



KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

Registered Office: Vidyuthi Bhavanam, Pattom,

Thiruvananthapuram – 695 004

CIN: U40100KL2011SGC027424

Website: www.kseb.in

Phone: : +91 471 2514317, 2514617

Email: trac@kseb.in

ABSTRACT

Tariff order dated 25.06.2022 issued by KSERC on the MYT petition filed by KSEBL for the control period from 2022-23 to 2026-27 - Adoption- Sanction accorded - Orders issued.

CORPORATE OFFICE (Commercial & Tariff)

BO (FTD)No.957/2022(TRAC-FO1/2022/119)

Thiruvananthapuram, Dated: 13.12.2022

- Read: 1. KSERC order in OA No.11/2022 dated 25.06.2022.
2. Note No. KSEB/TRAC/Tariff Revision/2021-22 dated 04.11.2022 of the Chief Engineer (Commercial & Tariff) submitted to the Director (Finance).
3. Note No KSEB/TRAC/FO1/2022/119 dated 29.11.2022 of the Chief Engineer Commercial & Tariff submitted to the Full Time Directors. (Agenda No. 5/12/2022).

ORDER

KSEBL had filed Multi -Year Tariff (MYT) petition comprising ARR & ERC, Capital Investment Plan (CIP) for the 5-year control period from 2022-23 to 2026-27 for its three SBUs and tariff revision proposals before KSERC. The Hon'ble Commission has decided the petition as per order read as 1st above and was also pleased to revise electricity tariff of all categories of consumers in the state along with bulk supply tariff applicable to other licensees wef 25.06.2022. Even though KSEBL had requested tariff revision for all 5 years of the control period, KSERC ordered to revise tariff only for one year (2022-23).

The Chief Engineer Commercial & Tariff, as per note read as 2nd above placed the matter before the Director Finance and informed that the order was issued by KSERC on the basis of provisional approval of Capital Investment Plan (CIP) and it was also decided to conduct separate public hearing in the matter before according final approval. Further, recovery of amortized portion of past revenue gap has been deferred. Normative interest, depreciation and O&M expenses were approved on the basis of provisional CIP approval. Revenue from sale of power and non-tariff income has been approved as proposed by KSEBL. KSERC has also given certain directives for compliance by KSEBL. Power purchase from unapproved DBFOO contracts were not approved. KSERC approved T&D loss reduction target @ 0.40% in each year of the control period and collection efficiency at 99%. Based on the recommendation of the Director (Finance), the Chairman and Managing Director has directed to place the matter before Full Time Directors (FTD) for decision. In compliance of the direction, the matter was placed before FTD as per note read as 3rd above.

Having considered the matter in detail, the Full Time Directors in its meeting held on 05.12.2022, Resolved to accord sanction for the following: -

(1) To adopt the KSERC order dated 25.06.2022 on ARR & ERC for the time being till final orders are issued as per detailed proceedings by KSERC on the Capital Investment Plan submitted by KSEBL.

(2) To constitute a committee under the Director (Planning), Director (Generation Electrical),

observations made by the KSERC on the provisional approval of CIP under SBU G and to decide on the same.

(3) To authorize the Chief Engineer (REES) to ensure that prior approval of the KSERC is obtained before the battery storage work is awarded or money spent on project since approval has not been granted by KSERC.

(4) To authorize the TA to the Director (Distribution) to

(i) analyze and report whether the targets for Distribution Loss approved by State Commission is achievable for the control period from 2022-23 to 2026-27 in due consideration of the level of CIP approved by KSERC.

(ii) make available the details of final scheme of RDSS along with approval from MoP, Administrative sanction and DPR to Tariff and Regulatory Affairs Cell for submission before KSERC.

(iii) ensure that prior approval of the Commission may be obtained before any amount is spent on smart meter project and RDSS as the Commission has not approved the project.

(5) To authorize the TA to the Director (Transmission) to make available the details regarding special compensation package for the construction of Thrissur- Pugalur line to Chief Engineer (Commercial & Tariff) for filing proper petition before KSERC.

(6) To file tariff proposal for four years.

(7) To approve the action on directives issued by KSERC as suggested in the Appendix 3.

