

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Present : Shri. R. Preman Dinaraj, Chairman  
Adv. A J Wilson, Member (Law)

**OP 29/2021**

In the matter of : Truing up of Accounts of M/s Cochin Special Economic Zone Authority (CSEZA) for the financial year 2019-20.

Petitioner : M/s Cochin Special Economic Zone Authority (CSEZA)

Date of hearing : 13-08-2021

Represented by : Sri D. V. Swamy IAS, Development Commissioner & Chairman, CSEZA  
Sri. Boni Prasada Rao INMMS, DDC, CSEZA  
Sri. Pramodu S, Secretary in Charge, CSEZA  
Sri. K. C Seetharaman, Consultant, CSEZA  
Sri. Krishna Varma K, Consultant, CSEZA

**Order Dated 21-10-2021**

1. M/s Cochin Special Economic Zone Authority (hereinafter referred to as CSEZA or the licensee or the petitioner) is a Special Economic Zone under the Ministry of Commerce and Industry, Government of India. Cochin Special Economic Zone Authority (CSEZA) constituted under the SEZ Act 2005, is the developer of the Zone providing infrastructure and other related services to the Zone. The Zone comprises of 105 acres of land in Kakkanad, Kochi.
2. The Cochin Special Economic Zone Authority vide letter No.H.12/01/2021: CSEZA/1961 dated 21-04-2021 has filed a petition for the Truing Up of Accounts for the financial year 2019-20 as per the provisions of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018). However, as per the Regulation 10(1) of the Tariff Regulations, 2018, the petition for Truing Up of Accounts for the year 2019-20 had to be filed by 30-11-2020. Hence, the licensee filed the petition for condonation of Delay (IA 08/2021). The Kerala State Electricity Regulatory Commission (*hereinafter referred to as the Commission*) considered the matter and vide Order dated 30-06-2021, the delay was condoned and the petition was admitted as OP No.29/2021. The licensee has also submitted its accounts for the year 2019-20 audited by C&AG along with the petition.
3. The Commission had vide Order dated 02-12-2019 in OA 8/2019 approved the ARR&ERC for the entire Control Period (2018-19 to 2021-22). As per this Order

the Commission had approved a revenue surplus of Rs.35.48 lakh for the period 2019-20. Now CSEZA in their Truing Up of Accounts petition for the 2019-20 has shown a revenue surplus of Rs.135.49 lakh. A comparative statement of the various expenses approved for the year 2018-19 and 2019-20 as per the Order dated 02-12-2019 and the actual expenses claimed by the licensee for the year 2018-19 and 2019-20 as per the petition for Truing Up of Accounts are tabulated below.

Table 1  
Comparison of ARR&ERC for the period 2018-19 and 2019-20

Particulars	2018-19			2019-20		
	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	Variance (Rs. lakh) (C)= (B)- (A)
Revenue from Sale of Power	3490.34	3556.29	3556.29	3743.83	3880.28	136.45
Other Income	112.13	114.60	114.60	111.43	124.36	12.93
<b>Total Income</b>	<b>3602.47</b>	<b>3670.89</b>	<b>3670.89</b>	<b>3855.26</b>	<b>4004.64</b>	<b>149.38</b>
Purchase of Power	3374.89	3435.90	3413.42	3524.40	3582.29	57.89
R&M Expenses	192.18	12.24	187.78	201.49	5.20	-27.60
Employee Cost		137.58			138.96	
A &G Expenses		29.16			29.73	
Depreciation	72.03	76.68	33.85	72.03	76.93	4.90
Return on Equity	21.86	37.79	17.84	21.86	36.04	14.18
<b>Total Expenditure</b>	<b>3660.96</b>	<b>3729.35</b>	<b>3652.89</b>	<b>3819.78</b>	<b>3869.15</b>	<b>49.37</b>
<b>Net Surplus/(Deficit)</b>	<b>-58.49</b>	<b>-58.46</b>	<b>18.00</b>	<b>35.48</b>	<b>135.49</b>	<b>100.01</b>

4. After examining the petition, the Commission has sought several clarifications on the petition vide letter dated 05-08-2021 giving time till 13-08-2021 for furnishing the required details. The licensee vide letter No.H-12/01/2021: CSEZA/2657 dated 12-08-2021 furnished the reply to the clarifications sought by the Commission.

### Public Hearing on the Petition

5. The hearing on the petition for the Truing Up of Accounts for the year 2019-20 was conducted at Conference Hall, CSEZA on 13-08-2021 at 11.00 AM adhering to Covid Protocol. The petitioner, M/s Cochin Special Economic Zone Authority was represented by Shri D. V. Swamy IAS Development Commissioner, CSEZ

Authority, Sri. Boni Prasada Rao INMMS, DDC, Sri. Pramodu S, Secretary in Charge, CSEZA, officers and consultants of CSEZA. Sri. Pramodu S, Secretary in Charge presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are-

- a) The connectivity with KSEB Ltd is 13 MVA at 110kV and the power purchase agreement was revised to 13 MVA with effect from 23-03-2020 from the present level of 10 MVA.
  - b) The present average maximum demand for 2019-20 is 10.89 MVA.
  - c) The Revenue from Sale of Power as per the petition is Rs 3880.28 lakh for the energy sale of 567.10 lakh units and the Non-Tariff Income is Rs.124.36 lakh which includes interest on fixed deposits, bank balances, and interest on advances etc.
  - d) The power purchase cost for the year 2019-20 is Rs 3582.29 lakh for purchase of 565.80 lakh units. The percentage of distribution loss is 1.41% of the energy input.
  - e) The total O&M expense, comprising of employee cost, R&M expenses and A&G expenses as per the Truing Up petition is Rs.173.89 lakh. The actual claim is lower than the norms approved by the Commission.
  - f) Depreciation claim of Rs.76.93 lakh for the year includes depreciation for the asset addition also.
  - g) Rs.36.04 lakh is claimed as return on net fixed assets at the rate of 3% of NFA.
6. During the hearing, the Commission sought the status report of issue with MNRE with regard to Solar PV plant. After hearing the reply of the licensee, the Commission has directed the licensee to give furnish written clarification on the matter.
7. KSEB Ltd. vide their letter No. KSEB/TRAC/CSEZA/R1/2020/239 dated 26-07-2021 filed their comments on the Truing Up petition. The major points raised by KSEB Ltd are the following:
- a) The distribution loss may be limited to the level approved by the Commission for 2019-20.
  - b) O&M expenses may be limited to the actual claimed by licensee.
  - c) The petitioner has claimed depreciation of Rs.76.93 lakh against the approved level of Rs.72.03 lakh. The depreciation may be limited to the approved level.
  - d) The petitioner has claimed Rs.36.04 lakh as 3% of NFA and the Commission has approved only Rs.21.86 lakh in the ARR&ERC Order. In the Truing Up

Order for 2018-19, the Commission has not allowed RoNFA for assets created out of accumulated surplus. Therefore, the additional claim may not be allowed to the petitioner.

- e) The claim made by the licensee under power purchase and power purchase cost is tallying with the accounts of KSEB Ltd.

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

8. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2019-20, with the additional clarifications and submissions furnished by the licensee vide letters dated 12-08-2021 and 18-08-2021, the clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 26-07-2021. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations 2018 on the petition for Truing Up of Accounts for the year 2019-20 are detailed below:

### **Energy Sales and No of Consumers**

9. The actual sale of energy as per Truing Up of Accounts is 567.10 lakh units for the year 2019-20. However, the approved sale of power as per ARR&ERC Order was 563.20 lakh units. The Commission noted that the actual sale for the year at 567.10 lakh units exceeded the previous year sale of 559.11 lakh units by 3.90 lakh units. A comparison of the actual sale of power and number of consumers category wise for the year 2018-19 and 2019-20 is given below.

