-Tariff Income, major part is from the interest received from Security deposit with KSEB Ltd and interest on FD. The income from

interest on delayed or deferred payment of bills are reducing year on year. The licensee expects the bill payment by consumers to be more regular and income would progressively get reduced.

- n) Accordingly, in the petition, the licensee has projected revenue surplus for each year of the Control Period.
8. 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 that the written comments shall be furnished subsequently.
  9. The Commission directed KPUPL to submit reply to the clarifications sought and to file the petition for approval of Capital Expenditure for the years of the Control Period at the earliest. The petition for approval for capital investment shall contain detailed project report with cost benefit analysis, necessity of the investment, cost estimate and source of funding with necessary supporting documents to substantiate the investment. KSEB Ltd was directed to submit their opinion/stand with regard to KSEB Ltd meeting the RPO and their written comments on the petition. KPUPL shall submit their counter, if any on the comments of KSEB Ltd.
  10. 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 is willing to meet the shortage in meeting 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 through the additional expenditure incurred by KSEB Ltd for meeting the RPO.

### **Analysis and decision of the Commission**

11. 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 as per the provisions of the Tariff Regulations, 2021, on the petition for approval of ARR & ERC for the Control Period are detailed below.

### **No. of Consumers & Sale of Power**

12. 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.”*

13. The licensee has projected increase in the number of consumers and sale of power for each year of the Control period. The licensee stated that, the rates are revised based on the Tariff Order dated 25th June 2022. Estimated connected load and energy consumption of major consumers for the ensuing MYT control period was collected and a more realistic data was taken for the projections in the ARR-ERC. The comparison of the number of consumers and sales is tabulated below.

**Table 3  
Comparison of consumers and sales**

Con. Category	2022-23		2023-24		2024-25		2025-26		2026-27	
	Nos.	Consumption (lakh units)	Nos.	Consumption (lakh units)	Nos.	Consumption (lakh units)	Nos.	Consumption (lakh units)	Nos.	Consumption (lakh units)
HT Categories	67	562.04	73	601.80	79	646.14	85	695.60	91	732.76
Deemed High Tension (DHT)	44	81.70	46	98.45	48	118.07	50	141.62	51	156.90
LT Categories	405	88.60	436	105.17	464	117.46	489	129.79	512	141.82
<b>Total</b>	<b>516</b>	<b>732.35</b>	<b>555</b>	<b>805.42</b>	<b>591</b>	<b>881.67</b>	<b>624</b>	<b>967.00</b>	<b>654</b>	<b>1031.48</b>

14. The projection is made more realistic considering the following facts:

- a) The increase in projection is due to the expected increase in the number of new consumers in the licence areas at Kakkanad, Kalamassery and Palakkad.

- b) Due to Covid-19 pandemic, the sale of energy was down by about 50 % since last couple of years. Now a positive trend has seen in the consumption and the sale of power is in a slower but steady growth.
  - c) Open access consumers may raise their drawal capacity and wheel more power from outside during these periods.
  - d) The licensee has filed petition before the Hon'ble Commission for inclusion of KINFRA Petrochemical Park as an additional license area to KPUPL. The petition is under the consideration of the Commission. The energy sale to the consumers of this new licence area has not been considered while tabulating the projection due to the fact that the final order has not been released yet.
  - e) As per KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, clause 10 (2), distribution licensee can file Mid-term Performance Review (MPR) on account of unexpected variations if any on controllable and uncontrollable parameters. This may become necessary in view of the outbreak of the pandemic Covid-19 and the consequent variations in the consumption of energy in the industrial parks, the effect of which is seen visible for the last couple of years.
15. With regard to the projections made in the petition, the licensee has stated that due to Covid-19 pandemic, the sale of energy was down by about 50 % since last couple of years. Now a positive trend has seen in the consumption and the sale of power is in a slower but steady growth. Based on the details, it is seen that the increase in the sales units projected for the control period is between 6.00% to 10.00%. The licensee has proposed a total increase in the number of consumers between 4.00% to 8.00% for each year of the Control Period.
16. The Commission noted that, vide Order dated 12.04.2023 the Commission had approved the license area of KPUPL be extended to include 732.30 Ares (18.09 Acres) of land in Elappully Village in Palakkad District. The licensee has not projected energy sale to the consumers of this new licence area. ***After due consideration of all facts, figures and comments, the Commission provisionally approve the revenue from sale of power as estimated by the licensee for the MYT period on the condition that, the actuals only be allowed at the time of Truing up of accounts of the respective years.***

### **Energy requirement and 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 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 in the petition has proposed distribution loss reduction for the Control Period. The distribution loss proposed by the licensee considering the actual distribution loss of 2022-23 is as shown below.

**Table 4**  
**Distribution loss and Energy Input projected for the Control Period**

Sl. No.	Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
1	Energy Purchased from KSEB Ltd and Self-Solar generation (lakh units)	744.83	819.01	896.66	983.43	1048.84
2	Energy Sales (lakh units)	732.49	805.57	881.84	967.18	1031.67
3	(1)-(2): Distribution Loss (lakh units)	12.34	13.44	14.83	16.25	17.17
4	Distribution Loss % [(3/1) *100]	<b>1.66%</b>	<b>1.64%</b>	<b>1.65%</b>	<b>1.65%</b>	<b>1.64%</b>
5	Wheeled Energy input (lakh units)	19.18	19.56	19.95	20.35	20.76
6	(1)+(5) Total Energy Input (lakh units)	764.01	838.57	916.62	1003.79	1069.60
7	Wheeled Energy Sales (lakh units)	18.21	18.58	18.95	19.33	19.71
8	(2) + (7) Total Energy Output (lakh units)	750.70	824.15	900.78	986.51	1051.38
9	(6)-(8) Distribution Loss (lakh units)	13.31	14.42	15.83	17.28	18.22
10	Net Distribution Loss % [(9/6) *100]	<b>1.74%</b>	<b>1.72%</b>	<b>1.73%</b>	<b>1.72%</b>	<b>1.70%</b>

18. The licensee has also submitted the details for the reason for higher T&D loss in KPUPL licence areas (other than Kakkanad) with the details of voltage level, consumer strength etc..

**Table 5**  
**Area wise Distribution details**

Sl. No	Licensee Area	Details	Acres	Voltage Level	No. of Consumers as on 31.03.2022
1.	Kakkanad	1. KEPIP 2. Infopark- phase 1	1. 180.126 acres 2. 100 acres	110 KV	302
2.	Kalamassery	1. KINFRA Hi Tech Park	1. 240 acres	11 KV	108
3.	Kanjikode, Palakkad	1. KINFRA Integrated Industrial and Textiles Park. 2. KINFRA Mega Food Park	1. 350 acres 2. 79.42 acres	22 KV	19 33

19. The licensee also stated that power is distributed among 302 consumers during the year 2021-22 within the area of 280.126 acres in Kakkanad licence area with a higher voltage level of 110 KV. But in Kalamassery licence area, power is distributed around 240 acres of land to feed about 108 consumers (during the year 2021-22) at 11 KV voltage. Also, at Palakkad licence area, power is distributed around 429.42 acres of land (comprising of both Parks) to feed about only 52 consumers at 22 KV voltage level. Hence KPUPL is facing much higher technical losses at Kalamassery and Palakkad licence areas which will be reduced when more and more consumers turned up in these areas and consume more power. For good reliable power, there is provision for 100% back feeding for

feeders and transformers. Hence, transformers are restricted to 50% loading to ensure the back-feeding reliability. So, the transformers could not be operated at the maximum efficiency level (nearly at 90%). The distribution loss also increased due to the ageing of electrical installations at Kakkanad and Kalamassery area.

