

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

OA 07/2016

In the matter of Application for the approval of revised ARR & ERC for the year 2016-17 filed by M/s Technopark as per the provisions of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014.

Applicant : M/s Electronics Technology Park, Kerala (Technopark)
Park Centre, Technopark Campus,
Thiruvananthapuram- 695 581

PRESENT : Shri. T.M.Manoharan, Chairman
Shri.K.Vikraman Nair, Member
Shri.S.Venugopal, Member

ORDER DATED 16.11.2016

1. M/s Technopark, Thiruvananthapuram, is a deemed distribution licensee for distribution of electricity in the Technopark campuses. The license for distribution was originally given by Government of Kerala as per government order No. G.O.(P) No.19/99/PD dated 12-7-1999. The Technopark has now four phases: Phase I, which is the existing park (156 Acres). Phase II (86 acres) is leased out to M/s.Infosys and M/s.UST Global. Phase III extending over 93 acres of land, adjacent to Phase I is also a special economic zone (SEZ). Phase IV is the Technocity (450 acres). Technopark, Kollam (44 acres) is also part of its expansion. M/s Technopark is the distribution licensee for all the above campuses.
2. M/s Technopark vide letter No. ETPK/KSERC/2015-16/1317 dated 26th December 2015, submitted an application for the approval of revised ARR and ERC for the year 2016-17. The Commission vide its order dated 11.04.2016 in OA 35/2015 had approved the ARR & ERC of M/s Technopark for the first control period (2015-16 to 2017-18) as per the KSERC (Terms and Conditions for determination of Tariff) Regulations, 2014. After approving the order dated 11.04.2016 on the original ARR&ERC for the entire control period, the Commission processed the revised application submitted and admitted the

same as OA No. 07/16. The licensee had submitted the additional clarifications required on the application vide letter dated 09-05-2016. Public hearing on the application was held on 29-06-2016. The Commission directed the applicant to submit on or before 22-07-2016, the written statements on the clarifications sought for by the Commission, after the hearing and to submit additional remarks, if any on the comments made by KSEB Ltd. The licensee vide the letter dated 25-07-2016, submitted the clarifications and the necessary documents which are considered for the final approval of the revised ARR & ERC for the year 2016-17.

3. As per the revised application submitted, the licensee proposed changes in all heads in the revenue and expenditure side which are tabulated hereunder:

Table-1

Revised ARR & ERC for the year 2016-17 contained in the application (Rs. Lakh)

Particulars	2016-17		
	Approved as per order dated 11-04-2016	Revised Projection	Difference
Revenue from Sale of Power.	5670.43	5920.70	250.27
Other Income	45.21	49.53	4.32
Total Income	5715.64	5970.23	254.59
Purchase of Power	4966.70	5407.03	440.33
Depreciation	121.92	149.30	27.38
Interest & Finance Charges	84.40	142.00	57.60
Interest on Security Deposit	-	79.94	79.94
Employee Cost	20.99	313.76	292.77
R&M Expenses	106.40	12.67	-93.73
A&G Expenses	51.62	180.34	128.72
Return on Equity	36.12	66.60	30.48
Total Expenditure	5388.15	6351.64	963.49
Net Surplus (+)/(Deficit)(-)	(+)327.49	(-)381.41	

Hearing on the Matter

4. Public hearing on the application for approval of the revised ARR & ERC was held at the Conference Hall, Park Centre, Technopark, Thiruvananthapuram on 29.06.2016. In the hearing representatives of the licensee and KSEB Ltd were

present. The applicant was represented by Sri. S.Ramnath, CEO, Smt. Jayanthi.L, Chief Financial Officer, Sri. E.V.Einstein, Assistant Manager (Electrical) of Technopark. Sri. E.V.Einstein, Assistant Manager (Electrical) presented the details of the application for the approval of revised ARR & ERC for the year 2016-17 filed under the MYT framework as per the KSERC (Terms and Conditions for determination of Tariff) Regulations 2014 and provided clarifications on the queries of the Commission.

5. KSEB Ltd. was represented by Sri.V.K,Joseph, Chief Engineer (C&T), Smt. Meharunisa, Executive Engineer (TRAC), Sri.K.G.P.Namboothiri, Executive Engineer (TRAC) and Sri.Manoj.G, Assistant Executive Engineer (TRAC). Sri.Manoj.G, Assistant Executive Engineer (TRAC), KSEB Ltd. presented the observations/comments of KSEB Ltd and submitted written remarks on the application which are abstracted below.

