

A PETITION

The Petitioner respectfully submits as under:

1. This application for approval of the Multi-Year Tariff (MYT) proposal for the control period of three financial years from the 1st day of April 2015 to 31st day of March 2018 is filed before the Hon'ble Kerala State Electricity Regulatory Commission (KSERC) (hereinafter referred to as Hon'ble Commission) in accordance with the provisions of the Electricity Act, 2003.

2. This application has been prepared as per the terms and conditions for determination of tariff under Section 61 of the Electricity Act, 2003 and the terms and conditions of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2014 issued by the Hon'ble Commission.

BACKGROUND FOR THE PETITION

The Hon'ble Commission has issued Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2014 *vide* Notification No.787/SEA/2011/KSERC dated 14th November 2014 directing all licensees in the State of Kerala to file MYT proposals for the first control period on or before 31st December 2014. CSEZA through the letter No.H-12/2/2014/CSEZA dated 18th December 2014 requested the Hon'ble Commission for an extension upto 31st January 2015 for filing the MYT petition. The Hon'ble Commission had through the letter No.2528/SEA/APR2015-16/2014/41 dated 31st December 2014 kindly granted the extension and permitted CSEZA to submit the MYT petition on or before 31st January 2015.

B. INTRODUCTION

1.1 Cochin Special Economic Zone (CSEZ), is a Government owned Special Economic Zone is under the Ministry of Commerce and Industry, Department of Commerce, Government of India. The Zone, comprising an area of 105 acres, is located at Kakkanad. The Cochin Special Economic Zone Authority constituted under the SEZ Act, 2005 is the Developer of the Zone providing the infrastructure and other related services to the Zone.

1.2 The Zone has been set up with the objective of promoting exports and creating employment opportunities. Exporting industries are provided with infrastructure facilities like power, water, effluent treatment facility, communication etc. The power distribution network was revamped by the Central Government to provide uninterrupted and quality power to the consumers in the Zone.

1.3 Government of Kerala granted Power distribution license to CSEZ *vide G.O.(Rt)No.118/02/PD* dated 20.6.2002. On obtaining NOC from the KSERC, *vide* their letter *No.KERC/CSEZ/2/71/2005* dated 1.1.2005, CSEZ started power distribution inside the Zone w.e.f. 1.5.2005. There are different categories of consumers viz. High Tension, Deemed High Tension and Low Tension. 85% of the purchased power is being sold to HT consumers alone.

1.4 Performance of CSEZA for the past two years based on retail parameters are given below:

Performance indices

Year	Billing Efficiency (%)	Collection Efficiency (%)
2012-13	100	100
2013-14	100	100

C. APPROACH TO FILING

1.1 CSEZA has taken earnest effort to study the past trends and the present performance to prepare and submit this MYT proposal and projections for the control period of FY 2015-16 to 2017-18. Operational, Financial and other performance assumptions and projections have been considered in the computation of this proposal.

1.2 The MYT proposal for the control period of FY 2015-16 to FY 2017-18 has been discussed in detail in Section D of the Petition.

D. Components of Aggregate Revenue Requirement and Expected Revenue from Charges under MYT Plan

I POWER PROCUREMENT PLAN

1 Power consumption pattern:

The consumption pattern and load curve for 2013-14 and 2014-15 (provisional) are enclosed.

2 Classification of consumers:

Following are the categories of consumers under the jurisdiction of CSEZA.

HT category

- a) HT – I Industrial (A)
- b) HT – I Industrial (B)
- c) HT – III(B) Agricultural
- d) DHT – I Industrial (A)

LT category

- a) LT – IV (A) Industry
- b) LT – IV (B) IT & IT Enabled Service
- c) LT – VI General (A)
- d) LT – VI General (B)
- e) LT – VI General (D)
- f) LT – VI General (F)

- g) LT – VII (A)
- h) LT – VIII (B) Metered streetlights

3 Consumer mix:/ No. of consumers

As on 31.12.2014, there were 32 HT consumers (including six DHT consumers), 117 various categories of LT consumers totaling to 149. The consumer mix, consumption pattern, etc. depends on financial stability around the world as consumers of the Zone are export oriented units. As such, consumer pattern is expected to continue as in the previous years. 85% of the purchased power is being sold to HT consumers alone.