20. The Commission examined the submission of the licensee and seen that the loss projections made for the Control Period is lower than the actual distribution loss claimed by the licensee in the previous years. Comparison of the actual distribution loss claimed by the licensee for the previous years are tabulated below;

**Table 6**  
**Comparison of Distribution loss over the years**

Phase	2018-19	2019-20	2020-21	2021-22
Truing Up Petition	1.68	1.66*	1.78	1.80
Trued Up (%)	1.68	1.71	1.78	1.80

\*Not Considered wheeled energy

21. As per the truing up petition for the year 2021-22, the actual loss of the licensee is 1.80%. Since, reduction in distribution loss is an important parameter which has a direct impact on power purchase cost and available energy for distribution; it is a criterion that the licensees should continuously strive to improve upon. In the instant case, taking into consideration the limited geographical area of its operation and the nature of infrastructure build up, the Commission is of the opinion that distribution loss is to be reduced. 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 1.74% being the distribution loss level as proposed by the licensee. Thereafter, the loss reduction target of 0.01% has to be achieved during each year of the Control Period by the licensee. Regarding the calculation of wheeled energy, ***the Commission hereby directs the licensee to ascertain from SLDC the method of calculating the wheeled energy at the licensee's periphery as well as the consumer's periphery and get the assessment done in a realistic manner in line with the approved T&D loss of the system. 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.***
22. In the petition, the licensee claimed solar generation from its own plant ranging from 1.22 lakh units to 1.27 lakh units during the Control Period. The Commission noticed that, Solar plant installed is of 110 kWp and the CUF as per Regulation of 54(3) of Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) (First Amendment) Regulations, 2022 shall be 19%. In view of the

lower generation reported, Commission provisionally considers a generation of 1.50 lakh units of solar generation annually. **Further, the Commission clarifies that the approval of the solar self-generation at 1.50 lakh units during all the years of the Control Period is purely provisional and hereby directs the licensee to achieve the CUF of the Solar PV as per the Regulation and enhance the annual generation.**

23. **Accordingly, the approved distribution loss for the Control period is shown below.**

**Table 7**  
**Approved Distribution loss for the Control Period**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Total Energy Output-Sales and Wheeled energy (lakh Units)	750.70	824.15	900.78	986.51	1051.38
<b>Distribution Loss (%)</b>	<b>1.74%</b>	<b>1.73%</b>	<b>1.72%</b>	<b>1.71%</b>	<b>1.70%</b>
Distribution Loss (lakh Units)	13.29	14.51	15.76	17.16	18.18
Gross energy in the system (lakh units)	763.99	838.66	916.54	1003.67	1069.56
Solar Generation Units (lakh units)	1.50	1.50	1.50	1.50	1.50
Wheeled Energy input (lakh units)	19.18	19.56	19.95	20.35	20.76
<b>Energy to be purchase from KSEB Ltd (lakh units)</b>	<b>743.31</b>	<b>817.60</b>	<b>895.09</b>	<b>981.82</b>	<b>1047.30</b>

### **Power purchase cost**

24. The licensee has proposed the power purchase cost for each year of the Control Period. The licensee has also considered the solar self-generation units while tabulating the power purchase cost. An increase of 10% hike in the power purchase cost has been projected for the year 2023-24. The forecast of power purchase is based on the contract demand, quantity of electricity to be supplied to consumers and technical loss of the distribution system of each financial year of the control period and prevailing tariffs and charges as on the date. The purchase projections are made realistic, considering the growth of consumers in each licence area of KPUPL after accounting consumption of Short-Term Open Access (STOA) consumers and self-solar power generation. The details of the power purchase cost are tabulated hereunder.

**Table 8**  
**Power Purchase Cost Projected for the Control Period**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Total Energy (Rs. lakh)	743.31	817.60	895.09	981.82	1047.30
Fixed charges (Rs. lakh)	637.92	727.68	796.35	871.68	954.33
Energy charges (Rs. lakh)	4504.37	5053.56	5536.71	6067.09	6649.35
Provision for Renewable Purchase Obligation (RPO) (Rs. lakh)	114.01	120.01	126.01	132.01	138.01
<b>Total Cost of Energy (Rs. lakh)</b>	<b>5256.31</b>	<b>5901.25</b>	<b>6459.08</b>	<b>7070.78</b>	<b>7741.70</b>
<b>Average cost Rs/kWh</b>	<b>7.06</b>	<b>7.21</b>	<b>7.20</b>	<b>7.19</b>	<b>7.38</b>

25. The Commission noted that, the licensee has considered the quantum of energy generated from 110KWp PV Solar Plant installed in the licensee areas for calculating the average purchase cost. The licensee has claimed power purchase cost for self-solar generation for the entire Control Period. It is to be noted that the licensee had already claimed capital expenditure for the Solar panels of Rs.23.25 lakh in 2018-19 and Rs.35.68 lakh in 2019-20 respectively which was approved by the Commission while Truing Up the accounts for the respective years. It is pertinent to note that the licensee has claimed depreciation, interest on loan and other benefits for the capital expenditure of solar power installations and thus the licensee is not eligible for notional power purchase cost for solar self-generation as the licensee cannot claim both the benefits. **Hence the licensee's claim of cost of solar self-generation is not approved throughout the entire Control Period.**
26. As regards the claim towards Renewable Power Obligation, the Commission noted that 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 KPUGL 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 through the additional expenditure incurred by KSEB Ltd for meeting the RP Obligations.
27. 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 KPUGL 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 KPUGL after accounting their own RE generation as per the existing targets fixed by the Commission and also directs KPUGL to pay the additional cost to KSEB Ltd at the rates as may be fixed by the Commission from time to time.**
28. 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**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Energy purchased from KSEB Ltd (lakh units)	743.31	817.60	895.09	981.82	1047.30
Total Demand Charge (Rs. lakh)	637.92	727.68	796.35	871.68	954.33
Energy Charge (Rs)	5.85/6.15	6.15	6.15	6.15	6.15
Total Energy Charge (Rs. lakh)	4531.34	5028.24	5504.80	6038.19	6440.90
<b>Total Power Purchase Cost</b>	<b>5169.26</b>	<b>5755.92</b>	<b>6301.15</b>	<b>6909.87</b>	<b>7395.23</b>

### **Operation & Maintenance expenses**

29. 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)**

<b>Particulars</b>	<b>2022-23</b>		<b>2023-24</b>		<b>2024-25</b>	
	<b>Norms</b>	<b>Projected</b>	<b>Norms</b>	<b>Projected</b>	<b>Norms</b>	<b>Projected</b>
Employee Expenses	62.75	95.10	65.54	103.62	68.46	112.82
A&G Expenses	47.73	122.45	49.85	123.56	52.07	134.75
R&M Expenses	100.23	122.31	104.69	152.90	109.36	191.12
<b>Total O&amp;M Expense</b>	<b>210.71</b>	<b>339.86</b>	<b>220.08</b>	<b>380.08</b>	<b>229.89</b>	<b>438.69</b>

**Table 11**  
**O&M Expenses for the Control Period (Rs. lakh)**

<b>Particulars</b>	<b>2025-26</b>		<b>2026-27</b>	
	<b>Norms</b>	<b>Projected</b>	<b>Norms</b>	<b>Projected</b>
Employee Expenses	71.51	122.80	74.70	134.14
A&G Expenses	54.39	147.08	56.81	161.26
R&M Expenses	114.23	238.86	119.32	298.51
<b>Total O&amp;M Expense</b>	<b>240.13</b>	<b>508.74</b>	<b>250.83</b>	<b>593.91</b>

30. The operation and maintenance cost projected for the control period is higher than the ceiling norms approved by the Commission in the Tariff Regulations 2021. 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 Expenses

31. The employee cost projected for each year of the control period is higher than the norms approved by the Commission. A comparison of the employee cost projected for the years of the control period and previous years is tabulated below.

