

## **MSEZ**

### **Preliminary Observations on the Applications filed for APR of FY22 and for approval of ARR & Retail Supply Tariff for FY24**

#### **1. Observations on Sales:**

##### **a. Sales- APR FY22**

The Commission, in its Tariff Order dated 09.06.2021, had approved sales of 60.69 MU for FY22. The actual sales as per current filing [D-2 Format] is 86.39 MU, indicating an increase in sales to the extent of 25.70 MU. MSEZ has submitted that the actual sales to HT Industrial consumers is 80.53MU when compared to the approved sales of 54.45 MU (increase is 26.08MU).

The Commission notes that the increase in sales is attributed to HT-industries. **MSEZ shall analyze the reasons for increase in HT Industrial Sale and furnish consumer-wise details in the matter.**

##### **b. Sales for FY23 and FY24:**

1. MSEZ has revised the sales for FY23 to 87.50 MU, as against approved sales of 66.04 MU in the Tariff Order 2022. MSEZ shall furnish the reasons for revising the sales figure for FY23 along with the working details.
2. MSEZ has stated that, sales for the FY24 is estimated, considering the existing consumer profile only and base year data of FY22. Even though, MSEZ has proposed addition of one number to the number of installations in FY24, the sales have been reduced considerably from 87.50MU in FY23 to 71.01MU in FY24, stating that M/s. Cardolite Speciality India LLP, M/s. Syngene International Limited and M/s. Catasynth Specialty Chemicals Pvt. Ltd have opted for open access.

**MSEZ shall quantify the amount of reduction considered for these consumers during FY24, supported by documents.**

3. Further, the Commission directs MSEZ to furnish the details of sales calculation with the following details:

- a. For existing consumers, consumer-wise details of the actual energy sales made in FY22 and the energy estimation for FY23 and FY24, along with the details of connected load;
  - b. Actual consumer-wise sales for FY23 upto November-2022 end.
4. MSEZL shall also furnish details of energy requirement request made by consumers for FY24.
  5. Energy at IF point:

The energy at IF point as filed by MSEZL and as per MESCOM is as follows:

<b>Year</b>	<b>MESCOM</b>	<b>MSEZL</b>
FY22	67.95	43.749
FY23	67.95	To be furnished by MSEZL
FY24	67.95	46.58

MSEZL shall furnish the FY23 data and also reconcile the energy data at IF with MESCOM.

## **2. Wheeling Charges, Cross Subsidy Surcharge and Additional Surcharge:**

MSEZL, referring to the order of the Commission in RP 05 of 2022 has requested to allow recovery of shortfall in distribution cost of 50.03 paise / unit (difference of 85 paise/ unit and 35 paise / unit) from open access consumers for FY23.

The Commission in its Tariff Order, 2022 dated 4<sup>th</sup> April, 2022, as requested by MSEZL, has decided that the wheeling charges as determined for MESCOM shall apply to MSEZL as well. As such, for the use of MSEZL's distribution network, MSEZL is entitled for the wheeling charges as determined for MESCOM for FY23, which would cover the network cost.

The Commission in Tariff Order, 2022 has determined a common additional surcharge for all the ESCOMs and the same is made applicable to MSEZL also. The Commission has 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 MSEZL also. As such revision of the same for FY23 at this juncture**

**does 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 its 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, MSEZL 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."*

3. As regards, the proposal to recover distribution cost of 75.34 paise from open access consumers, the Commission notes that MSEZL, after deducting power purchase cost, the remaining is treated as distribution cost to be recovered and from this the fixed cost recovered from consumers is deducted to arrive at 75.34 paise. The Commission notes that while the power purchase cost come under retail supply business, the other cost needs to be apportioned between distribution business and retail supply business, as is being done by the ESCOMs of the State. **The distribution business cost alone needs to be considered for determining the wheeling charges. As for as additional surcharge is concerned, as stated earlier, MSEZL has to demonstrate with working details 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.**

#### **4. Observations on Expenses/ ARR FY22 & FY24**

- 1) MSEZ, in its filing as per Format D-9, has claimed interest of Rs.0.90 Crores on normative loan portion by considering the average opening and closing balance of normative loan without factoring the repayment of loan amount as Rs.12.08 Crores for FY22. MSEZL has considered the actual repayment of secured loan of Rs.1.64 Crores for FY22. MSEZ by considering the actual repayment of secured loan amount shall calculate the repayment of normative loan amount and recast

the OB and CB balances and interest thereon for FY22 to FY24 and submit the same to the commission.

- 2) MSEZL, in its filing for APR for FY22, has deducted Rs.3.35 Crores from the total revenue demand of 69.41 Crores and considered Rs.66.06 Crores as revenue pertaining to FY22. The Commission, in its Tariff Order 2021 dated 09.06.2021, had recognized the difference in Power Purchase cost of Rs.3.63 Crores as per APR for FY19 and carried forward the net APR gap of Rs.3.35 Crores to the approved ARR of FY22. The Commission while approving the total ARR of FY22 had included the net APR gap of Rs.3.35 Crores of FY20, in the approved ARR of MSEZL and allowed it to be recovered from the consumers in the retail supply tariff. Since the net APR gap of FY20 includes the difference in Power Purchase Cost which has been carried forward to the ARR of FY22 and allowed to be recovered in the retail supply tariff, the question of deducting the same from the total revenue of FY22 will not arise. Deduction of this amount once again from the revenue will result in revenue gap as per APR for FY22 and which will have to be again carried forward to the ARR and allowed to be recovered in retail supply tariff to be approved for FY24. This would result in double burden towards the same amount, to the consumers. Hence, MSEZS shall recast the revenue demand, ARR and revenue surplus/ deficit as per APR for FY22 and ARR for FY24.

#### 5. RPO Compliance:

MSEZ shall furnish the **status of solar and non-solar RPO compliance for FY22. It is observed that MSEZ has procured power to the extent of 67.95 MU from MESCOM and 19.01 MU under open access.** As per the extant Regulations, deemed Licensee(s), procuring bulk power, partly or wholly, from the ESCOM(s), shall be deemed to have complied with the RPO to the extent of such procurement from the ESCOM(s) if, such ESCOM(s) has/have complied with the RPO. