

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Sri T K Jose, Chairman
Sri B Pradeep, Member

Petition No: IA No 3/2026 & OP No 10/2026

In the matter of : Petition filed by M/s Smart City, Kochi for the Truing Up of Accounts for the financial year 2024-25

Petitioner : M/s Smart City, Kochi Infrastructure Private Limited

Represented by : Sri.Jinu John Jacob, Company Secretary
Sri.Ranjithlal, Senior Manager- Asset & Infrastructure
Sri. Anoop Xavier, Deputy Manager

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Edward.P.Boniface, EE, TRAC, KSEB Ltd
Sri. Shan.B.S, AEE, TRAC, KSEB Ltd
Smt.Archana M, Asst. Engineer, KSEB Ltd

Date of Hearing: : 26.03.2026 at Court Hall of the Commission

Order Dated 07.04.2026

1. M/s Smart City (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. The Kerala State Electricity Regulatory Commission (hereinafter referred to as 'the Commission') had granted distribution license to Smart City (Kochi) Infrastructure Private Limited vide Notification No.1756/C.Engg/SCK/2013 dated 17.07.2014 and commenced distribution business in the year 2016.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 (hereinafter referred to as the Tariff Regulations, 2021) for the five-year Control Period starting from the first day of April 2022 and ending on the thirty first day of March 2027. As per Regulation 10(2) of the KSERC (Terms and conditions for determination of Tariff) Regulations 2021, the petition for Truing Up for 2024-25 is to be filed by the licensee on or before 30-11-2025. However, the licensee filed the petition for Truing Up of Accounts vide letter dated 09.02.2026 received on 13.02.2026 i.e., after delay of 2 months and 9 days. The licensee had filed petition for condonation of delay (IA No 3/2026). The licensee had submitted the following

reasons for the delay in filing the petition for truing up of accounts for the year 2024-25.

“ a. Smart City is engaging only minimal staff to carry out the distribution business functions in order to minimise the overall cost. Moreover these employees are also doing other functions of SmartCity. Due to this, the work load of staff involved in KSERC matters is high and these staffs require several sittings & clarifications regarding regulatory provisions related to Truing up to ensure the correctness of the petition.”

3. The Commission considers the submission made by the licensee, condones the delay and admitted the petition for truing up of accounts for 2024-25 as OP 10/2026. The licensee has filed the petition for truing up of accounts for the year 2024-25 as per the provisions of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2021. The present petition is for the third year of the Control Period.
4. The Commission vide Order in OP No.13/2023 dated 26.03.2024 has approved the ARR&ERC for the Control Period. **In the present petition for truing up the accounts, the licensee has claimed a revenue gap of Rs.181.07 lakh compared to revenue surplus of Rs.15.45 lakh approved by the Commission in the Order on ARR&ERC.** A comparison of the claim made in the present petition with the ARR&ERC approved by the Commission along with the comparison with the previous year is tabulated below.

Table 1
Comparison of the ARR&ERC and Truing up of accounts (Rs. lakh)

Particulars	2023-24			2024-25	
	ARR Order	Truing Up Petition	Trued Up	ARR Order	Truing Up Petition
Purchase of power	572.30	596.76	596.80	661.71	815.15
Employee Cost	17.72	18.62	18.62	18.51	19.27
R&M Expenses	17.97	22.18	19.07	18.77	26.67
A&G Expenses	4.87	7.19	6.97	5.08	6.89
Depreciation	78.72	78.72	78.72	78.59	78.60
Interest and financing charges	39.37	110.86	136.06	39.62	145.48
Return on equity/NFA	0.00	66.78	66.78	0.00	62.45
Total Expenditure	730.95	901.11	923.02	822.28	1154.52
Revenue from sale of power	687.70	744.62	744.62	831.61	960.58
Other income	6.10	9.50	9.50	6.12	12.87
Total income	693.80	754.12	754.12	837.73	973.45
Revenue(Gap)/surplus	(37.15)	(146.98)	(168.90)	15.45	(181.07)

Hearing on the Petition

5. The hearing on the petition was conducted on 26.03.2026 at Court Hall of the Commission. Sri.Jinu John Jacob, Company Secretary, Sri. Ranjithlal, Senior Manager - Asset & Infrastructure and Sri. Anoop Xavier, Deputy Manager

represented the petitioner and responded to the queries of the Commission. Sri.Ranjithlal made a presentation on the petition before the Commission and the team representing the petitioner replied to the queries of the Commission. The main points mentioned in the presentation are briefed below;

- a) The number of consumers during the year 2024-25 is 79 and the actual sale for the year is 95.90 lakh units, which is higher than that of the previous year. The sale during 2023-24 was 70.43 lakh units and the number of consumers was 65.
- b) The energy purchased from KSEB Ltd is 102.75 lakh units compared to 74.84 lakh units in the previous year.
- c) The licensee has stated in the petition that they have commissioned grid connected solar plant at SCK 01 of capacity 564.46 kWp consisting of two units with individual capacity of 475 kWp (Roof top of SCK01 building) 89.46 kWp (Bike parking roof). Two solar plants of capacity of 63 kWp and 90.44 kWp has been commissioned by Gems Modern Academy and Mariapps India Pvt Ltd respectively. During the year, 892553 units of solar energy was generated and used for common area lighting, common area loads like lifts, pumps, HVAC units etc.
- d) Considering the actual purchase from KSEB Ltd, the distribution loss is 6.67% whereas considering the energy of 98.32 lakh units received at the Smart City end, the distribution loss is 2.46%.
- e) The actual cost for the purchase of 102.75 lakh units is Rs.815.15 lakh. The power purchase cost incurred during the year includes Rs.64.46 lakh towards wheeling charges for drawing power from KSEB Ltd through Infopark 220 KV substation.
- f) The Commission while approving the Order on ARR&ERC had approved Rs.42.36 lakh as the total O&M expenses for the year 2024-25. The licensee in the present petition has claimed Rs.52.83 lakh as the O&M expense which is higher than the approved amount.
- g) The Employee cost claimed for the year 2024-25 is Rs.19.27 lakh. The licensee has apportioned 50% of the total salary of three employees towards the distribution business activity.
- h) The actual R&M expense for the year is Rs.26.67 lakh, which includes the O&M cost of the outsourced agency.
- i) The A&G expenses claimed for the year is Rs.6.89 lakh. The licensee has apportioned some expenses as part of A&G (10% to 15% of the total expense) such as Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges.
- j) The depreciation claimed for the year 2024-25 is Rs. 78.60 lakh
- k) The licensee in the petition has claimed an amount of Rs. 145.48 lakh as interest and finance charges which includes Rs.8.95 lakh as interest on

