

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 51 / 2024

**Present : Sri T K Jose, Chairman
Adv. A J Wilson, Member
Sri. B Pradeep, Member**

In the matter of : Petition for approval of truing up of accounts for the financial year 2023-24

Petitioner : M/s Cochin Special Economic Zone Authority

Represented by : Sri. Sunny K I, Resident Engineer, M/s HSCL, (OMMC) of CSEZA
Sri. Ratheesh Kumar A, Consultant, CSEZA

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajesh R, Asst. Executive Engineer, KSEB Ltd
Sri. Shan B.S, Asst. Executive Engineer, KSEB Ltd

Date of hearing : 28.01.2025 at the Court Hall,
Office of the Commission

Order Dated 27.02.2025

1. M/s Cochin Special Economic Zone Authority (hereinafter referred to as CSEZA or the licensee or the petitioner) is a government owned Special Economic Zone, under the Ministry of Commerce and Industry, Department of Commerce, Government of India. Cochin Special Economic Zone Authority (CSEZA) constituted under the SEZ Act 2005, is the developer of the Zone providing infrastructure and other related services to the Zone. The Zone comprises 105 acres of land in Kakkanad, Kochi.
2. The Commission had notified the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021 for the five-year Control Period starting from the first day of April 2022 and ending on the thirty first day of March 2027. The licensee has filed the petition for truing up of accounts for the year 2023-24 as per the provisions of the KSERC (Terms and Conditions for determination of Tariff) Regulations 2021. The present petition is for the second year of the Control Period. The Commission vide Order in OP No 10/2023 dated 19.01.2024 has approved the ARR&ERC for the Control Period. In the present petition for truing

up the accounts, the licensee has **claimed a revenue gap of Rs. 3.42 lakh** compared to revenue surplus of Rs. 22.96 lakh approved by the Commission in the Order on ARR&ERC. A comparison of the figures for the years 2022-23 & 2023-24 is tabulated hereunder. –

Table 1
Comparison of ARR&ERC for the period 2022-23 and 2023-24 (Rs.lakh)

Particulars	2022-23		2023-24	
	Truing Up Petition	Trued Up	ARR & ERC Approved	Truing Up Petition
Purchase of Power	3,770.10	3,764.92	3,923.46	4,029.20
Employee Cost	125.52	190.20	166.65	126.38
R&M Expenses	24.83		6.24	14.72
A &G Expenses	44.43		35.65	44.14
Depreciation	99.66	39.57	37.81	91.54
Return on NFA	71.99	24.68	22.65	66.94
Total Expenditure	4,136.53	4,019.37	4,192.46	4,372.93
Revenue from Sale of Power	4,064.70	4,064.70	4,146.62	4,270.39
Other Income	89.81	89.81	68.80	99.12
Total Income	4,154.51	4,154.51	4,215.42	4,369.51
Revenue Surplus (+)/Deficit (-)	17.98	135.14	22.96	-3.42

3. After examining the petition, the Commission admitted the petition as **OP No. 51/2024.**

Public Hearing on the Petition

4. The hearing on the petition for the Truing Up of Accounts for the year 2023-24 was conducted at the Court Hall, Office of the Commission on 28-01-2025. The petitioner, M/s Cochin Special Economic Zone Authority was represented by Sri. Ratheesh Kumar A, Consultant (Power), CSEZA and Sri. Sunny K I, Resident Engineer, M/s HSCL (OMMC) of CSEZA. Sri. Ratheesh Kumar presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are:
- a) The number of consumers during the year 2023-24 is 166 and the actual sale for the year is 586.75 lakh units.
 - b) The energy purchased from KSEB Ltd is 582.00 lakh units and solar power injected to the grid is 13.90 lakh units. The Total energy purchased for the year 2023-24 is 595.90 lakh units.
 - c) The overall distribution loss for the year 2023-24 is 1.528% and the actual power purchase cost for the year is Rs. 4029.20 lakh. The average power purchase cost from KSEB Ltd is Rs. 6.92 per unit.
 - d) The Commission, while approving the norms in the Tariff Regulations 2021 had approved the Operation and Maintenance

Expense at Rs. 208.54 lakh. The licensee in the petition has claimed total operation and maintenance expense of Rs. 185.25 lakh.

- e) The Employee cost claimed for the year 2023-24 is lower than the norms approved by the Commission. The claim for the year is Rs. 126.38 lakh as against the approved employee cost of Rs. 166.65 lakh.
 - f) The actual R&M expense for the year is Rs. 14.72 lakh, which is higher than the approved R&M of Rs. 6.24 lakh for the year. The licensee in the presentation had requested the Commission to revise the normative R&M expenses of CSEZA for the period from 2021-22 to 2026-27
 - g) The A&G expenses claimed for the year is Rs. 44.14 lakh as against the norm of Rs.35.65 lakh for the year 2023-24. The major expenses booked are towards rents, rates and taxes and charges for monitoring and managing prepaid metering software system, energy audit fee etc.
 - h) The depreciation claimed for the year 2023-24 is Rs. 91.54 lakh which is in line with the Tariff Regulations 2021. This actual depreciation claimed includes the depreciation provided for the year for the already existing assets.
 - i) The licensee has claimed Rs. 66.94 lakh as return on net fixed assets at the rate of 5.50%.
 - j) The total expenditure incurred in 2023-24 is Rs. 4372.93 lakh.
 - k) The Revenue from the sale of 586.75 lakh units in 2023-24 is Rs. 4270.39 lakh.
 - l) The Non-Tariff Income claimed by the licensee is Rs. 99.12 lakh which includes interest on investments and deposits, interest on security deposit etc.
 - m) The total revenue for the year 2023-24 is Rs. 4369.51 lakh.
 - n) The petition for the truing up of accounts for the year 2023-24 is submitted with a revenue gap of Rs. 3.42 lakh.
5. KSEB Ltd, vide letter No. KSEBL/TRAC/AEE3/CSEZA-TU 2023-24/2024-25/1256 dated 27.01.2025 submitted the following comments on the petition;
- a) The licensee's truing-up petition claims a 1.528% distribution loss for 2023-24, higher than the approved 1.44%. However, the petition lacks clarity on the measurement methods for transformer losses, the inclusion of solar energy generated by the licensee, and whether the energy sale accounts for self-consumption. It is suggested to compare the manufacturer's standard cable loss with the calculated loss to identify further reduction opportunities.
 - b) O&M expenses may be limited to reasonable levels.

