

No. PFI/Prog/KSERC /2025/003

Dated: 06/01/2026

To,

The Secretary

Kerala State Electricity Regulatory Commission
K.P.F.C. Bhavanam, CV Raman Pillai Rd,
Vellayambalam, Thiruvananthapuram,
Kerala-695010

Subject: PFI Comments: KSEBL True Up Petition for FY 2024-25

Reference: KSERC Public Notice True Up Petition FY 2024-25

Dear Sir,

Power Foundation of India (PFI) is a Policy Research and Advocacy entity and a registered society under the aegis of Ministry of Power, Government of India. PFI is supported by leading Central Power Sector Organizations to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and other concerned stakeholders.

With reference to above, PFI has analyzed the True Up Petition for FY 2024-25 filed by Kerala State Electricity Board Limited (KSEBL) before KSERC. Our comments/ suggestions on the said Petition of are enclosed herewith for your consideration as *Annexure- I*. We would also like to orally submit our comments/ suggestions on the day of Public Hearing through video conference.

The comments have also been emailed to secretarykserc@gmail.com.

Warm Regards,

Encl: Annexure – I

Copy to:

A. The Hon'ble Chairperson

Kerala State Electricity Regulatory Commission

B. The Hon'ble Member

Kerala State Electricity Regulatory Commission

Yours Sincerely,



Anshuman Srivastava
Executive Director, PFI 6/1/26

ANNEXURE-I

PFI Comments/Suggestions: KSEBL True Up Petition for FY 2024-25

A. BUNDLED STRUCTURE OF KSEBL

- 1) PFI notes that there is only Electricity Board, i.e., Kerala State Electricity Board Limited (KSEBL) which is vertically integrated into its Generation, Transmission and Distribution Business. The State Electricity Boards (SEBs) were established and governed by Electricity (Supply) Act, 1948, wherein the powers and duties were defined such as to arrange supply electricity, making coordination with generating companies, etc.
- 2) Further, various amendments were proposed to reform the electricity sector due to inadequate generation capacity, high technical losses and poor financial conditions of SEBs. For the enactment of federal government, as mentioned in 7th schedule of the Constitution, Electricity Regulatory Commissions were established at Central and State level under the Electricity Regulatory Commission Act, 1998. The Act also provided for tariff determination by both the CERCs and SERCs for supply of electricity.
- 3) The most important step of the reforms was enactment of the Electricity Act, 2003, which replaced all the previous legislation and mandates the unbundling and corporatization of SEBs. The Act enables competition in the market through introducing open access, multi-year tariff frameworks, distribution franchisees, delicensing thermal generation while establishing RPOs, setting up regulatory bodies (CERCs and SERCs), and an appellate tribunal for dispute resolution and universal access of electricity, etc. Section 131 of Part 8 of the Act mandates the reorganization of SEBs, which is as follows:

PART XIII

REORGANISATION OF BOARD

Section 131. (Vesting of property of Board in State Government): --- (1) With effect from the date on which a transfer scheme, prepared by the State Government to give effect to the objects and purposes of this Act, is published or such further date as may be stipulated by the State Government (hereafter in this Part referred to as the effective date), any property, interest in property, rights and liabilities which immediately before the effective date belonged to the State Electricity Board

(hereinafter referred to as the Board) shall vest in the State Government on such terms as may be agreed between the State Government and the Board.

(2) Any property, interest in property, rights and liabilities vested in the State Government under sub-section (1) shall be re-vested by the State Government in a Government company or in a company or companies, in accordance with the transfer scheme so published along with such other property, interest in property, rights and liabilities of the State Government as may be stipulated in such scheme, on such terms and conditions as may be agreed between the State Government and such company or companies being State Transmission Utility or generating company or transmission licensee or distribution licensee, as the case may be :

Provided that the transfer value of any assets transferred hereunder shall be determined, as far as may be, based on the revenue potential of such assets at such terms and conditions as may be agreed between the State Government and the State Transmission Utility or generating company or transmission licensee or distribution licensee, as the case may be.