security deposit of consumers and Rs.79.27 lakh as carrying cost for past accumulated revenue gaps and Rs.57.26 lakh as interest on normative loan.

- l) The licensee in the petition has claimed an amount of Rs.62.45 lakh as RoNFA.
 - m) The **total expenditure** incurred in 2024-25 is **Rs. 1154.52 lakh**
 - n) The Revenue from sale of power in 2024-25 is Rs. 960.58 lakh. The average realization for the year is Rs.10.02 per unit
 - o) The Non-Tariff Income claimed by the licensee is Rs.12.87 lakh which includes interest on deposits, interest on delayed payments, etc.
 - p) The **total revenue** for the year 2024-25 is **Rs.973.45 lakh**
 - q) The petition for the truing up of accounts for the year 2024-25 is submitted with a **revenue gap of Rs.181.07 lakh.**
6. KSEB Ltd was represented by Sri. Edward.P.Boniface, EE, TRAC, Sri. Shan.B.S, AEE, TRAC and Smt.Archana M, Asst. Engineer, KSEB Ltd. Sri. Shan.B.S presented their comments on the petition, which is summarized below;
- a. Sales has increased compared to the previous year. Even though there is increase in consumption, average revenue realization is seen decreased when compared with 2023-24.
 - b. As per the details provided in the petition, the energy purchased from KSEB Ltd during 2024-25 was 102.75 lakh units and the sale of power was 95.90 lakh units. The distribution loss considering the actual purchase from KSEB Ltd is 6.67%, but while considering energy of 98.32 lakh units received at the Smart city end, the distribution loss is 2.46% as against an approved loss of 1.61% in the ARR & ERC order dated 26.03.2024. Submitted that the distribution loss claimed by the licensee is within the approved limits.
 - c. The O&M expenses claimed by licensee is higher than the norms approved by the Commission. The O&M norms and the split up of O&M such as R&M expenses, employee cost and A&G expense are fixed by the Commission and comes under controllable expense.
 - d. M/s SCK has claimed that the employee cost includes salaries and allowances and the whole expense is apportioned to 50% of the total salary. The employee expense claimed in true up petition is higher than the norms fixed by the Commission.
 - e. The repair and maintenance expense claimed by SCK includes Rs. 18.88 lakh for the O&M cost of the outsourced agency and Rs. 7.79 lakh towards materials and services. The licensee has not produced any proof of having invited competition bids. The amount claimed by the licensee is higher than the norms approved by the Commission.

- f. M/s SCK has apportioned some expenses as part of A&G expense such as Telephone and Postage, Water charges, Printing and Stationery, Office expense, Vsat, Internet and related charges and Books and periodicals. The amount claimed by M/s SCK in the petition do not tally with the amount in the licensee audit report.
 - g. The O & M expenses claimed is higher than the norms and as the expenses are controllable expenses, it is submitted that the expenses may be limited to the norms approved by the Commission according to the actual inflation rate for the FY 2024-25.
 - h. Depreciation of Rs.78.60 may kindly be allowed only after verifying the asset details and exercising prudence check.
 - i. With regard to the claim of interest on normative loan of Rs.57.26 lakh it was submitted that the Commission may perform prudence check on the claim.
 - j. Submitted that the Commission may ensure that the Interest on Security Deposit approved shall be the amount actually disbursed to the consumers during the financial year only.
 - k. Carrying cost on revenue gap may be approved considering Regulation 29(9) of Tariff Regulations 2021.
 - l. RoNFA may be allowed only after verifying the details of the investment.
 - m. It was also submitted that though the quantum of energy purchase claimed by the licensee tallies with the records of KSEB Ltd, the cost of power purchase does not tally.
7. M/s Smart City submitted their counter comments to the comments made by KSEB Ltd vide email dated 01-04-2026 which is briefed below;
- a. With regard to reduction in average realisation, it was submitted that the reduction in the average realisation for the LT VI F category on account of reduced average variable charge due to lower sales compared to the previous year. With regard to reduction in average realisation in the HT II B consumer category, the licensee submitted that there were only 2 consumers in this category and one of the consumers (M/s.LULU IT Infrabuild Pvt Ltd), changed their category to HT IB from December-2024 onwards. Hence after November-2025 only one consumer (Gems School) in HT II B category. Though the average realization of energy charge for both consumers increased, the Fixed charge realization per unit for the Consumer M/s.LULU IT Infrabuild decreased as sale volume increased which is due to category change of this consumer from HT-II B to HT IB from December-2024 onwards

- b. With regard to interest on security deposit, it was submitted that the claim of Rs.8.95 lakh was the actual amount to be disbursed during the beginning of the subsequent year.
- c. With regard to the comment on the cost of power purchase does not tallying with the records of KSEB Ltd. it was submitted that the KSEB Ltd had not considered wheeling charge of Rs.64.46 lakh and the SLDC charges of Rs.1.23 lakh.

Analysis and Decision of the Commission

8. The Commission has carefully examined the petition submitted by the licensee, the comments and arguments during the hearing and the comments/observations of KSEB Ltd. The analysis and decision of the Commission on the petition for truing up of accounts for the year 2024-25 are detailed below:

Energy Sales and Consumer Mix

9. The licensee in the petition for approval of ARR & ERC had projected a sale of 62.10 lakh units anticipating the growth in the IT sector, which were approved by the Commission as projected by the licensee. The actual sales for the year is 95.90 lakh units which is higher than the approved sales. Commission may see that the sales for the year 2024-25 have increased significantly (36.16%) compared to the actual sales during 2023-24. A comparison of the actual sale of power for different consumer categories is given below

Table-2
Comparison of number of consumers and sales

Tariff Category	2023-24		2024-25	
	Number of Consumers	Energy sales units (In lakh)	Number of Consumers	Energy sales units (In lakh)
LT IV (B) -Industrial IT &IT Enabled	42	20.48	44	23.47
LT VI (F) -Construction	18	10.04	30	8.30
HT I (B)	3	22.13	4	43.67
HT II (B)	2	17.78	1	20.46
TOTAL	65	70.43	79	95.90

10. Compared to the previous year, there is increase in the sales. The licensee has stated that the increase is mainly due to many IT units started working from office and stopped work from home facility, addition of one HT consumer and LULU IT infra Build commencing activities and Kochi Cyber green by Prestige completely leased out and companies started working. Commission considers the actual growth in the sales and **hereby approves the actual energy sales of 95.90 lakh units as claimed in the petition for Truing Up of Accounts for the financial year 2024-25.**

Energy requirement and Distribution Loss

11. As per details provided in the petition, during the year 2024-25, the energy purchased from KSEB Ltd was 102.75 lakh units and the sale of power was 95.90 lakh units. Considering the actual purchase from KSEB Ltd, the distribution loss is 6.67 % whereas considering the energy of 98.32 lakh units received at the Smart City end, the distribution loss is 2.46%. The details as submitted by the licensee is tabulated below;

Table-3
Distribution loss for 2024-25

Particulars	Billed purchase units	Received at Smart City End
Energy Purchased (lakh units)	102.75	98.32
Energy Sold (lakh units)	95.90	95.90
Distribution Loss (lakh units)	6.85	2.42
Distribution Loss (%)	6.67%	2.46 %

12. During 2023-24, the energy purchased from KSEB Ltd was 74.84 lakh units and the sale of power was 70.43 lakh units. Considering the actual purchase from KSEB Ltd, the distribution loss 5.89 % whereas considering the energy of 71.61 lakh units received at the Smart City end, the distribution loss 1.65%. A comparison of the losses is tabulated below.

Table-4
Comparison of Distribution loss for 2023-24 & 2024-25

Particulars	2023-24				2024-25		
	ARR Approved	As per Truing up petition		Trued Up	ARR Approved	As per Truing up petition	
		Billed purchase units	Received at Smart City End			Billed purchase units	Received at Smart City End
Energy Purchased (lakh units)	56.39	74.84	71.61	71.62	63.12	102.75	98.32
Energy Sold (lakh units)	55.45	70.43	70.43	70.43	62.10	95.90	95.90
Distribution Loss (lakh units)	0.94	4.41	1.18	1.19	1.02	6.85	2.42
Distribution Loss %	1.66%	5.89%	1.65%	1.66%	1.61%	6.67%	2.46 %

13. The Commission has analyzed the submissions made by the licensee and notes that, the distribution loss is higher than that of the previous year and is also higher than the approved levels which is not an efficient/prudent act from the side of the licensee. Commission directs the licensee to properly analyse the reason for the sudden increase in the distribution loss and take corrective measures if any required.
14. Distribution loss is a controllable parameter as per Tariff Regulations, 2021. Regulation 73(3) clearly specifies the methodology to be considered to account for any variation between the actual level of distribution loss and the approved

level of the distribution loss. The relevant portions of the Regulation are as shown below:

73. *Distribution loss...*

(3) *Any variation between the actual level of distribution loss and the approved level of the distribution loss shall be dealt with, as part of the truing up of the respective financial year in the following manner: -*

i. if the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the control period, then the quantum of power purchase corresponding to the excess distribution loss for that financial year shall be disallowed at the average cost of power purchase for the respective financial year;

ii. if the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the control period, then the savings in the power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1

15. The Commission is of the considered view that the loss of 1.61% as approved in the Order for ARR&ERC, is to be considered for truing up also. **Accordingly, the Commission hereby approves the distribution loss of 1.61% for the year 2024-25 and accordingly adjusts the power purchase cost at the average cost of power purchase as shown below:**

**Table-5
Distribution loss approved for the year 2024-25**

Particulars	ARR Approved	As Per Truing Up Petition	Approved in Trued Up
Total Energy Sales (lakh units)	62.10	95.90	95.60
Distribution loss (%)	1.61%	2.46 %	1.61%
Energy Required from KSEB Ltd (lakh units)	63.12	98.32	97.16
Distribution loss (lakh units)	1.02	2.42	1.56

Power Purchase Cost

16. The actual cost during 2024-25 for the purchase of 102.75 lakh units is Rs.815.15 lakh. The power purchase cost incurred during the year includes Rs.64.46 lakh towards wheeling charges for drawing power from KSEB Ltd through Infopark 220 KV substation. Compared to the ARR approved power purchase cost, there is increase in the purchase cost on account of higher power purchase. The licensee has also stated that, since the power is wheeled through the network of Infopark, the wheeling charges as per the approved rate and sharing of distribution loss were considered by the licensee while calculating the power purchase cost for the year. The power purchase cost claimed by the licensee is shown below:

Table- 6
Details of the cost of power purchase claimed for 2024-25

Energy Purchase (Lakh Units)	102.75
Demand Charges (Rs. Lakh)	149.16
Energy Charges (Rs. Lakh)	601.53
Wheeling Charge to Infopark (Rs. Lakh)	64.46
Total (Rs. lakh)	815.15