- (a) As the licensee is having more than one area of supply, it shall submit separate calculation for each area of supply as per Regulation 11(14) of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2014.
- (b) The licensee had estimated a T&D loss of 5.55% as against the approved distribution loss reduction target of 3.80% for the year 2016-17. It was submitted that the Hon'ble Commission may disallow the claim for distribution loss higher than the approved level of 2016-17 as it is a controllable item.
- (c) The projection of the licensee on the operation and maintenance cost such as R&M expenses, Employee cost and A&G expenses are higher than the same approved by the Commission. It was submitted that the operation and maintenance cost such as R&M expenses, Employee cost and A&G expenses may be limited to the norms fixed by the Commission.
- (d) It was submitted that huge infrastructural investments for providing higher quality service should either be recovered from the beneficiary consumers within the area of supply or through appropriate financial assistance from the Government. The cost incurred for such investments may not be allowed to be passed on to the consumers of KSEB through BST

applicable to Technopark. It was further requested that the Commission may fix a ceiling of such infrastructural investments made by the licensee.

- (e) The claim of the licensee on the interest and finance charge for the huge capital expenditure without the approval of the Commission may be declined.
 - (f) The Commission may allow depreciation only after considering the vintage of the assets and after due consideration of the details pertaining to the age of the assets. It was further submitted that the depreciation may be allowed in accordance with the KSERC (Terms and Conditions for determination of Tariff) Regulations 2014.
 - (g) It was submitted that the return on equity estimated by the licensee was after the consideration of the huge capital expenditure prior to the approval of the Commission. The Commission may allow only the return on equity as per the KSERC Tariff Regulations, 2014.
6. The Commission sought for clarifications on various aspects of the application and directed that the licensee should submit the necessary details to the Commission for proper financial analysis. The Commission also reminded that the licensee should submit all the applications for the approval of ARR&ERC, tariff petition and truing up of accounts of relevant years strictly in line with the provisions of the Electricity Act, 2003 and KSERC (Terms and Conditions for determination of Tariff) Regulations 2014 and as per time schedule specified therein. Non compliance of the Regulations shall force the Commission to initiate suo-motu actions.

Analysis and decision of the Commission

7. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014 (hereinafter referred as Tariff Regulation, 2014). The said regulations are effective from 14-11-2014, and provide for filing of ARR&ERC application in a multi-year framework. As per the said regulations, the application for approval of ARR&ERC is to be filed for a control period of three years ie., for 2015-16 to 2017-18. M/s Technopark had submitted its application dated 26.12.2015 for approval of ARR&ERC for the said three years. The Commission on 11-04-2016 had issued order in OA 35/2015 on

finalising of the application for ARR & ERC for the first control period (2015-16 to 2017-18).

8. The sub regulation (2) of Regulation-11 of the Tariff Regulation, 2014, provide as under:

(2) Every generating business/company or transmission business/licensee or distribution business/licensee or state load despatch centre shall file, on or before the Thirtieth day of November of every subsequent financial year during the control period, the following applications:

a) Application for approval of revised aggregate revenue requirement, if any, for the ensuing financial year and determination of tariff for the ensuing financial year:

b) Application for Truing up of aggregate revenue requirement for the previous financial year:

Provided that truing up for the financial years of the previous control period prior to the introduction of MYT framework shall be carried out under relevant Regulations applicable to the respective periods.

9. M/s Technopark has filed the revised application as per the sub regulation (2) of regulation 11 of the Tariff regulation, 2014. The Commission has considered the revised application filed for the year 2016-17 as per the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2014, clarifications filed by the licensee, oral submissions during the hearing and the observations presented by the KSEB Ltd on the application. The decisions of the Commission are given in the following paragraphs.

10. **Number of Consumers:**

The number of consumers, shows an increasing trend as per application on the revised ARR the year 2016-17. The details of the projected increase in the number of consumers are tabulated below.

