AEQUS SEZ

Preliminary Observations on the Applications for Annual Performance Review (APR) of FY22 and approval of Annual Revenue Requirement (ARR) & Retail Supply Tariff for FY24

1. **Sales: APR for FY22**:

   AEQUS shall submit the reasons for considering the energy sales of 27.338285 MU as against 27.339706 MU as submitted in P-6 for FY22, while computing the deficit of Rs.1.03 Crores.

2. **Sales: ARR for FY24:**

   1. AEQUS shall submit the actual consumption of the consumers for the period from April, 2022 to November, 2022.
   2. AEQUS shall submit the basis for projecting increase in the contracted capacity of only two of its Industrial units i.e., AEQUS Pvt. Ltd. Unit-3 and Unit-4 from 100MW and 250MW respectively to 150 MW and 325MW respectively (Page-7) from FY22 to first half year of FY23.
   3. The heading for Table: 24 'Revised Estimate for FY22' shall be corrected to 'Revised Estimate for FY23'.
   4. AEQUS in Page-7 of its Petition, has submitted that the projected consumption for the period April, 2022 to September, 2022 (half-year) is 19.344 MU. However, AEQUS, while computing the revised estimates for FY23 (Page-30), has projected the total energy sales of 30.469 MUs as against 25.402 MUs as approved by the commission for FY23. Further, AEQUS has submitted that the energy sales are marginally higher by 8% from the projections filed during the MYT filings. AEQUS shall furnish the working details for the same.
   5. AEQUS, while forecasting the sales for the FY24, has submitted that as of October, 2022, there are 33 units (26 Industrial and FTWZ units, 7 Common Facilities registered at AEQUS SEZ). However, AEQUS has submitted the consumption details of 32 consumers in P-7 for the period April, 2022 to September, 2022. Further, in Table-27, AEQUS has projected sales for 32 number of consumers for FY23. AEQUS shall clarify the same.

6. AEQUS SEZ, in its Petition has submitted that to cater to the increase in energy demand, KPTCL had commissioned a 220/110/11kV sub-station on 8th March, 2022. AEQUS is extending its RCC cable trench network from control room to new KPTCL 220kV sub-station and planned to tap the power from five dedicated feeders. The work is estimated to be completed by beginning of January, 2023. In this regard, AEQUS SEZ shall take necessary action to complete the work on time.
7. As regards anticipated contracted demand, the summation of the contracted demands for FY24, FY25 and FY26 works out to 10.06MVA, 12.32 MVA and 15.14MVA respectively as against 10.01MVA, 12.28MVA and 15.10MVA respectively, as submitted by AEQUS. AEQUS shall explain the discrepancy.
8. As regards sales projections for FY24, AEQUS has submitted that outbreak of COVID-19 had acted as a massive restraint on the aerospace market, as supply chains were disrupted due to trade restrictions, manufacturing and travel restrictions imposed in many countries were implemented due to lockdowns imposed by governments globally. As per the industry study and market sentiments, it was estimated that minimum 3 to 4 years were required for the Aerospace industry to recover and perform at pre-Covid capacity. However, AEQUS has witnessed a 28% upward trend in the energy consumption in FY22 and a further 11% increase in FY23 (on FY22 base). The consumption trend is fast recovering to pre-Covid levels.

   Further, AEQUS has stated that it has discussed with the consumers and has assessed the sales growth for FY24 and accordingly, projected a realistic sales growth forecast for FY24 which turns out to 2% increase on FY23 estimated energy consumption.

In this regard, it is noted that the actual energy consumption of all the units together in AEQUS SEZ is 27.339 MU (P-6) for FY22 as against 22.898 MU as approved by the Commission. Thus, the increase in energy consumption for FY22 works out to 19.39% as compared to approved figures. But AEQUS has indicated growth in sales by 28% for FY22 instead of 19.39%. The difference in growth rate needs to be explained.

In view of the fact that there is increase of 19.39% in energy consumption for FY22 as compared to approved figures and 11.45% increase in projected sales of FY23 over the actual sales of FY22, the rationale for projecting 2% growth in sales for FY24 over FY23 needs to be explained. Accordingly, AEQUS shall furnish the working details for arriving at the growth percentages for FY24. AEQUS shall also clarify as to whether the above growth rate is applied individually to each consumer.

9. AEQUS shall also submit the reasons for considering the anticipated demand of FTWZ Sandvik Asia Pvt. Ltd., FTWZ Walter Tools India Pvt. Ltd., FTWZ Inspiron Enterprise and FTWZ unique Tooling Solutions Pvt. Ltd. without projecting energy for FY24.