17. The licensee has in the petition stated that the solar generation is 892553 units of energy. The licensee has stated that there is no export from the plant and the energy is used for common area lighting, common area loads like lifts, pumps, HVAC units etc. The details of the solar generation are tabulated below;

Table- 7
Details of solar generation for 2024-25

SI No.	Prosumer Name	Capacity of Solar Plant (Kwp)	Solar Generation (units)
1	SmartCity(Kochi)Infrastructure Pvt Ltd	564.46	715154
2	Gems Modern Academy	63.00	76222
3	Mariapps India Pvt Ltd	90.44	101177
Total			892553

18. As per the details furnished by the licensee, the average power purchase cost for the year 2024-25 is worked out at Rs.7.93/kWh. The actual distribution loss is higher than the approved level of distribution loss. Considering the approved distribution loss, the quantum of power purchase corresponding to the excess distribution loss is disallowed at the average cost of power purchase and the approved power purchase cost is shown below;

Table 8
Details of the cost of power purchase approved for 2024-25

Particulars	Trued up
Actual distribution loss at 2.46 % (lakh units) (1)	2.42
Energy loss at approved distribution loss at 1.61% (lakh units) (2)	1.56
Excess distribution Loss (lakh units) (1-2)	0.86
Average power purchase cost Rs. /kWh	7.93
Excess distribution Loss at average power purchase cost (Rs. lakh) (3)	6.82
Actual Power purchase cost (Rs. lakh) (4)	815.15
Approved Power purchase cost (Rs. lakh) (4-3)	808.33

19. **Accordingly, the Commission hereby approves Rs808.33 lakh as the cost of power purchase for the year 2024-25.**

Operation & Maintenance Expenses

20. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General

expenses. The Commission while approving the Order on ARR&ERC had approved Rs.42.36 lakh as the total O&M expenses for the year 2024-25. The Commission in the Order had fixed the amount towards O&M expense considering the escalation of 4.454% taking 2020-21 as the base year. The licensee in the present petition has claimed Rs.52.83 lakh as the O&M expense. A comparison of the O&M expenses is tabulated below.

Table-9
Comparison of the O&M expenses for 2023-24 and 2024-25 (Rs. Lakh)

Particulars	2023-24			2024-25	
	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)
Employee Cost	17.72	18.62	18.62	18.51	19.27
R&M Expenses	17.97	22.18	19.07	18.77	26.67
A&G Expenses	4.87	7.19	6.97	5.08	6.89
Total	40.56	47.99	44.66	42.36	52.83

21. As per the Tariff Regulations, 2021, the licensee shall be allowed to recover the operation and maintenance expenses as per the norms specified in Tariff Regulations for each financial year of the Control Period. 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 the norms had not been completed. The Commission vide Order dated 26.03.2024 had approved the norms based in ARR&ERC Order. The details are given below.

Table 10
O&M Expenses as per the Tariff Regulations, 2021 approved in ARR & ERC Order dated 26.03.2024 (Rs. lakh)

Particulars	Base year	Control period				
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Employee Cost	16.24	16.96	17.72	18.51	19.33	20.19
R&M Expenses	16.47	17.20	17.97	18.77	19.61	20.48
A&G Expenses	4.46	4.66	4.87	5.08	5.31	5.55
Total	37.17	38.82	40.56	42.36	44.25	46.22

22. The paragraph-1 of the Annexure-7 of the Tariff Regulations, 2021 specifies inflation rate adopted for tariff determination for the Control Period from 2022-23 to 2026-27. Further, the 'Note' to the paragraph-1 to Annexure-7 permits that, the actual inflation will be allowed at the stage of truing up for the respective years. The relevant provisions of the Regulations, 2021 is stated below.

“Methodology adopted for specifying the Normative Operation & Maintenance (O&M) Costs for the 5-year Control Period (2022-27)

1. The O&M costs consist of:

- Employee cost;
- Administrative & General (A&G) expenses; and
- Repair & Maintenance (R&M) costs.

The annual inflation/ escalation rate under the Control Period (2018-22) was fixed at 4.84% based on the CPI (Industrial workers) & WPI indices in the weightage ratio 70:30, for the 4-year period (2013-14 to 2016-17). Considering the 5-year MYT period in this Regulation and the subdued performance of the economy in the year 2020-21 due to the 'Covid 19' pandemic; it is proposed to fix the annual escalation factor for the 5-year MYT Control Period (2022-23 to 2026-27) as follows: -

- a) The average of the increase in the CPI & WPI indices, for the 4-year period (2017-18 to 2020 -21), as given in Table- 1 below:

Table- 1
Computation of Escalation Factors for this MYT Regulation

Sl.No	Escalation factors/ year	2017-18	2018-19	2019-20	2020-21
1	CPI (Industrial Workers) 2001=100	284.42	299.90	322.50	338.69
2	Annual CPI increase %	3.08	5.44	7.54	5.02
3	WPI (2011-12) series	114.90	119.80	121.80	123.40
4	Annual WPI increase %	2.96	4.26	1.67	1.31
5	CPI: WPI (70:30) weightage (%)	3.04	5.09	5.78	3.91
6	Average 4 Year annual increase@ 70:30 weightage (%)	4.454%			

Note:

The Commission notes that there has been severe fluctuations as far as the inflation indices are concerned. Further, due to the outbreak of COVID 19, and the overall depressing economic situation faced by all major industries in the country, the offtake of electricity during this period has considerably reduced and there is a glut as far as the electricity market is concerned.

However as of now, the economy seems to be on a path of revival and the increase in oil prices have also added to the overall inflation in the economy. Hence, the Commission feels that any data of past indices may not completely reflect the true economic situation in the country and its inflationary trends and therefore is of the opinion that, for the purpose of ARR&ERC for the Control Period, it would be advisable to rely on historical inflation data for the previous four years. But, the actual escalation rates based on the actual inflation existing for each year of the Control Period shall be considered at the time of the truing up of the concerned financial year and would be a more reliable basis. Hence, the actual inflation indices will be allowed at the stage of truing up for the respective years."