- c) The licensee claimed Rs. 91.54 lakhs for FY 2023-24, while the approved depreciation was Rs. 37.81 lakhs, after deducting depreciation on assets created from regulatory surplus. It is requested that such assets not be considered for depreciation, as no upfront costs were incurred.
- d) Approve the RoNFA only after prudence check.
- e) Non-tariff income may be approved only after prudence check.
- f) The energy purchase details and power purchase cost claimed by the licensee in the petition are tallying with the records of KSEB Ltd.

Table 2
Difference of Power Purchase

Particulars	Truing up Petition	Records of KSEB Ltd
Energy Purchase	582.00 lakh units	581.99 lakh units
Total Power Purchase Cost	Rs. 4029.19 lakh	Rs. 4029.19 lakh

Analysis and decision of the Commission

6. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2023-24 along with the clarifications provided in the hearing, the comments of KSEB Ltd. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2021 on the petition for Truing Up of Accounts for the year 2023-24 are detailed below.

Energy Sales and Number of Consumers

7. The Commission in the Order on ARR & ERC had approved the sale of power for the year 2023-24 as 565.81 lakh units. In the petition for approval of truing up of accounts for 2023-24, the licensee has claimed actual sales of 586.75 lakh units. The actual sale for the year 2022-23 was 564.15 lakh units. A comparison of the actual sale of power and category wise consumers for the year 2022-23 and 2023-24 is given below.

Table 3
Energy Sales and No. of Consumers for 2022-23 and 2023-24

Category	2022-23 Trued Up		2023-24 Truing Up Petition	
	No of consumers	Sales In lakh Units	No of consumers	Sales In lakh Units
HT – Industrial [HT-I(A) & I(B)]	25	449.47	25	466.70
HT- Agricultural [HT-III(B)]	1	13.87	1	13.60
LT – Industrial [LT-IV(A) & IV(B)]	95	93.14	97	98.0
LT – Commercial [LT-VII(A)]	17	1.99	22	3.30
LT – Other categories [LT-VI(A),VI(B),VI(C),VI(F) VIII(C) & VIII(B)]	25	5.68	21	5.15
Total	163	564.15	166	586.75

8. It is seen that the major share of the sale (466.70 lakh units) is to the HT – Industrial [HT-I(A) & I(B)] category which consists of 25 consumers. It is seen that there is increase in the sales compared to previous years. The licensee states that the increase in energy demand is primarily due to the volatile nature of the export units, as well as the additional load from the SDF Building and ZLD plant. Considering the growth in sales, ***the Commission hereby approves the actual energy sales of 586.75 lakh units as per petition for the purpose of Truing Up of Accounts for the financial year 2023-24.***

Energy Requirement and Distribution loss

9. The licensee in the petition for approval of ARR & ERC had proposed a distribution loss of 1.44% which was approved by the Commission. The licensee in the present petition has claimed the **actual distribution loss for the year 2023-24 as 1.528%**. As per the petition, the total energy input is 595.9 lakh units, which is inclusive of 582.0 lakh units purchased from KSEB Ltd and 13.9 lakh units generated from the solar plant. The details of the distribution loss as per the petition are as shown below.

Table 4
Comparison of Energy Requirement and Distribution Loss

Particulars	2021-22	2022-23		2023-24	
	Trued up	Truing Up Petition	Trued Up	ARR & ERC	Truing Up Petition
Energy Requirement (lakh units)					
a) Purchase from KSEB Ltd	539.95	560.03	559.26	560.35	581.99
b) Self-generation (Solar)	14.32	13.19	13.19	13.70	13.86
Total	554.27	573.22	572.45	574.05	595.85
Energy sales (lakh units)	546.73	564.15	564.15	565.81	586.75
Distribution loss (lakh units)	7.54	9.07	8.30	8.24	9.10
Distribution loss (%)	1.36%	1.58%	1.45%	1.44%	1.528%

10. In the petition, the licensee has stated that the Kerala State Productivity Council (KSPC), the accredited Energy Auditor had conducted Energy Audit of CSEZA for the year 2023-24 and have confirmed that actual Distribution loss is 1.528%. It is further stated that the KSPC in their Energy Audit report has not brought out any abnormal loss occurring, metering errors and any unaccounted energy consumption and the licensee is claiming that the actual loss of 1.528 % is reasonable considering the increased energy consumption from the previous year. The actual distribution loss of the licensee has increased to 1.528% from 1.44% achieved by the licensee, which is not a prudent practice.
11. The licensee in the petition has furnished the detailed computation of the distribution loss for the year 2023-24 which is tabulated below.