Table-2
Technopark–details of consumer strength

Category	No. of Consumers	
	2016-17 ARR Approved	2016-17 Revised ARR
HT-I B	20	22
HT - II	2	1
HT - IV	3	1
LT IV(A)	14	12
LT IV(B)	340	489
LT - VI (A)	2	1
LT - VI (B)	9	9
LT VI (C)	37	36
LT VI F Single phase	32	38
LT VI F Three phase	26	38
LT VII (A) Single phase	43	63
LT VII (A) Three phase	65	75
LT VII (B)	14	15
Self Consumption	3	3
Street Lighting	15	15
Total	625	818

From the details provided in the application it is seen that the licensee has forecast an increase in consumer base by about 30% than that from the approved levels. The increase in absolute numbers has been maximum in LT(IV)B category. LT IV (B) category accounts for more than 50% of the total consumer base. Projection of consumption and demand of electricity is made taking into consideration the increase in power consumption by the existing consumers and the expected consumption from new consumers.

11. Sale of Power:

The Commission vide order dated 11-04-2016 has approved the energy sale for the year 2016-17 at 81.79 MU. The licensee in the revised ARR for the year 2016-17 has estimated an energy sale of 86.04 MU, up by 5% from the earlier approved levels. According to the licensee, the increase in sale of energy is on

account of the expected increase in consumer strength. The details are given below.

Table-3
Technopark–Details of consumer strength and estimated sales

Category	2016-17 Revised ARR	
	No. of Consumers	Estimated sales MU
HT-I B	22	34.03
HT - II	1	0.34
HT - IV	1	0.95
LT IV(A)	12	0.39
LT IV(B)	489	47.09
LT - VI (A)	1	0.01
LT - VI (B)	9	0.17
LT VI (C)	36	0.26
LT VI F Single phase	38	0.08
LT VI F Three phase	38	1.10
LT VII (A) Single phase	63	0.12
LT VII (A) Three phase	75	0.91
LT VII (B)	15	0.02
Self Consumption	3	0.28
Street Lighting	15	0.29
Total	818	86.04

12. Taking into consideration the expansion activities and expected increase in consumer strength, the Commission hereby approves the revised sales of energy as estimated by the licensee for the year 2016-17.

Energy requirement: -Distribution Loss and Energy Requirement:

13. As per the revised application, the licensee has estimated the energy input at 91.10 MU on the increased demand of 86.04 MU for the year 2016-17 as against 85.02 MU approved by the Commission vide the order dated 11-4-2016. Further, the loss reduction target approved vide the order dated 11-4-2016 was 3.80%. In the revised application, the licensee has projected a distribution loss of 5.55 % for the year 2016-17. The details are tabulated below.

Table-4**Technopark–Details of distribution loss level proposed by Licensee**

Particulars	2016-17	
	ARR approved	Revised estimate
Total Energy sales (MU)	81.79	86.04
Distribution loss(MU)	3.23	5.06
Total Energy Requirement (MU)	85.02	91.10
Distribution loss (%)	3.80%	5.55%

14. As detailed above, as per the revised application, the distribution loss target for the year 2016-17 is pegged at 5.55% by the licensee, as against the distribution loss target of 3.80% approved by the Commission for the year 2016-17. The Commission had noted that the licensee as per their Truing up application for 2011-12 had claimed only 3.59% as distribution loss which was raised to 6.80% during 2012-13 true up. The licensee had also mentioned that the revision was based on a study. However, no plausible reasons for the increase from the earlier reported levels have been submitted. The Commission is of the view that the distribution loss estimated by the license is on the higher side. The distribution loss is a controllable factor and lower distribution loss is a measure of better performance of the utility. Considering the limited area of operation of the Technopark, there is no justification to fix a higher distribution loss level from the approved level of 3.80%. Hence, Commission hereby maintains the earlier approved level of the distribution loss target for the year 2016-17 at 3.80%. Accordingly, the quantum of power purchase approved for the year 2016-17 is detailed below.

Table-5**Technopark– Distribution loss and quantum of power purchase approved 2016-17**

Particulars	MYT Order	Revision Approved
Energy Sold (MU) (approved)	81.79	86.04
Distribution Loss level approved (%)	3.80%	3.80%
Distribution loss(MU)	3.23	3.40
Power purchase requirement (approved) (MU)	85.02	89.44

15. Cost of Power Purchase:

As per the revised application, the quantum of power purchase from KSEB Ltd estimated by the licensee is 91.10 MU for distributing 86.04 MU to the consumers

for the year 2016-17. The cost of power purchase estimated at the prevailing BST applicable to the licensee is Rs 5407.03 lakh, which includes Rs 76 lakh as cost for purchasing REC for meeting the RPO during the year 2016-17. The details are given below.