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(7) The Board shall cease to be charged with and shall not perform the functions and duties with regard to transfers made on and after the effective date.

Explanation.- For the purpose of this Part, -

(a) "Government company" means a Government Company formed and registered under the Companies Act, 1956.

(b) "company" means a company to be formed and registered under the Companies Act, 1956 to undertake generation or transmission or distribution in accordance with the scheme under this Part.

- 4) The concept of unbundling of electricity sector has been introduced to change the structure and eradicate the vertically integrated monopoly of distribution sector. Initially, the states opted various modes for unbundling like separating transmission and distribution from generation business, few states opted separation of generation from transmission and distribution and others preferred directly to separate generation, transmission and distribution. However, Kerala maintained an integrated

monopoly structure till now. However, section 42 of the Act defines the duties of distribution licensee and open access, which ultimately mandates to maintain the efficient system and supply of electricity through, which is as follows:

Section 42. (Duties of distribution licensee and open access): --- (1) *It shall be the duty of a distribution licensee to develop and maintain an efficient, co-ordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions contained in this Act.*

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(8) *The provisions of sub-sections (5), (6) and (7) shall be without prejudice to right which the consumer may have apart from the rights conferred upon him by those sub-sections.*

- 5) PFI has observed that the neighboring states of Kerala like Karnataka, Telangana, Andhra Pradesh, etc. have already separated their distribution business from generation and transmission. Even when Discoms of Andhra Pradesh and Telangana are filing petitions separately for wheeling and retail business. Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) also restructured and separate its generation and distribution business via order dated 24/01/2024, the relevant para of the order is as follows:

3. The Additional Chief Secretary/Chairman and Managing Director, TANGEDCO has therefore requested the Government to accord approval for the following : -

- (1) For the formation of Thermal Power Generation Corporation under the Companies Act, 2013.
- (2) To approve the name of the proposed Company as Tamil Nadu Power Generation Corporation Limited (TNPGL).
- (3) To allow Existing TANGEDCO to continue as Generating and Distribution entity until the commencement of business of the new company and consequently to rename TANGEDCO as "Tamil Nadu Power Distribution Corporation Limited" (TNPDL) and permit it to carry on with the Power Distribution business of TANGEDCO with the objects as outlined in item 2 paragraph 2 above.

- 6) It is also mentioned in section 42 of draft Electricity (Amendment) Bill of 2025 to provide non-discriminatory open access to his network to other distribution licensees, which is as follows:

Section 42 (Duties of distribution licensee and open access)

“(1) It shall be the duty of a distribution licensee to:

- (a) ensure an efficient, co-ordinated and economic distribution network in his area of supply;
- (b) provide non-discriminatory open access to his network to other distribution licensees in their areas of supply on payment of wheeling charges;
- (c) supply electricity in accordance with the provisions of this Act, and
- (d) develop and maintain distribution system, as required, avoiding duplication, as may be specified by the Appropriate Commission.

- 7) Also, section 14 of draft Electricity (Amendment) Bill, 2025 allowing multiple distribution licensee in the same area using shared network, the amendment proposed to be done in 6th proviso, which is as follows:

Section 14. (Grant of licence):

The Appropriate Commission may, on an application made to it under section 15, grant a licence to any person -

- (a) to transmit electricity as a transmission licensee; or
 - (b) to distribute electricity as a distribution licensee; or
 - (c) to undertake trading in electricity as an electricity trader,
- in any area as may be specified in the licence:

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Provided also that the Appropriate Commission may grant a licence to two or more persons for distribution of electricity “through their own **or shared** distribution system within the same area **in accordance with the framework as specified by the Commission**”, subject to the conditions that the applicant for grant of licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional

requirements [relating to the capital adequacy, credit-worthiness, or code of conduct] as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of licence, shall be refused grant of licence on the ground that there already exists a licensee in the same area for the same purpose.