Table 5
Distribution Loss Calculation for the year 2023-24

Particulars	2023-24
There are two Nos 10/12.5 MVA 110 kV/11 kV Power transformers operating in parallel meeting the total load.	
No Load loss of 110/11 kV 10 MVA power transformer, kW	12.20
Full Load Cu Loss 110/11 kV 10 MVA power transformer, kW	104.053
Full Load loss (No load Loss +Cu Loss) of 110/11 kV 10 MVA power transformer, kW	116.253
Total annual Loss for 2Nos Power transformer	431357
Total power input to 110 KV side from KSEB Ltd (kWh)	58199300
Internal solar power generation	1385947
Total Input Power	59585247
% Loss in 110 KV Transformers (based on total input Power)	0.72
Total Energy available for sale, kWh	59153890
Total energy sold to HT consumers	48026919
Total Energy sold to LT consumers kwh	10648141
Total Sales, kwh	58675060
loss in 11 kV cables, distribution transformers & LT side, kwh	478830
% loss in 11 kV cables, distribution transformers & LT side	0.80
% Total Distribution Loss From 110 KV incoming (KSEB) to downstream	1.528%

12. The actual T&D loss during 2020-21 was only 1.27%. During the year 2021-22, the distribution loss had increased to 1.50 %, in the year 2022-23 the actual loss is 1.58% which was also higher than the approved loss of 1.45% and in the current petition, the actual loss for the year 2023-24 is 1.528%. The distribution loss is increasing over the years. Distribution loss is a controllable parameter as per Tariff Regulations, 2021. Regulation 73(3) clearly specifies the methodology to be considered to account for any variation between the actual level of distribution loss and the approved level of distribution loss. The relevant portions of the Regulation are as shown below:

73. Distribution loss...

.....

(3) Any variation between the actual level of distribution loss and the approved level of the distribution losses shall be dealt with, as part of the truing up of the respective financial year in the following manner:-

i. if the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the control period, then the quantum of power purchase corresponding to the excess distribution loss for that financial year shall be disallowed at the average cost of power purchase for the respective financial year;

ii. if the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the control period, then the savings in the power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1

13. Accordingly, as per the provisions of the Tariff Regulations, distribution loss is a controllable performance parameter. As per regulation 73(3) of the Tariff Regulations, 2021, if actual distribution loss is higher than the approved level, the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average power purchase cost. ***The Commission notes that the licensee has not taken any tangible measures to limit T&D loss to the approved level and hence decides to consider the approved distribution loss of 1.44% for the purpose of truing up also. The licensee is directed to initiate measures to limit the distribution loss at the approved level. Accordingly, based on the approved distribution loss, the approved energy requirement for the year 2023-24 is tabulated below.***

Table 6

Approved Energy input & Distribution Loss for the year 2023-24

Particulars	2023-24		
	ARR & ERC	Truing Up Petition	Trued Up
Energy sales (lakh units)	565.81	586.75	586.75
Distribution loss (%)	1.44%	1.53%	1.44%
Distribution loss (lakh units)	8.24	9.10	8.57
Energy Requirement (lakh units)	574.05	595.85	595.32
a) Self-generation (Solar)	13.70	13.86	13.86
b) Purchase from KSEB Ltd	560.35	581.99	581.46

Power Purchase Cost

14. The actual power purchase cost for the year 2023-24 is Rs. 4029.20 lakh for 582.0 lakhs units as against Rs. 3923.46 lakh for 560.36 lakhs units in ARR Order. The average power purchase cost for the year is Rs. 6.92/unit. The power purchase cost claimed by the license for the year 2023-24 is tabulated below;

Table 7

Details of cost of power purchase for the year 2023-24

Particulars	Claimed for 2023-24
Energy Purchase from KSEB Ltd (In lakh units)	582.00
Contract Demand (kVA)	13000
Demand Charges (Rs/ kVA)	Rs 380/kVA per month upto 31.10.2023 & Rs. 400/kVA per month from 1.11.2023
Total Demand Charges(Rs. lakhs)	469.99
Energy Charges (Rs/ kWh)	Rs 6.15/kWh upto 31.10.2023 & Rs. 6.30//kWh from 1.11.2023 onwards
Total Energy Charges (Rs. lakhs)	3616.62
Power Factor Incentive (Rs. lakhs)	57.41
Total Cost of Power Purchase (Rs. lakhs)	4029.20 lakh
Average purchase cost	Rs.6.92/unit

15. KSEB Ltd vide their comments on the petition submitted that the power purchase cost is tallying with that in the records of KSEB Ltd.

Table-8
Power purchase cost as per petition and KSEB records

Particulars	Truing up Petition	Records of KSEB Ltd
Energy Purchase	582.00 lakh units	582.99 lakh units
Total Power Purchase Cost	Rs. 4029.19 lakh	Rs. 4029.19 lakh

16. As mentioned in previous paragraphs, as per the Tariff Regulations 2021, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase. **Accordingly, the power purchase cost based on the approved distribution loss of 1.44% for the year 2023-24 is as shown below;**

Table 9
Approved power purchase cost for 2023-24

1	Actual distribution loss (In lakh units)	9.10
2	Approved distribution loss (In lakh units)	8.57
3	Excess distribution loss (lakh units) (1-2)	0.53
4	Average Power Purchase Cost (Rs. per unit)	6.92
5	Excess power purchase cost to be disallowed (Rs. lakh) (4) * (3)	3.67
6	Actual Power purchase cost (Rs. lakh)	4029.19
7	Approved Power purchase cost (Rs. lakh) (6-5)	4025.52

Operation & Maintenance Expenses

17. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Commission while approving the ARR & ERC for the control period had approved the O&M expenses as per the normative level and had stated that any additional expenses relating to uncontrollable factors or one-time expenses can be considered at the time of Truing Up of accounts only after prudence check by the Commission. The Commission, while approving the norms in the Tariff Regulations, 2021 had approved the Operation and Maintenance expense of Rs. 208.54 lakh for 2023-24. The licensee in the petition has claimed total operation and maintenance expense of Rs. 185.25 lakh. The comparison of O&M expenses with the previous year is tabulated below;

