CHAPTER – 2

ANNUAL REVENUE REQUIREMENT FOR FY21

AEQUS SEZ's Application:

2.1 Filing of ARR for FY21:

AEQUS SEZ in its application dated 29th November, 2019, has sought the approval of the Commission for the revised ARR of Rs.22.05 Crores for FY21.

The summary of the proposed ARR for FY21 is as follows:

TABLE - 2.1

Proposed ARR for FY21

Amount in Rs. Crores

Particulars	FY21
Power purchase @ IF Point (MU)	29.203
Sales (MU)	27.904
Distribution Loss (MU)	1.299
Distribution Loss in %	4.45%
Revenue	
Revenue from Sale of Power	22.09
Total Revenue	**22.09**
Expenditure	
Power Purchase Cost	18.18
Employee Expenses	0.75
R&M Expenses	0.28
A&G Expenses	0.56
Total O&M Expenses	**1.59**
Depreciation	0.45
Interest on Capital Loans	0.67
Interest on Working Capital loans	0.43
Interest on Consumer Deposit	0.18
Return on Equity	0.43
Provision for taxes	0.13
Other Income	-0.02
Net ARR	**22.045**
Surplus/(Shortfall)	**0.05**

The AEQUS SEZ in its filing has proposed the ARR Rs.22.05 Crores for FY21. AEQUS in proposing the ARR for FY21, has not carried forward its estimated revenue deficit of Rs.0.01 Crores of FY19. Considering the estimated revenue of Rs. 22.09 Crores, based on the existing retail supply tariff, AEQUS SEZ, in its application, has projected the revenue surplus of Rs.0.05 Crores for FY21. However, AEQUS SEZ has not proposed any tariff increase to its consumers and has requested the Commission that, in the event of any change in the Power purchase cost of Rs.6.226 per unit approved by the Commission for FY21, the same may be passed on to the consumers, through tariff increase as approved for FY21.

Treatment of Revenue gap for FY19:

The AEQUS SEZ in its filing has proposed a revenue deficit of Rs.0.01 Crores as per APR for FY19. AEQUS SEZ has requested the Commission to pass appropriate orders on the APR of FY19. The Commission, has computed the gap for FY19 in accordance with the MYT Regulations, as discussed in the previous chapter and has decided to carry forward the revenue gap of FY19 of Rs.1.395 Crores to FY21.

2.2 Determination of ARR for FY21:

The analysis of the expenses and decision of the Commission on each of the expenditures proposed by AEQUS SEZ for FY21 are discussed below:

2.3 Capital Expenditure:

AEQUS SEZ in its filing has submitted that the proposed capital expenditure has been worked out by considering the required enhancement of distribution system with respect to the capacity and capability to provide reliable quality and quantity energy requirement.

AEQUS SEZ in its filing, has submitted the summary of the proposed activities with respect to the capital investments forecast for the period FY19 to FY24.

AEQUS SEZ has submitted that during FY21, it is likely to incur a capex of Rs.1.40 Crores by including the following proposed works:

TABLE – 2.2

Proposed Capex for FY21 – AEQUS SEZ Submission

Amount Rs.in Crores

Sl. No.	Particulars	FY21
1	Construction of RCC cable Trench	0.16
2	11 KV overhead line using structural towers	0.40
3	Civil Engineering work to extend the distribution network	0.84
	TOTAL	**1.40**

The Commission note the present capex proposal of AEQUS SEZ to carry out the capital works amounting to Rs.1.40 Crores for FY21. The Commission also notes that, the distribution network within the SEZ area is fully developed considering its area of operation. Any further capital investment within SEZ area need to be made by considering its essentiality in a prudent manner as it will affect the retail supply tariff to be levied on its limited consumers. To avoid the front loading of cost and minimize the interest, depreciation and RoE burden on the consumers, the Commission by considering the present proposed investment required to cater to the needs of new consumers, **decide to consider the capex of Rs.1.00 Crore for FY21.** The capex reckoned by the Commission is subject to truing up the ARR while undertaking the APR for FY21.

2.4 Sales:

AEQUS in its filing has stated that the FY20 estimates are made considering the actual sales of 12.56 MU upto September,2019 and estimated sales of 13.47 MU for the next half of the year aggregating to 25.11 MU.