**Table 12**  
**Comparison of Employee Cost for the Control Period (Rs. lakh)**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Basic Salary	25.00	26.50	28.00	29.50	31.50
Dearness Allowance (DA)	6.29	6.92	7.61	8.37	9.21
House Rent Allowance	0.24	0.27	0.29	0.32	0.35
Earned Leave Encashment	2.00	2.20	2.42	2.66	2.93
Other Allowances	0.57	0.63	0.69	0.76	0.84
Medical Reimbursement	0.75	0.82	0.91	1.00	1.10
Staff welfare expenses	0.90	0.99	1.09	1.20	1.32
Staff outsourced expenses	57.96	63.76	70.13	77.14	84.86
Net Employee Costs	93.72	102.09	111.15	120.96	132.11
Provident Fund Contribution	1.39	1.52	1.68	1.84	2.03
<b>Total Employee Expenses</b>	<b>95.10</b>	<b>103.62</b>	<b>112.82</b>	<b>122.80</b>	<b>134.14</b>
<b>Norms As per Tariff Regulation</b>	<b>62.75</b>	<b>65.54</b>	<b>68.46</b>	<b>71.51</b>	<b>74.70</b>

32. The licensee in the petition has stated that, apart from CEO, only one regular employee was engaged in the distribution business of KPUPL. All other technical and administrative functions are outsourced, the cost of which worked out as Staff outsourced expenses. There has been a steady increase in the connected load in all parks and the trend is expected to remain same. Moreover, Petro-chemical plant and an electronic cluster is also to be commenced during the ensuing MYT period. Increase in manpower cost is projected accordingly.
33. The Commission has analysed the submissions made by the licensee and noted that the Chief Executive Officer and the Accounts Officer were engaged on regular role and all technical and administrative functions were outsourced. The Commission further notes that the Employee cost projected for the years of the Control Period is significantly higher when compared to actual expenses incurred during the previous years. The details are shown below.

**Table 13**  
**Comparison of Actual Employee Cost for the Previous Years (Rs. lakh)**

Particulars	2019-20	2020-21	2021-22
As per Truing Up petition	76.05	59.57	67.93
Trued Up	73.62	59.57	59.19

34. Being a distribution licensee, it is bound to limit the expenses in accordance with norms specified in the Regulations. Employee expenses being a controllable expense, the Commission is of the considered view to go by the norms as per

Regulations and approves as prescribed by the norms. ***The Commission further noted that, the additional expenses or one-time expenses and increase in expenses due to addition of new licence area can be allowed separately under the O&M expenses and 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. Accordingly, the Commission hereby provisionally approves the employee cost for the control period as per the norms approved in Tariff Regulation, 2021.***

### Repairs and Maintenance Expenses

35. The Repair and Maintenance cost projected for the control period is higher than the norms approved in the Tariff Regulations, 2021. The Repair and Maintenance expenses for the MYT control period 2022-23 to 2026-27 and actuals for the year 2019-20 to 2021-22 are tabulated below.

**Table 14**  
**Comparison of the actual and projected R&M Expenses (Rs. In lakh)**

Particulars	2019-20 (Actuals)	2020-21 (Actuals)	2021-22 (Actuals)	2022-23 (Projected)	2023-24 (Projected)	2024-25 (Projected)	2025-26 (Projected)	2026-27 (Projected)
Total R &M Expenses	88.61	76.32	95.68	122.31	152.90	191.12	238.86	298.51
Trued Up / Norms approved in Tariff Regulations	88.61	76.32	80.01	100.23	104.69	109.36	114.23	119.32

36. The major portion of R&M cost includes the O&M Contract outsourced for the operation and maintenance of 110 KV Substation at Kakkanad and other distribution equipments in each licence area of KPUPL.
37. The licensee has stated that, licensee has been strictly following the tendering process and accordingly open tender was adhered to for O&M Contract. The L1 bidder has quoted 9.64% higher rate than the estimated rate for the year 2021-22 on which the company has no control. The substation maintained by KPUPL is of 110KV capacity and accordingly, the personnel engaged for operation and maintenance to be strictly adhered to CEA norms for working in 110KV and downstream voltage level. Such contractors are limited and accordingly the competitions are also limited. Those contractors do not compete for small contracts like O&M. It is worth mentioning that as per the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010, the cost of minimum personnel to be employed in HT and EHT substations are higher than the average O&M Contract outsourced by

KPUPL. Taking a very conservative approach, only 10% annual escalation is projected for R&M expenses.

38. The licensee has stated that the claim is higher because of hike in the R&M contract costs which were discovered through a transparent process of tendering. The Commission further noted that, the licensee has proposed the R&M expenses which is significantly higher than norms approved in the Regulations and one-time emergency R&M works, if any, during the control period may be allowed during the truing up process. The licensee shall submit all data to substantiate the one-time emergency R&M works, if any, while truing up the accounts for the relevant years of the control period which shall be considered if prudent. ***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. Regarding the expenses due to addition of new licence area can be allowed separately under the O&M 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.***

#### **Administrative & General Expenses**

39. The Administrative & General expenses projected by the licensee for the years of the Control Period are higher than the norms specified by the Commission in the Tariff Regulations, 2021. The major claim booked under A&G expense are towards Rent, rates & taxes, other professional charges, vehicle running expenses, advertisement expenses, Electricity Duty under Section 3 of the Kerala Electricity Duty Act, 1963 and license fee and other related fees. A comparison of the A&G Expenses projected for the years of the control period is tabulated below.

**Table 15**  
**Split Up of the projected Administrative and General Expenses (Rs.lakh)**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Rent Rates & Taxes	14.34	15.77	17.35	19.08	20.99
Insurance	1.05	1.15	1.26	1.39	1.53
Telephone & Postage, etc.	0.75	0.80	0.85	0.90	0.95
Legal charges	1.00	1.25	1.50	1.75	2.00
Audit Fees	1.87	2.06	2.26	2.48	2.74
Other Professional charges	11.46	12.61	13.87	15.26	16.78
Conveyance / Travelling	0.17	0.19	0.21	0.23	0.25
Vehicle Hiring Expenses Truck / Delivery Van	8.67	9.53	10.49	11.54	12.69
Electricity charges	0.88	0.97	1.07	1.17	1.29
Entertainment	0.54	0.60	0.66	0.72	0.80
Printing & Stationery	0.84	0.92	1.01	1.11	1.22