Table 10
Comparison of O&M expenses (Rs. lakh)

Particulars	2021-22		2022-23		2023-24	
	Truing Up Petition	Trued Up	Truing Up Petition	Trued Up	ARR&ERC Norms	Truing Up Petition
Employee Cost	100.36	197.93*	125.52	190.20*	166.65	126.38
R&M Expenses	13.86		24.83		6.24	14.72
A &G Expenses	36.66		44.43		35.65	44.14
Total	150.88	197.93	194.78	190.20	208.54	185.25

*(considering efficiency gains)

Employee Cost

18. In the petition, the licensee has claimed an amount of Rs. 126.38 lakh as against the amount of Rs. 166.65 lakh approved in the Regulation as employee cost for carrying out the distribution business. The actual employee expense claimed by the licensee is lower than the norms approved by the Commission. The licensee in the petition stated that Rs. 96.81 lakh was paid to the outsourced O&M agency as annual fee towards man hour charges for the O&M services provided and Rs. 29.57 lakh was apportioned as proportionate employee cost of CSEZ staff. As such, the total employee cost for the year 2023-24 is Rs. 126.38 lakh. The split up details and a comparison of the employee cost for the current year 2023-24 and previous year 2022-23 is shown below.

Table 11
Comparison of Employee Cost for the year 2022-23 and 2023-24 (Rs. lakh)

Particulars	2022-23		2023-24		
	As per the Regulation	Approved as claimed in Truing Up Petition	ARR&ERC Petition	As per the Regulation	As per Truing Up Petition
Employee Expenses	159.54	28.71	29.57	166.65	29.57
Charges to O&M Agency		96.81	124.82		96.81
Total	159.54	125.52	154.39	166.65	126.38

19. The licensee submitted that the split-up details of the actual salary cost for CSEZA staff for the year 2023-24 and the actual cost to be charged to the Power Distribution System (PDS) based on the time spent by each staff for the PDS work which is Rs. 29.57 lakh and the same is absorbed in Power Account during 2023-24 based on time contribution.

20. The Commission has examined the submission of the licensee and appreciates the fact that the licensee has limited the employee cost to a level lower than the norms fixed by the Commission. The overall employee cost has also increased to Rs. 126.38 lakh in 2023-24 from Rs. 125.52 lakh in 2022-23. The apportioned cost of CSEZA employees has increased from Rs. 28.71 lakh to Rs. 29.57 lakh during the same period. The Commission further noted that, the annual fee to the outsourced O&M agency towards man hour charges for the O&M services is same as last year. The licensee has limited the employee costs within the norms approved by the Commission and is therefore hereby directed to maintain control over the expenses associated with the outsourced O&M agency.

21. Considering the details submitted and ***the actual employee cost being within the norms fixed, the Commission hereby approves the actual employee expenses of Rs. 126.38 lakh for 2023-24.***

R&M Expenses

22. The actual R&M expense claimed by the licensee in 2023-24 is Rs. 14.72 lakh as against the normative amount of Rs.6.24 lakh approved for the year. During the year 2022-23, the licensee had claimed Rs. 24.83 lakh towards R&M Expenses against the approved norms of Rs. 5.97 lakh. In the year 2022-23 the Commission had not approved the actual R&M expenses as there were no convincing reasons for higher expenses. The actual R&M expenses claimed during 2023-24 is lower than that of the claim made in the previous year. The comparison of the R&M expenses for the years 2022-23 and 2023-24 is as shown below.

Table 12
R&M expenses for the years 2022-23 and 2023-24 (Rs. Lakh)

Particulars	2022-23			2023-24	
	As per the Regulation	Truing up petition	Trued up	As per the Regulation	Truing Up Petition
R&M Expenses	5.97	24.83	5.97	6.24	14.72
Total	5.97	24.83	5.97	6.24	14.72

23. The licensee has submitted the split up of R&M expenses during the year. The split up details of R&M Expenses incurred for the year 2023-24 is shown below.

Table 13
R&M expenses for the year 2023-24

Description of Works	Rs.lakh	Remarks
Oil leak arresting of 12.5MVA Voltamp, make 110kV/11 kV, Power Transformer-1&2 at 110kV substation	1.10	Not planned in MYT petition, but had to be done on urgent basis
Testing of Switchyard electrical equipment at 110kV Substation	1.13	Not planned in MYT petition, but had to be done as one time work
Replacement of faulty trip circuit supervision relay in 110kV Substation.	1.17	Not planned in MYT Petition but had to be done as emergency work in order to ensure reliable performance of trip circuit supervision relay in 110KV substation
Repairing of connectors and single core solar PV DC copper wires of solar panels installed in Phase-1 (2017) at SDF 16,17 & 43A	1.44	Not planned in MYT petition. CSEZA investigated and has done necessary rectification works based on remarks of the Commission regarding inadequate power generation from solar plants.
Servicing and testing of 5 Nos ABB make 11 kV Vaccum Circuit Breaker and repair and reconditioning of 1No ABB make 11 kV VCB in 110 kV Substation	1.24	Planned in MYT petition
Replacement of deteriorated ACB (Air Circuit Breaker) 800A,4 Pole MDO 415 V, 50 KA in ring-3 MSB	1.83	Planned in MYT as one time work.
Repair and maintenance of roofing for RMU and transformer	3.65	Planned in MYT Petition.
OLTC servicing of 2 Nos EHT power transformers in 110kV Substation and oil replacement of 1250 KVA transformer in SDF-43.	2.57	Planned in MYT petition