Table 2  
Comparison of Energy Sales and No of Consumers for 2018-19 and 2019-20

Category	Trued Up in 2018-19		As per Truing Up Petition 2019-20	
	No of consumers	Sales (lakh Units)	No of consumers	Sales (lakh Units)
HT – Industrial [HT-I(A) & I(B)]	28	454.71	28	443.91
HT- Agricultural [HT-III(B)]	1	13.00	1	12.79
LT – Industrial [LT-IV(A) & IV(B)]	92	85.48	96	103.00
LT – Commercial [LT-VII(A)]	13	2.54	16	2.90
LT – Other categories [LT-VI(A),VI(B),VI(D),VI(F) & VIII(B)]	25	3.38	26	4.50
<b>Total</b>	<b>159</b>	<b>559.11</b>	<b>167</b>	<b>567.10</b>

10. As seen above, the number of consumers during 2019-20 is 167 and the sale is 567.10 lakh units. The energy sales for the year 2019-20 has gone up by 7.99 lakh units when compared to that of year 2018-19, i.e., there is an increase of 1.43% from the sale of previous year. The number of consumers also increased from 159 to 167. The table above indicates that the major share of the sale (443.91

lakh units) is to the HT – Industrial [HT-I(A) & I(B)] category which consists of 28 consumers and constitutes about 78.28% of total sale of power. **After examining the details furnished by the licensee, the Commission hereby approves the licensee’s energy sales of 567.10 lakh units for the year 2019-20 as per the petition.**

### Energy Requirement and Distribution loss

11. As per the petition, the total energy input is 575.20 lakh units, which is inclusive of energy purchased from KSEB Ltd 565.80 lakh units and 9.40 lakh units from the solar plant. The Commission in the Order on ARR&ERC dated 02-12-2019 approved 571.20 lakh units as energy requirement with 12.20 lakh units as internal solar generation and 559.00 lakh units as energy from KSEB Ltd. The licensee in the petition has claimed the actual distribution loss for the year 2019-20 is 1.41% as against the distribution loss of 1.40% approved by the Commission in the Order on ARR&ERC. The details of the distribution loss as per the petition are as shown below.

Table 3  
Comparison of Energy Requirement and Distribution Loss

	Particulars	2018-19		2019-20	
		As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
1	Energy Requirement (lakh units)				
	a) Purchase from KSEB Ltd	561.89	558.21	559.00	565.80
	b) Self-generation (Solar)	9.13	9.13	12.20	9.40
	<b>Total</b>	<b>571.02</b>	<b>567.34</b>	<b>571.20</b>	<b>575.20</b>
2	Energy sales (lakh units)	<b>559.11</b>	<b>559.11</b>	<b>563.20</b>	<b>567.10</b>
3	Distribution loss (lakh units) (1-2)	11.91	8.23	8.00	8.10
4	<b>Distribution loss (%)</b>	<b>2.085 %</b>	<b>1.45%</b>	<b>1.40%</b>	<b>1.41%</b>

12. Regarding the distribution loss the licensee has stated that, the distribution system has underground cabling and pre-paid meters of 0.5 accuracy class. The licensee had projected 1.78% as the distribution loss for the year 2019-20, at the time of filing the MYT petition. However, the Commission approved only 1.40% loss for the financial year 2019-20. The licensee further stated that, CSEZA avails power at 110 kV and the same is stepped down to 11 kV using two numbers of 10/12.5 MVA power transformers in CSEZA’s 110 kV/11 kV substation.
13. According to the licensee, the total loss of 1.41 % comprises of 0.81% in the 110kV side and 0.60% in the 11kV and LT distribution system. In the previous

Truing up, the licensee has submitted that they had implemented the necessary corrections in the meter calibrations and other configuration based on the recommendations of the Energy Audit Study. Accordingly, from August 2019, the errors stand rectified and the distribution loss has reduced thereafter.

14. The Commission noted that the licensee has successfully reduced 0.675% of the distribution loss from a level of 2.085% in the year 2018-19 to 1.41% in 2019-20. However, the distribution loss approved in the ARR & ERC Order was 1.40% for the year 2019-20.
15. Regulation 72 (4) of Tariff Regulations 2018 requires that, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase for the respective financial year. The relevant portion of the Regulations is shown below

*“72. Distribution loss: .....*

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

*a) 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 purchased 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;*

*b) 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 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.”*

16. As seen from the above Regulation, the licensee is to adhere to the distribution loss as approved by the Commission in the ARR&ERC Order for the respective year. The actual distribution loss reported by the licensee for the year is 1.41%, whereas the distribution loss fixed by the Commission for the year 2019-20 was 1.40%. The Commission notes that the licensee has reduced the distribution loss in 2019-20 by about 0.675% compared to the previous year level of 2.085%. Further, as mentioned above the meter calibrations and other rectificatory measures were done in August 2019. The commission has duly considered these

facts and the loss reduction achieved vis-à-vis the previous year and the fact that the excess distribution loss is only 0.01%. Hence, Commission has decided to accept the actual distribution loss of 1.41% for the year 2019-20 and no adjustment of excess distribution loss or the average cost of power purchase is required. Based on the data furnished by the licensee, the distribution loss approved is shown below:

Table 4  
Approved Distribution Loss for 2019-20

	Particulars	2019-20		
		ARR Approved	As per Truing Up Petition	Trued Up
1	Energy Requirement (lakh units)			
	a) Purchase from KSEB Ltd	559.00	565.80	565.80
	b) Self-generation (solar)	12.20	9.40	9.40
	<b>Total</b>	<b>571.20</b>	<b>575.20</b>	<b>575.20</b>
2	Energy sales (lakh units)	<b>563.20</b>	<b>567.10</b>	<b>567.10</b>
3	Distribution loss (lakh units)	8.00	8.10	8.10
4	<b>Distribution loss (%)</b>	<b>1.40%</b>	<b>1.41%</b>	<b>1.41%</b>
Excess Distribution Loss Units in lakhs				<b>NIL</b>

17. ***As shown above, the Commission hereby approves the distribution loss at 1.41%. Since this excess distribution loss is meagre, no adjustment in power purchase cost is made.***

**Power Purchase Cost: -**

18. The actual power purchase cost as per the Truing Up of Accounts petition submitted is Rs.3582.29 lakh for the purchase of 565.80 lakh units. The Commission in the Order on ARR&ERC had approved the cost of power purchase of Rs.3524.40 lakh for a purchase of 559.00 lakh units. The previous year average power purchase cost was Rs.6.11/unit. Due to the revision in tariff, the average power purchase cost for the year 2019-20 was slightly higher at Rs.6.33/per unit compared to Rs.6.11 per unit for previous year. The split up of power purchase cost is tabulated below.