Training expenses/ Stipend	1.21	1.33	1.46	1.61	1.77
Miscellaneous Expenses	2.00	2.50	3.00	3.50	4.00
Purchase Related Advertisement Expenses	10.00	5.00	4.00	3.00	2.58
Bank Charges	3.85	4.24	4.66	5.13	5.64
Office Expenses	2.06	2.27	2.50	2.75	3.02
License Fee and other related fee	15.00	10.93	12.02	13.22	14.55
Others (Testing charges etc)	4.13	4.55	5.00	5.50	6.05
<b>Sub Total</b>	<b>79.82</b>	<b>76.67</b>	<b>83.17</b>	<b>90.34</b>	<b>98.85</b>
Ele. Duty u/s 3(l), KED Act	42.63	46.89	51.58	56.74	62.41
<b>Total A&amp;G Expenses</b>	<b>122.45</b>	<b>123.56</b>	<b>134.75</b>	<b>147.08</b>	<b>161.26</b>
<b>Norms as per Tariff Regulations</b>	<b>47.73</b>	<b>49.85</b>	<b>52.07</b>	<b>54.39</b>	<b>56.81</b>

40. In the petition the licensee stated that, the Commission has considered an annual escalation rate of 4.454% in the Tariff Regulations, 2021 based on the average increase in the WPI and RPI @ 70:30. However, considering the past experience and the overall increase in the business, the licensee considered 10% escalation rate for more realistic.
41. The A&G expenses include the claim of Electricity duty under Section 3 (1) of the Kerala Electricity Duty Act 1963. The Commission in the previous Orders had already taken a considered stand and had decided that 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 item of expenses as part of ARR.
42. ***The Commission noted that, the licensee has proposed the A&G expenses which is higher than norms approved in the Regulations. 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. The Commission is of the considered view that A&G expenses are controllable expenses and the Commission approves A&G expenses as per the norms fixed by the Regulations.***

### **O&M Expenses Approved**

43. The Commission has fixed the normative O&M expenses in the Tariff Regulations, 2021 by applying the escalation rate of 4.454%. 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. Regarding the expenses due to addition of new licence area can be allowed separately under the O&M 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. Accordingly, the Commission is of the considered view that the O&M expense is to be approved only in line with Regulation 80(2) and details are shown below.***

**Table 16  
Operation & Maintenance Expenses approved for the Control Period (Rs. lakh)**

Particulars	2022-23		2023-24		2024-25	
	Projected	Approved	Projected	Approved	Projected	Approved
Employee Expenses	95.10	<b>62.75</b>	103.62	<b>65.54</b>	112.82	<b>68.46</b>
A&G Expenses	122.45	<b>47.73</b>	123.56	<b>49.85</b>	134.75	<b>52.07</b>
R&M Expenses	122.31	<b>100.23</b>	152.90	<b>104.69</b>	191.12	<b>109.36</b>
Total O&M Expense	<b>339.86</b>	<b>210.71</b>	<b>380.08</b>	<b>220.08</b>	<b>438.69</b>	<b>229.89</b>

**Table 17  
Operation & Maintenance Expenses approved for the Control Period (Rs. lakh)**

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Employee Expenses	122.80	<b>71.51</b>	134.14	<b>74.70</b>
A&G Expenses	147.08	<b>54.39</b>	161.26	<b>56.81</b>
R&M Expenses	238.86	<b>114.23</b>	298.51	<b>119.32</b>
Total O&M Expense	<b>508.74</b>	<b>240.13</b>	<b>593.91</b>	<b>250.83</b>

### **Capital Investment plan for the Control Period**

44. The Tariff Regulations 2021 clearly specifies procedure to be followed by the licensee while proposing the capital investment plan. Regulation 10 and 71 of the Tariff Regulations 2021 is quoted below;

**“10. Filing under the Multi-Year Tariff (MYT) framework. –**

*(1) Every generating business/ company or transmission business/ licensee or distribution business/ licensee or State Load Despatch Centre shall file, on or before the Thirty first day of December 2021, the following petitions for the Control Period:*

*(i) Petitions for approval of Aggregate Revenue Requirement and determination of tariff separately for each year of the Control Period, including capital investment plan for each year of the Control Period;*

*Provided that, in the case of Generation Business/ Company, Transmission Business/Licensee, Distribution Business/Licensee & SLDC of Kerala State Electricity Board Limited and Thrissur Corporation Electricity Department, separate petition shall be filed on or before 20th December 2021 for the approval of the Capital Investment Plan for each year of the Control Period;*

.....  
**“ 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.”*

45. The licensee has requested the Commission to permit them to file separate and detailed petition for Capital Expenditure for MYT period containing brief description, necessity of the investment, cost estimate and source of funding with necessary supporting documents (KPUPL CAPEX 2022-23 to 2026-27). However, preliminary capital expenditure plan of Rs.529.40 lakh has been submitted for the MYT control period 2022-23 to 2026-27. The licensee further stated that, KPUPL is in the process of taking over 110KV Substation and associated assets created by KINFRA at Hi Tech Park, Kalamassery and 22KV distribution system created by KINFRA at Mega Food Park, Kozhipara, Palakkad.

The consideration of the total value of the asset before finalisation is worked out to be Rs.421.06 lakh at KINFRA Hi Tech Park, Kalamassery and Rs.297.94 lakh at KINFRA Mega Food Park, Kozhipara, Palakkad. Accordingly, 30% of the consideration of asset value of Rs.126.32 lakh has been considered at KINFRA Hi Tech Park, Kalamassery and Rs.89.38 lakh has been considered at KINFRA Mega Food Park, Kozhipara, Palakkad. These values have been included in the capital expenditure forecast during the year 2023-24. The details of capital investment proposal submitted by the licensee are shown below.

**Table 18**  
**Capital Investment Proposal for the Control Period**  
**Licensee Area – Infopark and KEPIP, Kakkanad, Kochi (Rs. lakh)**

Item	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Replacement of 110 KV Isolators at Kakkanad		4.00	4.25	4.50		12.75
Procurement and installation of 110 KV CB and column	10.00		10.00	12.00		32.00
Procurement of DG set	5.00					5.00
Replacement of relays in 110 KV transformer control panel at Kakkanad (2 Nos. of relays and auxiliary relays)	2.50	2.50				5.00
Construction of Store Room at Kakkanad substation- Civil works		10.00				10.00
Procurement of SF6 and Gas filling KIT	5.00					5.00
Procurement of Insulation Megger 5KV		5.00				5.00
Providing yard lighting	5.00					5.00
Furniture and Fixtures	2.00		2.00		2.00	6.00
Office Renovation	5.00					5.00
KINESCO Administrative Block	10.00	25.00	50.00	25.00		110.00
Replacement of obsolete RMUs at Kakkanad				16.00	36.00	52.00
Replacement of obsolete 11KV feeder panels at Kakkanad Substation	4.65		50.00	50.00	60.00	164.65
<b>Kakkanad - TOTAL</b>	<b>49.15</b>	<b>46.50</b>	<b>116.25</b>	<b>107.50</b>	<b>98.00</b>	<b>417.40</b>

**Table 19**  
**Capital Investment Proposal for the Control Period**  
**Licensee Area – KINFRA Hi Tech Park, Kalamassery (Rs. lakh)**

Item	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Procurement of Unitised Sub Station			15.00			15.00
Procurement of new ABT meters	10.00					10.00
Procurement of 11KV Cables		15.00	5.00			20.00
Procurement of 11KV RMU			8.00	8.00	8.00	24.00
Asset Addition – 110KV S/s.		126.32				126.32
<b>Kalamassery - TOTAL</b>	<b>10.00</b>	<b>141.32</b>	<b>28.00</b>	<b>8.00</b>	<b>8.00</b>	<b>195.32</b>