Oil filtration of Distribution transformers	0.44	Planned in MYT with periodicity/frequency once in Two years.
Spares and consumables	0.15	Consumed from stock
Total	14.72	

24. As per the details submitted by the licensee, out of Rs.14.72 lakh claimed, expenses to the tune of Rs.9.73 lakh was planned in the MYT Petition which includes major expenses such as Servicing and testing of 5 Nos ABB make 11 kV Vacuum Circuit Breaker and repair and reconditioning of 1 No ABB make 11 kV VCB in 110 kV Substation, OLTC servicing of 2 Nos EHT power transformers in 110kV Substation and oil replacement of 1250 KVA transformer in SDF-43, repair and maintenance of roofing for RMU and transformer etc. The licensee in the MYT petition had clarified that the replacements are on items/part of larger equipment/ switchboard and not a complete equipment replacement and are only R & M nature of works and are not asset additions. The licensee in the petition had also stated that all these were done to ensure continuous and reliable power supply to consumers.
25. The licensee while filing the petition for approval of ARR&ERC for the control period had projected R&M expenses and for the year 2023-24, the projected R&M expense was Rs. 23.77 lakh. The Commission with regard to the projection, had viewed that the proposed R&M expenses was significantly higher than norms approved in the Regulations. The Commission directed the licensee to submit all data to substantiate the one-time emergency R&M works if any while truing up the accounts for the relevant years of the control period which shall be considered if prudent. The Commission further directed the licensee to take all efforts to limit the R&M expenses within the normative level and any expenses relating to uncontrollable factors or one-time expenses can be considered in Truing Up of accounts by the Commission only after prudence check.
26. The Commission has examined the trend of R&M expenses of the previous years and the details are shown below.

Table 14
R&M Expenditure for the Past years

Year	Truing Up Claim	Trued Up
2014-15	17.26	17.26
2015-16	0.22	5.27
2016-17	2.70	6.41
2017-18	9.47	9.47
2018-19	12.24	12.24
2019-20	5.20	5.20
2020-21	8.95	8.95
2021-22	13.86	13.86
2022-23	24.83	5.97
2023-24	14.72	-

27. The above table shows that over the years, there is an increasing trend in truing up claims, especially 2018-19 onwards, and in most of the years, the Truing Up claims were fully accepted by the Commission. Compared to the previous year, there is a decrease in the R&M expense in 2023-24. The Commission in the Tariff Regulations 2021 has approved an amount of Rs. 6.24 lakh as R&M expense for the year 2023-24. The actual expense claimed for 2023-24 is significantly high. Majority of the R&M expenses (Rs.9.73 lakh) were planned in the MYT and only expenses of Rs.4.99 lakh was unplanned but had to be done on an urgent basis, one time work and Rs.0.15 towards consumables and stores. ***The Commission has duly considered the explanations and clarifications furnished by the licensee regarding the emergency and one time works undertaken in the year 2023-24 to provide reliable/quality & continuous power supply to consumers and approves Rs.4.99 lakh over and above the norm of Rs.6.24 lakh fixed in the Regulations. Accordingly, the Commission hereby approves the amount of Rs. 11.23 lakh (Rs.6.24 lakh + Rs.4.99 lakh) as the R&M expenses, as against Rs.14.72 lakh claimed for the year 2023-24.***

A&G Expenses

28. The licensee has claimed Rs. 44.14 lakh as the A&G expenses for the year 2023-24 as against Rs. 35.65 lakh approved in the Order for ARR&ERC for the year. The A&G expenses include various items such as rent, rates and taxes, insurance, V-sat, internet and related charges, charges for monitoring and managing pre-paid metering and licensee fee and other related fee etc. A comparison of the A&G expenses over the years is tabulated below.

Table 15
Comparison of A&G expenses claimed over the years (Rs.lakh)

Particulars	2021-22	2022-23	2023-24
Rent Rates & Taxes	11.08	11.08	11.08
Insurance	-	2.72	2.72
Energy Audit fee	-	5.71	3.90
Electricity charges & Water charges	0.14	2.02	1.77
Printing & Stationery	0.16	-	0.07
Bank Charges	0.01	0.01	-
Miscellaneous expenses	-	-	0.26
License Fee and other related fee	1.07	1.13	1.22
Truing up Application fee to KSERC & Other petition fee to KSERC	1.87	0.23	0.25
Inspection Fee (Electrical Inspectorate)	0.83	0.42	0.83
V-sat, Internet and related charges	4.81	4.80	6.07
Others (Electricity duty of street light for 2015-16)	0.13	-	-
Charges for Monitoring & Managing prepaid metering software	16.35	15.85	15.85
Travelling expenses	-	-	0.13
Meeting Expenses	0.22	0.47	0.00
Excess revenue refunded to Consumers as per Order dated 3.3.2021 against OP No. 43/2020	134.08	-	-
Gross A&G Expenses	170.74	44.43	44.14

Ele. Duty u/s 3(l), KED Act	32.34	33.42	34.77
Net A&G Expenses (Incl. Duty u/s 3(l), KED Act)	203.07	77.85	78.91
Less: Duty u/s 3(l), KED Act	32.34	33.42	34.77
Net A&G Expenses	170.74	44.43	44.14

29. As compared to the previous year there is a decrease in A&G expense. It is seen that the licensee has claimed an amount of Rs. 3.90 lakh as Energy Audit fees which is as mandated by Bureau of Energy Efficiency (BEE). Since the Commission had not considered the costs towards audit fee, while finalizing the norms for the Control period, the same is approved for the year 2023-24 over and above the norm. **Accordingly, the Commission hereby approves Rs. 39.55 lakh (Rs. 35.65 lakh + Rs. 3.90 lakh) as the A&G expenses for the year 2023-24 as against Rs.44.14 lakh claimed by the licensee.**

