

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

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

December 1, 2010

Petition OP20/2010

In the matter of

Notifying fresh regulations under section-61 of the Electricity Act-2003 for preparing regulatory accounts for filing ARR&ERC, Truing Up of accounts for regulatory approval and for filing Tariff Petitions

Kerala State Electricity Board

- Petitioner

ORDER

Background

1. Kerala State Electricity Board (*hereinafter referred to as the Board or KSEB*) filed a petition with following prayers :
 - i. Notify the regulation on 'Terms and Conditions for Determination of Tariff' as per the section-61 of the Electricity Act-2003 and also as per para 5.3 of the National Tariff policy, so that it can be made applicable to an entity not unbundled like KSEB to file regulatory accounts for approving Truing Up petitions, Tariff petitions, ARR&ERC submission etc.
 - ii. Notify the regulation on reduction of cross subsidies under section 61(g) of the Electricity Act-2003.
 - iii. Specify the regulation on methods and principles for fixation of tariff under section-45(2) (a) and section 45(5) of the Electricity Act
 - iv. Determine realistic distribution loss reduction trajectories for KSEB system.
2. The public hearing on the petition was held on 11-8-2010 at the Office of the Commission. After considering the petition and arguments of the stakeholders, the Commission had issued an interim order on 31-8-2010. In that Order, the Commission expressed its views on the petition and directed the Board to file reply in affidavit on the following issues to proceed further in the matter:
 - a. Regulations can only be as per Section 61 and 62 of the Act for enabling determination of tariff. Accordingly, the Board shall separately provide accounts for its licensed business and generation.

- b. Norms for expenses and performance are inseparable. Board may make their proposals in this regard. For initiating the action for determining the norms for expenses and performance, detailed study may be required for which Board has to provide all necessary information and complete co-operation in parting with necessary details.
 - c. If the Commission is required to initiate studies, the Board shall provide full co-operation in all respects and also bear the cost of such studies.
 - d. The Board may provide its proposal on cross subsidy reduction road map preferably in consultation with the Government.
3. The Board in its letter dated 23-9-2010 intimated their response on the above issues. The Commission could not consider the letter since it was not in agreement with the directions in the interim order to file an affidavit in respect of the issues raised by the Commission. The Board thereafter in its letter dated 6-11-2010 filed reply in affidavit. The reply of the Board on various issues is given below:
- i) Regarding issue (a) KSEB reported that they have in principle decided to file separate ARR&ERC for licensed business and generation for the year 2011-12. Once ARR for the year 2011-12 is finalized, an indicative separate accounts of each licensed business and generation for the year 2011-12 may be available.
 - ii) Regarding issue (b), Board stated that it shall provide all necessary information available with them for conducting necessary studies by the Commission for determining norms. Further, KSEB shall endeavor to provide whole hearted support by rendering necessary available details for the studies.
 - iii) Regarding issue (c), the Board stated that it shall provide full co-operation and also bear the cost of studies initiated by the Commission on finalising the operating and financial norms for KSEB as per Section 61 of the Act.
 - iv) Regarding item (d), the Board has stated that since the Government had issued Policy Directions issued vide G.O. dated 16-12-2006 in which the position of the Government on the cross subsidy reduction has been mentioned. Hence there is no point in further consulting the Government. Further, as per the provision of the Act, Tariff Policy and the Policy

Directions of the Government, the Commission may take appropriate decision on the cross subsidy reduction road map.

4. Of the four issues, except on proposals on cross subsidy reduction road map, the Board has positively responded to the Directions. On filing the proposals on cross subsidy reduction, the Commission is of the view that, as a distribution licensee responsible for supply in the State, its views on such important issue would have been helpful in formulating a policy. In any case, the Commission is not insisting on the same at present. The Commission after considering the reply of the Board, dispose of the petition with following decisions subject to the observations and orders in the interim order dated 31-8-2010.

- The Commission will take necessary steps for formulating draft regulations under Section 61 of the Act for determination of tariff applicable to Generation, Transmission and Distribution
- The necessary studies for preparing the draft regulations and norms, shall be awarded to consultants selected through a transparent process.
- The study shall be awarded once the Board has deposited the full cost of study quoted by the selected consultant, within the time to be stipulated by the Commission.
- The Terms of reference for the consultants may be drafted by the Commission which shall be open for comments of the Board.
- The regulations will be notified after due process envisaged under the Act.

The Commission also makes it clear that the prayer of KSEB to adopt the norms of CERC till the regulation is made is rejected. The existing regulations and practices adopted for filing the ARR&ERC petitions will continue till the new regulation is notified.

Ordered accordingly.

Sd/-

M.P.Aiyappan
Member

Sd/-

K.J. Mathew
Chairman

Approved for Issue

Secretary