



INSTITUTE FOR SUSTAINABLE DEVELOPMENT AND ENERGY STUDIES

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BEFORE THE HONOURABLE **KERALA STATE ELECTRICITY REGULATORY COMMISSION**

Sir,

Sub: Comments on Draft tariff Regulation 2017

Ref: Sitting on 03.01.2018 at Ernakulam.

We welcome the initiative taken by the Hon'ble Commission to change the Existing Regulation published during 2014. During the time of formulating earlier regulations our institute suggested different points and some of its were incorporated in the new regulations.

It has been mentioned in the objectives of the Regulation 2017 that to 'ensure sustainable operation of the sector'. We are very much glad in the above statement since our institute also suggest 'financially healthy licences and satisfied customers'.

The financial stability of the licence especially KSEBL is very much important for the overall development of our State. Being a public utility carrying generation, transmission and distribution activities in single umbrella the financial stability is much important for its sustainable operation. But the same time the consumer is more important and their satisfaction regarding the service of the licensee is also to be taken into account.

Regarding the new Regulations 2017 following points may please be considered:

1. Norms specified by the Central Electricity Regulatory Commission in generation and transmission sectors shall be taken into account while fixing the norms.
2. Norms for auxiliary consumption fixed by the CERC may be taken into account.
3. ONM expenses for distribution. Norms may be fixed by considering CERC norms and overall improvements achieved by KSEBL for the last years.



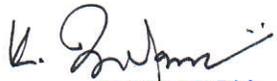
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4. **Income from other business:** Non tariff income like income from utilizing the assets of the licensee for laying fibre optic cables in transmission lines, are proposed to be deducted from ARR as per Reg.61. We propose that such items may be included in "Income from other business" mentioned in Reg.62 so that the licensee will be encouraged to utilize their infrastructure to the maximum extent and one third of the income will be passed on to the consumers also. The same shall be made applicable for income from utilization of the assets in Generation, Transmission and Distribution.
5. **One time expenses :** One time expenses such as the cost for initiatives like energy conservation, safety, enhanced customer service etc shall be allowed over and above the normative expenses after prudence check.
6. **Regulatory asset:** It is noted that a revenue gap after true up of past years are being set apart as regulatory asset to avoid tariff shock. Also, the admitted revenue gap of current year is, not always bridged by way of tariff adjustments or government subsidy. The licensee will have to take additional debt to meet the cash deficit in operations as a consequence of the uncovered revenue gap, which obviously has a cost which is to be reflected in the ARR. But interest and finance charges will not be allowed for this as per the draft regulations. Model regulations for provides for amortization schedule for regulatory asset and also carrying cost at State Bank Advance Rate (SBAR). Provision for this shall be added in the final regulations to be framed.
7. **Return on equity:** The norms specified by the CERC may be considered.
8. The rate of inflation may be considered in arriving actual expenses.

Conclusion: The proposed norms shall be revised based on the above observations and considering the re-cast balance sheet and account. We hope that the regulations to be published by KSERC shall be model to other states and shall be able to attract the required investments in the Electricity sector in Kerala.


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