Table-6
Technopark-Projected Cost of Power Purchase by the licensee for 2016-17

Particulars	2016-17
Energy requirement (MU)	91.10
Maximum demand billed (KVA)	22614
Rate of demand charge (Rs./kVA)	300
Demand charges (Rs.lakh)	912.74
Rate of energy charges (Rs.kWh)	4.85
Energy charges (Rs.lakh)	4418.29
Procurement of Non Solar REC (Rs lakh)	76.00
Total cost of power purchase (Rs lakh)	5407.03

16. As per the KSERC (Renewable Energy) Regulation, 2015, all the licensees in the State including M/s Technopark have to meet the solar and non-solar renewable purchase obligation (RPO) as specified therein. In case any licensee is unable to generate or purchase renewable energy, such licensee has to purchase renewable energy certificate for making up the deficit, if any, in meeting its RPO. In this regard it has to be noted that while purchasing REC, the licensee is spending money without actually getting any energy. Therefore purchase of REC has to be resorted to only if renewable energy is not available for purchase. In recent years, the generation of renewable energy in our country, has increased manifold. Solar plants are coming up in a big way in the States such as Rajasthan, Gujarat, Madhya Pradesh, Andhra Pradesh, Telungana, Tamil Nadu and Karnataka. Government of India have proposed to construct dedicated transmission lines for renewable energy (green corridor). Government of India have also issued policy directives to the effect that transmission charges and transmission loss shall be waived for renewable energy. Government of India have also intimated that the licensees should purchase renewable energy through tenders. It is informed that the cost of solar energy per unit is below Rs.5/-. The rate of power purchased by the licensee from KSEB Ltd is estimated at Rs.5.85 per unit. As per the provisions of the KSERC (Renewable Energy)

Regulation, 2015, purchase of solar energy is sufficient for meeting non-solar RPO as well. Hence if the Technopark purchases solar energy through a transparent tender process, it would be able to meet both solar and non-solar RPO at a reasonable rate which in all likelihood would be below Rs.5/- per kWh. The licensee need not pay inter-state transmission charges and incur transmission loss on inter-state transmission lines in view of the recent directions of Government of India. If the licensee purchases REC, it will have to spend money without getting any energy. If solar energy is purchased by the licensee, it can reduce the quantum of energy to be purchased from KSEB Ltd and at the same time it can meet the RPO. Thus by purchase of solar energy the licensee will be able to meet both solar and non-solar RPO at reasonable rate without any extra expenditure to the licensee. Therefore the Commission is not inclined to approve any amount towards purchase of REC. Purchase of solar energy by tender process will ultimately result in reduction of cost of power purchase considering the rate of Rs.5.85 per kWh for the energy purchased from KSEB Ltd. and the rate of about Rs.5/- per kWh for solar energy.

17. The cost of power purchase claimed by the licensee excluding the cost of purchase of non-solar REC is (5407.03-76) Rs 5331.03 lakh for purchasing 91.10 MU from KSEB Ltd @Rs 5.85/unit. However, as per the Table-5 above, the quantum of power purchase approved for the year 2016-17 is 89.44 MU only at the approved loss level of 3.80%. Accordingly, the cost of power purchase approved for procuring 89.44 MU from KSEB Ltd is revised and approved by the Commission for the year 2016-17 as Rs 5232.00 lakh only, .at the average power purchase rate of Rs 5.85/unit

Table-7

Technopark – Cost of power purchase approved for the year 2016-17(Rs. Lakh)

Particulars	MYT order dated 11-4-2016	Revised application	
		Claimed	Approved
Cost of power purchase	5058.00	5407.00	5232.00