The Commission notes that as on September,2019, during the current year, 4-new consumers have added, who have consumed about 0.065 MU. Further, AEQUS has stated that few major consumers have increased their consumption as they are in the process of diversification of their business activity.

Further, it is stated that the estimates for next five years have been made based on the inputs provided by each consumer and anticipated growth within the campus. It is also stated that as on October 2019, twenty-eight units have registered with the SEZ and that 28 consumers would be in operation in FY20, 29 consumers in FY21, 31 consumes in FY22 and 33 consumers in FY 23 & FY24.

The Commission notes that AEQUS has arrived at sales estimates based on the inputs provided by each consumer. However, AEQUS had not furnished any documents submitted by these consumers in this regard. **As such AEQUS was directed to furnish the requests obtained from the individual consumers or any other documents like minutes of the meeting held with consumers in this regard.**

AEQUS in their replies have submitted the documents obtained by consumers and the Commission notes that while estimating sales for FY21, AEQUS has considered the energy requirement as per the request of its consumers.

The Commission further had observed that:

a. In FY21, the CD for AEQUS Pvt. Ltd. Unit -4 has increased to 0.40 MVA from 0.25MVA in FY20. Similarly, for Aero structure manufacturing India Pvt. Ltd., the CD has increased to 0.40 MVA from 0.30 MVA, for Aerospace processing India Pvt. Ltd U-2, it has increased to 0.35 MVA from 0.25 MVA, AEQUS Force Consumer Products P Ltd has increased to 1.25 MVA from 0.75 MVA.

   In its reply AEQUS SEZ has informed that the increase in the CD is due to increased Orders, Business growth & strategy and ramping up of operations in FY-21.

b. Even though CD for the New Unit-1, is indicated as nil, sales of 0.05 MU are considered for FY21.

   AEQUS has replied that the anticipated CD in FY-21 would be 0.50MVA.

c. Even though the CD for Indoschottele Autoparts India Pvt. Ltd, Squad forging India Ltd., Purosil performance Hose LLP and Latecoere India Pvt. Ltd is retained at FY20 level, the sales to these consumers have been increased in FY21. AEQUS in its replies has stated that in case of Indoschottele Autoparts India Pvt. Ltd, and Squad Forging India Ltd., the recorded demand is lower than the sanctioned demand and that in the coming years these plants are expected to achieve higher capacity utilization.

Further, in case of Purosil performance Hose LLP and Latecoere India Pvt. Ltd., it is submitted that these plants started their operations in FY20 and their operations are expected to ramp up the operations in FY21, leading to increase in energy consumption.

Since, the AEQUS, SEZ is an upcoming SEZ, there is no specific trend available to adopt standard forecast models. As AEQUS SEZ has estimated the sales based on the requirement of its consumers, the Commission decides to approve the Sales of 27.904 MU for FY21.

2.5 Distribution Losses:

AEQUS SEZ in its filing has submitted that, total distribution loss of its network, consist of two parts:

- Evacuation line loss: From IF point at Hattargi SS to ASEZPL campus;
- Distribution loss in the internal distribution system within ASEZPL campus.

The AEQUS SEZ, in its application, has projected distribution loss of 4.45% for FY21 consisting of Evacuation line loss and distribution loss.

AEQUS has submitted that the Evacuation line loss is based on meter reading data available between meter installed at KPTCL Sub-Station at Hattargi and to AEQUS Premises and will seize to exist upon commissioning of 220/110/11 kV substation at AEQUS campus which is proposed to be commissioned at the end of FY22.

The Internal distribution losses within AEQUS network are calculated based on actual reading of the meter installed at AEQUS Campus and the total sale of energy to the consumers in SEZ campus. The commercial losses are stated to be nil.

Commission's analysis and decision:

The Commission takes note of the distribution loss projected by the AEQUS SEZ for FY21. The Commission considering the facts submitted by AEQUS SEZ, decides to approve the distribution loss of 4.45% as proposed by the AEQUS SEZ for FY21. However, the AEQUS SEZ is required to furnish the computation of distribution losses for each year based on the actual metered data of the input energy and energy sales at the time of filing the application for APR for FY21, for correct assessment of the distribution losses.

2.6 Power Purchase cost:

AEQUS's Submission:

AEQUS SEZ in its application has proposed the energy requirement of 29.203 MU at IF point for FY21 and the same is proposed to be procured from the Hukeri RECS. AEQUS has submitted that it has estimated the energy requirement based on the sales forecast grossed up with the distribution loss in the AEQUS system and upstream evacuation line loss from 110kV SS at Hattargi to AEQUS campus.