**Table 20**  
**Capital Investment Proposal for the Control Period**  
**Licensee Area – KIITP, Kanjikode (Rs. lakh)**

Item	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Procurement of Transformers		5.00				5.00
Procurement of 11KV RMU		7.00				7.00
Procurement of 11KV Cable		10.00				10.00
Procurement of LT Metering Panel		1.00				1.00
Civil works for fencing for RMU, transformer, metaling of premises		4.00	4.00			8.00
<b>KIITP, Kanjikode - TOTAL</b>	<b>0.00</b>	<b>27.00</b>	<b>4.00</b>	<b>0.00</b>	<b>0.00</b>	<b>31.00</b>

**Table 21**  
**Capital Investment Proposal for the Control Period**  
**Licensee Area – KINFRA Mega Food Park, Kozhippara, Palakkad (Rs. lakh)**

Item	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Providing 22 KV Sectionalizer for Mega Food Park Kanjikode		4.00	2.00			6.00
Procurement of 22KV Cables		6.00				6.00
Asset Addition – Internal Power Network and Buildings		89.38				89.38
<b>Mega Food Park - TOTAL</b>	<b>0.00</b>	<b>99.38</b>	<b>2.00</b>	<b>0.00</b>	<b>0.00</b>	<b>101.38</b>

**Table 22**  
**Summary of Capital Expenditure for the MYT Control Period (Rs. lakh)**

Item	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Kakkanad - TOTAL	49.15	46.50	116.25	107.50	98.00	417.40
Kalamassery - TOTAL	10.00	141.32	28.00	8.00	8.00	195.32
KIITP, Kanjikode - TOTAL	0.00	27.00	4.00	0.00	0.00	31.00
Mega Food Park - TOTAL	0.00	99.38	2.00	0.00	0.00	101.38
<b>TOTAL</b>	<b>59.15</b>	<b>314.20</b>	<b>150.25</b>	<b>115.50</b>	<b>106.00</b>	<b>745.10</b>

46. The Commission had gone through the capital investment proposals of the licensee and noted that the licensee has sought permission to file separate petition for approval of capital investments. The Commission observed that, the licensee has not furnished any information and documents relating to the Capital Investment Plan. In the absence of detailed quantification of benefits and costs arising from such projects, the Commission is unable to fully ascertain necessity of investment. ***Accordingly, the Commission hereby directs the licensee to submit the detailed proposal as a petition before the Commission at the earliest. The capital investment plan proposed 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

47. Depreciation expenditure 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. The details of the depreciation claimed by the licensee for the years of the control period are tabulated below.

**Table 23**  
**Depreciation projected for the control period**

Year	(Rs. lakh)
2022-23	99.04
2023-24	143.31
2024-25	148.41
2025-26	153.64
2026-27	157.18

48. The Commission has examined the depreciation claim of the licensee. The licensee has also claimed depreciation for the capital investments proposed for the control period. 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 provisionally approves Rs.67.17 lakh which had approved in 2021-22 Truing Up Order dated 21.08.2023 as the depreciation for each year of the Control Period.**

### Interest and Finance Charges

49. The licensee has projected interest and finance charges for each year of the Control Period which includes interest on normative loan. The details of the projections made by the licensee for the MYT control period from 2022-23 to 2026-27 are shown below.

**Table 24**  
**Interest on normative loan proposed for the Control Period (Rs in lakh)**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Gross Loan -Opening	822.21	1325.51	1325.51	1325.51	1325.51
Cumulative repayments of Loans upto previous year	233.85	262.14	322.37	389.90	465.62
Net loan-Opening	588.36	1063.37	1003.14	935.61	859.89
Add: Drawal(s) during the Year	0.00	0.00	0.00	0.00	0.00
Less: Repayment (s) of Loans during the year	28.29	60.23	67.53	75.72	84.90
Net loan - Closing	560.07	1003.14	935.61	859.89	774.99
Average Net Loan	574.22	1033.26	969.38	897.75	817.44
Interest on Loan	<b>66.20</b>	<b>119.18</b>	<b>111.87</b>	<b>103.69</b>	<b>94.50</b>
<b>Weighted average Rate of Interest on Loans (%)</b>	<b>11.50</b>	<b>11.50</b>	<b>11.50</b>	<b>11.50</b>	<b>11.50</b>

50. In the petition the licensee stated that, the asset transfer agreement between KPUPL and KINFRA/KEPIP for the Kakkanad licence area and Kalamassery licence area were signed on 07.09.2016 with a supplementary agreement on 27.10.2017. Accordingly, 70% of the consideration was stated as Debt portion which amounts to Rs.737.41 lakh. KINFRA has agreed at the same rate of interest ie. 11.50% which they have been getting from Govt. of Kerala. The refund of loan was commenced from 01.04.2018 at 120 equated monthly instalments (EMI), worked out on the sum of loan amount and the interest due for the year 2017-18. A lumpsum payment of Rs.1,41,71,01/- was paid in November 2019 and accordingly, the EMI was re-worked for the remaining period of the tenure of the loan. The estimated interest on this loan only is projected for the MYT control period.
51. Further, KPUPL is in the process of taking over 110KV Substation and associated assets created by KINFRA at Hi Tech Park, Kalamassery and 22KV distribution system created by KINFRA at Mega Food Park, Kozhipara, Palakkad. The consideration of the total value of the asset before finalisation is worked out to be Rs. 421.06 lakh at KINFRA Hi Tech Park, Kalamassery and Rs.297.94 lakh at KINFRA Mega Food Park, Kozhipara, Palakkad. The details of debt portion and equity portion are mentioned in below Table.

**Table 25**  
**Details of debt – equity for asset addition** (Rs. lakh)

	<b>110KV S/s. at KINFRA Hi Tech Park, Kalamassery</b>	<b>22KV Distribution System at KINFRA Mega Food Park, Palakkad</b>	<b>TOTAL</b>
70% Debt	294.74	208.56	<b>503.30</b>
30% Equity	126.32	89.38	<b>215.70</b>
<b>TOTAL</b>	<b>421.06</b>	<b>297.94</b>	<b>719.00</b>

52. Accordingly, 70% of the consideration of asset value is stated as Debt portion which amounts to Rs. 503.30 lakh which will be treated as loan from KINFRA at the rate of interest of 11.50% which they have been getting from Govt. of Kerala. The refund of loan has been scheduled to commence from 01.04.2023 at 120 equated monthly instalments (EMI), worked out on the sum of loan amount. The exact values will be considered after the realisation of asset transfer agreement between KINFRA and KPUPL. Loan component and the interest thereon against any future investment, if required to be made for the new projects, shall be projected while filing the Mid Term Period review.
53. In the Order on Truing Up of accounts for the year 2017-18, the Commission has examined the matter and observed that the above adjustments have been made by the licensee in the accounts for 2017-18 itself. The licensee had made the same submissions in the petition for the Truing Up for 2017-18; and the

Commission had arrived at an opening balance of normative loan of Rs.648.57 lakh as on 01-04-2017. Accordingly, in 2021-22 vide Truing Up Order dated 21.08.2023, the Commission has allowed interest on normative loan of Rs.55.95 lakh on the average normative loan balance of Rs.486.49 lakh. In the same Order the Commission has arrived at the closing normative loan value as on 31.03.2022 as Rs.458.85 lakh.