- 8) In view of above, it can be seen unbundling is required for promoting competition and to improve efficiency and transparency in all three businesses (Generation, Transmission and Distribution). It is requested by PFI to the Hon'ble Commission to take necessary steps towards separating the distribution business from generation and transmission of Kerala to improve its operation and technical efficiency.
- 9) **Also, PFI is unable to ascertain the wheeling charges for KSEB in an accurate and transparent manner which is very much required in order to implement the Open Access, which is one of the main pillar to promote competition in the electricity sector, as mandated u/s 42 of the Act.**

To determine the wheeling charges payable to the Distribution Licensees for the use of their distribution system and associated facilities, it is necessary to file retail and wheeling petition separately, wherein voltage wise network cost can be optimized for calculation of wheeling charges. But in the present case, in the State of Kerala even accounts and thereafter Tariff Petitions are not being filed separately prepared / filed Generation, Transmission and Distribution business (retail + wheeling). Such bundled activity, which is against the provisions of the Act, leads to determination of Tariff in non-scientific and non-transparent manner.

As mentioned above, Electricity Amendment Bill 2025 permits parallel licensees to supply electricity in the same area to promote competition in the market. Also, multiple Distribution Licensees are operating in few states like Maharashtra, Gujarat and others. Accordingly, it is need of the hour to unbundle KSEBL to promote competition in the electricity sector.

- 10) KSEBL determined the cost of all the parameters in the audited accounts based on predefined ratio for (G, T&D). Accordingly, PFI requests the Hon'ble Commission to direct KSEBL to provide audited accounts separately for generation, transmission and distribution business on actual basis.

B. POWER PURCHASE COST

A1. Huge Reliance on Short Term Power Purchase

- 11) PFI notes from previous year's orders that KSEBL is continuously relying on short-term power purchase. For true up of FY 2023-24, 17% of power has been purchased from Power Exchange against the total power purchase requirement. Also, for FY 2024-25, KSEBL purchased 11% of power against the total power purchase requirement from Power Exchange. Also, under short term power purchase **1893.33 MU** has been purchased by KSEBL against **514.76 MU** as approved in Tariff Order dated 25/06/2022. The details of such power purchase are as follows:

Particulars	FY 2023-24	FY 2024-25
Power purchased through Exchange (MU)	2123	2918
Power purchased through short term contracts (MU)	718	1893
Total Power Purchase (MU)	12774	25555
Exchange as % of Total Power Purchase	17%	11%
Short Term Contract as % of Total Power Purchase	6%	7%

- 12) From the above it can be realised that KSEBL is having huge dependency on short term arrangements, such huge dependence on short term arrangement which is volatile in nature and too costly reflects unwise/imprudent power procurement planning of KSEBL.
- 13) Accordingly, PFI suggests that KSEBL shall project the power purchase quantum as per the CEA report on Resource Adequacy Plan for the State of Kerala (FY 2024-25 to 2031-32) for the coming years, the relevant extract is as follows:

Table 2 Future Demand Projection by 20th EPS

Energy Requirement (MU) and Peak Demand (MW) Projections										
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Energy Projections (MU)	27892	29244	30729	32281	33903	35597	37384	39464	41220	42885
Year on Year Growth		4.85%	5.08%	5.05%	5.02%	5.00%	5.02%	5.56%	4.45%	4.04%
Peak Demand Projections (MW)	4592	4808	5044	5291	5549	5818	6101	6431	6707	6967
Year on Year Growth		4.70%	4.91%	4.90%	4.88%	4.85%	4.86%	5.41%	4.29%	3.88%

A 2. Power Purchase through Merit order Despatch

- 14) As per the applicable KSERC Regulations, the power purchase requirement is to be considered by applying the Merit Order Despatch (MoD). In this regard, relevant extract of the Kerala State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2021 is as follows:

(4) The Power Procurement Plan of the distribution business/ licensee shall be based on the following:-

(i) quantitative forecast of the unrestricted demand for electricity within its area of supply, from each tariff category of the financial year;