O&M expenses approved for 2023-24

30. The O&M expenses approved, which includes Employee costs (Rs. 126.38 lakh), R&M expenses (Rs. 11.23 lakh), and A&G expenses (Rs. 39.55 lakh) totaling to Rs. 177.16 lakh for the year 2023-24 which is lower than the O&M expenses of Rs. 208.54 lakh approved as per the Tariff Regulations, 2021. Hence, there is a gain of Rs. 31.38 lakh (Rs. 208.54 lakh – Rs. 177.16 lakh). As per Regulation 14 of the Tariff Regulations, 2021, the aggregate gain on the controllable parameters is to be shared in the ratio of 2:1 i.e., 2/3rd of gain is to be retained by the licensee and 1/3rd is to be passed on to the consumers. The relevant portion of the Regulation is shown below.

14.Mechanism for sharing of gains or losses on account of controllable factors.

(1) The aggregate gain to the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as approved by the Commission, on account of controllable factors shall be dealt with in the following manner: -

(i) one-third of the amount of such gain as approved by the Commission shall be passed on to the consumers as rebate in the tariff ;

(ii) the remaining two third of the amount of such gain, may be utilized at the discretion of the generating business/ company or transmission business/ licensee or distribution business/ licensee:

31. **The Commission had allowed retaining the benefit of efficiency gain to the licensee in the previous years of the control period. Similarly, in the year 2023-24 also the licensee has incurred O&M expenses lesser than the norms fixed and accordingly is eligible for the benefit as per Regulation 14 of Tariff Regulations 2021. Hence, the Commission hereby approves Rs. 198.08 lakh as the Operation and Maintenance expenses after considering the gains on O&M expenses for the year 2023-24 as shown below.**

Table 16
O&M Expenses approved for the year 2023-24

Sl.no	Particulars	Rs. lakh
1	Total O&M expenses as per the Tariff Regulations	208.54
2	Total O&M expenses Trued Up	177.16
3	Total Efficiency Gain (1-2)	31.38
4	Efficiency Gain to be retained by the licensee (2/3 rd of (3)) = 31.38 *2/3	20.92
5	Approved O&M expenses for the Truing Up of accounts (2+4)	198.08

Depreciation

32. The depreciation claimed for the year 2023-24 is Rs. 91.54 lakh as against Rs. 37.81 lakh provisionally approved in the Order on ARR&ERC. During the year 2023-24, there was an asset deduction of Rs. 0.65 lakh with regard to Meters. The details of depreciation claim made by the licensee are shown below.

Table -17
Depreciation claimed for the year 2023-24 (Rs.lakh)

Asset Group	Rate of depreciation (%)	Gross fixed assets				Provision for depreciation
		At the beginning of the year	Additions during the year	Deductions during the year	At the end of the year	
Distribution lines	5.28%	496.79	0.00	0.00	496.79	8.29
11KV RMU	5.28%	131.31	0.00	0.00	131.31	6.93
Plant & machinery (11KVRMU)	5.28%	9.84	0.00	0.00	9.84	0.52
Switchgears, Control gear & Protection	5.28%	527.39	0.00	0.00	527.39	16.61
Store Room	5.28%	5.31	0.00	0.00	5.31	0.28
Fencing	5.28%	3.30	0.00	0.00	3.30	0.17
Operator cabin Room	5.28%	1.25	0.00	0.00	1.25	0.07
LT Distribution system	5.28%	15.56	0.00	0.00	15.56	0.82
Transformers	5.28%	3.50	0.00	0.00	3.50	0.18
Switchgears, Control gear & Protection (Batteries)	18.00%	1.35	0.00	0.00	1.35	0.12
Communication equipment	6.33%	54.41	0.00	0.00	54.41	3.44
Meters	9.00%	164.75	0.00	0.65	164.10	8.55
Furniture & fixtures	6.33%	0.44	0.00	0.00	0.44	0.03
Office Equipment's	6.33%	10.09	0.00	0.00	10.09	0.66
Control Room (AC)	3.34%	0.78	0.00	0.00	0.78	0.03
New software for prepaid metering	15.00%	42.66	0.00	0.00	42.66	1.39
Solar PV Plant	5.83%	822.84	0.00	0.00	822.84	43.45
Gross Asset		2,291.57	0.00	0.65	2,290.92	91.54

33. The Commission has examined the depreciation claim of the licensee. The licensee has claimed a depreciation of Rs. 91.54 lakh for 2023-24, for the entire assets, though the licensee is not eligible for depreciation on the assets created

out of the accumulated regulatory surplus. The Commission while Truing Up of accounts for the year 2022-23 had approved depreciation only after deducting the depreciation on assets created out of accumulated regulatory surplus. Accordingly, after duly deducting the depreciation for the assets created out of accumulated regulatory surplus, the depreciation approved for the year 2023-24 is tabulated in the table below.

