

# THE KERALA STATE ELECTRICITY REGULATORY COMMISSION

## THIRUVANANTHAPURAM

PRESENT: Sri.T.M. Manoharan, Chairman  
Sri.P.Parameswaran, Member  
Sri.Mathew George, Member

**5<sup>th</sup> November, 2013**

### **RP No. 4 of 2013**

In the matter of

Review of order on Bulk Supply Tariff dated 27-5-2013 applicable to Cochin Port Trust and order dated 15-5-2013 on approval of ARR&ERC for Cochin Port Trust for 2013-14

Kerala State Electricity Board ..... Petitioner

The Cochin Port Trust, Kochi ..... Respondent

## **ORDER**

### **Background**

1. Kerala State Electricity Board (*hereinafter referred to as the Board or KSEB*) filed a petition for review of the Order on the approval of ARR&ERC of Cochin Port Trust (*hereinafter referred to as M/s CPT*) for the year 2013-14 dated 15-5-2013 in OP No.1/2013 and Order on Bulk Supply Tariff dated 27-5-2013 so far applicable to M/s. CPT. M/s. CPT is a distribution licensee who purchases bulk power from KSEB for distribution in its area of supply. The petition was filed on 16-8-2013 and was admitted after scrutiny on 2-9-2013 and issued notices to the parties.
2. KSEB in its petition sought a review of the Order on the approval of ARR&ERC for Cochin Port Trust and consequently the order on bulk supply

tariff dated 27-5-2013 in view of unprecedented downward revision of BST applicable to the Cochin Port Trust despite having two successive retail tariff revisions resulting in considerable increase in revenue to Cochin Port Trust. The Board has sought the review on following grounds:

- a. The bulk supply tariff applicable to M/s CPT was revised downwards resulting in a reduction of Rs.50/kVA in demand charges and 25 paise per unit in energy charges.
- b. The revenue from sale of power for the year 2013-14 for M/s CPT approved for the year 2013-14 was Rs.2538.43 lakhs at pre-revised rates. The revenue after the tariff revision considered by the Commission was Rs.2676.96 lakhs.
- c. As per the trued up accounts, the per unit realisation was Rs.6.33 for 2010-11. The retail tariff was increased two occasions thereafter and the combined increase was about 40%. Considering this, the revenue would have been Rs.3192.80 lakhs where as the Commission has considered only Rs.2677 lakhs resulting in a short assessment of Rs. 514.84 lakhs. This in turn affected the down ward reduction of BST applicable to M/s CPT.
- d. The tariff revision for HT II and HT IV categories have been substantial and the M/s.CPT has about 58% of the consumption from these classes.
- e. The average realisation of M/s CPT has increased only 11.37%, between 2010-11 and 2013-14, whereas the average tariff revision effected was to the tune of 29.5% and 7.9%.
- f. There is a gross under reporting of contract demand and there by the demand charges of consumers. The average contract demand of 19 HT consumers works out to only 92kVA.
- g. The licensee has not accounted revenue from free electricity supplied to its employees.

- h. Considering the above, the revenue from sale of power for Cochin Port Trust needs to be Rs.3192.80 lakhs instead of Rs.2677.96 lakhs.
  - i. The depreciation for assets created out of consumer contribution need not be allowed.
- 3. M/s CPT has given written reply to the above petition in their capacity as respondent. In its reply, M/s Cochin Port Trust has pointed out that the Commission has revised the BST two times compounding to about 92% during the same period. The BST for M/s CPT was the highest in 2012-13, which resulted in financial loss of about Rs.101.12 lakhs in that year. However, in 2013-14, the Commission after considering the details provided by the respondent has reasonably fixed the BST. The argument of the Board is to conceal the facts before the Commission. It is also to be noted that while revising the BST, the Commission did not consider the losses suffered by the respondent in 2012-13.
- 4. M/s Cochin Port Trust also furnished the actual revenue from sale of power and power purchase cost for the current year and the projections for the rest of the financial year. Along with the details, M/s CPT stated that there is considerable reduction in energy consumption possibly due to heavy monsoon and reduction in maritime business due to financial recession. Consequently the revenue was also reduced keeping the operating cost constant. Hence, according to the respondent, it is not judicious to arrive at a consumption unless actual figures are available. Further, it was also pointed out that though there is overall reduction, the per unit demand from HT IV has increased from Rs.6.7 per unit to Rs.8.30 per unit on account of revision in tariff. The contention of the Board that there is reduction in billing demand for HT consumers is not correct. The petitioner has misinterpreted the billing demand as contract demand. The contract demand is now 6600kVA and the billing demand is 4950kVA with addition of one more HT consumer. The income from free electricity supplied to the employees is already included in the revenue from self consumption. The respondent has incurring about Rs.20 lakhs towards duty under Section 3(1) and Rs.20 lakhs for revising

the billing software when there is revision in RST, and these costs have to be accounted properly. Considering these arguments, the respondent requested to reject the review petition.