(ii) approved level of transmission and distribution losses:

Provided that for purchase of electricity from sources outside the State, the transmission loss level agreed to in the power purchase agreement, if any, or worked out from energy accounts of RLDC/ SLDC shall be considered;

(iii) an estimate of the quantities of electricity supply from the approved sources of generation and power purchase;

(iv) an estimate of availability of power to meet the base load and peak load requirement;

Provided that the estimate should be a monthly estimation of demand and supply, both in Mega-Watt (MW) and in Million units (MU);

(v) standards to be maintained with regard to quality and reliability of the supply, in accordance with the Kerala State Electricity Regulatory Commission (Licensees' Standards of Performance) Regulations, 2015, as amended from time to time;

(vi) measures proposed to be implemented, with regards to energy conservation and energy efficiency;

(vii) minimum share of renewable energy purchase, as specified by the Commission;

(viii) the new sources of power generation, if any, including the augmentation of generation capacity and identified new sources of supply and procurement, based on the clauses (i) to (vii) above;

(ix) the forecast/ estimate contained in the power procurement plan shall be separately stated for peak and off-peak periods, in terms of quantity of the power to be procured (in millions of units of electricity) and the maximum demand (in MW / MVA);

- (x) the forecasts/ estimates prepared for each month of the financial year;
 (xi) proposed short-term power procurement plan; and
 (xii) Merit order despatch.

15) Further, PFI has observed that in Multi Year Tariff (MYT) order dated 25/06/2022, the Hon'ble Commission approved the purchase of power from various generation stations as per the MoD principles. Due to variation in fuel cost, the energy charges of the plants got impacted. Accordingly, it can be seen from the table below that KSEBL has procured less power from the cheaper plants and purchased more power from costlier plants, which is even more than the approved energy.

Power Plants	Energy (MU)		Variable Cost (Rs./kWh)		Variable Charges (Rs. Cr.)		PFI Working	
	Approved	Actual	Approved	Actual	Approved	Actual	Energy (MU)	VC (Rs. Cr.)
Cheaper Plants								
NLC Stage-I	422	255	2.95	3.23	124	82	421	136
NIC Stage-II	603	383	2.94	3.23	177	124	601	194
NLC I Expansion	464	414	2.68	2.88	124	119	455	131
NLC II Expansion	512	133	2.84	3.21	145	43	343	110
MAPS	123	69	2.68	2.55	33	17	110	28
Costlier Plants								
NTPL	506	462	3.27	5.13	165	237	213	109
Kudgi	781	678	3.78	4.64	295	314	251	116
Total	3411	2393			1065	937	2394	825
Diff. in VC claimed by KSEBL & PFI working (Rs. Cr.)								112

- 16) From above, it can be clearly seen that KSEBL has procured power from costlier Generating Stations, above 4.64 Rs./kWh, such as NTPL & Kudgi despite the availability of Cheaper Power Stations like NLC Stage-I and II, NLC Expansion I & II, MAPS.
- 17) Further, PFI has worked out Rs. 1379 Cr. as the variable power purchase cost of against claimed power purchase cost of Rs.1442 Cr. for purchasing 3809 MU.
- 18) **Accordingly, PFI requests the Hon'ble Commission to not pass Rs. 112 Cr. of power purchase cost to the consumers and the same may be borne by Govt. of Kerala in the form of Subsidy.**

C. RENEWABLE PURCHASE OBLIGATION (RPO) FOR FY 2024-25

19) Hon'ble KSERC in Clause 3 of "Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) (Second Amendment) Regulations, 2024" dated 07/08/2024 has specified the RPO Trajectory, which is as follows:

Financial Year	Quantum of generation and/or purchase from Renewable Energy Sources and the quantum of energy to be stored in ESS, as a (%) of the total consumption (in terms of energy in kWh)				
	HPO	WPO	Other RPO	Total RPO	ESO
2024-25	2.20	1.20	33.60	37.0	0
2025-26	2.40	1.75	37.85	42.0	0.15
2026-27	2.80	1.80	41.40	46.0	0.50
2027-28	3.50	1.90	42.60	48.0	0.75
2028-29	3.90	2.00	43.10	49.0	1.00
2029-30	4.20	2.20	43.60	50.0	2.00