Orders are issued accordingly.

By Order of the Full Time Directors

Sd/-

LEKHA G

Company Secretary

To:

- 1.The Financial Adviser
- 2.The Chief Internal Auditor
- 3.The Chief Engineer (Commercial & Tariff)
- 4.The Chief Engineer (REES)
- 5.The Chief Engineer (Transmission-SO)
6. The Chief Engineer (Generation-E)
- 7.The TA to the Director (D, IT & SCM)
- 8.The TA to the Director (Gen-E & HRM)
- 9.The TA to the Director (Gen-C)
- 10.The TA to the Director (REES, S,N,S &W)
- 11.The TA to the Director (T & SO, P &S)
- 12.The PA to the Director (Finance)

Copy to: TA to CMD / Senior C.A to Secretary (A)/ Company Secretary/Stock File.

Forwarded / By Order


Divisional Accounts Officer

Appendix 3. Directives issued by the Commission

8.1 Master trust and related issues.

(i) KSEB Ltd shall, w.e.f 01.04.2017, pay the interest and principal of the two bonds to the Trust as envisaged in the Government notifications on re-vesting dated 31.10.2013 and 28.01.2015, and as per the terms and conditions specified in the bond certificates dated 01.04.2017. KSEB Ltd shall also pay the additional amount provisionally approved in the ARR for the MYT period from 2022-23 to 2026-27 along with the additional fund approved in the orders on Truing up of accounts in the years 2017-18 to 2020-21 to the Master Trust.

The audited accounts along with the bank statement of Master Trust shall be submitted along with the petition for approval of the Truing Up of accounts of each year of the MYT period, failing which such amounts as approved in the ARR will not be approved in the Truing up of accounts.

(ii) The amount due from the State Government towards the second set of bonds shall be adjusted as envisaged in the Government notifications on re-vesting.

(iii) KSEB Ltd shall, every year, carry out the actuarial valuation of the pension liabilities of the personnel transferred to KSEB Ltd as on date of re-vesting and claim the additional contributions required if any, through tariff as provided in the Tariff Regulations, 2021, with all the relevant details and supporting documents.

Action: Financial Adviser, KSEBL may be authorized to examine the matter and to appraise the Board on compliance of KSERC direction.

8.2 Purchase of 465MW power through long term contracts under DBFOO

Since the Ministry of Power, Government of India has declined to approve the deviations made by KSEB Ltd in the purchase of 465MW power from the provisionally approved/ unapproved DBFOO contracts due to the facts and circumstances explained in paragraphs 6.93 to 6.111 of this Order, the Commission has not approved KSEB Ltd's proposal to purchase 3363.29 MUs yearly from these PSAs. Instead, KSEB Ltd is hereby permitted to procure 465 MW of equivalent power or as required on medium term basis through competitive bidding as per Section 63 of the Electricity Act, 2003. Alternatively, KSEB Ltd may make necessary arrangements for procuring 465 MW or as required, from power plants through competitive bidding route who have assigned coal linkage as per the SHAKTI policy of the Central Government.

The issue has already been decided by the Board of Directors in its meeting on 29.09.2022.

8.3 Collection of arrears

The Commission notes that the arrears on account of electricity charges have been increasing year by year and stands at Rs 2771.00 crore as on 31.12.2021. The Commission is of the firm view that the timely collection of electricity dues is the primary responsibility of the licensee. Further, Section 45 & 56 of the EA-2003 and Regulation 131, 136 & 138 Supply Code, 2014 clearly mandates its timely recovery. In the absence of its timely recovery, the licensee is often forced to resort to borrowings

leading to avoidable interest payments. This is not a desirable state of affairs and the Commission cannot remain a mute spectator to such lapses.

Under such circumstances, in order to improve the licensee's financial position, ensure adequate cash flow and to avoid liquidity problems, the licensee shall collect its electricity dues from the consumers, when due and within the time specified by the Commission through the Regulations. It is also a fact that during the Commission's public hearings on the tariff petition, many of the participants pointed out that, if KSEB Ltd collects the electricity dues from the defaulting consumers in a timely manner, the revenue gap and resulting tariff revisions can be reduced to some extent.