Table 5  
Details of cost of power purchase for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20
Energy Purchase (In lakh units)	561.89	565.80
Contract Demand (kVA)	10000	10000
Maximum Demand (kVA)	129266	130708
Excess Demand (kVA)	9266	9946
Excess Demand Charges (Rs. lakh) (A)	13.89	16.05
Demand charge (Rs. /kVA)	300	Rs 300/kVA- up to 08.7.2019 and Rs 340/kVA from 08.7.2019 onwards.
Total Demand Charges (Rs. lakh) (B)	387.79	429.79
Energy charges (Rs. kWh)	5.40	Rs 5.40/kWh up to 08.07.2019 and Rs 5.6/kWh from 08.7.2019 onwards
Total Energy Charges (Rs. lakh) (C)	3034.20	3136.45
Any Other Charges (Specify) (Rs. lakh) (D)	Nil	Nil
<b>Cost of power purchase (Rs. lakhs) (A+B+C+D)</b>	<b>3435.90</b>	<b>3582.29</b>
<b>Average Power Purchase Cost (Rs/unit)</b>	<b>6.11</b>	<b>6.33</b>

19. The Commission while Truing Up of Accounts for the year 2016-17 had stated that the licensee is consistently exceeding the contract demand, which results in payment of excess demand charges to KSEB Ltd. The Commission had also directed that the licensee has to either review the existing contract demand and take necessary steps to increase the contract demand or examine the demand pattern of its consumers and manage the load within the contract demand. The Commission remarked that it was not desirable to continue consistently breaching the existing contract demand and to pay excess demand charges. The Commission had also directed the licensee to take appropriate steps in this regard.
20. The licensee had in their Truing Up petition 2018-19 stated that, though they had made this request, there was delay from KSEB Ltd side and hence this payment had to be made for no fault of the licensee. This issue was also deliberated at length in the hearing held at CSEZA premises during ARR&ERC hearing on 03-04-2019. However, the actual increase in contract demand has got delayed. Thereafter, in the present petition, the licensee stated that, the new PPA with 13000 kVA contract demand was executed with KSEB Ltd with effect from 23-03-2020 on the basis of Order dated 04-11-2019. Hence, there is no excess demand recorded thereafter.



21. The above table indicates that; the licensee has paid excess demand charges of Rs.16.05 lakh to KSEB Ltd. In this regard, the Commission notes that the licensee has entered into a new PPA with 13000 kVA contract demand with KSEB Ltd, effective from 23-03-2020 onwards on the basis of Order dated 04-11-2019. Hence, there is no excess demand charge thereafter.
22. Under such circumstances, and taking due cognizance of the fact that excess demand charges had to be paid by the licensee for no fault of theirs, ***the Commission has decided to follow the same position taken in the previous Truing Up Order (dated 18-12-2020) and the Commission hereby allows the Excess Demand Charges of Rs.16.05 lakh.***
23. In view of the approval of actual distribution loss of 1.41% as mentioned in Para 17 of this order, ***the Commission hereby approves the purchase of 565.80 lakh units from KSEB Ltd at a cost of Rs.3582.29 lakh for the year 2019-20.***

**Operation & Maintenance expenses:-**

24. Operation & Maintenance includes controllable expenses like Employee cost, Repair & Maintenance and Administrative & General expenses. The admissibility of Operation & Maintenance expenses to CSEZA are governed by Regulation 79 (2) of Tariff Regulations 2018.
25. The Commission as per the provisions of Clause 79(2) of the Regulations, 2018 has approved the Operation & Maintenance cost of Cochin Special Economic Zone Authority for the Control Period in the ARR&ERC Order dated 02-12-2019 at Rs.201.49 lakh for the year 2019-20. However, the actual expense claimed by the licensee (Rs.173.89 lakh) is lower than the level specified in the Regulations. The comparison of the claim made by the licensee and the amount approved in the Regulations is tabulated hereunder.

Table 6  
Comparison of the O&M Expenses for 2018-19 and 2019-20

O&M Expenses	2018-19			2019-20	
	As per Regulation (Rs. lakh)	As Per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Regulation (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employee expenses	157.84	137.58	187.78	165.48	138.96
R&M expenses	7.65	12.24		8.02	5.20
A&G expenses	26.70	29.16		27.99	29.73
<b>Total</b>	<b>192.18</b>	<b>178.98</b>	<b>187.78</b>	<b>201.49</b>	<b>173.89</b>

26. In the Truing Up of Accounts petition, the licensee has claimed Rs.29.73 lakhs as A&G Expenses which is Rs.1.74 lakhs higher than the level specified in the Regulation. On the other hand, the Employee expense and R&M Expenses are lower for the year 2019-20. In the year 2018-19, the Commission had allowed the licensee to retain the difference between approved O&M expenses and actual O&M expenses on account of efficiency gain in the O&M expenses as per the provisions in the Regulations since the actual O&M expenditure for 2018-19 was less than the norms fixed for the period. Item wise O&M expense claims by the licensee for the year 2019-20 are discussed below.

**Employee cost: -**

27. In the petition for Truing Up of Accounts, the licensee has claimed an amount of Rs.138.96 lakh as against the amount of Rs.165.48 lakh approved in the Regulations as employee cost for carrying out the distribution business. The actual employee expense claimed by the licensee is lower than the norms approved by the Commission. The actual employee cost of Rs.138.96 lakh for the year 2019-20 is Rs.1.38 lakh higher than the previous year level of Rs.137.58 lakh. The employee cost claimed by the licensee is composed of two items viz., apportioned employee cost of the CSEZA employees and the charges paid to the O&M agency. The major portion of the employee cost is towards charges to O&M Agency i.e., Rs.115.67 lakh. The split up details and a comparison of the employee cost for the current year 2019-20 and previous year 2018-19 is shown below.

Table 7  
Comparison of Employee Cost for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20	
	Trued Up (Rs. lakh)	As per the Regulation (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employee Expenses	21.18	165.48	23.29
Charges to O&M Agency	116.40		115.67
<b>Total</b>	<b>137.58</b>	<b>165.48</b>	<b>138.96</b>

28. The Commission vide letter dated 05-08-2021 sought the details of the apportioned portion of the employee expense of Rs.23.29 lakh and the reason for the difference in amount booked under the audited accounts and in the Form D 3.4 (a) of the petition (i.e., amount of Rs.115.67 lakh shown in Form D 3.4 (a) whereas in the audited accounts, the same is shown as 'Operation& management fee to agency' as Rs. 119.62 lakhs). The licensee in their clarification letter dated

12-08-2021 stated that, employee cost for CSEZA staff for FY 2019-20 charged to the Power Distribution System (PDS) is based on the time spent and works out to Rs.35.76 lakh. The licensee has also furnished a working to substantiate the estimate. However, in the audited accounts, apportioned cost of employees of CSEZA amounting to Rs.23.29 lakh only was booked as the Management fee for 2019-20 to CSEZA Estate account, which is included in the truing up petition. This amount works out to only 65% of estimated salary cost of Rs.35.76 lakh.

29. Regarding the contract engagee expenses, the licensee stated that, from April to December 2019, the manpower charges paid to O&M agency was Rs.9.70 lakh per month. This amount was enhanced to Rs.10.78 lakh per month from January 2020. However, out of this, Rs.1.32 lakh per month was towards the manpower charges to be paid to the agency operating and managing the prepaid metering. Thus, in the audited accounts the total amount of Rs.119.68 lakh was shown (Rs.9.70 lakh\*9 months+Rs.10.776\*3 months) under O & M fee. However, in the truing up petition, out of the Rs.119.68 lakh, an amount of Rs 3.96 lakh (Rs.1.32 lakh\*3 months) has been shown under A & G Expenses (form D 3.4(b)) as Charges for Monitoring & Managing prepaid metering software system. The balance amount of Rs.115.67 lakh (Rs.119.63 lakh – Rs.3.96 lakh) was booked as part of employee expenses.
30. The Commission has examined the submission of the licensee and appreciates the fact that the licensee has limited the employee cost to a level lower than the norms fixed by the Commission. The overall employee cost, however, has increased from Rs.137.58 lakh in 2018-19 to Rs.138.96 lakh in 2019-20. The apportioned cost of CSEZA employees has increased from Rs.21.18 lakh to Rs.23.29 lakh during the same period whereas the charges payable to O&M agency was reduced to Rs.115.67 lakh to Rs.116.40 lakh. As per the details furnished by the licensee, the monthly bill for O&M agency was Rs.9.70 lakh, which was reduced to Rs.9.456 lakh per month (Rs.10.776 lakh-Rs.1.32 lakh payable for monitoring and managing metering software), resulting in overall reduction in employee expenses.
31. ***Since the actual employee cost is within the norms fixed, the Commission hereby approves the actual employee expenses of Rs.138.96 lakh for the year 2019-20. The Commission has also decided to review the engagement and deployment of workers/staff of the licensee, so as to arrive at firm employee requirement and deployment norms. To facilitate this process, the Commission hereby direct the licensee to file a petition with the complete list of workers/staff, their qualification, place of deployment, category,***