AEQUS in its filing has proposed Rs.18.18 Crores towards the power purchase cost for FY21 by considering Rs.6.23 per unit as approved by the Commission for FY20 and submitted that if there is any change in the power purchase rate, the same shall be passed on to the consumers in the retail supply tariff for FY21. AEQUS has requested the Commission to pass through any FAC (if any) approved during the FY21.

Commission's analysis and decision:

The Commission takes note of the power purchase quantum and its cost proposed by AEQUS SEZ for FY21. The Commission, in its Tariff Order dated, 14th May 2018, has modified the methodology to determine the power purchase cost to the deemed licensee (SEZ) operating in the State, for the purpose of determination of ARR and retail supply tariff. The Commission decides to consider the same methodology adopted in Tariff Order dated 14th May, 2018 while computing the power purchase cost for FY21. Accordingly, for computing the power purchase cost, the Commission has considered the State's total purchase cost excluding the Hydro power, as the basis to arrive at the average cost of power, at the generation bus.

The Commission notes that the power purchase cost in the State is increasing year on year and this is having a direct impact on the power purchase cost of the SEZ licensees, who are procuring power from the ESCOMs/ distribution licensees. As a result, the retail supply tariff to the consumers of SEZ is increasing. Hence, with a view to keep the retail supply tariff to the SEZ consumers comparable with the tariff of the similarly placed consumers in the other ESCOMs and to avoid extra financial burden on the consumers of SEZ area, the Commission decides to continue and fix the grid support charges, trading margin and energy handling charges, transmission loss etc., at 75 paise per unit as approved in the MYT Tariff Order dated 30th May, 2019, while determining the per unit power purchase cost to be collected by the HRECS from AEQUS SEZ's for FY21.

Accordingly, the power purchase cost of AEQUS for FY21 is computed as under:

TABLE – 2.3

Power Purchase Cost for FY21

(Considering State approved power purchase cost excluding Hydro)

Sl. No.	Particulars	Energy in MU	Cost in Rs.Crores	Weighted Average Cost Rs. Per unit
1	Approved State total power purchase quantum & cost	73104.34	37227.47	5.092
2	Less: KPC & Other Hydro	11120.57	1145.07	1.030
3	State PP cost excluding Hydro	61983.77	36082.40	5.821
4	Add: Energy handling, Grid support charges, Transmission charges and Trading margin			0.75
5	**Power Purchase cost per unit at IF point (Transmission loss 3.039%)**			**6.5713**

Based on the above computation, the Commission decides to approve the power purchase cost of Rs.19.190 Crores on the energy purchase of 29.203 MU at IF point for FY21.

2.7 RPO Compliance:

The Commission in its preliminary observation directed AEQUS to furnish the estimates of RPO to be met in FY21 and the plan of action to meet the same in FY21.

AEQUS in its reply to the preliminary observation, submitted that as per KERC notification dated 28.11.2017, any deemed licensee procuring bulk power partly or wholly from the area of ESCOM are deemed to have complied with the RPO to the extent of such from the ESCOM, if such ESCOM has complied with the RPO and as per KERC Tariff Order, 2019.

The Commission notes that as per the prevailing Regulations HRECS and deemed licensees procuring bulk power supply from ESCOMs are deemed to have complied with the RPO to the extent of such procurement from ESCOMs. Further, the Regulations also specify that in case of non-compliance, the onus of meeting the RPO lies with HRECS or the deemed licensees, as the case maybe.

2.8 O & M Expenses:

The AEQUS SEZ in its filing has claimed O & M expenses for FY21, as follows:

TABLE - 2.4

O & M Expenses – AEQUS SEZ Proposal

Amount in Rs. Crores

Particulars	FY21
No. of consumers	29
Consumer growth rate-CAGR in %	9.65%
Weighted Inflation Index in %	8.27%
Efficiency factor in %	0.50%
Base year O&M expenses for FY19 (in Rs.Crores)	1.09
Normative O&M expenses	1.55
O&M Expenses claimed by AEQUS SEZ	**1.59**

AEQUS has furnished the break-up of O & M expenses as follows:

TABLE - 2.5

Break up of O & M Expenses – AEQUS SEZ Submissions

Amount in Rs. Crores

Particulars	FY21
Employee Expenses	0.75
Repairs & maintenance Expenses	0.28
Administration & General Expenses	0.56
Total	**1.59**

Commission's analysis and decision:

The Commission, notes that while AEQUS SEZ has worked out a normative O&M expense of Rs.1.55 Crores and it has claimed Rs.1.59 Crores based on the projection made under each item of expenses under employees cost, R&M expenses and A&G expenses as made out in the above Table – 2.5 for FY21. The Commission, in accordance with the provisions of MYT Regulations and the methodology adopted while approving the O&M expenses for FY21, in respect of ESCOMs, proceeds with the determination of normative O&M expenses based on the 12 Year data of WPI and CPI.

Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by the CERC with CPI and WPI in a ratio of 80:20, the allowable annual escalation rate of inflation for FY21 is computed as follows:

TABLE – 2.6

Computation of Inflation Index

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)*(LnRt)]
2007	73.6	130.8	119.36				
2008	80.0	141.7	129.36	1.08	0.08	1	0.08
2009	81.9	157.1	142.06	1.19	0.17	2	0.35
2010	89.7	175.9	158.66	1.33	0.28	3	0.85
2011	98.2	191.5	172.84	1.45	0.37	4	1.48
2012	105.7	209.3	188.58	1.58	0.46	5	2.29
2013	111.1	232.2	207.98	1.74	0.56	6	3.33

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2014	114.8	246.9	220.48	1.85	0.61	7	4.30
2015	110.3	261.4	231.196	1.94	0.66	8	5.29
2016	110.3	274.3	241.5	2.02	0.70	9	6.34
2017	114.1	281.2	247.78	2.08	0.73	10	7.30
2018	118.9	294.8	259.62	2.18	0.78	11	8.55
A= Sum of the product column							40.16
B= 6 Times of A							240.97
C= (n-1) *n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.08
g (Exponential factor) = Exponential (D)-1							0.0826
e=Annual Escalation Rate (%) =g*100							**8.2604**

While determining the normative O & M expenses for FY21, the Commission has considered the following aspects:

a) The actual O & M expenses of the base year as per the audited accounts for FY19 to arrive at the O&M expenses for FY20 and FY21.
b) The three-year compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per the audited accounts up to FY19 and as projected by the Commission for FY21 at 19.49%.
c) The weighted inflation index (WII) at 8.2604% as computed above.
d) Efficiency factor at 0.5% is considered.

Based on this approach, the O&M expenses for FY21 is are arrived at as follows:

TABLE - 2.7
Approved O & M Expenses – FY21

Amount in Rs. Crores

Particulars	FY21
No. of consumers	29
Weighted Inflation Index in %	19.49%
3-Year CAGR of Consumers in %	8.2604%
Base Year O&M expenses for FY19(as per audited accounts for FY19) in Rs. Crores	1.05
Normative O&M Expenses = O&M Index= 0&M (t-1)*(1+WII-X)	**1.75**

The Commission note that, AEQUS has computed Rs.1.55 Crores as the normative O&M expenses and claimed Rs.1.59 Crores on the basis of estimation of each item of expenses covered under O&M expenses for FY19. The allowable normative O&M expenses as per the above computation are Rs.1.75 Crores. Thus, to reduce the burden on the end consumers and to keep the retail supply tariff below the tariff levied in the nearly distribution licensee, the Commission as claimed by the AEQUS, decides to allow O&M expenses of Rs.1.59 Crores for FY21.

Accordingly, the Commission decides to approve the O & M expenses of Rs.1.59 Crores for FY21.

2.9 Depreciation:

The AEQUS SEZ, in its filing, has claimed Rs.0.45 Crores towards depreciation for FY21 in accordance with the rates specified by CERC vide its Notification in 2009.

Commission's analysis and decision:

In accordance with the provisions of the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and amendments thereon, the allowable depreciation has been determined by the Commission for FY21 by considering the following:

a) The actual rate of depreciation of category-wise assets is determined considering the depreciation and gross block of opening and closing balance of fixed assets as per the audited accounts for FY19.

b) The actual rate of depreciation, so arrived at, is considered to allow the depreciation on gross block of average of opening and closing balance of fixed assets projections, as approved by the Commission for FY21.

