

The Petitioner respectfully submits as under :

The application is for reviewing the Hon'ble Commission's Order in OA No.03/2015 dated 09.09.2015 in the matter of determination of ARR & ERC for MYT of Cochin Special Economic Zone Authority (CSEZA) for the control period 2015-16 to 2017-18.

## **Background**

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.

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 during the period 2003-05 by the Central Government to provide uninterrupted and quality power to the consumers in the Zone.

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 HT, DHT, LT, temporary, etc. and about 85% of the purchased power is being sold to HT consumers alone. CSEZ adopts the same tariff structure of KSEB for the end consumers. Distribution area is limited to the industries and other supporting utility services inside the Zone.

During the financial year 2014-15, there were a total of 150 consumers in CSEZ comprising of 32 HT consumers (including 6 DHT consumers), 118 LT consumers which include 100 LT industrial consumers, One LT commercial consumer and 17 other LT consumers (including temporary for construction purposes). 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 and their demand for power is dynamic and volatile.

CSEZ had filed Petition OA No.03/2015 submitting ARR & ERC for MYT of Cochin Special Economic Zone Authority (CSEZA) for the control period 2015-16 to 2017-18. Honourable Commission have reviewed the same and after hearing on the matter issued ARR & ERC order dated 09.09.2015.

Subsequent to the above ARR & ERC order by Hon'ble Commission, CSEZA had submitted a request letter No.H-12/1/2014:CSEZA/5000 dated 08.10.2015 for review and reconsideration of certain observations of the Hon'ble Commission. In response to this letter, Hon'ble Commission has directed CSEZA vide letter No.225/SEZ/OA No.3/2015/KSERC/1279 dated 29.10.2015 to file a petition under Regulation 67 of the Kerala State Electricity Regulatory Commission (Conduct of Business) Regulations, 2003 for

reviewing the order. Hence, CSEZA hereby submit the following to the Hon'ble Commission for review and reconsideration:

**1. Para-14: Distribution loss:**

The Commission has fixed the distribution loss as 1.50% against 1.82% projected by CSEZA. This projection was made on the basis of the actual distribution loss of 1.69% incurred during the financial year 2014-15. It is anticipated that the distribution loss may even reach up to 2% depending on the power consumption variations by the units/consumers. Hence, it is humbly requested the Hon'ble Commission may fix the distribution loss at the rate of 1.82% as projected by CSEZA in the MYT petition. Alternatively, it is humbly prayed that the Hon'ble Commission may approve the actual distribution loss incurred by CSEZA during the relevant year.

**2. Para-16: Cost of Power Purchase:**

It is observed that the Hon'ble Commission has revised/reduced the requirement of energy to be purchased considering 1.50% as distribution loss from the approved energy sale quantity.

Projected and Approved power purchase and sale

	2015-16		2016-17		2017-18	
	Projected	Approved	Projected	Approved	Projected	Approved
Energy Sale (MU)	54.48	54.48	54.59	54.59	54.70	54.70
Energy Purchase (MU)	55.49	55.30	55.60	55.42	55.71	55.53
Energy charges (Rs.in lakhs)	2940.97	2930.90	2946.80	2937.26	2952.63	2943.09
Total cost of power purchase (Rs.in lakhs)	3335.67	3317.54	3342.80	3333.26	3359.43	3349.89

It may please be seen from the above statement that the energy purchase requirement has been worked out based on 1.50% of distribution loss from the approved energy sales requirement. While filing the ARR & ERC, CSEZA had estimated average loss of 1.82%. This was projected on the basis actual distribution loss of 1.69% for the year 2014-15, considering the possibility of variations on the power consumption by the units/consumers. Hence, it is humbly requested that the Hon'ble Commission may fix the distribution loss at the rate of 1.82% and revised the cost of energy purchase accordingly as projected by CSEZA in the MYT petition. Summary of the ARR & ERC and Surplus/(Revenue Gap) as given under Para 50(1) of the order may also be suitably amended accordingly.

**3. Para-19 to 24: Capital Expenditure:**

The Hon'ble Commission has directed CSEZA to submit the detailed project estimate, cost benefit analysis and necessity of various expenditures as well as the likely impact on the quality of supply. It is humbly submitted that CSEZA had already explained the reasons, the details of estimated cost and the necessity of

incurring the additional capital expenditure in the MYT petition. Further, it is humbly submitted that the Regulation 72 & Annexure-IV of Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2014, states that the prior approval of the Commission is required for schemes involving major investment i.e. above Rs.10 crores only. It is also reiterated that under Para C of the Annexure-IV that the detailed project reports are required for the capital investment schemes exceeding the amount of Rs.10 crores. CSEZA's proposal for capital expenditure is less than Rs.8 crores for all the three years put together and also the capital investment proposal comprises of various small individual projects and works. As far as the issue of the depreciation is concerned, the depreciation on the assets/modification will be reworked at the time of truing up based on the actual cost incurred and considering the date of asset addition/commissioning of assets, as per the relevant provision in the Regulations. Hence, the Hon'ble Commission is requested to reconsider and approve the capital expenditure as proposed by CSEZA in the MYT petition. A copy of the capital investment proposal submitted alongwith MYT petition is attached. Out of the capital works proposed for the year 2015-16, CSEZA has decided to drop the proposal for setting up a 200kWp Grid Interactive Solar Power Plant.

It may kindly be noted that CSEZA has already initiated action for replacement of 110 kV Metering CTs and PTs at 110 kV Substation as well as the replacing of existing 110 kV meter with ABT meters as agreed with KSEBL. However, as two months only are left for completion of this financial year (2015-16), it is humbly requested the Hon'ble Commission to permit CSEZA to undertake the proposed capital for the year 2015-16 in the ensuing financial year.

**4. Para-44: Return on Equity:**

It is observed that the Hon'ble Commission has only allowed Return on Equity at the rate of 3% of net fixed assets. As already clarified by CSEZA, the initial investment made by the Government of India to set up power distribution assets should not be considered as grant and should be considered as equity, as also confirmed in previous ARR&ERC hearing. Hence, return on equity may be allowed as claimed by CASEZA in the ARR & ERC petition.