**salaries, wages and all other benefits paid to them within three month of the date of issue of this Order.**

**Repair and Maintenance Charges: -**

32. The actual amount claimed by the licensee is Rs.5.20 lakh for the repair and maintenance as against the approved amount of Rs.8.02 lakh for the year 2019-20. The actual claim made by the licensee is lower by Rs.2.82 lakh when compared to the norms in Tariff Regulations, 2018. In the petition licensee has not claimed any onetime expense for the year 2019-20. The comparison of the R&M for the years 2018-19 and 2019-20 as shown below.

Table 8  
Repair and Maintenance for the year 2018-19 & 2019-20

Particulars	2018-19	2019-20	
	Trued Up (Rs. Lakh)	As per the Regulation (Rs. Lakh)	Truing Up Petition (Rs. Lakh)
R&M Expenses	12.24	8.02	5.20
<b>Total</b>	<b>12.24</b>	<b>8.02</b>	<b>5.20</b>

33. From the above table it is seen that, there is a decrease of Rs.7.04 lakhs in the R&M expense in 2019-20 compared to the previous year 2018-19. The licensee had vide clarification dated 12-08-2021 submitted the split up of R&M expenses during the year. The details are shown below.

Table 9  
R&M expenses for the year 2019-20

Sl No	Description	Amount (Rs in lakh)	Remarks
1	Filtration of transformer oil in 8 Nos. Distribution Transformers of capacity up to 1250 kVA	0.31	Included In MYT petition
2	Refilling of fire extinguishers in 110 kV Substation	0.11	Included In MYT petition
3	Supply, Installation, testing and Commissioning of 4 Pole, ACB with microprocessor Release in existing LT Panel, plot No. 34	1.24	Included In MYT petition
4	Energy Audit in 110/11 kV Power Distribution System of CSEZA, Kakkanad	1.20	Included in MYT petition. Balance payment to KSPC for the energy audit done in 2018-19.
5	Purchasing of 0.5S class LT CT used for SDF's Solar panels	0.10	Required to be done for ensuring correct Solar energy reading.
6	Rewinding of OLTC motor in power transformer-2	0.02	Not included in MYT petition.

			Required to be done on emergency basis.
7	Heat Shrinkable joint kit for 3C 240 Sqmm – HT	0.15	Not included in MYT petition. Required to be done on emergency basis to rectify cable fault.
8	Oil leakage rectification in 2 nos CTs – and 12.5 MVA transformer No. 1 in 110 KV Substation	0.25	Not included in MYT petition. Required to be done on emergency basis to arrest oil leak.
9	Consumption of Spares	1.82	
	<b>Total R &amp; M Expenses</b>	<b>5.20</b>	

34. In the previous Truing Up Order (18-12-2020) the Commission has directed to the licensee for comply the direction for submitting the periodic maintenance plan for the year 2020-21. In the clarification vide letter dated 12-08-2021 the licensee submitted that, due to outbreak of Covid-19 pandemic and frequent lock downs, CSEZA could not submit the maintenance plan for 2020-21. The licensee also submitted the periodic maintenance works executed during FY 2020-21 and requested to the Commission for condone the delay in submitting the periodic maintenance plan for FY 2020-21.
35. The Commission has duly considered the licensee's submission. **Accordingly, the Commission hereby approves the actual amount of Rs.5.20 lakh as R&M for the year 2019-20.**

#### **Administration and General Expenses: -**

36. The A&G expense claimed by the licensee as per the petition for Truing Up of Accounts is Rs 29.73 lakh as against the approved amount of Rs.27.99 lakh. A&G expenses include various items such as rent, rates and taxes, insurance, internet and related charges, charges for monitoring and managing pre-paid metering and licensee fee and other related fee etc. The major claim booked under A&G expense are towards Rents & taxes, charges for monitoring & managing prepaid metering software system and towards V-sat internet and related charges expense amounting to Rs.10.04 lakh, Rs.9.66 lakh and Rs.5.20 lakh respectively. A comparison of the A&G expenses over the years is tabulated below.

Table 10  
Comparison of A&G expenses for the year 2018-19 and 2019-20

Particulars	2018-19	2019-20
	Trued Up (Rs. Lakh)	As per Truing Up Petition (Rs. Lakh)
Rent Rates & Taxes	10.04	10.04
Insurance	1.44	1.96
Electricity charges & Water charges	0.18	0.11
Truing Up Application fee to KSERC & Other petition fee to KSERC	0.47	0.60
Inspection Fee (Electrical Inspectorate)	0.37	1.02
Licensee fee and other related fee	1.07	1.07
MYT filing Charges to KSERC	1.48	-
Printing & Stationery	0.08	-
Bank Charges	0.01	0.01
V-sat, Internet and related charges	4.46	5.20
Travelling Expenses	0.00	0.07
Charges for monitoring and managing pre-paid metering	9.57	9.66
<b>Grand Total</b>	<b>29.16</b>	<b>29.73</b>

37. The other major expenses are insurance of Rs.1.96 lakh and Rs.1.07 lakh towards licensee fee and other related fee. The rent, rates and taxes amount of Rs.10.04 lakh is towards to the lease rent of substation paid to the Estate department (inter departmental transaction of CSEZA from Power Distribution System Account to Estate Account) of the licensee. It is to be noted that items such as insurance expenses, application fee to KSERC, inspection fee, V-Sat charges, travelling expenses and management fee for pre-paid metering, there is increase over previous year.
38. The Commission sought the clarifications on the major items under A&G expenses. The licensee in their reply dated 12-08-2021 stated that, the increase insurance cost due to the increase in premium for Fire Policy (Rs.0.35 lakh increased to Rs.0.88 lakh) compared to the previous year. The Insurance premium for the year 2019-20 was increased to Rs.1.96 lakh (Fire policy Rs.0.88 lakh + Machinery breaks down premium Rs.1.08 lakh) from the premium for 2018-19 i.e., Rs.1.44 lakh (Fire policy Rs.0.35 lakh + machinery Break down Premium Rs.1.09 lakh) as per the quote by the insurance service provider. Regarding Rs.9.66 lakh paid for monitoring and managing prepaid metering system during the year, the licensee stated that regular payment of manpower charges to the agency undertaking Operation and Management of prepaid metering system is Rs.8.91 lakh (Rs.0.55 lakh x 9 months + Rs.1.32 lakh x 3 months) and Rs.0.75

lakh paid to another agency towards AMC charges of 5 Nos SPZ make Energy meters installed in Muthoot Technopolis building.