54. As per Regulation 29 of Tariff Regulations, 2021 rate of interest is to be allowed for normative loan based on the weighted average rate of interest calculated on actual loan portfolio at the beginning of each financial year. Considering this, the Commission hereby adopt the same methodology followed in the Truing Up Order 2021-22 and allowing the Interest on normative loan accordingly. **Accordingly, the Commission has not considered the assets addition during the Control Period for computation of interest on normative loan due to the non-approval of capital investment plan. Based on this, the provisionally approved interest on normative loan for the control period is shown below.**

**Table 26**

**Approved Interest on normative loan (Rs. lakh)**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Opening Normative loan	458.85	391.68	324.51	257.34	190.17
Additional Normative loan during the year	0.00	0.00	0.00	0.00	0.00
Allowable depreciation as repayment	67.17	67.17	67.17	67.17	67.17
Closing Normative loan	391.68	324.51	257.34	190.17	123.00
Average Normative Loan	425.27	358.10	290.93	223.76	156.59
Rate of Interest (%)	11.50%	11.50%	11.50%	11.50%	11.50%
<b>Interest on Normative loan</b>	<b>48.91</b>	<b>41.18</b>	<b>33.46</b>	<b>25.73</b>	<b>18.01</b>

**Return on Equity/ Return on NFA**

55. The licensee stated that, the company had a paid up capital of Rs.10.00 lakh till 2017-18. As part fulfilment of the asset transfer agreement / supplementary agreement, 2,16,438 equity shares of Rs.10 each at a premium of Rs. 136 per share was allotted to KINFRA amounting to Rs.31.64 lakh towards share capital and Rs.294.36 lakh towards share premium account. Till the year 2016-17, the licensee has been claiming return on net fixed assets (RoNFA) and the Commission had allowed the same in the Truing Up of accounts. In the year 2017-18, the asset transfer agreement with KINFRA/KEPIP was entered into and accordingly, 30% of the proceeds of transfer was considered as equity portion and equity shares were allotted to KINFRA at a premium of Rs.136/- per equity share. Accordingly, the licensee had claimed ROE on the equity component (including the share premium account) from year 2017-18. This was done based on the clarificatory clause in the Tariff regulations, 2006, in which it was clarified that share premium can be considered while calculating ROE. However, the

Commission has disallowed the claim in line with the above clarificatory clause since the same was missing in the tariff regulation 2014.

56. Under these circumstances, the licensee prefers to opt for Return on Net Fixed Assets (RoNFA) for the MYT control period from 2022-23 to 2026-27 over ROE. Accordingly, the return on Net Fixed Assets @ 3% arrived at for the Control Period is shown below.

**Table 27**  
**Return on Net Fixed Assets (Revised) (Rs in lakh)**

Particulars	2022-23 Estimate	2023-24 Projection	2024-25 Projection	2025-26 Projection	2026-27 Projection
Net fixed assets at the beginning of the year	972.60	994.30	1669.02	1670.86	1632.72
<b>Return on Net fixed assets (3%)</b>	<b>29.18</b>	<b>29.83</b>	<b>50.07</b>	<b>50.13</b>	<b>48.98</b>

57. The Commission has examined the contention of the licensee in detail vis-a-vis the provisions of Tariff Regulations and had addressed the matter while issuing the Orders on truing up of accounts in OP 34.2020 dated 29.03.2021. As such the issue is settled and the Commission does not intend to re-open the same.
58. Regulation 28 of the Tariff Regulations, 2021 provides for Return on equity share capital or net fixed assets as below.

*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.*

59. Accordingly, the licensee is eligible for return on equity only on the amount shown as paid-up equity capital and not on the share premium amount. It is to be noted that the licensee was allowed return on NFA up to 2016-17 as per the provisions in the Regulations. It is to be further noted that, as per licensee's Audited Financial statements for 2022-23 prepared under the Company's Act 2103, as per note No.1 of the said statements, the issued subscribed and fully paid up shares were 316438 no's issued at par with face value of Rs.10 per share. This is as per the audited accounts of the company which is attached along with the Truing Up petition 2022-23. It is an accepted position that equity share capital invested in distribution business is clearly identifiable. It is also be noted that returns such as ROE or dividend is always paid only on the face value of the equity share and not at its inflated value. It has been the consistent policy of the Commission that any share premium paid is not treated as part of paid-up equity share capital and hence not considered for calculation of ROE. ***Considering this, the Commission is of the considered view that for the regulatory purpose, 14% return on Equity of Rs 31.64 lakhs is to be considered and Rs.4.43 lakh is approved as Return on equity for the entire Control Period. Approval of cost of capital based on fresh capital investments, if any, will be in accordance with the terms of the approval granted by the Commission for such investments.***

### **Tax on RoE**

60. As per Form D 3.9 of the petition, the licensee has projected Tax on ROE for the years of the Control Period. The licensee has not submitted any details and any other supporting documents to claim the Tax on ROE. The claim made for the Control Period is shown below.

**Table 28**

**Projections for the Control Period (Rs.lakh)**

<b>Particulars</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Tax on ROE	177.45	169.00	181.00	194.00	206.00

61. As per the Regulation 31 of the Tariff Regulations 2021 permissible to recover tax on return on equity through aggregate revenue requirements. The relevant regulation is quoted below.

“31. Tax on returns. –

*(1) The Commission shall provisionally approve the Income Tax payable for the appropriate years of the Control Period, if any, based on the permissible return on equity share capital or return on net fixed assets, as approved by the Commission relating to the generating business/ company or transmission business/ licensee or distribution business/ licensee or the State Load Despatch Centre, as the case may be and included in the Aggregate Revenue Requirements:*

*Provided that no Income Tax on the amount of efficiency gains or incentive earned by the generating business/ company or transmission business/ licensee or distribution business/ licensee or State Load Despatch Centre shall be approved for recovery through the tariff or charges from the consumers or beneficiaries.*

*(2) The difference between the Income Tax on regulated business actually paid and that approved by the Commission in the Aggregate Revenue Requirement of the generating business/ company or transmission business/ licensee or distribution business/ licensee or the State Load Despatch Centre shall, subject to prudence check, be adjusted in the truing up process in the respective years.*

.....

62. The Commission has carefully examined the licensee’s claim in the petition and noted that, the claim of tax on return on equity can be considered only when the licensee submit proper justification and produces documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid. ***The Commission is of the considered view that the claim of Tax on Return on Equity can be considered while truing up the accounts of the relevant financial years, based on submission of documentary evidence to prove that income tax on account of the electricity distribution business has actually been paid while filing the petition for Truing Up of accounts. Accordingly, the present projection made by the licensee for Tax on Return on Equity is deferred.***

**Revenue from Sale of Power**

63. The licensee while filing the petition for approval of ARR&ERC for the control period had projected the revenue from sale of power as per the pre-revised tariff. The Commission vide order dated 26.06.2022 has issued the schedule of tariff and terms and conditions for retail supply of electricity. Accordingly, the licensee submitted revised calculation for revenue from sale of power. The category wise revenue from sale of power claimed by the licensee for each year of the control period applicable for the years of the control period is tabulated hereunder.

