

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: **Shri. R. Preman Dinaraj, Chairman**
Shri. S. Venugopal, Member
Shri. K. Vikraman Nair, Member

OA 09/2019

In the matter of Application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Thrissur Corporation Electricity Department (TCED)

Applicant(s) : Thrissur Corporation Electricity Department
Applicant(s) represented : Sri. M.Sugadhakumar, Asst.Secretary, TCED
Sri. Jomon, Sr. Superintendent, TCED
Sri. T.S.Jose, Electrical Engineer,TCED

Daily Order dated 29-03-2019

Conducted public hearing on the application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Thrissur Corporation Electricity Department (TCED), at the Conference Hall, Government Guest House, Ramanilayam, Thrissur on 21-03-2019. The licensee was represented by Sri. M.Sugadhakumar, Asst.Secretary, Sri. Jomon, Sr. Superintendent, Sri. T.S.Jose, Electrical Engineer and other officers. Sri. T.S.Jose presented the details of the application and responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- The licensee for the control period has projected increase in the sale and the number of consumers for each year of the control period. The major revenue is realized from LT-I, LT VII-A, HT II B & HT- IV category and the revenue projections are made considering the prevailing tariff. The licensee has proposed a 2% to 4 % increase in the sales for different categories of consumers for each year of the control period.
- The distribution loss proposed for each year of the control period is 7.60%
- The non-tariff income projected by the licensee includes meter rent, interest from deposits, etc. The licensee has also included charges such as testing fee, recovery consequent to detection of theft of power, meter box charges, pole rental charges etc under non-tariff income.
- The Employee cost of TCED includes salary, DA and other benefits to serving employees and pension payments to the retired employees. The licensee has stated that the increase in Basic Salary for the year 2018-19 and 2019-20 is mainly due to the projection being based on the Salary pay revision of 2013.

- The repair and maintenance cost for each year of the control period is projected considering an increase of 10% in the R&M expenses. The major expenditure is towards the R&M of Lines & Cable Networks.
- The A & G Expenses proposed, includes rent, section 3 duty, Insurance, telephone, postage, audit charge, consultancy charges, vehicle expenses, bank charges, license fee advertisement expenses etc.
- TCED has proposed only interest on security deposit as part of interest and finance charges for the control period.
- The licensee proposed a capital investment plan to the tune of Rs.17479.86 lakh for the control period. The major capital investment proposed is the 110 kV substation at Kottapuram and 10 MW Small Hydel Project
- Depreciation for each year of the control period has been projected including the capital expenditure for each year of the control period under the straight line method as per the Tariff Regulations 2018.
- The licensee has claimed Return on net fixed assets at the rate of 3%.

Smt. Mehrunisa, Executive Engineer TRAC, Sri. Manoj.G, AEE, TRAC and Sri. Ajith Kumar.G, DAO, TRAC represented KSEB Ltd. Sri. Manoj.G presented the counter statement/comments of KSEB Ltd. and submitted written remarks on the application. The major points raised by KSEB Ltd are abstracted below.

- The distribution loss claimed by TCED from 2018-19 to 2021- 22 is around 7.6% and there is no indication of reduction of distribution loss during the control period proposed by TCED
- The O&M expenses claimed by licensee in petition for 2018-19 to 2021-22 is more than the norms approved by the Commission. KSEB Ltd submitted that the O&M expense comes under controllable expense and the same may be limited to the norms approved by the Commission.
- It was also pointed out that the licensee had not considered the remarks by the Commission while proposing the rent for the control period.
- The revision of retail tariff in April 2017 is not seen reflected in the average realization projected by the licensee.
- With regard to the capital investments proposed for the control period, the Commission may consider the same only after submission of the detailed capital expenditure plan with proper justification and reasons for the capital expenditure.
- KSEB Ltd also stated that the BST of TCED may be revised considering the cumulative revenue surplus of Rs 11312.48 Lakh at the end of 2015-16 and the revenue may be passed on to the consumers in Kerala.

- KSEB Ltd also submitted that TCED has not complied with the direction of the Commission on the signing of PPA with KSEBL and mentioned that punitive action for non compliance if deemed fit may be taken.

The Commission during the hearing stated that the licensee may carry out the capital investment only after conducting proper study on whether the projects are feasible. Expenditure on unviable capital investments if any made by the licensee shall not be passed on to the consumers. The Commission also stated that the capital investments may be done only after obtaining prior approval from the Commission. The Commission sought clarifications on the petition and directed the licensee to submit the following:

- The reason for the reduction in the non-tariff income proposed for each year of the control period.
- The Capital expenditure of Rs. 17479.86 lakh proposed for the control period is to be submitted with detailed project proposal, proper investment plan, implementation details, quotation documents to validate the estimated cost.
- The methodology for estimating the revenue from sale of power for the control period is to be furnished.
- The reason for not showing the solar generation as part of the energy input
- Steps initiated by the licensee to collect the pending arrears
- The latest steps initiated to address the issue on the high rent claimed under A&G expenses.

The licensee shall furnish the reply on the counter statement submitted by KSEB Ltd and the details called for by the Commission, on or before 20-04-2019.

Hearing concluded. Reserved for orders.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue
Sd/-
G.Jyothichudan
Secretary