3. Discounted Energy Rate Scheme:

AEQUS has requested the Commission to extend the benefit of DERS so that in turn the benefits under the scheme could be passed on to its consumers. AEQUS should note that the Scheme is basically meant for the consumers of the Licensee to encourage increase in sales. AEQUS shall explain the Regulations/provisions under which AEQUS, being a Distribution licensee, is seeking to avail benefits extended to HT consumers under Discounted Energy Rate Scheme.

4. Wheeling Charges:

AEQUS SEZ has requested the Commission to follow the previous year methodology for wheeling charges, as there are no OA consumers. The Commission notes that AEQUS SEZ has segregated its cost between distribution business and retail supply business. As such AEQUS SEZ may consider working out the wheeling charges considering its own distribution network costs and submit the same to the Commission.

5. Additional surcharge

The Commission in Tariff Order, 2022 has determined a common additional surcharge for all the ESCOMs and the same is made applicable to AEQUS SEZ also. The Commission had determined Rs.1.20 / Unit as the additional surcharge payable by OA consumers to the concerned licensee and to encourage RE sources the Commission has determined the additional surcharge of 35 paise / unit for energy procured under open access from RE sources. **As it is a promotional tariff the same is applicable to AEQUS SEZ also. As such revision of the same for FY23 at this juncture will not arise. The observation of the Commission in the Order dated, 02.11.2022 at Para-4 in RP no. 05/2022 applies for the future tariff filing.**

The Commission notes that the additional surcharge has nothing to do with the network charges and as per the Electricity Act, the same has to be levied on consumers to receive the supply from a person other than the area distribution licensee so as to meet the fixed cost of the distribution licensee arising out of is obligation to supply. Further, the Tariff policy, 2016 has clarified that the additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges.

The Commission notes that, in Appeal No.260/2018 and 43/2021, the Hon'ble ATE in its order dated, 15.09.2022, has directed the Commission to bear in mind the submissions made by the Appellants, as and when the Commission sets about to pass an order in the matter and also to keep in mind the guidance on the subject provided not only by the NTP but also the Regulations framed by the Commission, wherein the muster prescribed is "conclusive demonstration on existence of factors justifying such levy". The said order is available on the ATE's Website. **Keeping in view the observations of the Hon'ble ATE, AEQUS SEZ shall conclusively demonstrate and furnish the details of stranded costs involved to justify the claim of additional surcharge. In the absence of full details of the stranded costs to justify the Additional Surcharge, it would not be possible for the Commission to determine the Additional surcharge, so as to comply with the Orders of the Hon'ble ATE.**

The relevant extract of the Orders of the Hon'ble ATE is as under:

7. *"It is the contention of the appellants that most basic data that is essential to be gathered examining whether or not there is any stranded capacity on account of the drawal of power by the open access customers from other sources comprises the information as to the extent*

to which the licensees were compelled to back down any long term power source during the time blocks when there was open access concession, the distribution licensees were constrained to procure power on short term basis, and the distribution licensee had to take resort to power cuts or regulate the power supply in the State this being indicative of insufficient availability of power to meet the actual demand.

8. *In the submissions of the appellants, in order to examine and compute the claim of stranded capacity and computation of additional surcharge, information as to open access consumption, unscheduled capacity short term power purchase and power cuts imposed, if any, on time block basis is sine qua non. The submission is that since such exercise was not undertaken by the Commission, it cannot be said that the distribution licensees had conclusively demonstrated their case for approval of the rate proposed for determination of the additional surcharge."*

6. Observations on Expenses-APR FY22 & ARR FY24:

1. AEQUS SEZ, in its application has not submitted the computation sheet for claiming interest on the normative loans for the deployment of equity in excess of 30% of GFA for FY22 and FY24. AEQUS SEZ shall submit the computation sheet as per MYT Regulation in support of its claim for Rs. 0.20 Crores for FY22 and Rs.0.23 Crores for FY24 at11% per annum.

2. AEQUS SEZ has claimed Rs. 0.22 Crores and Rs.0.02 Crores as the interest on the outstanding balance of capital loan availed from the Consortium Banks and Canara Bank for FY22 and FY24. AEQUS SEZ shall submit the loan wise details of rate of interest at which the interest amount was paid or to be paid for FY22 and FY24, in support of its claims.

3. AEQUS SEZ, in its filing has claimed the interest on working capital loan at 11.50% per annum. As per the audited accounts, AEQUS SEZ, has not drawn any working capital loan during FY22. The rate of interest claimed by AEQUS SEZ is on the higher side when compared with the present rate at which the

Commercial Banks / Financial Instruction are lending the working capital. AEQUS SEZ shall submit the basis with reasons for claiming the interest at a higher rate. AEQUS SEZ shall examine and submit the revised claims for the same.

7. RPO Compliance:

AEQUS shall furnish RPO compliance for FY22.