**Table 29**  
**Revenue from sale of Power for the control period**

Category of Consumers	2022-23		2023-24		2024-25	
	Sales (lakh Units)	Revenue (Rs. lakh)	Sales (lakh Units)	Revenue (Rs. lakh)	Sales (lakh Units)	Revenue (Rs. lakh)
HT	562.04	4544.98	601.80	4951.18	646.14	5402.01
DHT	81.70	762.64	98.45	885.59	118.07	1027.31
LT	88.60	791.00	105.17	934.93	117.46	1028.61
<b>Total</b>	<b>732.35</b>	<b>6098.62</b>	<b>805.42</b>	<b>6771.70</b>	<b>881.67</b>	<b>7457.94</b>
Elect. Duty & other state levies recovered		190.32		209.35		230.29
Meter rent		7.17		7.89		8.68
Miscellaneous Charges from consumers		11.30		12.42		13.65
Gross revenue		6307.40		7001.36		7710.55
Less: Electricity duty u/s 4 & Surcharge payable		190.32		209.35		230.29
<b>Net Revenue from sale of Power</b>		<b>6117.08</b>		<b>6792.01</b>		<b>7480.27</b>

**Table 30**  
**Revenue from sale of Power for the control period**

Category of Consumers	2025-26		2026-27	
	Sales (lakh Units)	Revenue (Rs. lakh)	Sales (lakh Units)	Revenue (Rs. lakh)
HT	695.60	5868.18	732.76	6199.41
DHT	141.62	1196.82	156.90	1309.92
LT	129.79	1132.74	141.82	1229.72
<b>Total</b>	<b>967.00</b>	<b>8197.74</b>	<b>1031.48</b>	<b>8739.06</b>
Elect. Duty & other state levies recovered		253.32		278.65
Meter rent		9.55		10.50
Miscellaneous Charges from consumers		15.02		16.52
Gross revenue		8475.63		9044.72
Less: Electricity duty u/s 4 & Surcharge payable		253.32		278.65
<b>Net Revenue from sale of Power</b>		<b>8222.31</b>		<b>8766.08</b>

64. In the petition the licensee stated that, the projections are made on the actuals and reasonably forecast, considering the fact that the distribution licensee can file Mid Term Review on account of unexpected variations, if any, on controllable and uncontrollable parameters. The forecast of average realisations are taken based on the contract demand and quantity of electricity to be supplied to consumers of the distribution system of each financial year of the control period and prevailing tariffs and charges as on the date. The sales projections are made realistic,

considering the growth of consumers in each licence area of KPUPL after accounting consumption of Short-Term Open Access (STOA) consumers and self-solar power generation.

65. The Commission noted that, the increase in the sales units projected for the control period is between 6.00% to 10.00%. ***The licensee has also claimed meter rent and Miscellaneous Charges from consumers as part of revenue from sale of power which should be considered as part of non-tariff income.*** The Commission further noted that, vide Order dated 12.04.2023 the Commission had approved the license area of KPUPL be extended to include 732.30 Ares (18.09 Acres) of land in Elappully Village in Palakkad District. The licensee has not projected energy sale to the consumers of this new licence area. ***After due consideration of the 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

### A. Other Operational Income

66. The licensee has claimed meter rent and Miscellaneous Charges from consumers under the head Revenue from sale of power. As mentioned in Para 65 of this Order, which should be considered as part on non-tariff income. The details furnished by the licensee as per Form D.2.1 are shown below:

**Table 31  
Other Operational Income for the Control Period**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Meter rent	7.17	7.89	8.68	9.55	10.50
Miscellaneous Charges from consumers	11.30	12.42	13.65	15.02	16.52
<b>Total</b>	<b>18.47</b>	<b>20.31</b>	<b>22.33</b>	<b>24.57</b>	<b>27.02</b>

67. After examining the nature of the income and the amount, ***the Commission hereby approves the Other Operational Income as projected by the licensee for the entire Control Period.***

### B. Income from wheeling charges

68. In the write up on the petition the licensee has not submitted any details of the income from wheeling charges. In form D 2.2, the licensee has submitted the details of the income from wheeling charges. Based on this form, the Commission noted that, M/s. Nitta Gelatine (I) Ltd, at Infopark, Kakkanad have obtained approval for availing power through Short Term Open Access (STOA). Based on this, the wheeling charges projected for the Control Period is tabulated below;

**Table 32**  
**Wheeling Charges projected for the control period**

Year	Energy Wheeled (lakh units)	Energy Charge (Rs/kWh)	Any Other Charge as approved by Commission (Cross Subsidy)	Revenue from Energy Charge (Rs. lakh)	Revenue from Other Charge (Rs. lakh)	Total Revenue (Rs. lakh)
<b>2022-23</b>	20.71	0.55	1.40/1.54	12.34	27.45	<b>39.79</b>
<b>2023-24</b>	21.13	0.61	1.54	12.89	28.61	<b>41.50</b>
<b>2024-25</b>	21.55	0.55	1.40	13.15	29.18	<b>42.33</b>
<b>2025-26</b>	21.98	0.55	1.40	13.41	29.77	<b>43.18</b>
<b>2026-27</b>	22.42	0.55	1.40	13.68	30.36	<b>44.04</b>

69. The licensee has proposed increase in the wheeling charges for the Control Period considering the increase in the energy wheeled to Open Access Consumer. As per the Order on ARR&ERC and Tariff Order pertaining to KSEB Ltd, the wheeling charge at HT level of KSEB Ltd and Cross Subsidy Surcharge for HT-1(A) Industry of KSEB Ltd shall also be applicable to other distribution licensees. Accordingly, the Commission in the Tariff Order dated 25.06.2022 had approved Rs.0.61/unit as wheeling charge at the HT level for the year 2022-23 and the approved rate is applicable only up to 31.03.2023 and Rs.1.54/unit for Cross Subsidy surcharge. **After considering this, the Commission hereby provisionally approves the wheeling charges as approved by the Commission based on the Tariff Order dated 25.06.2022 for each year of the control period subject to the changes in wheeling charges as approved by the Commission from time to time.**

**Table 33**  
**Wheeling Charges Approved for the control period**

Year	Energy Wheeled (lakh units)	Wheeling Charge (Rs/kWh)	Any Other Charge as approved by Commission (Cross Subsidy)	Revenue from wheeling Charge (Rs. lakh)	Revenue from Other Charge (Rs. lakh)	Total Revenue (Rs. lakh)
<b>2022-23</b>	20.71	0.55/0.61	1.40/1.54	12.37	31.30	<b>39.79</b>
<b>2023-24</b>	21.13	0.61	1.54	12.89	32.54	<b>45.43</b>
<b>2024-25</b>	21.55	0.61	1.54	13.15	33.19	<b>46.33</b>
<b>2025-26</b>	21.98	0.61	1.54	13.41	33.85	<b>47.26</b>
<b>2026-27</b>	22.42	0.61	1.54	13.68	34.53	<b>48.20</b>

### C. Other Income

70. The Other income projected for the control period includes interest on fixed deposits and Other miscellaneous receipts. The claim of the licensee is tabulated below:

**Table 34**  
**Other Income (Rs lakh)**

Year	2022-23	2023-24	2024-25	2025-26	2026-27
Interest Income	114.99	120.48	127.03	139.74	153.71
Misc. Income	4.55	3.60	2.65	1.70	1.75
<b>Total Other Income</b>	<b>119.54</b>	<b>124.08</b>	<b>129.68</b>	<b>141.44</b>	<b>155.46</b>

71. The licensee, after the Truing Up of Accounts for the year 2021-22 has an accumulated surplus of Rs.6517.77 lakh. In the projections for the control period, the interest on the accumulated surplus is not shown as part of the proposed income for the control period. The Commission while truing up the accounts for the previous years had approved a non- tariff income which included the interest on accumulated revenue surplus. 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.*

72. The erstwhile licensee M/s KEPIP had erroneously reported the revenue from sale of power including Section 4 duty for the period from 2004-05 to 2008-09 and the revenue approved in the Order dated 06-12-2011 was inclusive of the Electricity Duty under Section 4. The total amount of duty for these years was Rs.124.80 lakh. Since the said amount was already remitted to the Government, based on the request submitted by the licensee, the Commission in Order dated

31-03-2020 had decided to exclude this amount only for the limited purpose of calculating the interest on accumulated revenue surplus as a special case. The rate of interest considered for the year is the Standard rate notified by the RBI as on 01-04-2022, which is 4.25% per annum. Accordingly, the interest on accumulated surplus to be considered as other income works out as under.