Table-18
Depreciation approved for the year 2023 (Rs.lakh)

Asset Group	Rate of depreciation(%)	Gross fixed assets				Depreciation
		At the beginning of the year	Additions during the year	Deductions during the year	At the end of the year	
Distribution lines	5.28%	496.79	0.00	0.00	496.79	8.29
11KV RMU	5.28%	131.31	0.00	0.00	131.31	6.93
Plant & machinery (11KVRMU)	5.28%	9.84	0.00	0.00	9.84	0.52
Switchgears, Control gear & Protection	5.28%	527.37	0.00	0.00	527.37	16.61
Control Room (AC)	5.28%	0.78	0.00	0.00	0.78	0.03
Store Room	5.28%	5.31	0.00	0.00	5.31	0.28
Fencing	5.28%	3.30	0.00	0.00	3.30	0.17
Operator cabin Room	5.28%	1.25	0.00	0.00	1.25	0.07
LT Distribution system	5.28%	15.56	0.00	0.00	15.56	0.82
Transformers	5.28%	3.50	0.00	0.00	3.50	0.18
Switchgears, Control gear & Protection	5.28%	1.35	0.00	0.00	1.35	0.12
Communication equipment	6.33%	54.41	0.00	0.00	54.41	3.44
Meters	9.00%	164.75	0.00	0.65	164.10	8.52
Furniture & fixtures	6.33%	0.44	0.00	0.00	0.44	0.03
Office Equipment's	6.33%	10.09	0.00	0.00	10.09	0.66
New software for prepaid metering	15.00%	42.66	0.00	0.00	42.66	1.39
Solar PV Plant	5.28%	719.49	0.00	0.00	719.49	37.99
Gross Asset		2188.20	0.00	0.65	2187.55	86.05
(Less) Assets addition through Accumulated surplus						
2016-17					58.55	
2017-18					526.05	
2018-19					18.31	
2019-20					3.76	
2020-21					341.72	
2021-22					-	
2022-23					7.81	
2023-24					-	
Total Assets created through accumulated surplus					956.20	
Balance Assets Considered for Depreciation					1232.00	
Depreciation Approved (86.05- 50.49*)						35.56

*(Depreciation for approved for the assets addition up to 2022-23 from the accumulated surplus i.e., $956.20 \times 5.28\% = 50.49$)

34. The total depreciation applicable for the year is Rs. 86.05 lakh. However, as shown above, the assets created out of accumulated surplus is Rs. 956.20 lakh and depreciation is not allowable on this asset. Hence the depreciation of Rs. 50.49 lakh applicable to the said assets is deducted from the total depreciation of Rs. 86.05 lakh. Hence the depreciation approved for the year is Rs. 35.56 lakh. **Accordingly, against a claim of Rs. 91.54 lakh in the Truing Up petition, the Commission hereby approves the depreciation of Rs. 35.56 lakh for the year 2023-24.**

Interest and Finance Charges

35. The licensee has not claimed any interest and finance charges for 2023-24. Since the licensee is following the pre-payment metering system, interest on working capital is also not allowable.

Return on Net Fixed Assets

36. The licensee has claimed return on net fixed assets @5.50% i.e., Rs. 66.94 lakh against the approved amount of Rs. 22.65 lakh. The Commission while truing up the accounts for the year 2022-23 had approved RoNFA of Rs. 24.68 lakh after deducting the assets created out of accumulated surplus at the rate of 3% as per the provision of the Tariff Regulations, 2018. The Commission in the Tariff Regulations, 2021 has revised the return on NFA to 5.5%. The comparison of return on NFA for the year 2022-23 and 2023-24 is shown below.

Table-19
Return on NFA for the year 2022-23 and 2023-24 (Rs.lakh)

Particulars	2022-23		2023-24	
	Truing Up Petition	Trued Up	Approved ARR&ERC	Truing Up Petition
NFA at the beginning of the year	1308.97	448.70	411.87	1217.14
Return for NFA at the beginning of the year	71.99	24.68	22.65	66.94

37. While Truing Up the accounts for the year 2022-23, the Commission had approved an amount of Rs. 24.68 lakh as against Rs. 71.99 lakh claimed by the licensee. The licensee has created assets from 2016-17 using their accumulated surplus. The Commission noted that, if the rate of return of distribution companies is insufficient to cover the risk for infusing funds into the distribution business, it would be difficult to attract investment in the distribution sector. This might create pressure for the distribution companies to reduce maintenance and new capital expenditure below optimum level, thus less motivation for improvisation and consequent degradation in quality of service to consumers. Considering this, the Commission noted that the assets additions during the Control period is done by the licensee with an approval from the Commission, the licensee is reasonably eligible for return on NFA thereon. **The Commission hereby considers**

opening balance of NFA of Rs. 409.13 lakh (Opening NFA on 2022-23- Depreciation approved for 2022-23 [448.70- 39.57]) for the year 2023-24 and the licensee is also eligible for the Return on NFA for the asset's addition during the current Control period.

38. Accordingly, the NFA eligible for return at the rate of 5.5% as per the provisions of Tariff Regulations, 2021 is as shown below.

Table-20
Return on NFA for the year 2023-24 (Rs. lakh)

Particulars	As per Truing Up Petition	Trued Up
Rs.66.94 lakh claimed by the licensee.	1217.14	409.13
5.5% on Net fixed assets at the beginning of the year	66.94	22.50

39. As such, the Commission hereby approves Rs.22.50 lakh as Return on NFA for the year 2023-24 as against Rs.66.94 lakh claimed by the licensee.

Revenue from sale of power

40. The actual revenue from sale of power for the year 2023-24 is Rs. 4270.39 lakh for 586.75 lakh units as against approved revenue from sale of power of Rs. 4146.62 lakh for 565.81 lakh units as approved in the Order on ARR&ERC. As per the petition, major revenue is from sale to the HT – Industrial [HT-I(A) & I(B)] category. A category-wise comparison of revenue from sale of power for the years 2022-23 & 2023-24 is as shown below.