18. **Interest and Finance Charges:** The interest and finance charges claimed as per the revised application for the year 2016-17 is Rs.142.00 lakh, against the approved amount of Rs 84.40 lakh.
19. While approving the ARR&ERC for the control period 2015-16 to 2017-18, the Commission had approved the interest & finance charges at Rs 76.73 lakh, Rs 84.40 lakh, Rs 92.84 lakh respectively for the years 2015-16, 2016-17 and 2017-18, as claimed by the licensee. Further, the licensee has provided details of the loans, capital investments etc. However, in the revised application the licensee has claimed Rs 142.00 lakh as interest and finance charges. Though the licensee has provide some details of the outstanding loans based on the directives of the Commission, it is seen that the major source of funds earmarked for development purpose is from Government grants. Some details of loan intended to be raised from financial institution is also provided. However from the write up submitted for the capital projects, it is seen that no bank loans have been availed. Hence Commission cannot approve the additional claim of interest and finance charges claimed by the licensee. Therefore, Commission decides not to revise the provisionally approved estimate of Rs.84.40 lakh as interest and finance charges for the year 2016-17.
20. Further, the licensee has claimed Rs.79.94 lakh as interest on security deposit for the year 2016-17. As per the audited accounts submitted by the licensee for the financial year 2013-14, it is noted that the total interest charges including interest on customer deposit is only Rs.68.66 lakh. Accordingly, the interest on security deposit claimed by the licensee amounting to Rs.79.94 lakh cannot be approved by the Commission. On the basis of audited accounts of electricity business of 2013-14 and the distribution of the interest expenses amongst the various head, the Commission is of the view that approved estimate of Rs.84.40 lakh will be a prudent level and will include the interest charges on security deposit. The Commission will take a final view on this once the accounts, after statutory audit, are made available for the purpose of truing up of accounts.
21. Accordingly, the interest and finance charges approved as per the revised application for the year 2016-17 is detailed below.

Table-8
Technopark- Interest & finance charges- claimed and approved for the year 2016-17

Particulars	<i>Claimed in the original ARR under MYT for the control period 2015-16 to 2017-18</i>	<i>Approved vide the order dated 11-4-2016</i>	<i>Claim as per the revised application</i>	<i>Approved as per the revised application</i>
	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)
Interest & Finance charges	84.40	84.40	142.00	84.40

22. **Depreciation:** The Commission vide the order dated 11-4-2016 had approved the depreciation for the year 2016-17 at Rs 121.92 lakh, however in the revised application, the licensee has claimed the depreciation for the year 2016-17 at Rs 149.30 lakh. The details are given below.

Table-9
Technopark–Details on Depreciation for 2016-17 (Rs. Lakh)

Particulars	Depreciation %	Depreciation approved for 2016-17 in order dated 11-04-2016		Depreciation claimed as per the revised application	
		Gross Fixed Assets	Depreciation	Gross Fixed Assets	Depreciation
Other Civil works	3.34	188.95	6.31	188.95	6.31
Transmission Lines	5.28	661.94	34.95	661.95	34.95
HV Distribution system	5.28	83.28	4.40	478.20	25.25
Sub-station equipment	5.28	2027.75	107.07	2072.45	109.43
Distribution lines	5.28	24.41	1.29	24.41	1.29
Meters	5.28	2.53	0.13	2.54	0.13
Any other items	5.28	1.70	0.09		
Subtotal		2990.56	154.24	3428.50	177.36
Less: Consumer contribution	5.28	612.06	32.32	531.45	28.06
Total		2378.50	121.92	2897.05	149.30

23. In the revised application, the licensee has claimed depreciation on the new assets on HT distribution system costing Rs.394.20 lakh and substation equipment costing Rs.44.70 lakh. During the public hearing held on 29-6-2016, the Commission has directed the licensee to submit the details of the capital

investments as claimed in the petition. The licensee has submitted a list of the major capital investment proposed. The following are the major investment proposed by the licensee:

- a. Augmentation of existing power transmission system of KSEBL for catering the additional power requirement of Technopark Campuses. The estimate amount of this project comes to Rs.60.9 crore and as per the financing plan submitted, it is seen that the project is planned to be funded by Rs.50 crore Government grant and Rs.10.90 crore from internal funds.
 - b. 11 kV power distribution system at the south and south east side of Technopark Phase-III campus. The estimated cost of the project is Rs.2.65 crore, of which Rs.1.85 crore will be financed by bank loans and Rs.0.80 crore through retained earnings.
 - c. SITC of HT panels at 110 kV Substation Technopark Phase-III campus. The estimated cost of the project is Rs.41.30 lakhs to be financed from internal funds.
 - d. Grid connected Solar Photo Voltaic Plant at Technopark Phase -III campus. The estimated cost of the project is Rs.1.7 crore and the main source of finance are bank loan Rs.1.01 crore, MNRE subsidy Rs. 25 lakh and internal funds Rs.44 lakh.
 - e. 110 kV Main Receiving Substation in Technocity Campus. The estimated cost is Rs.15 crore and is fully financed by Government Grant.
24. It is seen from the above proposals that, of the total Rs.68 crore additionally proposed for the capital investments, Rs.65 crore is planned to be financed through Government grants. Fixed assets financed by Government grants do not qualify for depreciation as per the relevant Accounting Standards. Moreover the Commission has stated that, in the process of truing up, the Commission may, after prudence check, approve the depreciation on the new assets created and capitalized, provided such investments are incurred with the approval of the Commission.
25. Considering these factors, the Commission has decided not to revise the amount approved towards depreciation vide the order dated 11-4-2016, for the year 2016-17 and decides to retain the amount of Rs.121.92 lakh towards depreciation.