23. As discussed in the preceding paragraphs and provision of the Tariff Regulations, 2021, the average escalation rate approved by the Commission for the Control Period from 2022-23 to 2026-27 based on the average of the 'consumer price index and whole sale price index' is 4.454%. However, the Note to the paragraph-1 to the Annexure-7 of the Tariff Regulations 2021 provides that, the escalation rates based on the actual inflation indices shall be adopted

for approving the O&M expenses while Truing up of the respective years. The actual inflation rate of the year 2024-25 is 3.05%.

24. Commission notices that a typographical error had crept in while considering the actual inflation for the year 2023-24. The actual inflation rate of the year 2023-24 is 3.41%, whereas the Commission while truing up the accounts had taken 3.14% which had led to an apparent error while approving the O&M expenses. The Commission hereby corrects the error for the year 2023-24 considering the actual inflation of 3.41%. Based on the actual escalation of 3.41% in the year 2023-24, the revised O&M expenses of Smart City as given below;

Table 11
Revised O&M Expenses of Smart City approved for the year 2023-24 considering Actual Inflation (Rs. lakh)

Particulars	Revised norms		2023-24
	2022-23	Actual inflation	O&M Expenses Approved
Employee Cost	18.23	3.41%	18.85
R&M Expenses	18.49	3.41%	19.12
A&G Expenses	5.01	3.41%	5.18
Total	41.72		43.15

25. The actual inflation rate of the year 2024-25 is 3.05%. Based on the actual escalation of 3.05% in the year 2024-25, the revised O&M expenses of Technopark as given below;

Table 12

Revised O&M expenses for 2024-25 considering actual Inflation (Rs. lakh)			
Particulars	2023-24	2024-25	
	Corrected norm based on inflation rate of 3.41%	Actual inflation for 2024-25	O&M expense Approved
Employee Cost	18.85	3.05%	19.43
R&M Expenses	19.12	3.05%	19.70
A&G Expenses	5.18	3.05%	5.34
Total	43.15		44.47

Employee cost

26. The employee cost claimed by the licensee for the year 2024-25 is Rs.19.27 lakh. The licensee in the truing up petition has apportioned 50% of the total salary of three employees, towards distribution business activity. During the previous year 2023-24, the actual employee cost claimed by the licensee was Rs.18.62 lakh which was approved by the Commission. A comparison of the employee cost claimed is shown below.

Table-13
Comparison of the Employee expenses (Rs. lakh)

Particulars	2022-23	2023-24	2024-25
	Truing Up Claim and Trued Up	Truing Up Claim and Trued Up	Truing Up Claim
Basic Salary	6.55	6.76	7.08
House Rent Allowance	4.19	4.39	4.62
Conveyance Allowance	1.78	1.79	2.07
Other Allowances	3.77	3.91	4.18
Provident Fund Contribution	0.83	0.85	0.89
Gratuity Payment	0.00	0.48	0.00
Others (Personal Accident/Insurance)	0.34	0.44	0.42
Gross Employee Expenses	17.46	18.62	19.27

27. The licensee in the petition has submitted the employee wise detailed split up of the employee expenses for the year 2024-25 which is shown below.

Table - 14
Split up of the employee expenses for the year 2024-25 (Rs. lakh)

Particulars	Assistant Director- Asset & Infrastructure	Deputy Manager- MEP	Deputy Manager- Accounts
Basic Pay	6.54	3.03	4.59
HRA	5.26	1.30	2.68
Conveyance	1.71	1.63	0.82
Children Education Allowance	2.27	-	1.28
Other Allowances	2.20	1.71	0.89
PF Employer Contribution	0.82	0.38	0.58
Gratuity	-	-	-
Medical Insurance / Expenses	0.34	0.14	0.19
Life Insurance / Expenses	0.08	0.03	0.05
Total	19.23	8.23	11.08
Grand Total	38.54		
50% of the salary considered for Licensee	19.27		

28. The licensee in the petition has stated that the variation in employee cost is due to revision in salary from April 2024 onwards, which is an average of 3.50% from the last year salary. Also, Mr. Akhil K , Deputy Manager (BTech-Electrical & Electronics) joined the service from May 2024. Hence 50% of his salary also considered in the employee cost.
29. **Accordingly, considering the details submitted and the provisions of the regulations, as the employee cost claimed by the licensee is lower than the revised norms, the Commission hereby approves Rs.19.27 lakh as the employee expenses for 2024-25.**

Repair and Maintenance Expenses

30. The licensee in the petition has claimed Rs.26.67 lakh as R&M expenses for the year 2024-25. The Commission while approving the ARR&ERC for the year 2024-25 had approved an amount of Rs.18.77 lakh as the R&M expenses for the year. The repair and maintenance expense claimed by the licensee includes Rs.18.88 lakh for the O&M cost of the outsourced agency and Rs.7.79 lakh towards materials and services. During 2023-24, the R&M expenses booked was Rs.22.18 lakh. A comparison of the R&M expenses of the licensee is tabulated below;

Table-15
Details of R&M expenses (Rs Lakh)

Description	2022-23		2023-24		2024-25
	For truing up	Trued Up	For truing up	Trued Up	For truing up
Technical Executive	4.43	18.49 considering the actual inflation	4.74	19.07 considering the actual inflation	4.78
Electricians	9.23		9.51		9.75
Housekeeping Staffs	4.13		4.23		4.35
Total	17.78		18.48		18.88
Material & Services	4.39		3.69		7.79
Grand Total	22.17	18.49	22.18	19.07	26.67