4 Contract demand:

The contract demand under the executed Power Purchase Agreement with KSEB is 10000 kVA. This agreement is valid upto 31.03.2025. Expecting a revival in the recession strewn export segment, CSEZA had approached KSEB during January 2013 to enhance the contract demand to 15000KVA in continuance of earlier application for enhancement of contract demand to 12,000kVA. KSEB has considered the matter in its right spirit and gave its in-principle approval to enhance the contract demand to 15000 kVA. The average maximum demand during the FY 2014-15 was 10,740kVA. As the industries in the Zone have not shown any considerable improvement in consumption of power, the matter has been kept in abeyance by the CSEZA. Excess demand charge has not been included in the power purchase cost.

5 Power demand and projection:

As stated earlier, the present average contract demand is 10,740kVA and CSEZA expects only a marginal increase in first control period of FY 2015-16 to FY 2017-18. Taking cue from the past trends, a realistic projection in power requirement is made in this petition.

6 Power purchase from KSEBL

CSEZA is sourcing power from KSEBL since inception of its distribution business. CSEZA distributes power to a very limited area and there is no scope for lateral expansion of the Zone area. Though there is scope for vertical expansion, occupancy of land or single storeyed standard design factories hinder expansion in that direction. As such, CSEZA is not expecting any leap from its present power requirement in the control period under consideration. Therefore, for the time being, power shall be procured from KSEBL.

7 Power purchase from Renewable Sources

CSEZA had planned solar power generation to meet its obligation in this respect from 2014-15 and a project was submitted before the Hon'ble Commission for its approval. Considering the observations made by the Hon'ble Commission, CSEZA has reviewed the project. The project may, hence, face some delay in implementation which would cost purchase of Renewable Energy Certificates for the supply made during the year 2014-15. As the total volume of power sold during the year could be ascertained only on completion of this financial year, a provision has been made in the power purchase to buy such certificates. However, CSEZA is expecting to fulfill its obligation to generate solar power from the next

financial year onwards. A proposal for implementation of such a project has been detailed in the CAPEX for the first control period of MYT. Taking a positive approach, CSEZA has not projected any sum for purchase of REC for the next two financial years of the control period.

8 Power Purchase Cost

For computing the power purchase cost, the present rate of Rs.300/- as fixed charge per KVA and Rs.5.30 per unit have been taken into consideration. The power purchase cost is primarily on account of increase in quantum of power purchase. For projection of power purchase cost, no increase in demand charge or unit charge have not been considered.

A table containing the power procurement plan is given below:

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Power Purchase (MU)	53.35	55.38	55.49	55.60	55.71
Power Purchase cost (Rs. lakh)	2718.63	3144.23	3335.67	3342.80	3359.43
Solar power generation & supply (MU)	0.00	0.00	0.10	0.30	0.30

II REVENUE FROM SALE OF POWER

Sale of energy during the first control period is worked out on the basis of existing trend in the consumption pattern of the consumers in the Zone. The projections in revenue from sale of power is made on the basis of existing selling rate per unit for each categories of consumers under the jurisdiction of CSEZA.

A table containing the expected quantum of energy to be sold in the MYT period is shown below:

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Energy sold (MU)	53.36	54.15	54.48	54.59	54.70
Total revenue from sale of power (Rs. lakh)	2992.70	3253.42	3280.06	3285.67	3291.28

III DISTRIBUTION LOSS

In a power distribution business, a small percentage of energy is lost during the distribution in a lower voltage. In earlier years, there were mismatches in the power purchase and sale in the case of CSEZA whereas it appears that after testing and calibration of metering system in CSEZA on a direction from the Hon'ble Commission, the deficiency appears to have been eliminated. For the first control period, a lower distribution loss has been taken into account. However, it is respectfully submitted that the Hon'ble Commission may approve the actual distribution loss at the time of truing up of accounts.

A table showing the overall distribution loss percentage expected during the period FY 2015-16 to FY 2017-18 is given below:

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Distribution loss as a percentage of purchased energy (%)	(0.02)	2.21	1.82	1.82	1.82

IV NON-TARIFF INCOME

The non-tariff income is computed on the basis of a reasonable return from fixed deposits, interest on security deposit made with KSEBL and collection charges on duty and surcharge payable to the State Government. Apart from the above, collection of meter rent is also expected in the coming years. As directed by the Hon'ble Commission, a petition (OP No.7/2014) was filed before the Hon'ble Commission for fixing the meter rent and communication charges.