26. Commission approves the above projects for being taken up by the licensee. However once the projects are commissioned, the detailed estimate as well as the actual amount spent shall be submitted to the Commission along with the details such as the date of financial closure, source of actual financing, date of commencement of project implementation, time lines for completion of projects, date of commercial operation and time and cost overrun of the project with financial implications, if any.
27. **O&M Expenses:** The O&M expenses approved for the year 2016-17 as per the order dated 11-4-2016 and the same as per the revised application for the year 2016-17 are detailed below.

Table-10

O&M Norms for distribution business as approved vide the order dated 11-4-2016 and the same claimed as per the revised application (Rs. lakh)

O&M Expenses	ARR order dated 11-4-2016	Revised application
Employee Cost	20.99	313.76
R&M expense	106.4	12.67
A&G expense	51.62	180.34

28. **Employee cost:** As detailed above, vide the order dated 11-4-2016, the Commission had approved the employee cost for the year 2016-17 as Rs 20.99 lakhs, as per the provisions in the Tariff Regulations, 2014. But in the revised application, the licensee has claimed the employee cost at Rs 313.76 lakh. The licensee has stated that, out of the employee cost claimed, Rs.277 lakh is towards cost of contract labour, which was earlier booked under R&M cost.
29. During the public hearing held on 29-6-2015, the Commission has clarified that, with regard to a person engaged on contract basis against a sanctioned post, the cost incurred can be accounted under the head 'employee costs'. In the instant case, it is seen that the amount booked under employee cost is the amount of contract amount paid to the contractor for maintaining the distribution system of the licensee. Since the contract of repairs and maintenance has been outsourced to a third party, the labourer engaged on contract basis for repair and maintenance purpose will form part of 'repair and maintenance cost' only and

cannot be included under employee cost. The commission had asked for details of contract labourers employed by the contractor and the licensee has provided the details. It is seen that there are 32 Operators, 38 Assistant Operators, 3 maintenance technicians and 11 assistant technicians in Phase I campus.. Taking into consideration the consumer strength and limited area of operation, the Commission directs that the licensee should resort to a prudent work study and decide on an optimum level of employees in Phase I campus and re-negotiate the labour cost component with the contractor.

30. Based on the above observations, the Commission maintains the employee cost for the year 2016-17 as Rs 20.99 lakh as approved by the Commission vide the order dated 11-4-2016 for the year 2016-17.

Table-11
Technopark- Employee cost approved as per the revised application for the year 2016-17(Rs. Lakh)

Particulars	ARR order dated 11-4-2016	Claimed in the revised application	Approved vide the revised application
Employee cost	20.99	313.76	20.99

31. **Repair and Maintenance expenses:** In the order dated 11-4-2016, the Commission had approved Rs 106.40 lakh as repair and maintenance cost for 2016-17. However, in the application, the repair and maintenance cost estimated by the licensee is Rs.12.67 lakh. The licensee has stated that, earlier, the cost of contract labour was booked under R&M expenses, however in the revised application; the same was booked under employee cost. As stated by the Commission under paragraph-29 above, the Commission cannot allow the cost of contract labour to be booked under employee cost.
32. While approving the R&M expenses as per the original order dated 11-4-2016, the Commission has approved the R&M expenses for the year 2016-17 at Rs 106.40 lakh, based on the past actual and also the escalation rates as per the Tariff regulation, 2014. The licensee has not submitted valid reasons with sufficient supporting documents necessitating any change from the amounts already approved vide the order dated 11-4-2016. Hence, the Commission approves the R&M expense for the year 2016-17 at Rs 106.40 lakh.