39. The Commission examined the details furnished by the licensee. The total expense has not increased substantially due to the fact that some of the items of expenditure was not present during the year compared to previous year. The Commission further notes that the monthly charge for management of prepaid metering system was increased by about 1.5 times from Rs.0.55 lakh to Rs.1.32 lakh. Per consumer basis the cost has increased from Rs. 329/- to Rs.790/- per month, which is substantial. ***The Commission hereby directs the licensee to take steps to bring this expense to acceptable levels by tendering once the current contract period is over.***
40. ***Considering the details furnished by the licensee, the Commission hereby approves the actual amount of Rs.29.73 lakh as the Administrative and General expenses for the year 2019-20.***

#### **O&M expenses approved for 2019-20**

41. The O&M expenses, which includes Employee costs (Rs.138.96 lakh), R&M expenses (Rs.5.20 lakh), and A&G expenses (Rs.29.73 lakh) totalling to Rs.173.89 lakh is the actuals for the year 2019-20. However, this amount is lower than the O&M expenses of Rs.201.49 lakh approved as per the Regulations. Hence there is a gain of Rs.27.60 lakh (Rs.201.49 lakh – Rs.173.89 lakh). The Commission notes that the savings is mainly on account of the reduction in charges for the O&M agency as against the norms approved by the Commission. As per Regulation 14 of the Tariff Regulations, 2018, the aggregate gain on the controllable parameters is to be shared at the ratio of 2:1 ie, 2/3<sup>rd</sup> of gain is to be retained by the licensee and 1/3<sup>rd</sup> is to be passed on to the consumers. The relevant portion of the Regulations is shown below.

*14. Mechanism for sharing of gains or losses on account of controllable factors.*

*(1) The aggregate gain to the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as approved by the Commission, on account of controllable factors shall be dealt with in the following manner: -*

*(a) one-third of the amount of such gain shall be passed on to consumers as a rebate in tariffs;*

*(b) the remaining two-third of the amount of such gain, may be utilised at the discretion of the generating business/company or transmission business/licensee or distribution business/licensee:*

42. **The Commission had allowed to retain the benefit of efficiency gain to the licensee in the year 2018-19. Similarly, in the year 2019-20 also the petitioner has incurred O&M expenses lesser than the norms fixed and accordingly eligible for the benefit as per Regulation 14 of Tariff Regulations 2018. Hence, the Commission hereby approves Rs.192.29 lakh as the Operation and Maintenance expenses for the year 2019-20 as shown below.**

Table 11  
O&M Expenses approved for the year 2019-20

Sl. No	Particulars	Rs. Lakh
1	Total O&M approved as per the Regulations	201.49
2	Total O&M claimed as per the petition for Truing Up Petition	173.89
3	Total Efficiency Gain (1-2)	27.60
4	Efficiency Gain to be retained by the licensee (2/3 <sup>rd</sup> of (3)) = 27.60*2/3	18.40
5	Efficiency gain to be passed on to the consumers as reduction in power purchase cost. (1/3 <sup>rd</sup> of (3)) = 27.60*1/3	9.20
6	<b>Approved O&amp;M for the Truing Up(1-5) or (2+4)</b> (Rs.201.49 lakhs- Rs.9.20lakhs) or Rs 173.89lakhs + 18.40lakhs)	<b>192.29</b>

### Asset Additions during the year 2019-20

43. The Commission had in the Order dated 02-12-2019 approved Rs.329.55 lakh as Asset addition while approving the capital expenditure for the MYT period. In the petition for Truing Up of Accounts, the licensee has claimed only Rs.3.76 lakhs for the year 2019-20. The split-up details of the asset additions during the year 2019-20 are shown below.

Table 12  
Assets additions during the year 2019-20

Asset Description	Assets Addition (Rs lakh)	Date of Commissioning	Approval Status
Procurement hardware and software requirements under power distribution system.	2.11	16-05-2019	Approval was not given in the Order on capital expenditure for the control period for want of details whether the same is for power distribution system
Development of modules in prepaid energy metering system as per the KSERC order dated 08/07/2019(tariff change and arrear calculation)	1.65	10-10-2019	The update was warranted on account of revision of tariff w.e.f 08.07. 2019,
Supply installation, testing, commissioning of new 650 KWP Grid tied solar plant	-	-	Approval given in the Order on approval of capital expenditure for



			the control period dated 2.12.2019. The work was completed in February 2020 and was under trial running and testing stage. The same will be capitalized in FY 2020-21.
<b>Total</b>	<b>3.76</b>		

44. The Commission has sought the clarifications vide letter dated 05-08-2021 the source of funding of capital assets during the year and to clarify whether such asset addition was made with proper open tendering processes. The Commission further noted that, in the Order on approval of capital expenditure dated 02-12-2019, the Commission had given the approval for an amount of Rs.329.55 lakh for addition to fixed assets for the year 2019-20. However, the licensee has claimed assets addition of Rs.3.76 lakhs only during the year 2019-20.
45. The licensee vide their reply dated 12-08-2021 submitted that, the asset additions during the year 2019-20 is mainly on software for prepaid metering system which was necessitated to accommodate changes in the prepaid metering system on account of tariff revision. The licensee further clarified that, the procurement of hardware and software was exclusively for the use of the power distribution system. The licensee also stated that the source of funding of capital assets during the year 2019-20 was from CSEZAs own fund available in Power Distribution System Account and there neither any grants received nor any consumer contribution. The assets accounted for under 'procurement of software and hardware requirements' under power distribution system was purchased through proper competitive tendering procedure and the item of 'development of modules in Prepaid energy metering system' was implemented through the existing Agency who is operating and managing the prepaid metering system.
46. It is further stated in the clarification that, the actual asset addition was lower than the approval was due to the fact that after the issue of approval for capital expenditure on 02-12-2019, there was lack of sufficient time for floating tenders and for implementation of the works in 2019-20. Hence, some works had to be deferred to the next financial year 2020-21. Regarding the 650 kWp solar plant, the licensee stated that, the installation was completed in February 2020 and the system was under trial run. Final settlement of bills was made in the year FY 2020-21 and the same will be capitalized in FY 2020-21.
47. The Commission examined the details furnished by the licensee for the approval of asset additions for the year 2019-20. The asset additions are on account of upgradation of prepaid billing system and procurement of hardware and software

for the power distribution system. Further, the works approved for the year were not fully completed during the year.

48. Regarding the source of funding for the asset addition, the licensee stated that the same was from their own funds. Based on these details, the Commission notes that the funds utilised were from the accumulated regulatory surplus and no additional funding was received during the year. The licensee did not furnish any documents indicating that the funds are fresh infusion of capital into the distribution business. Hence, the funds utilised are nothing but the accumulated surplus. The accumulated regulatory surplus is over and above the regulated return and reasonable expenses including efficiency gains allowed by the Commission to the licensee. Hence, the said surplus belongs to the consumers and is meant to be adjusted against the consumer tariffs in future. Since such frequent tariff adjustment process is not undertaken due to uniform retail tariff, such surplus is allowed to be retained by the licensee as a source of investment funds for future. Hence, if any financing cost such as depreciation or interest charges are allowed for such surplus funds, it would result in double payment by the consumers. Hence, the licensee is not eligible for any financing costs such as interest charges or depreciation on the utilisation of such surplus for creation of assets.
49. ***The Commission after considering the items of capital expenditure of Rs.3.76 lakh and the submissions by the petitioner to justify this expenditure, approves Rs. 3.76 lakh for inclusion in the asset base, subject to the condition that the licensee is not eligible for depreciation and other financing costs on the said items.***
50. Regarding the capital expenditure of Rs.508.80 lakh towards the 636 kWp solar PV plant made in 2017-18, the Commission had approved an amount Rs.405.45 lakh vide Order dated 02-12-2019. It had also directed the licensee to avail the Achievement Linked Incentive from MNRE. In the previous Truing Up Order for 2018-19 (dated 18-12-2020) the Commission has directed the licensee to follow up the issue with MNRE and to file a status report within 3 months from the date of the Order. In the clarification submitted vide letter dated 12-08-2021 the licensee stated that, the Commission has disallowed the incentive amount of Rs.103.35 lakh (636 kWp X Rs.16250/-), from the actual capital cost of Rs. 508.80 lakh incurred by CSEZA. The licensee has taken up the matter with MNRE for release of the Achievement Linked Incentive for the solar power plant installed through PEC Ltd. The licensee had also written to MNRE vide letter dated 05-04-2019 requesting the intervention of MNRE to expedite releasing the incentive to CSEZA. Personal follow up was also done by the Deputy Commissioner of the

licensee. However, in spite of all these efforts, MNRE vide their letter dated 07-02-2020 informed that, they had not agreed for ex-post facto approval for the 636kWp solar power plant project implemented in CSEZA by PEC Ltd.