Accordingly, the depreciation for FY21 are as follows:

TABLE – 2.8

Approved Depreciation for FY21

Amount in Rs. Crores

Particulars	Depreciation for FY21
Buildings	0.09
Plant & Machinery	0.22
Line, Cable Network including plant/machinery	0.07
Office Equipment	0.00
Software	0.01
Office Equipment	0.00
Total	**0.39**

Thus, the Commission decides to approve depreciation of Rs. 0.39 Crores for FY21.

2.10 Interest on loans:

AQUES in its filling has claimed Rs.0.67 Crores towards interest on capital loan for FY21. AEQUS SEZ has not proposed new borrowings for FY21. For the existing loan of Rs.2.42 Crores availed from COSMOS bank, the actual interest rate at 13% is considered and an interest rate at 9.65% is considered for an outstanding vehicle loan amount of Rs.0.07 Crores.

The total amount of interest on capital loan claimed by AEQUS SEZ also includes interest of Rs. 0.34 Crores on normative loan, for the excess equity amount over and above 30% of GFA, as per the MYT Regulations for FY21.

Commission's analysis and decision:

The Commission has noted the capital loan details made available as per the bifurcated audited accounts of AEQUS SEZ for FY 19. The Commission also notes that, the rate of interest considered on the existing capital loans for FY21 at 13%, is on the higher side.

The current interest rates charged by the commercial banks and financial institutions are mainly based on Marginal Cost of Fund Based Lending Rates (MCLR). These rates are comparatively lower than the base rates considered earlier. Further, in view of the changing economic scenario, it is observed that there is a considerable reduction in the MCLR and also a downward trend is evident in the financial market. Hence, in such a situation, the Commission is of the view that, the AEQUS SEZ can avail Capital loans at competitive interest rates, which would be less than the proposed rates of 13%. The Commission notes that, SBI MCLR rate for capital loan with tenure of 3 years is 8.15%. Considering the present MCLR with the addition of basis points, the Commission decides to allow the interest rate of 11% to both the existing loan balances and computation of normative interest on the excess equity for allowance of interest on capital loan for FY21, which is as under:

TABLE – 2.9

Allowable Interest on Loan for FY21

Amount in Rs. Crores

Particulars	FY21
Opening balance of loan	2.47
Add: new Loans	0.00
Less: Repayments	0.65
Total loan at the end of the year	1.82
Average Loan	2.145
Interest Rate allowed in %	11%
Allowable Interest on Capital Loans	**0.236**

The Commission notes that, AEQUS in its filing has not proposed new capital loan borrowings to meet its capex programme for FY21. As such the Commission has not considered new borrowings for FY21.

In addition, the Commission, as per the provisions of the MYT Regulations, has allowed the interest on normative basis on the excess equity over 30% of GFA at Rs. 0.0206 Crores for FY21 as follows:

TABLE - 2.10
Allowable Normative Interest on excess equity for FY21

Amount Rs. in Crores

Particulars	FY21
Opening balance of GFA	8.31
30% of GFA (Eligible for allowance of RoE	2.49
Opening balance of Equity	2.68
Equity in excess of 30% of GFA (3-2)	0.19
Allowable interest in %	11.00%
Allowable normative interest	**0.0206**

Thus, the Commission decides to approve total interest on capital loans inclusive of interest on normative loans of Rs.0.26 Crores for FY21.

2.11 Interest on Working Capital Loans:

The AEQUS SEZ in its filing, has considered the interest rate on working capital loans at 11.00% for FY21 and has claimed Rs.0.43 Crores for FY21 on normative basis.

Commission's analysis and decision:

As per the norms specified under the MYT Regulations, the Commission has computed the interest on working capital which consists of one month's O & M expenses, 1% of opening GFA and two months' revenue as receivables.

The Commission notes that, the present SBI MCLR for loan with tenure up to one year is 7.15% to 7.85%. Considering the present MCLR and the additional basis points, as per the provision of MYT Regulations, the Commission decides to allow the interest rate of 10.35% per annum (7.85 + 250 basis points) for FY21, for allowing the interest on working capital loans. This rate of interest now allowed by the Commission while approving the ARR is subject to review during the APR.