20) However, MoP Notification dtd. 20/10/2023 has defined the RPO trajectory and to be followed by the State Commissions. The targets for RPO for FY 2024-25 are as follows:

Sl.No	Year	Wind renewable energy	Hydro renewable energy	Distributed renewable energy*	Other renewable energy	Total renewable energy
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2024-25	0.67%	0.38%	1.50%	27.35%	29.91%
2.	2025-26	1.45%	1.22%	2.10%	28.24%	33.01%
3.	2026-27	1.97%	1.34%	2.70%	29.94%	35.95%
4.	2027-28	2.45%	1.42%	3.30%	31.64%	38.81%
5.	2028-29	2.95%	1.42%	3.90%	33.10%	41.36%
6.	2029-30	3.48%	1.33%	4.50%	34.02%	43.33%

21) Accordingly, PFI has reworked for the computation of RPO as per above trajectory. Further, due to unavailability of data with respect to power procured from Wind & Hydro Projects commissioned after the 31st March, 2024 and power from DRE plants, PFI has considered all the renewable energy procured by DISCOM under Other RE and computed the penalty equivalent to buyout price of Rs. 245/MWh proposed by Hon'ble

CERC vide its suo-moto Order 22/10/2025. The summary of RPO shortfall and penalty is as follows:

Energy Sale considered by PFI	MU	25,555				
RPO Target as per MoP Notification dated 23/10/2023	Source	Wind	HPO	DRE	Other	Total
	%	1.97%	1.34%	2.70%	29.94%	35.95%
	MU	503	342	690	7651	9187
RE power procured against the Target						
Hydro	MU	0				
Wind	MU		0			
DRE	MU			0		
Other RE	MU				1105	
Total	MU	0	0	0	1105	1105
RPO Shortfall						
Hydro	MU	(503)				
Wind	MU		(342)			
DRE	MU			(690)		
Other RE	MU				(6546)	
Total	MU	(503)	(342)	(690)	(6546)	(8082)
Penalty as per CERC Buyout price @105% of Avg. REC price of FY 2024-25	Rs./kWh					0.245
Total Penalty	Rs. Cr.					198

- 22) **PFI requests the Hon'ble Commission to levy penalty of Rs. 198 Cr. on KSEBL for non-compliance of RPO and direct KSEBL to submit a road map for meeting the RPO in subsequent Financial Years.**
- 23) **PFI further submits that being RE rich State, KSEBL should actually procure more than the RPO mandate instead they are not even meeting the minimum requirements of RPO compliance. This matter has to be taken as serious non-compliance of RPO targets which may lead to non-fulfillment of the steps initiated by the country to achieve the target of 500 GW of RE by 2030 and Net Zero by 2070. RE States like Kerala have a critical role to play in Energy Transition.**

D. SUMMARY

- 24) As stipulated in above Section, summary of true up for FY 2024-25 is as follows.
Hon'ble KSERC is requested to kindly consider the same.

Table: Summary of True Up of FY 2024-25 for KSEBL (Rs. Cr.)

Sr. No.	Particulars	Claimed by DISCOM	Proposed by PFI	Difference
1	Power Purchase Cost	12,930	12,620	(310)
1a	<i>Less: Against MoD principles</i>		112	
1b	<i>Less: RPO Penalty</i>		198	
2	Other Cost	9,774	9,774	
3	Aggregate Revenue Requirement (ARR)	22,704	22,394	(310)
4	Less: Non-Tariff Income	845	845	0
5	Power factor Incentive	56	56	
6	Net ARR	21,915	21,605	(310)
7	Revenue from Sale of Power (at existing Tariff)	20,862	20,862	
8	Revenue (Gap)/Surplus	(1053)	(743)	

In view of above, elements of True Up which are not as per Regulatory provisions may not be passed on to the consumers of Kerala and socialised, rather it should be borne by Govt. of Kerala in the form of subsidy on account of higher claims of KSEBL as tabulated above for True Up of FY 2024-25. Thus, subsidy may be increased from Rs. 382 Cr. to Rs. 692 Cr.