### **Hearing on the matter**

5. Hearing on the petition were held on 8-10-2013 . The petitioner represented by Shri. B. Pradeep, Executive Engineer presented the contentions of the Board as given in the petition. M/s CPT represented by Shri. Abdul Rahim given the reply arguments on the petition. Written remarks of M/s CPT were made available only during the hearing. Accordingly, the Commission directed the petitioner/respondent to submit additional written reply/clarifications if any by 23-10-2013.
6. M/s CPT vide representation dated 22-10-2013 given additional submissions before the Commission. As suggested by KSEB in the review petition calling for information on the assets created out of consumer contribution, M/s CPT stated that they never claimed depreciation for the assets created out of consumer contribution as the entire assets were created from the loan taken from Government of India on various occasions. Hence, the respondent requested to reject the petition. The respondent also submitted actual revenue from sale of power from till August 2013 and projections for the current year. M/s CPT pointed out that the rent for the office premises were not claimed so far in the ARR&ERC exercises. The respondent is occupying office space of 2000 sqft for distribution business at the scale of rates approved by Tariff Authority for Major Ports, which is about Rs.3 lakhs for a year. The Commission has not allowed the R&M expenses of DG sets so far. Similarly, the interest and financing expenses are also not allowed so far. Based on the revised estimates of income, M/s.CPT has estimated that the BST for energy charges for the year will be about Rs.4.98 per unit only instead of Rs.5.05 per unit approved by the Commission. Considering these realities, M/s CPT requested that the review petition does not merit consideration and hence to be rejected.
7. In reply to the argument that average revenue has decreased, the Board in its representation dated 23-10-2013 stated that even though the revenue

has decreased, the purchase of power for M/s.CPT has also come down after April 2013. The reduction in sales could be due to heavy rains during the period. Further as per the data provided M/s CPT the average realisation is much higher than the rates estimated by the Commission in the order dated 15-5-2013. Thus the revenue from sale of power may be re-estimated with latest data and accordingly the BST may revised upwards.

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

8. The arguments of the petitioners and the counter replies were heard and considered by the Commission. As has been held by the Commission on various occasions, the review petition has to be dealt with as per the provisions of the Electricity Act 2003. Clause 67(1) of KSERC (Conduct of Business) Regulations, 2003 provides that within 90 days of issuing of any decision, direction, order, notice, or other document or the taking of any action in pursuance of these regulations, the Commission may review revoke, revise, modify, amend, alter, or otherwise change such decision, direction, order, notice, or other document issued or action taken by the Commission or any of its officers. The review has to be as per the provisions of Section 94(1)(f) of the Electricity Act 2003, as in Order 47, Rule 1, of Code of Civil Procedure.
  
9. In the petition filed by the Board, main argument is that the revenue from sale of power and average realisation of M/s CPT are shown lower and not commensurate to the tariff increase given. M/s CPT also furnished the revised estimates considering the actual billing till October. According to their estimates, the BST needs to be revised downwards. Further, M/s CPT has raised new contentions on charging rent and other charges to be included as part of ARR. However, these arguments cannot be sustained in a review petition. On the other hand the Board is harping on the lower revenue estimates of M/s CPT based on the average realisation. However, the Commission notes that estimates based on average realisation cannot completely be accepted as it may be higher if the sales are low with demand charges remaining the same and vice versa. The Commission further notes as against the contention of the Board, the

revenue from supply of free electricity is accounted under self consumption.

10. The Commission has examined the actual revenue from sale of power furnished by the licensee. As per the details furnished by the licensee from April 2013 to August 2013, it is stated that the revenue for the month of April is Rs.167.99 lakhs. The total revenue from May to August 2013 is Rs.801.19 lakhs, ie., the average monthly demand is about Rs. 200 lakhs. In its place, the Commission has considered for arriving at the BST, the revenue for the month of April 2013 as Rs.211.55 lakhs (pre-revised) and Rs.223.05 lakhs thereafter (after revision) as shown below:

	Average Monthly Revenue (Rs.lakhs)	
	As per BST Order dt. 27-5-2013	Revised Revenue as per actual given by M/s CPT
April 2013 (before Revision)	211.55	167.99
May, 2013 to August 2014 (after revision)	223.05	200.30

11. As shown above, there is no evidence that there is substantial under reporting or low estimate of revenue at the time of determination of BST applicable to M/s CPT. The above figures *prima facie* show that the revenue considered by the Commission for arriving at the BST is higher than the actual revenue, though a definite conclusion can be made only after the completion of financial year as there is seasonal variations in demand pattern. Further lower revenue in May to August could also be on account of heavy rains and consequent fall in sales, which may result in lower power purchase cost.
12. The actual data on revenue from sale of power does not reveal in any case, that the estimate of revenue from sale of power of M/s. CPT in the original order is completely incomparable with actuals warranting a review at this stage. In any case, discrepancies if any can be addressed as part of the truing up process.

## **Orders of the Commission**

13. After considering the review petition and the arguments and data furnished by the respective parties carefully, the Commission is of the view that there is no scope for review of the order dated 15-5-2013 and 27-5-2013 as sought by the petitioner. Adjustment in BST if any required can be considered once the actual data are available during the truing up process.
14. The review petition is rejected and ordered accordingly.

**Sd/-**

**P.Parameswaran  
Member**

**Sd/-**

**Mathew George  
Member**

**Sd/-**

**T.M. Manoharan  
Chairman**

**Approved for Issue**

**Secretary**