31. As per the details submitted, there are seven employees of the outsourced O&M agency, which includes one Technical Executive, four Electricians and two Housekeeping Staffs. The licensee stated that the man power is utilized for operation and maintenance of two 33 KV substations in Land A & Land B. The licensee in the clarifications submitted the split-up details of the R&M expenses claimed for the year. With regard to the cost claimed towards outsourced agency, the licensee has stated that the appointment of outsourced agency and all services and the material procurement were through competitive bidding process only. As per the details submitted, out of Rs.7.79 lakh claimed under material and services, Rs.2.72 lakh towards AMC and Rs.5.07 lakh towards repairs.
32. Considering Para 25 of this Order, the Commission has already approved Rs. 19.70 lakh as R&M Expenses based on actual inflation rate for the year 2024-25. **Accordingly, the Commission approves Rs.19.70 lakh as the R&M expenses for the year 2024-25 as against Rs.26.67 lakh claimed in the petition.**

A&G Expenses

33. The A&G expenses claimed by the licensee as per the petition is Rs.6.89 lakh for the year 2024-25. The Commission while truing up the accounts in the year 2023-24 had approved the amount of Rs.6.97 lakh as against Rs.7.19 lakh claimed by the licensee. The claim of the licensee is lower than that claimed in

the previous year. The split up of the claim made by the licensee is shown below.

**Table 16
Comparison of A&G expenses (Rs. Lakh)**

Particulars	2022-23		2023-24		2024-25
	For Truing Up	Trued Up	For Truing Up	Trued Up	For Truing Up
Insurance	1.16	6.97 considering the actual inflation and periodical energy audit for BEE	1.15	6.97 considering the actual inflation and periodical energy audit for BEE	1.37
Telephone & Postage, etc.	0.19		0.21		0.14
Audit Fees	0.25		0.30		0.30
Conveyance	0.10		0.10		0.03
Periodical Inspection charges	0.84		0.84		0.84
Periodical Energy Audit for BEE	0.68		1.80		0.81
Water charges	0.13		0.15		0.12
Printing & Stationery	0.14		0.18		0.16
Advertisement	0.76		0.18		0.00
Bank Charges	1.13		0.71		0.92
Office Expenses	0.78		0.79		0.80
License Fee and other related fee	0.18		0.22		0.29
V-sat, Internet and related charges	0.20		0.26		0.29
Books & periodicals	0.00		0.00		0.00
Others -PPA, ARR	1.55	0.30	0.80		
Total A&G Expenses	8.09	6.97	7.19	6.97	6.87

34. The licensee has apportioned some expenses as part of A&G (10% to 15% of the total expense) such as Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges. The details of the apportionment made by the licensee is shown below;

**Table 17
Apportionment of A&G expenses for the year 2024-25 (Rs. lakh)**

Particulars	Total Expense	Apportionment %	Distribution Business Expense
Insurance	1.37	100%	1.37
Telephone & Postage, etc.	0.92	15%	0.14
Audit Fees	0.30	100%	0.30
Periodical Energy Audit for BEE	0.81	100%	0.81
Periodical Inspection charges	0.84	100%	0.84
Water charges	0.83	15%	0.12
Printing & Stationery	1.02	15%	0.16
Bank Charges	0.93	100%	0.92
Advertisement, exhibition publicity	0.0	100%	0.0
Office expenses	5.34	15%	0.80
License Fee and other related fee	0.29	100%	0.29
V-sat, Internet and related charges	1.95	15%	0.29
Books & periodicals	0.0	15%	0.0
Conveyance	0.03	100%	0.03
Others – PPA, ARR	0.80	100%	0.80
Total A&G Expenses	15.44		6.87

35. In the petition, the licensee has claimed an amount of Rs.0.81 lakh towards periodic energy Audit for reporting to Bureau of Energy Efficiency (BEE). After duly considering the claims made by the licensee, the Commission noted that an additional expense of Rs.0.81 lakh for energy Audit for reporting to Bureau of Energy Efficiency (BEE) can be allowed in addition to the norms approved by the Commission.
36. Considering Para 25 of this Order, the Commission has already approved Rs.5.34 lakh as A&G Expenses based on actual inflation rate for the year 2024-25. **Accordingly, the Commission hereby approves Rs.6.15 lakh (5.34 + 0.81) as A&G Expenses for the year 2024-25 including Rs.0.81 lakh in addition to the norms approved by the Commission.**

Summary of O&M Expenses Approved

37. The summary of O&M expenses approved by the Commission for the year 2024-25 is shown below: -

Table 18
O&M Expenses approved for 2024-25 (Rs. lakh)

Particulars	2024-25		
	ARR Order	Truing Up Petition	Trued Up
Employee Cost	18.51	19.27	19.27
R&M Expenses	18.77	26.67	19.70
A&G Expenses	5.08	6.89	6.15
Total	42.36	52.83	45.12

38. **The Commission for the year 2024-25 hereby approves a total O&M expense of Rs.45.12 lakh. The Commission also approves an additional amount of Rs.0.11 lakh (43.15-43.04) as prior period O&M expenditure considering the actual inflation rate of the year 2023-24 is 3.41% based on para 24 of the Order.**

Assets Addition

39. The licensee in the petition has stated that there were no major capital expenditures during the year 2024-25.

Depreciation

40. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2024-25 is Rs. 78.60 lakh. The Commission while truing up the accounts for the year 2023-24 had approved depreciation of Rs.78.72 lakh. The depreciation claimed by the licensee as per the petition for Truing Up of Accounts for the year 2024-25 is detailed below;

Table-19
Depreciation claimed for the year 2024-25 (Rs. lakh)

