

BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION, BENGALURU**Dated 11th April, 2017****Present:**

Sri M.K.Shankaralinge Gowda	Chairman
Sri H.D.Arun Kumar	Member
Sri D.B.Manival Raju	Member

ORDER**In the matter of determination of revised ARR and Retail Supply Tariff for FY18
in respect of AEQUS SEZ Private Limited.****1. Background:**

M/s AEQUS Special Economic Zone Private Limited, situated at Hattargi Village, Hukeri Taluk, Belagavi District, has filed an Application for approval of revised Annual Revenue Requirement and Retail Supply Tariff for FY 18 under Section 61 & 62 of the Electricity Act,2003, the KERC (Tariff) Regulations, 2000 read with the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006.

In exercise of the powers conferred under Section 62, 64, and 86 of the Electricity Act, 2003, read with the KERC (Terms and Conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, as amended from time to time and other enabling Regulations, the Commission has considered the applications of the AEQUS SEZ Pvt Ltd, and after considering the views and objections of the consumers and other stakeholders, has passed this Order.

The details of the Licensee's proposals, Commission's analysis and the decision thereon, are discussed in this Order.

2. Licensee's Profile:

The AEQUS SEZ Private Limited (formerly Quest Global SEZ Private Limited) (hereinafter referred as AEQUS SEZ) is a company registered under the Companies Act, 1956. The Company is engaged in development, maintenance, leasing and operation of industrial infrastructure and facilities in its SEZ area situated in Hattargi village, Hukkeri Taluk, Belagavi District. The AEQUS SEZ is India's first sector specific-"Precision Engineering" industry, SEZ.

Currently the AEQUS SEZ has 12 approved units which are in operation. At present the energy is sourced from the HRECS, through dedicated 11KV feeders from the KPTCL's sub-station at Hattargi. However, to cater to the growing needs of the industrial units at AEQUS SEZ, establishment of a 110/11 KV Substation by the KPTCL is under consideration.

3. Consumers' Profile:

The consumers' Profile of AEQUS SEZ is as follows:

TABLE - 1
AEQUS Consumer's Profile- Actuals Upto March, 2016

Sl. No.	Industrial	Load (KVA)	Consumption- In KWh
1	Aerospace Processing India Pvt. Ltd	700	1623910
2	Aerostructure Manufacturing India Pvt. Ltd.-Unit1	600	3098146
3	Aerostructure Manufacturing India Pvt. Ltd. – Unit 2	400	278400
4	UFI Filters India Pvt. Ltd.	80	81151
5	Indo Shottle India Pvt. Ltd.	500	608200
6	SQuAD Forging India Pvt. Ltd.	1500	344100
7	Aerostructure Assembly India Pvt. Ltd	150	125095
8	AEQUS Pvt. Ltd II	63	738917
9	AEQUS Pvt. Ltd III	53	406510
10	AEQUSAutomotive Pvt. Ltd	150	263110
11	QUEST Global Engineering India Pvt.Ltd.	150	523527
12	AEQUS Engineered Plastics India Pvt Ltd	300	51853
	Total -A	4646	8142919
	Common facility		
1	AEQUS SEZ –Common Facility	200	404105
	Total -B	200	404105
	Total	4846	8547024

4. Background for filing the Tariff application:

The Commission, in its letter dated 5th November, 2012, had informed the SEZ that, , AEQUS SEZ is a deemed licensee, in terms of the GoI Notification dated 03.03.2010 and that it should file appropriate tariff applications in respect of its distribution operations. Pursuant to the same, AEQUS SEZ has filed tariff application for approval of ARR for the control period FY17-19 and also for approval of retail tariff for FY17. The Commission in its Tariff Order dated 30th March,2016, has approved the ARR for the control period FY17-19 and retail supply tariff for FY17. In its application dated 30th November, 2016, AEQUS SEZ has prayed for revision of ARR for FY18 and revision of retail supply tariff for FY18 in case there is increase in cost of power purchase.

5. Acceptance of Applications and Publication of Notices:

The Commission, vide its letter dated 4th January, 2017, informed the AEQUS that, its application filed on 30.11.2016, for approval of revised ARR and determination of retail supply tariff for FY18 in the AEQUS SEZ area, has been treated as a petition, in terms of the Tariff Regulations, subject to further verification and validation and directed it to publish a summary of the application in the leading newspapers in the distribution area of AEQUS SEZ.