The approved interest on working capital loans are as follows:

TABLE – 2.11

Approved Interest on Working Capital Loans – FY21

Amount in Rs. Crores

Particulars	FY 21
One-twelfth of the amount of O&M Expenses	0.13
Opening GFA as per Audited Accounts	8.31
Stores, materials and supplies 1% of Opening balance of GFA	0.08
One-sixth of the Revenue	3.68
Total Working Capital	3.89
Rate of Interest (% p.a.)	10.35%
Approved Interest on Working Capital Loan	**0.40**

Thus, the Commission decides to approve interest on working capital of Rs.0.40 Crores for FY21.

2.12 Interest on Consumer Security Deposits:

The AEQUS in its filing, has claimed the interest on consumer security deposits of Rs.0.18 Crores for FY21 at the bank rate of 6.25% per annum.

Commission's analysis and decision:

In accordance with the KERC (Interest on Security Deposit) Regulations 2005, the interest rate on consumer security deposit to be allowed is the bank rate prevailing on the 1st of April of the financial year for which interest is due. As per Reserve Bank of India notification dated 4th October, 2019, the bank rate is 5.40%. This being the latest available bank rate, the Commission has considered the same for computation of interest on consumer deposits for FY21.

The Commission has considered the closing balance of consumer security deposits as per the bifurcated audited accounts of licensed activity of AEQUS SEZ for FY19 for projections for FY21.

The Commission by considering the average growth of consumer security deposit during the previous years, has computed, as per the provisions of MYT Regulations, on the average of opening and closing balance of consumers' security deposit of the relevant year and has computed the interest on consumer deposits for FY21, as follows:

TABLE – 2.12

Interest on Consumer Security Deposits for FY21

Amount in Rs. Crores

Particulars	FY21
Average balance of Consumer Security Deposits	2.05
Rate of Interest	5.40%
Allowable Interest on Consumer Security Deposit	**0.11**

Thus, the Commission decides to approve interest on consumer security deposits of Rs.0.11 Crores for FY21.

Thus, the allowable interest and finance charges for FY21 are indicated as follows:

TABLE – 2.13

Allowable Interest and Finance Charges

Amount in Rs. Crores

Sl. No.	Particulars	FY21
1.	Interest on Loan capital	0.26
2.	Interest on working capital	0.40
3.	Interest on consumers security deposits	0.11
	Total interest and finance charges	**0.77**

2.13 Return on Equity (RoE):

AEQUS SEZ in its filling, has claimed the Return on Equity of Rs.0.43 Crores for FY21 as shown below:

TABLE - 2.14

RoE for FY 21- AEQUS submission

Amount in Rs. Crores

Sl. No.	Particulars	FY21
1	Opening balance of Share Capital	4.12
2.	Opening balance of accumulated deficit under Reserves and Surplus	-1.34
3	Opening balance of Net Equity	2.78
4	Normative Equity at 30% of the opening GFA (OB: GFA Rs.5.03 Crores)	2.78
Allowable RoE at 15.5%		**0.43**

Commission's analysis and decision:

The Commission, in accordance with the provisions of the MYT Regulations has considered 15.5% of Return on Equity. Income tax on RoE is not considered as the Company is availing the tax holiday.

The Commission notes that as per the bifurcated audited accounts of AEQUS SEZ licensed activity for FY19, the closing balance of share capital is Rs.3.34 Crores, and the accumulated deficit under reserve is Rs.0.660 Crores. The Commission has recognized the net equity of Rs.2.68 crores as at the end of March, 2019, as the opening balance of net equity for computation of RoE for FY20 and FY21. However, the Commission as per the provisions of MYT Regulations has also considered 30% of the total value of opening balance of the proposed Gross Fixed Assets (GFA), as the maximum allowable equity in allowance of the RoE for FY21 and approves the allowable RoE at 15.5% as follows:

TABLE – 2.15
Approved Return on Equity for FY21

Amount in Rs. Crores

Particulars	FY21
Opening balance of Share Capital	3.340
Accumulated deficit under Reserves and Surplus	-0.660
Net equity at the beginning of the year	2.680
30% of the opening balance of GFA	2.493
Eligible Equity considered for computation of RoE	2.493
Allowable RoE at 15.5%	**0.386**

Thus, the Commission decides to approve Return on Equity of Rs.0.39 Crores for FY21, without the applicable income tax/MAT.

2.14 Other Income:

The AEQUS SEZ in its filing, has claimed other income of Rs.0.02 Crores from income on security deposits with HESCOM and HRECS, and Rs.0.40 Crores recovered from one of the consumers which is being amortized over the life of the asset for FY21.