Asset Group	Rate of depreciation (%)	Gross Fixed assets		Depreciation		
		At the beginning of the year	Addition during the year	Cumulative in beginning of the year	Additions during the year	Cumulative at the end of year
Land & land rights	1.01%	21.14	0.00	1.71	0.21	1.92
Other Civil works	3.34%	206.38	0.00	31.55	6.89	38.44
HV distribution system						
Distribution lines	5.28%	286.86	0.00	69.29	15.15	84.44
Transformers	5.28%	123.78	0.00	29.90	6.54	36.44
Switchgears, Control gear & Protection	5.28%	229.34	0.00	63.39	12.11	75.50
Batteries	5.28%	9.26	0.00	2.24	0.49	2.73
Others	5.28%	247.75	0.00	66.38	13.08	79.47
LT distribution system						
Distribution lines	5.28%	95.60	0.00	37.73	5.05	42.77
Transformers	5.28%	87.35	0.00	34.56	4.61	39.18
Switchgears, Control gear & Protection	5.28%	61.26	0.00	23.64	3.23	26.87
Batteries	5.28%	4.92	0.00	2.08	0.26	2.34
Others /DG	5.28%	200.24	0.00	81.42	10.57	91.99
Meters	5.28%	7.47	0.00	2.02	0.39	2.41
IT Equipments	15.00%	1.86	0.00	1.86	0.00	1.86
Total		1583.23	0.00	447.74	78.60	526.34

41. The Commission has examined the details furnished by the licensee and observed that, the claim is based on the Tariff Regulations, 2021. Accordingly, ***the Commission hereby approves the depreciation of Rs.78.60 lakh as claimed by the licensee for the year 2024-25.***

Interest and Finance Charges

42. The licensee in the petition has claimed an amount of Rs.145.48 lakh as interest and finance charges which includes Rs.8.95 lakh as interest on security deposit of consumers, Rs.57.26 lakh as interest on normative loan and Rs.79.27 lakh as carrying cost for past accumulated revenue gaps. The analysis and decision of the Commission are detailed below.

A. Interest on Normative loan

43. During the year 2023-24, the Commission has allowed an interest on normative loan of Rs.62.15 lakh as per the provisions of the Tariff Regulations, 2021. The licensee for the current year 2024-25 has claimed Rs.57.26 lakh as interest on normative loan. The details of the claim made by the licensee is tabulated below;

Table 20
Interest on normative loan claimed for 2024-25 (Rs. lakh)

Particulars	2024-25
Gross Normative Opening loan	655.03
Cumulative repayment of Normative Loan up to previous year	0.00
Net Normative Loan - Opening	655.03
Increase/ Decrease due to ACE/de capitalization during the year	
Repayment of Normative Loan during the year	78.60
Closing Normative loan	576.43
Average Normative Loan	615.73
Weighted average rate of interest of actual Loan	9.30%
Interest on normative loan	57.26

44. The Commission has examined the details furnished by the licensee. ***The Commission hereby approves Rs.57.26 lakh as the interest on normative loan as shown below.***

Table 21
Interest on normative loan approved for 2024-25 (Rs. lakh)

Particulars	2024-25
Gross Normative Opening loan	655.01
Cumulative repayment of Normative Loan up to previous year	0.00
Net Normative Loan - Opening	655.01
Increase/ Decrease due to ACE/de capitalization during the year	
Repayment of Normative Loan during the year	78.60
Closing Normative Loan	576.41
Average Normative Loan	615.71
Weighted average rate of interest of actual Loan	9.30%
Interest on normative loan	57.26

B. Interest on security deposit

45. An amount of Rs.8.95 lakh has been claimed as Interest on consumer security deposit for the year 2024-25. The licensee in the petition has submitted that the security deposit at the beginning of the year 2024-25 is Rs.145.71 lakh.
46. The licensee in the additional submissions has stated that, Rs.8.95 lakh is the actual amount of security deposit interest to be paid to consumers for the financial year 2024-25. The same amount has been disbursed to the consumers in the beginning of the subsequent year. The Commission is of the view that, the interest on security deposit shall be allowed on actual basis. ***Therefore, the Commission hereby defers the claim of Rs.8.95 lakh towards interest on security deposit and shall be claimed by the licensee in the subsequent trueing up petition that is in the year in which the expense is actually incurred.***

C. Carrying cost for past revenue gaps

47. The Commission had in the True-up Order for 2023-24 dated 10.06.2025 (IA No 3/2025 & OP No 16/2025) approved Rs.1165.72 lakh as the cumulative

revenue gap till 2023-24. 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 6.80% per annum (the retail term deposit rate of SBI for a tenure of one year as on 01-04-2024). Accordingly, the carrying cost for past revenue gaps to be considered for an amount of Rs.1165.72 lakh works out to Rs.79.27 lakh (Rs.1165.72 lakh * 6.80%). **Therefore, the Commission hereby approves Rs.79.27 lakh as carrying cost for past revenue gaps.**

48. **Accordingly, the total interest and finance charges approved for the year 2024-25 is Rs.136.53 lakh.** Details are as shown below;

Table 22
Approved Interest and Finance Charges for 2024-25 (Rs. lakh)

Particulars	Trued Up
Interest on Normative Loan	57.26
Interest paid to Consumers for Security Deposit	0.00
Carrying cost for past revenue gaps	79.27
Total	136.53

Return on Net Fixed Assets (RoNFA)

49. As per Regulation 28(2) of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, if there is no equity invested in the business or equity invested in the regulated business of the distribution licensee is not clearly identifiable, return at the rate of 5.50% shall be allowed on the net fixed assets at the beginning of the financial year for such regulated business.
50. The licensee in the petition has claimed an amount of Rs.62.45 lakh as RoNFA, since the equity invested in the regulated business is not clearly identifiable. The claim is at the rate of 5.50% on the net fixed assets of Rs.1135.49 lakh at the beginning of the financial year. The claim made by the licensee is tabulated below;

Table 23
RoNFA claimed for 2024-25

Opening Value of NFA at the beginning of the year (Rs.lakh)	1135.49
Rate of Return (%)	5.50%
Return on Net Fixed Assets (Rs.lakh)	62.45

51. Based on the provisions of the Regulations and the rate of return on NFA @ 5.50%, **the Commission hereby approves Rs.62.45 lakh as return on net fixed assets for the year 2024-25.**

Revenue from Sale of Power

52. The Commission in the Order on ARR&ERC had total revenue of Rs.831.61 lakh from the sale of 62.10 lakh units. The licensee in the truing up petition has claimed total revenue of Rs.960.58 lakh from sale of 95.90 lakh units for the year 2024-25. It is seen that there is increase in the revenue compared to the previous year considering the increase in sale. Category-wise comparison of the revenue from sale of power for the years 2023-24 and 2024-25 is shown below.