Table-12

**Technopark– R&M expenses approved as per the revised application
for the year 2016-17 (Rs. Lakh)**

Particulars	ARR order dated 11-4-2016	Claimed in the revised application	Approved vide the revised application
R&M expenses	106.40	12.67	106.40

33. **Administration and General Expenses:** - While approving the ARR&ERC for the first control period 2015-16 to 2017-18, the Commission had approved the A&G expenses for the year 2016-17 at Rs.51.62 lakh. In the revised application, the licensee has claimed the A&G expense for the year 2016-17 at Rs. 180.34 lakh, which includes Rs.72.13 lakh as the security charges and Rs.50.47 lakh for Electricity Duty under section 3 of the Kerala Electricity Duty Act 1963.
34. The Commission has already taken a position with regard to the inclusion of security personnel cost in the distribution business segment and has been discussed in the previous order, that arrangement of security for the park is the responsibility of the Park business, and security, if any, for electrical installations only can be charged to distribution business. As a major expense item booked under A&G expense the licensee has also claimed Rs.50.47 lakh as the duty under sub-section (1) of Section 3 of the Kerala Electricity Duty Act, 1963 (hereinafter referred to as Section 3 (1) duty). The Commission had already viewed that the electricity duty under Section 3 (1) of the Kerala Electricity Duty Act, 1963, is payable by the licensee to the Government and the duty paid by the licensee under Section 3 (1) cannot be passed on to the consumers and therefore it cannot be claimed as an expenditure in the ARR.
35. While approving the A&G expense for the year 2016-17 as per the order dated 11-4-2016, the Commission had approved the A&G expenses for the year 2016-17 at Rs 51.62 lakh, based on the past actual and the annual escalation factors as provided in the Tariff Regulation, 2014. In the absence of any new prudent reasoning which would warrant a re-look into the matter, the Commission is not inclined to change the A&G expense for the year 2016-17 as approved by the Commission vide the order dated 11-4-2016 of Rs 51.62 lakh,

Table-13

**Technopark– A&G expenses approved as per the revised application
for the year 2016-17(Rs. Lakh)**

Particulars	ARR order dated 11-4-2016	Claimed in the revised application	Approved vide the revised application
A&G expense	51.62	180.34	51.62

36. **Return on Equity:** While approving the ARR&ERC of M/s Technopark for the first control period 2015-16 to 2017-18 vide the order dated 11-4-2016, the Commission had approved the RoE as Rs 36.12 lakh, at 3% of NFA as per the sub regulation (2) of regulation 29 of the Tariff Regulations, 2014. The details are given below,

Table - 14

Technopark-Return on Investment approved for 2016-17 (Rs. Lakh)

Particulars	2016-17
Gross Assets (after adjusting consumer contribution)	2378.50
Cumulative Depreciation as on 01-04-2015	1174.63
Depreciation approved during the year 2015-16	121.92
Net Fixed Assets as on beginning of FY	1203.87
Rate of Return	3.00%
RoE allowed	36.12

37. In the revised application, the licensee has claimed the RoE as Rs 66.60 lakh. The details are given below.

Table-15

Technopark –Revised RoE claimed during 2016-17 (Rs. Lakh)

Year	2016-17
NFA at the beginning of the year	2220.07
Return on Equity	66.60

38. The Commission has not approved any asset addition during the control period 2016-17 & 2017-18 and therefore, there may not be any change in the NFA at the beginning of the year 2016-17. Hence the Commission decides not to revise the approved estimate of Rs.36.12 lakh towards RoE for 2016-17 as detailed under Table-13 above.
39. **Aggregate Revenue Requirement:** The Aggregate Revenue Requirements approved for the control period are summarised below.

Table 16
Technopark -Details of Aggregate Revenue Requirement for 2016-17 (Rs. Lakh)

Particulars	2016-17		
	Approved as per order dated 11-04-2016	Claimed as per the revised application	Approved as per the revised application
Purchase of Power	4966.70	5407.03	5232.00
Depreciation	121.92	149.30	121.92
Interest & Finance Charges	84.40	142.00	84.40
Interest on Security Deposit	0.00	79.94	0.00
Employee Cost	20.99	313.76	20.99
R&M Expenses	106.40	12.67	106.40
A&G Expenses	51.62	180.34	51.62
Return on Equity	36.12	66.60	36.12
Total Expenditure	5388.15	6351.64	5653.45

40. **Revenue from Tariff:**

The licensee has estimated total revenue from sale for power of Rs.5920.70 lakh for the year 2016-17 as against approved revenue of Rs.5670.43 lakh. The increase in revenue from sale of power is due to the expected increase in energy consumption during the year 2016-17. The revenue from sale of power claimed by the licensee as per the revised application is detailed below.