Thus, the Commission by considering the other income earned by AEQUS during the previous year's, decides to approve Rs.0.06 Crores as the other income for the ARR for FY21.

2.15 Abstract of Approved ARR for FY21:

Based on the approved items of expenditure as discussed above, the total ARR for FY21 is as under:

TABLE – 2.16

Approved ARR for FY21

Amount in Rs. Crores

Particulars	FY21
Power Purchase Cost	19.19
O&M Expenses	1.59
Depreciation	0.39
Interest on Capital Loan	0.26
Interest on Working Capital loans	0.40
Interest on Consumer Deposit	0.11
Return on Equity	0.39
Other Income	-0.06
ARR	**22.27**
Carried forward deficit of FY19	1.395
Total Net ARR	**23.665**

Thus, the Commission approves the Net ARR of Rs.23.665 Crores for FY21.

2.16 Average Cost of Supply:

Based on the above approved ARR of Rs.23.665 Crores and sales of 27.904 MU, the average cost of supply for FY21 is Rs.8.48 per unit.

2.17 Revenue:

The AEQUS SEZ in its filing has indicated revenue of Rs.22.09 Crores for FY21 towards sale of 27.904 MU energy, at existing retail supply tariff approved by the Commission in its Tariff Order dated 30th May, 2019. The Commission has considered Rs.22.06 Crores as the revenue at existing tariff for FY21.

2.18 Gap in Revenue

As discussed above, the Commission by considering the carry forward net deficit of Rs.1.395 Crores, as per the APR for FY 19, has decided to approve the revised ARR of AEQUS SEZ of Rs.23.66 Crores for FY21, as against the AEQUS SEZ proposal of ARR of Rs.22.05 Crores for FY21.

Based on the existing retail supply tariff, the total revenue from sale of power will be Rs.22.06 Crores. The ARR and the gap in revenue for FY21 is shown in the following table:

TABLE - 2.17
ARR and the revenue gap of FY21

Sl No	Particulars	FY 21
1	ARR in Rs. Crores	23.66
2	Approved sales in MU	27.904
3	Average cost of Supply in Rs. / Unit	8.48
4	Revenue at existing tariff in Rs. Crores.	22.06
5	**Gap in revenue for FY21 in Rs. Crores**	**-1.60**

The AEQUS SEZ in its filling has projected surplus in revenue of Rs.0.05 Crores for FY21, without considering gap of Rs.0.01 Crores as per APR of FY19 and has not proposed any tariff increase to its consumers for FY21. AEQUS SEZ has submitted that, for any change in power purchase rate, the difference in power purchase cost may be passed on to the consumers, by revision of retail supply tariff for FY21.

2.19 Regulatory Asset:

The Commission was unable to issue the Tariff Orders for FY21 till October 2020 for the following reasons:

a) Due to total lock down declared by the Government of India / Government of Karnataka on account of Covid-19 pandemic and pendency
b) Pendency of Appeal No.97/2020 filed by the KPTCL before the Hon'ble Tribunal against the Commission's Order dated 16.01.2020 and disposal of the said Appeal by the Hon'ble Tribunal vide Order dated 05.10.2020.
c) Applicability of the Code of Conduct on account of announcement of bye-Election to Assembly Constituency No.136-Sira and 154-Rajajageswari Nagar scheduled on 03.11.2020, by the Election Commission of India, vide Gazette Notification dated 09.10.2020.

The Commission takes note of the various restriction and measures initiated and enforced by the GoI/Gok during lock down period, to prevent the spread of Corona Virus which has been declared as a Pandemic (COVID-19). This has resulted in setback to all the economic activities, hugely affecting all the sections of the Society, socially and economically. Hence, the consumers could not be burdened with tariff increase from 01.04.2020. However, the tariff increase is imminent due to substantial increase in power purchase cost and other costs to be incurred by the AEQUS SEZ.

In order to tide over the present adverse financial situation, the Commission has decided to give effect to the Order to increase the Tariff from 1st November, 2020. This, in effect, would give relief on account of increased tariff for seven months to the consumers and the Commission hopes that due to gradual relaxation of lockdown conditions, the economic activities would resume and the consumers have to bear the revised tariff from 1st November 2020 onwards.