Table 24
Comparison of Revenue from Sale of Power

Tariff Category	2023-24 Trued up			2024-25 Truing up		
	Energy sales units (In lakh)	Energy sales units (In lakh)	Avg. realization (Rs/kWh)	Energy sales units (In lakh)	Revenue from Sales (Rs. lakh)	Avg. realization (Rs/kWh)
LT IV (B) -Industrial IT&IT Enabled	20.48	177.80	8.68	23.47	208.27	8.87
LT VI (F) -Construction	10.05	111.74	11.12	8.30	92.08	11.09
HT I (B)	22.13	200.82	9.07	43.67	413.28	9.46
HT II (B)	17.77	254.26	14.31	20.46	246.95	12.07
TOTAL	70.43	744.62	10.57	95.90	960.58	10.02

53. The Commission noted that there was wide variation in the average realization compared to the previous year. The Commission during the hearing sought clarification on the variation and directed the licensee to analyse the reason for the difference and submit details of the same. The licensee submitted the reasons for the decrease in the average realization. With regard to reduction the average realisation for the LT VI F category, it was submitted that is the reduction was on account of reduced average variable charge due to lower sales compared to the previous year. With regard to reduction in average realisation in the HT II B consumer category, the licensee submitted that there were only 2 consumers in this category and one of the consumers (M/s.LULU IT Infrabuild Pvt Ltd), changed the category to HT IB from December-2024 onwards. Hence after November-2025 only one consumer (Gems School) in HT II B category. Though the average realization of energy charge for both consumers increased, the Fixed charge realization per unit for the Consumer M/s.LULU IT Infrabuild decreased as sale volume increase which is due to category change of this consumer from HT-II B to HT IB from December-2024 onwards

54. **Considering the reasons submitted by the licensee and the increase in the sales and revenue during the year 2024-25, the Commission hereby approves the revenue from sale of power at Rs.960.58 lakh as claimed by**

the licensee for the purpose of Truing Up of Accounts for the year 2024-25.

Non-tariff income

55. The licensee has claimed non-tariff income of Rs.12.87 lakh for the year 2024-25. The split-up details of Non-Tariff income claimed are shown below.

**Table 25
Comparison of Non-Tariff Income (Rs. lakh)**

Particulars	2022-23 Claimed and Trued Up	2023-24 Claimed and Trued Up	2024-25 Truing Up Petition
Interest on security deposits	6.41	7.94	11.46
Commission for collection of electricity duty	0.23	0.37	0.47
Interest on delayed or deferred payment of bills	0.70	1.19	0.94
Application fee (Renewable Energy)	2.98	-	-
Total	10.32	9.50	12.87

56. As per the details submitted, the claim for 2024-25 includes interest on security deposits, Commission for collection of electricity duty and interest on delayed or deferred payment of bills. ***The Commission considers the claims and approves Rs.12.87 lakh as non-tariff income for the year 2024-25 as claimed by the licensee.***

57. Based on the above, the approved expenditure and revenue for the year 2024-25 after Truing Up is as shown below:

**Table 26
Income and Expenditure Statement after Truing Up for 2024-25 (Rs. lakh)**

Particulars	2024-25		
	ARR Order	Truing Up Petition	Trued Up
Purchase of power	661.71	815.15	808.33
Employee Cost	18.51	19.27	19.27
R&M Expenses	18.77	26.67	19.70
A&G Expenses	5.08	6.89	6.15
Prior Period O&M Expenses	-	-	0.11
Depreciation	78.60	78.60	78.60
Interest and financing charges	39.62	145.48	136.53
Return on equity/NFA	0.00	62.45	62.45
Total Expenditure	822.28	1154.52	1131.14
Revenue from sale of power	831.61	960.58	960.58
Other income	6.12	12.87	12.87
Total income	837.73	973.45	973.45
Revenue(Gap)/surplus	15.45	(181.07)	(157.69)

Revenue (Gap)/Surplus for 2024-25

58. Accordingly, as against the approved Revenue surplus of Rs.15.45 lakh for the year 2024-25, the licensee in the petition for Truing Up of Accounts has claimed a Revenue Gap of Rs.181.07 lakh. The approved Revenue (Gap)/ Surplus for the year 2024-25 after Truing Up the accounts is as shown below.

Table 27
Revenue (Gap)/ Surplus Approved for the year 2024-25 (Rs. lakh)

Particulars	2024-25		
	ARR Order	Truing Up Petition	Trued Up
Total Expenditure	822.28	1154.52	1131.14
Total income	837.73	973.45	973.45
Revenue(Gap)/surplus	15.45	(181.07)	(157.69)

Orders of the Commission

59. The Commission after considering the petition filed by M/s. Smart City for Truing Up of Accounts for the year 2024-25, views presented by the licensee during the hearing and the clarifications and details provided by the licensee, approves the following:

- a) Total income is Rs.973.45 lakh**
- b) Total Expenditure is Rs.1131.14 lakh**
- c) The revenue gap for the year 2024-25 is Rs.157.69 lakh**
- d) Total cumulative revenue gap till 2024-25 will be Rs.1323.41 lakh (Rs.1165.72 lakh as opening cumulative revenue gap as on 01.04.2024 + current year revenue gap of Rs.157.69 lakh)**

60. The petition is disposed of. Ordered accordingly.

Sd/-
Sri. T.K Jose
Chairman

Sd/-
Sri. B. Pradeep
Member

Approved for issue

Sd/-
Rajendran K.V
Secretary