51. The licensee vide letter 18-08-2021 submitted their further explanation on this issue. In that letter the licensee clarified that, CSEZA has made several communications with PEC Ltd to expedite the release of Achievement Linked Incentive under the GCRT Scheme from MNRE. Further, on a subsequent visit to New Delhi, the matter was discussed with the Joint Secretary (JS) of MNRE and Joint Secretary informed that incentives to individual household rooftop were the priority due to the paucity of funds. It is further informed that, Government institutions like CSEZA should meet the entire expenses from their own funds.
52. The Commission has examined the explanations and the documents furnished by the licensee. In the letter dated 05-04-2019, MNRE has clearly stated that, the request for allowing incentive for the seven projects implemented by the PEC Ltd was rejected due to the reason of not obtaining the prior approval from the MNRE. Hence, any other justification for not receiving the incentives furnished by the licensee is not acceptable. The licensee has to take up the matter appropriately with the authorities including PEC Ltd for realising the incentive amount. The Commission is not in a position to allow the incentive amount as part of the capital cost. **Accordingly, Commission has decided to retain the approved cost for the solar PV plant as per Order dated 02-12-2019, i.e., Rs.405.45 lakh.**
53. It is pertinent to mention that assets worth Rs.606.67 lakhs are created out of the accumulated surplus till the year 2019-20 as per the approved figures. The details of assets created out of accumulated regulatory surplus over the years is shown below.

Table 13  
The Assets created out of accumulated surplus of the licensee

Asset Description	Assets Addition as per licensee's Accounts (Rs lakh)	Amount Approved by the Commission (Rs. Lakh)
110 kV Metering CT& PT and ABT meter	25.12	25.12
New Prepaid Metering software	33.43	33.43
<b>Total for 2016-17 (A)</b>	<b>58.55</b>	<b>58.55</b>
11 kV RMUs	113.11*	113.11
636 kWp Grid Connected Roof Top Solar PV plants	508.80	405.45
Office Equipment-Lap top	3.50	3.50
Office equipment- Photo Copying machine	3.99	3.99
<b>Total for 2017-18 (B)</b>	<b>629.40</b>	<b>526.05</b>
Store Room	5.31	5.31

Fencing	3.30	3.30
Control Room (AC)	0.78	0.78
Operator cabin Room	1.25	1.25
Office Equipment's	2.19	2.19
New software for prepaid metering	5.48	5.48
<b>Total for 2018-19 ©</b>	<b>18.31</b>	<b>18.31</b>
New software for prepaid metering	3.76	3.76
<b>Total for 2019-20 (D)</b>	<b>3.76</b>	<b>3.76</b>
<b>Total (From 2016-17 to 2019-20) (A+B+C+D)</b>	<b>710.02</b>	<b>606.67</b>

\*Value revised as Rs.113.11 lakh from Rs.114.17 lakh due to excess payment found during audit

### Depreciation:

54. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2019-20 is Rs.76.93 lakh as against Rs.72.03 lakh approved in the Order on ARR&ERC. The details of depreciation claim made by the licensee is shown below.

Table 14  
Depreciation claimed for the year 2019-20

Sl. No.	Asset Group	Rate of depreciation (%)	Gross fixed assets				Provision for depreciation
			At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
			Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh
1	Distribution lines	5.28	496.79	0	0	496.79	7.55
2	11KV RMU	5.28	114.17	0	1.06*	113.11	5.97
3	Plant & machinery (11KV RMU)	5.28	9.84	0	0	9.84	0.52
4	Switchgears, Control gear & Protection	5.28	510.09	0	0	510.09	15.70
5	Control Room (AC)	5.28	0.78	0	0	0.78	0.04
6	Store Room	5.28	5.31	0	0	5.31	0.28
7	Fencing	5.28	3.30	0	0	3.30	0.17
8	Operator cabin Room	5.28	1.25	0	0	1.25	0.07
9	LT Distribution system	5.28	15.56	0	0	15.56	0.82
10	Transformers	5.28	3.50	0	0	3.50	0.18
11	Switchgears, Control gear & Protection	5.28	1.35	0	0	1.35	0.07
12	Communication equipment	6.33	54.41	0	0	54.41	3.44
13	Meters	5.28	164.75	0	0	164.75	5.45
14	Furniture & fixtures	6.33	0.44	0	0	0.44	0.03
15	Office Equipment's	6.33	11.07	0	0	11.07	0.70
16	New software for prepaid metering	15.00	38.91	3.76	0	42.66	6.25
17	Solar PV Plant	5.83	508.80	0	0	508.80	29.66
	<b>Gross Asset</b>		<b>1940.32</b>	<b>3.76</b>	<b>1.06</b>	<b>1943.03</b>	<b>76.93</b>

\*deduction of excess payment found on audit

55. The licensee has claimed depreciation of Rs.76.93 lakh for 2019-20, which includes depreciation for the assets added during the year. Regarding the deduction of fixed assets of Rs.1.06 lakh the licensee stated that the same is the reversal of excess PMC charges paid to the Agency for the RMUs installed in FY 2018-19. As per the agreement between CSEZA and Agency, consultancy fee payable was only 7% of the total cost, if the total executed project cost exceeds Rs.1 crore. The actual executed project cost was Rs.105.71 lakh. Instead of 7% eligible, inadvertently 8% Consultancy Charges was paid to the Agency and capitalization was done including PMC charges @8%. Based on the findings of Internal Audit, the excess Consultancy Charges paid (Amount Rs.1.06 lakh) was reversed and hence corresponding amount has been deducted from the value of asset (11kV RMUs).
56. The Commission has examined the depreciation claims of the licensee. The licensee has claimed depreciation for the entire assets, though the licensee is not eligible for depreciation on the assets created out of the accumulated surplus. The Commission while Truing Up of Accounts for 2018-19 had approved an amount of Rs.33.85 lakh as depreciation after duly considering the assets added till 2015-16. On this basis, the depreciation approved for the purpose of Truing Up of Accounts for the year 2019-20 after deducting the depreciation on assets created out of accumulated regulatory surplus as shown below:

Table 15  
Depreciation approved for the year 2019-20

Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Distribution lines	5.28	496.79	0	0	496.79	7.55
11kV RMU	5.28	114.17	0	1.06	113.11	5.97
Plant & machinery (11kV RMU)	5.28	9.84	0	0	9.84	0.52
Switchgears, Control gear & Protection	5.28	510.09	0	0	510.09	15.70
Control Room (AC)	5.28	0.78	0	0	0.78	0.04
Store Room	5.28	5.31	0	0	5.31	0.28
Fencing	5.28	3.30	0	0	3.30	0.17
Operator cabin Room	5.28	1.25	0	0	1.25	0.07
LT Distribution system	5.28	15.56	0	0	15.56	0.82
Transformers	5.28	3.50	0	0	3.50	0.18
Switchgears, Control gear & Protection	5.28	1.35	0	0	1.35	0.07
Communication equipment	6.33	54.41	0	0	54.41	3.44