Table-17
Technopark - Revenue Projections for 2016-17 (Rs.Lakh)

Category	2016-17 Revised ARR			
	No. of Consumers	Estimated sales MU	Estimated Revenue (Rs. Lakh)	Avg tariff (Rs/ kWh)
HT-I B	22	34.03	2287.08	6.72
HT - II	1	0.34	22.80	6.71
HT - IV	1	0.95	62.80	6.61
LT IV(A)	12	0.39	24.69	6.33
LT IV(B)	489	47.09	3235.81	6.87
LT - VI (A)	1	0.01	0.35	3.50
LT - VI (B)	9	0.17	12.74	7.49
LT VI (C)	36	0.26	25.76	9.91
LT VI F Single phase	38	0.08	6.61	8.26
LT VI F Three phase	38	1.10	106.37	9.67
LT VII (A) Single phase	63	0.12	10.75	8.96
LT VII (A) Three phase	75	0.91	93.92	10.32
LT VII (B)	15	0.02	1.36	6.80
Self Consumption	3	0.28	19.04	6.80
Street Lighting	15	0.29	10.35	3.57
Total	818	86.04	5920.70	6.88

41. The revenue from sale of power claimed by the licensee is as per the prevailing RST applicable to the different categories of the consumers. The Commission provisionally approves the revised estimates on the revenue from sale of power as projected by the licensee for the year 2016-17.
42. **Non-Tariff Income:** The licensee has projected non-tariff income for the year considering the income from statutory investments and interest on investments, bank deposits and bank balances. The Commission in the order on ARR had approved the non-tariff income of Rs.45.21 lakh for the year 2016-17 as projected by the licensee. In the revised application submitted, the licensee projects the non tariff income at Rs.49.53 lakh for 2016-17. The projection of the licensee is shown below.

Table 18
Technopark- Estimate of Non-tariff income for 2016-17

Particulars	Approved as per MYT Order	Revised Projection
Income from statutory investments	12.71	17.60
Interest on investments, bank deposits and bank balances	32.00	30.00
Misc. recoveries	0.50	0.80
Revenue from late payment surcharge	-	1.13
Total	45.21	49.53

The licensee has also projected an amount of Rs.1.13 lakh to be received as Revenue from late payment surcharge. Commission provisionally approves the revised non-tariff income as estimated by the licensee.

43. **Revenue Surplus/Gap:**

The revenue surplus/gap for the control period as estimated by the licensee and that approved by the Commission are as follows

Tabel-19
Technopark - Approved by the Commission for 2016-17 (Rs. in lakh)

Particulars	Approved as per order dated 11-04-2016	Revised Projection	Revision Approved
Revenue from Sale of Power.	5670.43	5920.70	5920.70
Other Income	45.21	49.53	49.53
Total Income	5715.64	5970.23	5970.23
Purchase of Power	4966.70	5407.03	5232.00
Depreciation	121.92	149.30	121.92
Interest & Finance Charges	84.40	142.00	84.40
Interest on Security Deposit	0.00	79.94	0.00
Employee Cost	20.99	313.76	20.99
R&M Expenses	106.40	12.67	106.40
A&G Expenses	51.62	180.34	51.62
Return on Equity	36.12	66.60	36.12
Total Expenditure	5388.15	6351.64	5653.45
Net Surplus (+)/(Deficit)(-)	(+)327.49	(-)381.41	(+)316.78

Directives of the Commission

44. The Commission vide order dated 11.04.2016 has issued following directives to the licensee for strict compliance.
- (i) promote demand side management and energy efficiency measures within its area of licensee;
 - (ii) purchase of renewable energy in bid route as directed by Government of India in view of the incentives such as waiver of transmission charges and transmission losses in the inter-state transmission lines; and
 - (iii) bring down the distribution loss to the approved level.

The licensee shall strictly comply with the above directions of the Commission.

Orders of the Commission

45. (1) After carefully considering the claims of the applicant and the views expressed by M/s KSEB Ltd, the Commission hereby approves provisionally the revision in the ARR and ERC for the licensee for the year 2016-17 as stated below,-

Financial Year	2016-17 (Rs. Lakh)
ARR	5653.45
ERC	5970.23
Surplus / (Revenue Gap)	(+) 316.78

(2) The licensee shall limit the expenditure to the levels approved by the Commission.

(3) The existing RST and BST shall continue until further orders.

46. The application is disposed off and ordered accordingly.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
T.M.Manoharan
Chairman

Approved for issue

Sd/-
Santhosh Kumar.K.B
Secretary