Accordingly, the AEQUS SEZ has published the summary of its application on 9th and 10th January, 2017, in The Indian Express and Kannada Prabha respectively. The Commission had published a Notice of Public Hearing on 10th February, 2017, in the Hindu, Indian Express, the Times of India, Kannada Prabha, Samyuktha Karnataka and Vijayavani. In response, the Commission has received five written objections.

The Commission has held a Public Hearing on 2nd March, 2017, at the premises of AEQUS SEZ, Hattargi village, Hukeri Taluk to elicit the views of the stakeholders. The details of written and oral objections, the response of AEQUS SEZ and the Commission's views thereon are as under:

6 Public consultation:

In pursuance of the provisions of Section 64 of the Electricity Act, 2003, the Commission undertook the process of public consultation, in order to obtain

suggestions/views/objections from the interested stake-holders, on the petition for Revision of ARR for FY18 and Revision of Retail Supply Tariff for FY18, under the MYT Regulations, filed by AEQUS SEZ.

In their written submissions as well as during the Public Hearing some of the stake-holders have raised objections to the Tariff petition filed by the AEQUS SEZ. The names of the persons who have filed written objections and made oral submissions are given below:

List of persons who filed written and oral objections:

Sl. No	Application No.	Name & Address of Objectors
1	AQ-01	Sri. Shankaranarayanan N, General Manager, M/s Aerospace Processing India Pvt Ltd
2	AQ-02	Sri. Sreevatsa.G, General Manager, M/s AEQUS Engineered Plastics Private Ltd.
3	AQ-03	Sri. Arun Kumar.K.S., General Manager, M/s Squad Forging India Pvt Ltd.
4	AQ-04	Sri. Radhakrishnan V, Deputy General Manager, M/s Aerostructures Manufacturing India Pvt Ltd.
5	AQ-05	Sri. Yogesh Fuldevare, Plant Head, M/s Indo Schottle Auto Parts Pvt. Ltd.

The gist of the objections, replies by the licensee and the views of the Commission are shown below:

Objections related to Tariff Issues:		
Sl. No.	Objections	Replies by the Licensee
1	The AEQUS SEZ should reduce its capex and power purchase cost. AEQUS SEZ's power purchase cost is inclusive of T&D charges of local DISCOM/ Transmission agency and their energy losses. A separate capex towards creating transmission assets will have double impact on its consumers.	The AEQUS SEZ is in discussion with HRECS for construction of a substation in the SEZ area, to be established by the KPTCL, so that, the AEQUS SEZ can procure the power in an economical way, as is being done by other distribution licensees.
	Commission's Views: The reply furnished by the AEQUS SEZ is noted.	

2	AEQUS SEZ being a distribution licensee has proposed new transmission line and substation including manpower requirement which will increase the tariff within SEZ. As these costs are already included in the power purchase cost, SEZ has to work with the Transmission agency (KPTCL) to establish the substation without burdening SEZ.	The AEQUS SEZ is discussing with HRECS for supply power at the approved pricing model similar to other deemed licensees in the State. The AEQUS SEZ is in discussions with HRECS and KPTCL towards establishing a substation for procurement of power in future.
Commission's Views: The reply furnished by the AEQUS is noted.		
3	The power purchase cost of Rs.6.79 per unit with Rs.170 as MD charges is on a higher side, compared to the cost per unit in other distribution companies. The SEZ should enter into long term contract for power supply at bulk rates and pass on the benefit to its consumers.	The AEQUS SEZ is in discussion with HRECS for construction of a substation in the SEZ area by the KPTCL, so that, SEZ will procure the power in an economical way as done by other distribution licensees.
Commission's Views: This aspect has been dealt with suitably in the relevant Chapter of this Tariff Order.		
4	The proposed revision of Tariff by the AEQUS SEZ at Rs.10.28 per KWh is detrimental to manufacturing activity in the SEZ. Hence, the AEQUS has to find alternative source of energy at competitive rates.	The AEQUS is evaluating all possible options to ensure power supply at economical rate to all its consumers. The AEQUS is holding discussion with the HRECS and the KPTCL for power supply to the SEZ.
Commission's Views: This aspect has been suitably dealt with in the relevant Chapter of this Tariff Order.		