E. ARR Petition

- 25) PFI has observed that KSEBL has not filed the ARR petition for FY 2026-27. The last tariff order was issued on 05/12/2024 and is applicable from 01/07/2024 to 31/03/2027. The said Multi-year Tariff Order provides a trajectory and does not reflect the true costs based on actual expenditures.
- 26) It is pertinent to note that the need for timely issuance of Tariff Orders has been decided by Hon'ble APTEL in its judgement dtd. 11/11/2011 in OP No. 1 of 2011, as follows:

“57. This Tribunal has repeatedly held that regular and timely truing-up expenses must be done since:

- (a) No projection can be so accurate as to equal the real situation.*
- (b) The burden/benefits of the past years must not be passed on to the consumers of the future.*
- (c) Delays in timely determination of tariff and truing-up entails:***
 - (i) Imposing an underserved carrying cost burden to the consumers, as is also recognised by para 5.3 (h) (4) of National Tariff Policy.*
 - (ii) Cash flow problems for the licensees.*

....

65. In view of the analysis and discussion made above, we deem it fit to issue the following directions to the State Commissions:

- (i) Every State Commission has to ensure that Annual Performance Review, **true-up of past expenses** and Annual Revenue Requirement and tariff determination is conducted year to year basis as per the time schedule specified in the Regulations.*
- (ii) It should be the endeavour of every State Commission to ensure that the **tariff for the financial year is decided before 1st April of the tariff year...***
- (iii) In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate **Suo-moto proceedings** for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.*

....

- (v) Truing up should be carried out regularly and preferably every year...”.*

27) From above, it is noted that Hon’ble APTEL has even decided that all SERCs can also initiate Suo-moto proceedings and collect the data and information and give suitable directions and then determine the tariff even in the absence of the application filed by the utilities by exercising the powers under the provisions of the Act as well as the Tariff Regulations.

28) Thus, timely issuance of Tariff Orders that too cost reflective results in timely passing of escalated cost in the power sector supply chain thereby maintaining adequate cash

flow with the utilities, thus enabling them to supply uninterrupted quality supply to the consumers. It further avoids Creation of Regulatory Assets, burden of Carrying Cost and Tariff shock at once to the end consumers.

29) In view of above, PFI has observed that KSEBL has not filed the ARR petition for FY 2026-27. Timely and yearly issuance of Tariff Orders has been mandated by Hon'ble APTEL in its judgement dtd. 11/11/2011 in OP No. 1 of 2011, wherein directions in this regard were issued to all SERCs by Hon'ble APTEL. Accordingly, PFI has requested the Hon'ble Commission to issue the Tariff Order for FY 2026-27 on suo motu basis by 31st March 2025, even if the tariff petitions are not filed by KSEBL.

PRAYERS BEFORE HON'BLE KSERC:-

- 1) To consider the comments / suggestions of Power Foundation of India (PFI) on True Up Petition of KSEBL for FY 2024-25.**
- 2) The Hon'ble Commission may write to Government of Kerala to pass an order for unbundling of KSEBL to improve efficiency, transparency and performance of KSEBL.**
- 3) To release True Up order for FY 2024-25 on actuals and Tariff Order for FY 2026-27 on SuoMoto basis by 31st March 2025.**
- 4) To comply with Merit Order Despatch and allow the power purchase cost as worked out by PFI.**
- 5) To levy a penalty on the DISCOMs for non-compliance of Renewable Purchase Obligation.**
- 6) To consider additional submissions, if any, made by PFI for KSEBL Tariff Petition for True Up of FY 2024-25.**