During the hearing held on 21.05.2014, the Hon'ble Commission had directed this licensee to show the communication charges under the A&G Expenses and fixation of meter rent was reserved for orders. As this licensee expected to receive a favourable order from the Commission, no rent was collected in the year 2014-15. On subsequent enquiry with the office of the Hon'ble Commission, it was advised to incorporate the matter related to fixation of the meter rent in the ARR&ERC petition. A calculation sheet is attached for arriving at the meter rent charges.

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Non-Tariff income	151.97	166.85	143.49	158.61	170.61

V O&M EXPENSES

1 Employee Expenses

Actual Employee expenses for the period 2013-14, estimated expenses for the period 2014-15 and projections for the period 2015-16 to 2017-18 are given below. The projections are made on a conservative basis. Further, in compliance with the directive from the Hon'ble Commission CSEZA has initiated action for inviting Expression of Interest for fixing the O&M agency. A nominal increase is given for the coming years based on present O&M fee being given to the present incumbent. The Hon'ble Commission is requested to allow the total employee expenses based on the offer to be finalized for O&M agency.

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Gross employee expenses	128.00	135.00	145.80	157.50	170.65

2 Administrative and General Expenses

The Administrative and General Expenses actuals for the year 2013-14, estimated for 2014-15 and proposed for 2015-16 to 2017-18 are given below. It may be seen that the A&G Expenses for the year 2014-15 is more than the amount approved by the Hon'ble Commission on account of electricity duty payable under Section 3 of Kerala Duty Act. Till, August 2014, CSEZA was exempted from payment of Section 3 duty for a period of 10 years. Though requests were made to the Government of Kerala, an order extending the exemption of payment of duty is yet to be received by this office. Hence, an additional expenditure to the tune of Rs.20.59 is expected during the current year. For the FYs 2015-18, this expenditure has been taken for whole years.

For the ensuing years, the A&G expenses shall be more than the present owing to the following points other than the payment of electricity duty u/s.3 of KED Act – (i) insuring the assets : Steps have already been taken to insure the assets of power distribution on account of fire and breakdown. A nominal sum is included in the ARR. It is expected that the a realistic figure could be intimated to the Hon'ble Commission by the beginning of March, 2015. (ii) Outsourcing of metering and billing system: CSEZA has introduced a web enabled energy management system in the year 2013-14. The free maintenance period for the first year is over and an annual maintenance contract for the system needs to be paid for which a provision has been made. (iii) Vehicle running expenses : CSEZA plans to procure a vehicle in the FY 2016-17 under its capital expenditure plan and the same is stated separately. A small amount of Rs.0.35 lakh and Rs.0.60 lakh has been projected for 2016-17 and 2017-18 towards vehicle running expenses. (iv) Lease Rent: The lease rent in CSEZ is fixed for each coming year is fixed in the previous year and a revision in the rent takes effect once in three years. The last revision was made in 2011-12 and hence a revision is expected in the 2015-16.

A summary of A&G expenses is given below:

	2013-14 (Actuals)	2014-15 (Estimated)	2015-16 (Projected)	2016-17 (Projected)	2017-18 (Projected)
Administration and General expenses	22.92	43.69	70.88	74.13	77.41

3 Repair & Maintenance Expenses

The Hon'ble Commission has approved an amount of Rs.18.15 lakh for the year 2014-15. However, as per the direction and approval of the Hon'ble Commission, testing and calibration of all CTs, PTs and meters were carried out as a separate work and the same was completed by October 2014. Labour expenses involved in the work has been included in the R&M Expenses for the FY 2014-15 which contributed to increase in the Repair and Maintenance expenses for that year. Reasonable amounts have been allocated to the ensuing years. In case any unforeseen work comes up in the first control period, which is beyond the control of this licensee, it is requested that the Hon'ble Commission may approve the same during the truing up process.

VI CAPITAL EXPENDITURE PLAN

The capital investment plan for the first control period FY 2015-18 is as given below. A detailed note on capital investment plan is attached as annexure to this petition.

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Additions of asset (Rs. lakh)	512.86	113.85	137.85

VII DEPRECIATION

Depreciation expenditure for the first Control Period from FY 2015-16 to FY 2017-18 has been computed in accordance with Regulation 28 of KSERC(Terms and Conditions for Determination of Tariff) Regulations, 2014 and also considering the asset-class wise depreciation rates as provided under the said Regulations. In respect of the assets expected to be added during the years in the Control Period, depreciation has been considered from the date of capitalization expected in that year.