Table-21
Details of Revenue from Sale of Power for the year 2022-23 and 2023-24

Category	Truing Up 2022-23			Truing Up 2023-24		
	Sales (Lakh Units)	Revenue from sale (Rs.lakh)	Average Realisation (Rs.)	Sales (Lakh Units)	Revenue from sale (Rs.lakh)	Average Realisation (Rs.)
HT – Industrial [HT-I(A) & I(B)]	449.47	3221.18	7.17	466.70	3,447.70	7.38
HT- Agricultural [HT-III(B)]	13.85	57.25	4.13	13.60	60.10	4.42
LT – Industrial [LT-IV(A)&IV(B)]	93.14	717.69	7.71	98.00	776.20	7.92
LT – Commercial [LT-VII(A)]	2.00	23.83	11.94	3.30	38.72	11.73
LT – Other categories	5.69	44.75	7.86	5.15	49.42	9.60
Total	564.15	4064.70	7.21	586.75	4,372.13	7.45

41. In the above table 21 the Revenue from sale Rs. 4372.13 lakh includes Fuel surcharge amount paid to KSEBL of Rs.101.74 lakh and the net revenue from sale of power is Rs.4270.39 lakh. Compared to the previous year there is an increase in the sales mainly for the HT – Industrial HT-I(A) & I(B). **Considering the submission made by the licensee, the Commission approves the revenue from sale of power of Rs. 4270.39 lakh for the purpose of Truing Up of accounts for the year 2023-24 as claimed by the licensee.**

Non-Tariff Income

42. The Non-tariff income accounted by the licensee for the year 2023-24 is Rs. 99.12 lakh as against the approved amount of Rs. 68.80 lakh. The Non-tariff income claimed by the licensee over the years is summarized below.

Table 22
Details of Non-Tariff Income (Rs. lakh)

Particulars	2021-22 Truing Up Petition	2022-23 Truing Up Petition	2023-24 Truing Up Petition
Interest on investments, fixed and call deposits and bank balances.	63.19	68.21	79.35
Interest on advances to KSEB Ltd	19.18	17.56	16.51
Miscellaneous Receipts	0.15	1.84	0.01
Commission for collection of electricity duty	1.14	1.21	2.25
Meter/service line rentals	0.99	0.99	1.00
Grand Total	84.65	89.81	99.12

43. As per the details submitted, the non-tariff income include interest on fixed deposit and bank balances, interest on advances, commission for collection of electricity duty etc. The claim of the licensee for the year 2023-24 has increased compared to the actual non-tariff income in 2022-23. There is a slight decrease in interest on advances to KSEB Ltd during the year 2023-24 compared to previous year.

44. The Commission examined the details furnished by the licensee. The licensee is holding an accumulated surplus at the beginning of the year 2023-24 of Rs. 1803.31 lakh as per the Order on the Truing Up of Accounts for the financial year 2022-23 dated 02.07.2024. As shown in Table 18, the Commission has approved capital additions of Rs. 956.20 lakh till 2022-23 from the accumulated surplus. Considering this capital expenditure, the balance regulatory surplus is available for interest income is Rs. 847.11 lakh (Rs. 1803.31 lakh – Rs. 956.20 lakh). The Commission has been approving the notional interest on accumulated revenue surplus at the SBI retail term deposit rate for a tenure up to one year prevailing as on 01.04.2023, which is 6.80%. Accordingly, the interest for the accumulated revenue surplus of Rs. 847.11 lakh is Rs. 57.60 lakh at the rate of 6.80%. However, the licensee has shown a higher amount of Rs. 79.35 lakh as the Interest income on investments, fixed and calls deposits and bank balances. Considering the balance revenue surplus available, the interest income shown is reasonable. **Hence, the Commission approves the actual Non-tariff income of Rs. 99.12 lakh as claimed by the licensee for the year 2023-24.**

Revenue Surplus/Gap for 2023-24

45. Based on the above, the approved expenditure and revenue for the year 2023-24 after truing up is as shown below.

Table 23
Trued Up Income and Expenditure for the Year 2023-24 (Rs. lakh)

Particulars	2023-24		
	ARR & ERC Approved	Truing Up Petition	Trued Up
Purchase of Power	3923.46	4,029.20	4025.52
Employee Cost	166.65	126.38	198.08
R&M Expenses	6.24	14.72	
A &G Expenses	35.65	44.14	
Depreciation	37.81	91.54	
Return on NFA	22.65	66.94	22.50
Total Expenditure	4192.46	4372.92	4281.66
Revenue from Sale of Power	4146.62	4270.39	4270.39
Other Income	68.8	99.12	99.12
Total Income	4215.42	4369.51	4369.51
Revenue Surplus	22.96	-3.41	87.85

Orders of the Commission

46. The Commission after considering the petition filed by M/s. CSEZA for Truing up of accounts for the year 2023-24, and details provided by the licensee approves the following.

- a) **Total revenue is Rs. 4369.51 lakh.**
- b) **Total expenditure is Rs. 4281.66 lakh.**
- c) **The revenue surplus for the year is Rs. 87.85 lakh.**
- d) **The cumulative revenue surplus at the beginning of the year 2023-24 was Rs. 1803.31 lakh. The accumulated revenue surplus thus, at the end of the year 2023-24 would be Rs. 1891.16 lakh (Rs. 1803.31 lakh + Rs. 87.85 lakh). However, the licensee has made investments to the tune of Rs. 956.20 lakh for capital expenditure up to 2022-23. Thus, the balance available surplus is Rs. 934.96 lakh (Rs. 1891.16 lakh – Rs. 956.20 lakh). The licensee shall keep the surplus arrived at after the Truing Up of Accounts in a separate fund and utilize it as per orders of the Commission.**

47. The petition is disposed of. Ordered accordingly.

Sd/-
Sri. T.K Jose
Chairman

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. B. Pradeep
Member

Approved for issue
Sd/-
C.R.Satheesh Chandran
Secretary