Meters	5.28	164.75	0	0	164.75	5.45
Furniture & fixtures	6.33	0.44	0	0	0.44	0.03
Office Equipment's	6.33	11.07	0	0	11.07	0.70
New software for prepaid metering	15.00	38.91	3.76	0	42.66	6.25
Solar PV Plant	5.28	405.45	0	0	405.45	21.41
<b>Gross Asset</b>		<b>1836.98</b>	<b>3.76</b>	<b>1.06</b>	<b>1839.68</b>	<b>68.68</b>
(Less) Assets addition through Accumulated surplus (No depreciation provided)						
2016-17					58.55	
2017-18					526.05*	
2018-19					18.31	
2019-20					3.76	
Total assets created through accumulated surplus					<b>606.67</b>	
Balance Assets Considered for Depreciation					<b>1233.01</b>	
<b>Depreciation approved [ Rs.68.68 lakh– Rs.32.03 lakh (606.67*5.28%=32.03)]</b>						<b>36.65</b>

\*after the adjustment of Rs.1.06 lakh found in audit (Rs.527.11 lakh- Rs,1.06 lakh)

57. The total depreciation applicable for the year is Rs.68.68 lakh. However, as shown above, the assets created out of accumulated surplus is Rs.606.67 lakh. Depreciation is not allowable to this asset amounting to Rs.606.67 lakh. Hence the depreciation of Rs.32.03 lakh applicable to the said assets @5.28% is deducted from the total depreciation of Rs.68.68 lakh. Hence the depreciation for approved for the year is Rs.36.65 lakh.

58. ***Accordingly, against a claim of Rs.76.93 lakh in the Truing Up of account petition, the Commission hereby approves the depreciation of Rs.36.65 lakh for the year 2019-20.***

### **Interest and Finance Charges**

59. The licensee has not claimed any interest and finance charges for 2019-20. Since the licensee is following the pre-payment metering system, interest on working capital is also not allowable.

### **Return on NFA**

60. The licensee in the petition for Truing Up of Accounts for the year 2019-20 has claimed a Return on NFA of Rs.36.04 lakh. The Commission had approved a return of Rs.21.86 lakh in the Order on ARR&ERC which was 3% of the net fixed assets. As per the estimate of the licensee, the claim 3% of the net fixed assets at the beginning of the year i.e., Rs.1201.32 lakh is Rs.36.04 lakh. The comparison of return on NFA for the year 2018-19 and 2019-20 is shown below.

Table 16  
Return on NFA for the year 2018-19 and 2019-20 as per the claim

Particulars	2018-19		2019-20	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
GFA at the beginning of the year	1922.02	1818.67		1940.32
(Less) Assets created out of Surplus	-	(585.66)		-
GFA at the beginning of the year eligible for RoNFA	-	1233.01		-
(Less) Cumulative depreciation at the beginning of the year eligible for RoNFA	(662.33)	(638.34)		(739.01)
Net fixed assets at the beginning of the year	1259.69	594.67		1201.32
<b>3% on Net fixed assets</b> at the beginning of the year	<b>37.79</b>	<b>17.84</b>	<b>21.86</b>	<b>36.04</b>

61. While Truing Up the accounts for the year 2018-19, the Commission had approved an amount of Rs.17.84 lakh as against Rs.37.79 lakh claimed by the licensee. The licensee has created assets from 2016-17 using their accumulated surplus. Since the same has no cost of funds, the return on NFA is not allowable for the said assets. Accordingly, the NFA eligible for return is as shown below.

Table 17  
NFA eligible for return for the year 2019-20

Particulars	As per petition (Rs.lakh)	Approved in Truing up (Rs. lakh)
GFA at the beginning of the year (01-04-2019)	1940.32	1836.98
Less Excess payment deducted during internal audit		1.06*
<b>GFA at the beginning of the year (01-04-2019)</b>		<b>1835.92</b>
Less Assets created out of Surplus up to 2018-19		
2016-17		(58.55)
2017-18		(526.05)
2018-19		(18.31)
GFA at the beginning of the year eligible for RoNFA	<b>1940.32</b>	<b>1233.01</b>
(Less) Cumulative depreciation at the beginning of the year eligible for RoNFA	(739.01)	(672.19)**
Net fixed assets at the beginning of the year	1201.32	560.82
<b>3% on Net fixed assets</b> at the beginning of the year	<b>36.04</b>	<b>16.82</b>

\*After adjustment of the amount of Rs.1.06 lakh found during internal audit. (Rs.1836.98 lakh-Rs.1.06 lakh = Rs.1835.92 lakh)

\*\* cumulative depreciation upto 01-04-2018 Rs.638.34 lakh + depreciation approved for the year 2018-19 Rs.33.85 lakh)

62. **As shown above, after deducting the assets created out of accumulated surplus, the RoNFA eligible for the year 2019-20 is Rs. 16.82 lakh. Accordingly, the Commission hereby approves the amount of Rs.16.82 lakh (3% of Rs.560.82 lakh) as return on net fixed assets for the year 2019-20.**

**Revenue from sale of power: -**

63. The actual revenue realised from sale for power for the year 2019-20 is Rs.3880.28 lakh for 567.10 lakh units as against the approved revenue from sale of power of Rs.3743.83 lakh for 563.20 lakh units as approved in the Order on ARR&ERC. As per the petition, the major revenue is from the sale to the HT – Industrial [HT-I(A) & I(B)] category. A category wise comparison of the revenue from sale of power for the years 2018-19 & 2019-20 is as shown below.

Table 18  
Details of Revenue from Sale of Power for the year 2018-19 and 2019-20

Category	Trued Up in 2018-19			Truing Up Petition 2019-20		
	Sales (lakh Units)	Revenue from sale (Rs. lakh)	Average Realisation (Rs.kWh /lakh)	Sales (lakh Units)	Revenue from sale (Rs. lakh)	Average Realisation (Rs. kWh/lakh)
HT – Industrial [HT-I(A) & I(B)]	454.71	2880.49	6.33	443.91	2994.46	6.75
HT- Agricultural [HT-III(B)]	13.00	47.26	3.64	12.79	51.65	4.04
LT – Industrial [LT-IV(A) & IV(B)]	85.48	591.21	6.91	103.00	766.07	7.44
LT – Commercial [LT-VII(A)]	2.54	27.65	10.88	2.90	31.84	10.98
LT – Other categories [LT-VI(A), VI(B), VI(D), VI(F) & VIII(B)]	3.38	30.70	9.08	4.50	42.32	9.40
<b>Gross Amount</b>	<b>559.11</b>	<b>3577.32</b>	-	<b>567.10</b>	<b>3886.34</b>	-
<b>(Less) Fuel Surcharge</b>	-	<b>21.03</b>	-	-	<b>6.06</b>	-
<b>Total</b>	<b>559.11</b>	<b>3556.29</b>	<b>6.36</b>	<b>567.10</b>	<b>3880.28</b>	<b>6.84</b>

64. The Commission notes that, there is increase in the sale of 7.99 lakh units (from 559.11 lakh units to 567.10 lakh units) and revenue from sale of power of Rs.323.99 lakh (from Rs.3556.29 lakhs to Rs.3880.28 lakh) in 2019-20 compared to 2018-19. The Commission further notes that, the increase in revenue is due to increase in consumption by the consumers and the increase in tariff as per the Tariff Order dated 08-07-2019. Compared to the previous year the average realisation rate of all consumer category is also increased by Rs.0.48/kWh. The



major share of the revenue from sale of power (2994.46 lakh) is to the HT – Industrial [HT-I(A) & I(B)] category based on sale of 443.91 lakh units which about 78.28% of total sale of power. **The Commission hereby approves the revenue from sale of power at Rs.3880.28 lakh for the purpose of Truing Up of Accounts for the year 2019-20.**

**Non-Tariff Income: -**

65. In their Truing Up of Accounts petition, the licensee has claimed the non-tariff income for the year 2019-20 as Rs.124.36 lakh as against the approved amount of Rs 111.43 lakh in the ARR&ERC Order. The licensee has submitted that, Rs.92.40 lakh is towards interest on investments and bank balance and Rs.18.12 lakh is interest on the security deposit held by KSEB Ltd. The Non-tariff income claimed by the licensee for the year 2018-19 and 2019-20 are summarized below.