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Depreciation on assets (Rs. lakh)	69.71	90.66	96.55

VIII INTEREST ON LONG TERM LOANS

The capital investment projected for the first control period is planned to be executed in a phased manner sourcing funds initially from the Depreciation Reserve Fund (DRF) created in the Power Distribution Accounts. The Hon'ble Commission in the Truing up petition No.OP No.14/2014 for 2012-13 directed that the funds in the accumulated depreciation amounts can be utilized for additional capital expenditure/replacement of assets. Therefore, the funds from the DRF shall be utilized at the beginning. The balance fund required for the capital addition shall be met by taking long term loans. As per the present projected proposal, the loan amount can be completely paid by 2021-22. Interest on loan has been taken as 12.75% per annum. The rate of interest at the time of taking loan shall be intimated to the Hon'ble Commission. Therefore, the present rate taken may please be approved by the Hon'ble Commission.

IX RETURN ON EQUITY/INVESTMENT

As per Regulation 27 read with Regulation 29 of KSERC(Terms and Conditions for Determination of Tariff) Regulations, 2014, a distribution licensee can claim return on equity on the basis debt equity ratio of 70:30. As such the total investment of Rs.1018.13 lakh made by Government of India has been taken as 30% equity – Rs.305.44 lakh @ 14% and 70% normative loan – Rs.712.69 lakh @10%. Based on this, CSEZA is claiming the following ROE for the first control period taking into account the proposed capital expenditure plan.

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Return on Investment (Rs. lakh)	114.03	114.03	114.03

AGGREGATE REVENUE REQUIREMENT

The Aggregate Revenue Requirement (ARR) for the first control period starting from FY 2015-16 to FY 2017-18 is given below:

(Rs. in lakh)			
Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Cost of power purchase	3335.67	3342.80	3359.43
O&M Expenses	224.68	240.10	257.03
Depreciation	69.71	90.66	96.55
Interest on long term loans	9.90	12.39	15.59
Return on Equity	114.03	114.03	114.03
Aggregate Revenue Requirement	3753.99	3799.98	3842.64

EXPECTED REVENUE FROM CHARGES

The Expected Revenue from Charges for the projected period are as under:

(Rs. in lakh)			
Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Revenue from sale of power	3280.06	3285.67	3291.28
Non-tariff income	148.82	163.94	175.94
Expected Revenue from Charges	3428.88	3449.61	3467.22

REVENUE GAP/SURPLUS

The Revenue Gap/Surplus for the first control period is given as under:

(Rs. in lakh)			
Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Aggregate Revenue Requirement	3753.99	3799.98	3842.64
Expected Revenue from Charges	3428.88	3449.61	3467.22
Revenue Gap	325.11	350.37	375.42

PRAYERS TO THE HON'BLE COMMISSION

- i) CSEZA respectfully prays that the Hon'ble Commission may accept the MYT Petition in accordance with the principles contained in the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2014.
- ii) CSEZA further respectfully submits that the Hon'ble Commission may be pleased to approve the Projections of Operational parameters, Additional Capitalisation proposed for MYT proposal for FY 2015-18.
- iii) CSEZA also request the Hon'ble Commission to fix the meter rent per month to be collected from the consumers.
- iv) CSEZA respectfully seeks an opportunity to present its case prior to the finalization of the Tariff Order.
- v) CSEZA may also be permitted to propose suitable changes to the Petition and the mechanism of meeting the revenue on further analysis, prior to the final approval by the Hon'ble Commission.
- vi) CSEZA requests the Hon'ble Commission to condone any inadvertent omissions/errors/rounding off difference/shortcomings and permit CSEZA to add/alter this filing and make further submissions as may be required at a future date.
- vii) Pass such further and other orders, as the Hon'ble Commission may deem fit and proper, keeping in view of the facts and circumstances of the case.
- viii) CSEZA humbly and respectfully prays that as the capital introduced by the Government of India for power distribution is clearly identifiable and was introduced as initial capital to set up the infrastructure facilities in CSEZ, allowable interest at the rates specified in the Regulations may be kindly allowed.
- ix) CSEZA further requests that the bulk supply tariff may suitably fixed to cover the revenue gap projected in the petition.

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