Due to the postponement of the recovery of the revised tariff, out of the projected additional revenue deficit of Rs.1.60 Crores from revision of tariff, Rs.0.93 Crores remains unrecovered and hence the Commission decides to treat it as Regulatory Asset to be recovered in the Tariff for FY22. The Commission also decides to allow carrying cost at 10% per annum (based on current MCLR plus reasonable basis points), on the actual amount of Regulatory Assets, which will be assessed at the time of Annual Performance Review (APR) of FY21. The remaining amount of Rs.0.67 Crores is proposed to be realized as additional revenue through revision of tariff to different categories of consumers during five months in FY21, from 01.11.2020.

TABLE - 2.18
Revenue gap for FY21

Particulars	FY21
Net ARR including carry forward deficit of FY19 (Rs. Crores)	23.66
Approved sales (MU)	27.904
Revenue at existing tariff (Rs. Crores)	22.06
Gap in revenue for FY21 (Rs. Crores)	**1.60**
Regulatory Asset to be recovered over next two years (in Rs. Crores) in FY22 & FY23	**0.93**
Balance revenue gap to be collected over a period of five months during FY21 – five months (Rs.in Crores)	**0.67**

The Commission has taken note of the submission made by the AEQUS, on the retail supply tariff and after considering various aspects, as discussed above, the Retail Supply tariff for FY21 is approve as under.

2.20 Retail Supply Tariff of AEQUS SEZ:

The Commission, based on the above approved ARR and by considering the above facts, in order to ensure full recovery of the ARR, has approved the following retail supply tariff for FY21:

TABLE - 2.19

Approved Retail Supply tariff for FY21

Amount in Rs.

Particulars		Approved Tariff
HT Industrial / Common facilities		
	Fixed Charges Rs./KVA/month	220.00
	Energy Charges Rs./kWh	7.25
HT Construction/Temporary Construction/Temporary		
	Fixed Charges Rs./KVA/month	250.00
	Energy Charges Rs./kWh	10.50

2.21 Wheeling Charges and Cross Subsidy Surcharge

AEQUS in its filing, has submitted that at present there are no consumers opting for Open Access and has requested the Commission to determine the above charges on similar lines as considered in May, 2019 Order.

The Commission in the preliminary observations had directed that, AEQUS may consider working out the wheeling charges, CSS and Additional surcharge considering its own costs and furnish the same to the Commission, as it has segregated the cost between distribution and supply.

AEQUS in its reply to the preliminary observation, has reiterated that there are no consumers opting for Open Access and has requested the Commission to determine the above charges on similar lines as considered in May, 2019 Order.

Thus, the Commission considering the request of AEQUS decides to continue the approach adopted in the Tariff Order, 2019 for Wheeling charges and CSS.

Therefore, the wheeling charges determined for HRECS shall apply for AEQUS also. As regards the CSS, the Commission has determined a common cross subsidy surcharge for all the ESCOMs and therefore, the same shall be applicable to AEQUS.

The cross-subsidy surcharge determined shall be applicable to all open access/wheeling transactions in the area coming under AEQUS. However, the above CSS shall not be applicable to captive generating plant for carrying electricity to the destination of its own use and for those renewable energy generators who have been exempted from CSS by the specific orders of the Commission.

The Commission directs the Licensees to account the transactions under open access separately. Further, the Commission directs the Licensees to carry forward the amount realized under Open Access/wheeling to the next ERC, as it is an additional income to the Licensees.

2.22 Additional Surcharge:

As regards additional surcharge, the Commission has determined a common additional surcharge for all the ESCOMs and therefore, the same shall be applicable to AEQUS also.

2.23 Commission's Order:

1. **In exercise of the powers conferred on the Commission under Sections 62, 64 and other provisions of the Electricity Act, 2003, the Commission hereby approved the revised ARR as per Annual Performance Review for FY19, and determines the revised ARR and Retail Supply Tariff of AEQUS SEZ for FY21 as per Table 2.18 & 2.19 above.**

2. **The above retail supply tariff shall come into effect for the electricity consumed from the first meter reading date falling on or after 1st November, 2020, after due notification to the consumers of the AEQUS.**

3. **This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission, at Bengaluru this day, the 4th of November, 2020.**

Sd/-	**Sd/-**	**Sd/-**
(Shambhu Dayal Meena)	**(H.M. Manjunatha)**	**(M.D. Ravi)**
Chairman	**Member**	**Member**