After considering the importance of the issue in detail, the Commission hereby directs that KSEB Ltd shall immediately constitute an arrear recovery team entrusted with the following responsibilities.

- i (i) Review the arrears in each category and do an age wise analysis.
- ii (ii) Examine the arrears held up due to court cases and consider recovery action in cases where there is no stay granted by the Courts.
- iii (iii) Pursue with the State Government departments, PSUs and other local bodies for early and timely recovery of the entire arrears.
- iv (iv) Propose a time bound action plan with quarterly recovery targets and entrust this responsibility to identified teams.

Action: Chief Internal Auditor, KSEBL may be authorized to examine the matter in detail and to appraise the Board on compliance of direction.

8.4 Accounting treatment of interest on outstanding dues

The Commission notes that KSEB Ltd is following the accrual system of accounting. However, in their annual accounts, KSEB Ltd has given a disclosure that the interest due on non-payment of bills is being accounted on cash basis, i.e., only on actual receipt basis. Since the licensee's accounts are maintained on accrual basis and the licensee is legally eligible to get this amount, the Commission is at a loss to understand why such a methodology is adopted for interest accounting. Moreover, a company maintaining its accounts under the accrual system has every legal right to account for this dues too and failure to account these dues on accrual basis results in understatement of income. Hence, the Commission hereby direct KSEB Ltd to review this practice and adopt a consistent accounting treatment for all its transactions.

Action: Financial Adviser, KSEBL may be authorized to examine the matter in detail and to appraise the Board on compliance of direction.

8.5 Ring fencing of SLDC

Independent function of State Load Despatch Centre (SLDC) is an important requirement to carry out its statutory functions under Section 32 of the Electricity Act, 2003. In view of its importance, KSEB Ltd shall implement a scheme for ring fencing the State Load Despatch Centre, to ensure its independent function in a time bound manner. Details of the actions taken in this regard shall be submitted to the Commission along with the Truing up petitions for the FY 2022-23.

Action: The Chief Engineer, System operation and O/o FA may jointly be authorized to examine the matter and to furnish an action taken report as directed.

8.6 Feeder metering to measure energy transfer from SBU-T to SBU-D.

KSEB Ltd shall, within this financial year (2022-23) take necessary actions to measure the energy transferred from SBU-T to SBU-D on monthly basis and report the compliance before the Commission.

Action: Since the direction gets complied with the implementation of SAMAST as reported by Transmission wing, TA to Director (T&SO) may be entrusted to examine the direction and to furnish the progress of implementation of SAMAST.

8.7 Metering arrangements to measure auxiliary consumption of Hydro Stations.

KSEB Ltd shall take immediate steps to provide metering arrangements at evacuation point of each Hydro generating station of KSEB Ltd to measure auxiliary consumption and report compliance to the Commission along with the Truing up petitions for the FY 2022-23.

Action: Chief Engineer (Generation -Electrical) may be entrusted to examine the matter in detail and to report compliance.

8.8 Petition for fuel surcharge

As per the Regulation 87 of the Tariff Regulations, 2021, KSEB Ltd is required to submit regularly and at the specified intervals, the application for approval of the fuel surcharge. As per the Regulation 88 of the Tariff Regulations, 2021, within 30 days from the close of every financial year, KSEB Ltd is also required to submit the proposals for passing on the impact of the change in hydro-thermal mix. KSEB Ltd shall comply with the above provisions in the Tariff Regulations, 2021.

Action: Chief Engineer (Commercial & Tariff)

8.9 KSEB Ltd is hereby directed that, they shall file petitions for obtaining fresh approval for the Power Purchase Agreement from all generators/ traders/ intermediary procurers etc., whose COD was either delayed or their PPA is due to lapse at least six months prior to CoD / termination agreement with full justification thereof.

Action: Chief Engineer (Commercial & Tariff)

The Commission hereby directs that, KSEB Ltd shall scrupulously comply with above directives within the time frame specified therein. However, if there is any genuine difficulty in implementing any of the above directions, the KSEB Ltd may approach the Commission at the earliest and not later than 31st March 2023.

Action: By all concerned