Table 19  
Details of Non-Tariff Income for the year 2018-19 and 2019-20

Particulars	2018-19 Trued Up (Rs. lakh)	2019-20 As per Truing Up Petition (Rs. lakh)
Income from sale of scrap.	-	11.51
Interest on investments, fixed and calls deposits and bank balances.	92.69	92.40
Interest on security with KSEB Ltd	19.57	18.12
Miscellaneous Receipts	0.02	0.09
Commission for collection of electricity duty	1.37	1.24
Meter/service line rentals	0.94	1.00
<b>Grand Total</b>	<b>114.60</b>	<b>124.36</b>

66. As per the details submitted, the Non-tariff income include interest on fixed and bank balances, interest on advances, commission for collection of electricity duty etc. The claim of the licensee for the year 2019-20 is higher than the actual non-tariff income in 2018-19. Compared to previous year there is an increase of 42.31% in Security Deposit held with KSEB Ltd during the year 2019-20 i.e., Rs.412.68 lakh in 2019-20 and Rs.289.99 lakh in 2018-19. There is also a decrease in interest on security deposit on KSEB Ltd during the year 2019-20 compared to previous year.
67. The licensee stated on their clarification dated 12-08-2021 that, the security deposit with KSEB Ltd was increased in March 2020 (18-3-2020) from the existing amount of Rs.289.99 lakh to Rs.412.68 lakh in connection with the enhancement of Contract Demand from 10 MVA to 13 MVA as per KSEB Ltd requirement. Since

the security deposit was enhanced in March 2020 only, interest on the additional Security Deposit will be available only in 2020-21 as per the provisions of the Supply Code. The licensee further stated that, the reduction in interest on Security Deposit from Rs.19.57 lakh in FY 2018-19 to Rs. 18.12 lakh in FY 2019-20, is due to the reduction in the bank rate from 6.75% in 2018 to 6.25% in 2019. The licensee also submitted that, the sale of scrap amounting to Rs.11.51 lakhs is after adjusting the tax and commission and the 26.100 MT of scrap was sold @ Rs.31,500/- by public auction.

68. The Commission examined the details furnished by the licensee. The licensee is holding an accumulated surplus at the beginning of the year 2019-20 of Rs.1214.94 lakh as per the Order on the Truing Up of Accounts for the financial year 2018-19 dated 18-12-2020. As shown in Table 13, the Commission has approved capital additions of Rs.606.67 lakh till 2019-20 from the accumulated surplus. Considering this capital expenditure, the balance regulatory surplus is available for interest income is Rs.608.27lakh (Rs.1214.94 lakh – Rs.606.67 lakh). Based retail term deposit rate of SBI for a tenor of one year as on 01-04-2019 is 6.80%, the interest income would be Rs.41.36 lakh. However, the licensee has shown a higher amount of Rs.92.40 lakh as the Interest income on investments, fixed and calls deposits and bank balances. The Commission notes that the licensee is yet to provide the details of deposits/sources from which the differential income of Rs.51.04 lakh (Rs.92.40 lakh-Rs.41.36 lakh) has been accounted. Such unexplained balances/differences should be enquired into and the accounts set right.
69. ***The Commission therefore directs the licensee to submit the complete details of all deposits held in the distribution business along with details of interest received within 3 months of the date of this order. Hence, the Commission provisionally approves the non tariff income of Rs.124.36 lakh as claimed by the licensee for Truing Up of Accounts of 2019-20.***

### **Revenue Surplus after Truing Up of Accounts for 2019-20**

70. The approved Total Expenditure and Total Revenue for the year 2019-20 after truing up is Rs.3828.05 lakh and 4004.64 lakh. As against the approved revenue surplus of Rs.35.48 lakh for the year 2019-20, the licensee in the petition for Truing Up of Accounts claimed a revenue surplus of Rs.135.49 lakh. The revenue surplus after the truing up is Rs.176.59 lakh as shown below:

Table-20  
Approved Truing Up of account for the year 2019-20

Particulars	2019-20		
	Approved in ARR Order (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Approved in Truing up (Rs. lakh)
Revenue from Sale of Power	3743.83	3880.28	3880.28
Other Income	111.43	124.36	124.36
<b>Total Income</b>	<b>3855.26</b>	<b>4004.64</b>	<b>4004.64</b>
Purchase of Power	3524.40	3582.29	3582.29
R&M Expenses	201.49	5.20	192.29
Employee Cost		138.96	
A &G Expenses		29.73	
Depreciation	72.03	76.93	36.65
Return on Equity	21.86	36.04	16.82
<b>Total Expenditure</b>	<b>3819.78</b>	<b>3869.15</b>	<b>3828.05</b>
<b>Net Surplus/(Deficit)</b>	<b>35.48</b>	<b>135.49</b>	<b>176.59</b>

### Orders of the Commission

71. The Commission after considering the petition filed by M/s. CSEZA for Truing up of Accounts for the year 2019-20 and the clarifications and details provided by the licensee approves the following:
- a) Total income is **Rs. 4004.64 lakh**
  - b) Total expenditure is **Rs.3828.05 lakh**
  - c) The revenue surplus for the year is **Rs.176.59 lakh**
  - d) The cumulative revenue surplus at the beginning of the year 2019-20 was Rs.1214.94 lakh. The accumulated revenue surplus thus, at the end of the year 2019-20 would be Rs.1391.53 lakh (Rs.1214.94 lakh + Rs.176.59 lakh). However, the licensee has made investments to the tune of Rs.606.67 lakh for capital expenditure. **Thus, the balance available surplus is Rs.784.86 lakh (Rs.1391.53 lakh – Rs.606.67 lakh).** The licensee shall keep the surplus arrived at after the Truing Up of Accounts in a separate fund and utilize it as per orders of the Commission.

## Directives

72. The Commission issues the following directives for compliance by the licensee:
- a) In order to facilitate the Commission to arrive at the employee requirement and deployment norms, it is directed that the licensee shall file a petition with the complete list of workers/staff, their qualification, place of deployment, category, salaries, wages and all other benefits paid to them within three months of the date of issue of this Order.
  - b) The licensee shall take steps to bring expense towards operation and management of prepaid metering system to acceptable levels by tendering once the current contract period is over.
  - c) Licensee shall submit the complete details of all deposits held in the distribution business along with details of interest received, within three months of the date of this order.
73. The petition is disposed of. Ordered accordingly.

Sd/-

Adv. A.J. Wilson  
Member (Law)

Sd/-

Preman Dinaraj  
Chairman

Approved for issue

Sd/-

Secretary (i/c)