**Table 35**  
**Interest on Accumulated Surplus for 2021-22**

Particulars	Rs. in lakh
Accumulated Surplus at the beginning of the year	6517.77
Less: Section-4 duty	124.80
Surplus excluding the duty	6392.97
Interest rate applicable (%)	4.25
<b>Interest on Accumulated surplus</b>	<b>271.70</b>

73. The Commission considers the rate of 4.25% per annum (Standard rate notified by the RBI as on 01-04-2022) for working out interest and the total interest on accumulated surplus works out to Rs.271.70 lakh. The balance amount after adjusting the interest on fixed deposits projected by the licensee is considered as part of non-tariff Income. Accordingly, the Other income approved for the years of the Control Period is tabulated below;

**Table 36**  
**Other Income (Rs lakh)**

Year	2022-23	2023-24	2024-25	2025-26	2026-27
Interest Income	114.99	120.48	127.03	139.74	153.71
Misc. Income	4.55	3.60	2.65	1.70	1.75
Balance interest on accumulated surplus	156.71	151.22	144.67	131.96	117.99
<b>Total Other Income</b>	<b>276.25</b>	<b>275.30</b>	<b>274.35</b>	<b>273.40</b>	<b>273.45</b>

74. Based on the details as above, ***the Commission hereby approves following amount as Non-tariff income for the Control Period.***

**Table 37**  
**Approved Non- Tariff Income for the Control Period (Rs. lakh)**

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27
Other Operational Income	18.47	20.31	22.33	24.57	27.02
Income from wheeling charges	39.79	45.43	46.33	47.26	48.20
Other Income	276.25	275.30	274.35	273.40	273.45
<b>Total Non-tariff Income</b>	<b>334.51</b>	<b>341.04</b>	<b>343.01</b>	<b>345.23</b>	<b>348.67</b>

### **Revenue Surplus / (Gap)**

75. 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 38**  
**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
Cost of Power Purchase	5256.31	5169.26	5901.25	5755.92
Employee Expenses	95.10	62.75	103.62	65.54
Administration & General Expenses	122.45	47.73	123.56	49.85
Repair & Maintenance Expenses	122.31	100.23	152.90	104.69
Depreciation	99.04	67.17	143.31	67.17
Interest and finance charges on long term loans	66.20	48.91	119.18	41.18
Return on Equity /Net Fixed Assets	45.64	4.43	60.74	4.43
Tax on ROE	177.45	0.00	169.00	0.00
<b>Total Revenue Expenditure</b>	<b>5984.50</b>	<b>5500.48</b>	<b>6773.56</b>	<b>6088.78</b>
Revenue from sale of power	6117.08	6117.08	6792.01	6792.01
Non-Tariff income	159.33	334.51	165.58	341.04
<b>Total Income</b>	<b>6276.41</b>	<b>6451.59</b>	<b>6957.59</b>	<b>7133.05</b>
<b>Net Revenue (gap)/ Surplus</b>	<b>291.91</b>	<b>951.11</b>	<b>184.03</b>	<b>1044.27</b>

**Table 39**  
**Revenue Surplus/ Gap, projected by the licensee and Approved by the**  
**Commission for the Control Period (Rs. lakh)**

Particulars	2024-25		2025-26	
	Projected	Approved	Projected	Approved
Cost of Power Purchase	6459.08	6301.15	7070.78	6909.87
Employee Expenses	112.82	68.46	122.80	71.51
Administration & General Expenses	134.75	52.07	147.08	54.39
Repair & Maintenance Expenses	191.12	109.36	238.86	114.23
Depreciation	148.41	67.17	153.64	67.17
Interest and finance charges on long term loans	111.87	33.46	103.69	25.73
Return on Equity /Net Fixed Assets	75.84	4.43	75.84	4.43
Tax on ROE	181.00	0.00	194.00	0.00
<b>Total Revenue Expenditure</b>	<b>7414.89</b>	<b>6636.10</b>	<b>8106.69</b>	<b>7247.33</b>
Revenue from sale of power	7480.27	7480.27	8222.31	8222.31
Non-Tariff income	172.01	343.01	184.62	345.23
<b>Total Income</b>	<b>7652.28</b>	<b>7823.28</b>	<b>8406.93</b>	<b>8567.54</b>
<b>Net Revenue (gap)/ Surplus</b>	<b>237.39</b>	<b>1187.18</b>	<b>300.24</b>	<b>1320.21</b>

**Table 40**  
**Revenue Surplus/ Gap, projected by the licensee and Approved by the Commission for the Control Period (Rs. lakh)**

Particulars	2026-27	
	Projected	Approved
Cost of Power Purchase	7741.70	7395.23
Employee Expenses	134.14	74.70
Administration & General Expenses	161.26	56.81
Repair & Maintenance Expenses	298.51	119.32
Depreciation	157.18	67.17
Interest and finance charges on long term loans	94.50	18.01
Return on Equity /Net Fixed Assets	75.84	4.43
Tax on ROE	206.00	0.00
<b>Total Revenue Expenditure</b>	<b>8869.13</b>	<b>7735.67</b>
Revenue from sale of power	8766.08	8766.08
Non-Tariff income	199.50	348.67
<b>Total Income</b>	<b>8965.58</b>	<b>9114.75</b>
<b>Net Revenue (gap)/ Surplus</b>	<b>96.45</b>	<b>1379.09</b>

### Order of the Commission

76. 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 41**  
**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	5984.50	<b>5500.48</b>	6773.56	<b>6088.78</b>	7414.89	<b>6636.10</b>
Total Income	6276.41	<b>6451.59</b>	6957.59	<b>7133.05</b>	7652.28	<b>7823.28</b>
<b>Net Surplus/Gap</b>	<b>291.91</b>	<b>951.11</b>	<b>184.03</b>	<b>1044.27</b>	<b>237.39</b>	<b>1187.18</b>

**Table 42**  
**Revenue Surplus/ Gap approved by the Commission for the Control Period (Rs. lakh)**

Particulars	2025-26		2026-27	
	Projected	Approved	Projected	Approved
Total Revenue Expenditure	8106.69	<b>7247.33</b>	8869.13	<b>7735.67</b>
Total Income	8406.93	<b>8567.54</b>	8965.58	<b>9114.75</b>
<b>Net Surplus/Gap</b>	<b>300.24</b>	<b>1320.21</b>	<b>96.45</b>	<b>1379.09</b>

### Directives of the Commission

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

- a) ***The KSEB Ltd to meet the RP obligation of KPUGL after accounting their own RE generation as per the existing targets fixed by the Commission and also directs KPUGL to pay the additional cost to KSEB Ltd at the rates as may be fixed by the Commission from time to time.***
- b) ***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.***
- c) ***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.***
- d) ***The licensee shall achieve the CUF value of the Solar PV as per the Regulation.***

78. 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**