

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
**THIRUVANANTHAPURAM**

PRESENT: Shri. K.J.Mathew, Chairman  
Shri.M.P.Aiyappan, Member

January 27, 2009

In the matter of  
imposition of penalty for low power factor on Thrissur Corporation

Petition  OP No 9 of 2009.	M/s Thrissur Corporation  Vs  Kerala State Electricity Board	Petitioner   Respondent
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Representative of Petitioner: Sri.K.M.Michael, Electrical Engineer.

Representative of Respondent: Sri. Ramesh Babu, Deputy Chief Engineer

**ORDER**

Thrissur Corporation (hereinafter called The Corporation) is a deemed distribution licensee for distribution of electricity in a part of the Corporation. The licensee is availing power from Kerala State Electricity Board (hereinafter called KSEB) at 110 kV. KSEB imposed penalty for low power factor on The Corporation in June of 2008. The Corporation took up the matter with Kerala State Electricity Regulatory Commission (hereinafter called the Commission) in December 2008. Commission after hearing both parties on 19<sup>th</sup> March 2009, disposed of the petition with a direction that penalty imposed by KSEB in June 2008 should be withdrawn and that penalty for low power factor can be imposed on the Corporation only with effect from 1<sup>st</sup> September 2009. The order was issued on 19<sup>th</sup> June 2009.

Corporation has vide appeal petition dated 21<sup>st</sup> August 2009 sought for time up to 31<sup>st</sup> March 2010 for installation of capacitors and exemption from imposition of penalty till 31<sup>st</sup> March 2010.

## **Background**

The Corporation filed a petition December 2008 seeking the following relief.

1. They should be exempted from payment of security deposit to KSEB as they are a Licensee.
2. The claim for penalty for low power factor imposed by KSEB for the period from December 2005 to December 2007 should be withdrawn.

Both parties were heard on 19<sup>th</sup> March 2009. An order on the petition was issued on 19<sup>th</sup> June 2009.

As per the Order, The Corporation has to furnish security deposit to KSEB and no exemption can be given to the Corporation since they are collecting security deposit from their consumers.

Also it was ordered that KSEB cannot claim any penalty for low power factor without an agreement through a PPA or a direction from Commission to this extent. The Corporation should take action to improve power factor. Penalty for low power factor can be imposed only from 1<sup>st</sup> September 2009 so as to give time to The Corporation to install Capacitors for power factor improvement.

In the present petition, the Corporation has sought for time up to 31<sup>st</sup> March 2010 for installation of capacitors for power factor improvement. KSEB has argued that the request need not be considered.

The Corporation has stated that a decision to install capacitors was taken by an Expert Committee on 09-02-09 on deposit work basis. The Corporation has further stated that immediately on receipt of the order from KSERC, the matter was taken up with KSEB on 03-07-09. Corporation has stated that they have been informed by KSEB that installation of capacitors is not likely to be completed before 31-03-2010.

### **Hearing of the matter.**

The appeal petition was heard on 10<sup>th</sup> November 2009.

Petitioner's representative expressed that their legal consultant could not attend the hearing because of certain unforeseen emergency and requested that Commission should consider postponement of hearing to another date. Continuing the argument, representative of petitioner stated that the Corporation had requested KSEB vide letter dated 3<sup>rd</sup> July 2009 to intimate the cost for carrying out the work on work deposit basis. A reminder was sent on 27<sup>th</sup>

July 2009. Another reminder was sent on 6<sup>th</sup> October 2009. Hon Mayor of The Corporation had met the Chairman of KSEB on 9<sup>th</sup> November and the response from KSEB was positive. The completion of the work depends on KSEB.

Respondent stated that if any relief is given to petitioner, then similar requests may come from other Licensees also. Respondent stated that petitioner has taken action for installation of capacitors only after a direction was issued by KSERC. This is a delaying tactic. Also petitioner is trying to impose the responsibility for installation of capacitors on KSEB. Respondent pointed out that KSEB is not the only agency capable of carrying out the work of installation of capacitors. Other agencies are also available. Respondent stated that petitioner is collecting penalty from own consumers for low power factor. Further the work will impose more burden on the staff of KSEB.

Respondent wanted the Commission to note the following.

1. Though the expert advisory committee of petitioner had given a recommendation in February 2009, petitioner was waiting till KSERC's order to take up the issue seriously.
2. The work will result in additional load on the staff of KSEB.
3. If any concession is given to petitioner, other licensees will raise similar requests.
4. Petitioner is not having the required technical capability to manage such issues.
5. Chairman of KSEB had not agreed to any time schedule for carrying out the work. Also KSEB has no obligation to carryout the work.
6. Any further extension will give additional financial benefit to petitioner.
7. Petitioner 110/11 kV and 66/11 kV transformers are not loaded even up to 60% of capacity. This is one of the reasons for low power factor. Low power factor of petitioner has imposed additional VAR requirement in respondent's system which results in lower MW loading of respondents generators.
8. No time extension should be given to petitioner.

Petitioner stated that the original proposal was to install capacitors at distribution transformer points. Later it was decided to go in for 110 kV capacitors. This resulted in delay in taking up the issue with KSEB. Petitioner stated that Corporation had decided to entrust the work with KSEB even before the order was issued by KSERC. Petitioner pointed out that redundancy in transformer capacity is required for reliability. The third 66 kV transformer was installed because the existing transformers were overloaded at that time.

Respondent stated that they are suffering loss on account of low power factor of petitioners load. Also petitioner is running the distribution with considerable profit as per the approved ARR & ERC. Further, KSEB will not carry out the work using own staff. Outsourcing will be done.

## Analysis

In the order on tariff applicable for Licensees issued in Nov 2007, the clause on penalty for low power factor has not been included. As already pointed out in the Commission's order dated 19<sup>th</sup> June 2009 on the petition from the Corporation, there is no agreement between petitioner and KSEB permitting imposition of penalty for low power factor. The issue of low power factor of power drawn by petitioner is not new. It was going on from June 2008. The corporation could have initiated action much earlier. As already pointed out by respondent, petitioner collects penalty from consumers. So some part of penalty to be paid to KSEB is recouped from consumers.

Thrissur Corporation was addressed vide letter dated 12<sup>th</sup> November 2009 to intimate monthwise details of penalty collected from all categories of consumers from November 2008 to October 2009.

As per the reply received from Corporation, penalty for low power factor collected from LT Industrial consumers for the period from 11/08 to 10/09 is Rs. 2,26,218.56. Penalty for low power factor collected from HT consumers for the above period is Rs. 12,76,169/- .Thus total penalty collected during the period of 12 months is Rs. 15,02,387/56.

As per the letter dated 19.06.2008 from KSEB, the penalty amount due from the Corporation for low power factor for the period from 12/05 to 12/07 is Rs. 99,95,570/-. Thus the average penalty for one year works out to Rs. 49,97,785/-. Thus the additional burden on Corporation is about Rs. 34 lakh per annum when the penalty collected by the Corporation is deducted from the penalty demanded by KSEB.

The distribution activity carried out by the Corporation is confined to a very small area compared to KSEB. The activity is managed by the Licensee with only a few technical personal. Hence it will be difficult and time consuming if Corporation has to prepare technical specifications and invite tenders for the work for installation of capacitors at 110 KV. It is only natural that they have sought the help of KSEB in this matter. Also it is noted that they have taken up the matter very seriously and have been pursuing the same with KSEB. KSEB has not made any commitment on the matter. KSEB has neither agreed to take up and complete the work within a definite time frame nor have they declined to take up the work. This has definitely put the Corporation in an embarrassing situation. KSEB has the experience to carryout such works. KSEB's argument that the work if taken up by them will cause extra burden cannot be accepted because the burden will not affect their day to day affairs as they have separate setup for transmission works who is looking after the operation and maintenance of very large number of sub stations and transmission lines. Also KSEB can claim all incidental charges from The Corporation. Setting up of 110 kV capacitors in one sub station will not affect their

performance. The argument by KSEB that if granted, similar request will be made by other licensees has no relevance in the present case because no other licensee has brought up a issue on penalty on low power factor. Also except in the case of Kanan Devan Hills Plantations and Thrissur Corporation, all the consumers in the licensee's area pay penalty for low power factor. Thus the licensee is not burdened on this aspect. It is also noted that, by not giving any definite reply to the Corporation by KSEB, the matter has been unduly delayed for which KSEB is responsible. Hence Commission is of the view that time up to 31-03-2010 has to be given before penalty is imposed on The Corporation. Further KSEB cannot remain silent on the matter. A firm reply has to be given to The Corporation. Also the Corporation should examine the impact of switching the transformers in the 110 kV substation so that the power factor on the 110 kV side during off peak hours is kept high.

### **Commission's Order**

Exemption from levy of penalty for low factor on Thrissur Corporation by KSEB is extended from 1<sup>st</sup> September 2009 to 31<sup>st</sup> March 2010. No further extension of the exemption will be given irrespective of whether KSEB takes up the work for installation of capacitors or not. KSEB should convey its decision on executing the work to the Thrissur Corporation within 15 days from the date of this order either affirmatively or negatively.

Sd/-  
M.P.Aiyappan  
Member (Finance)

Sd/-  
K.J.Mathew.  
Chairman

Approved for issue

Secretary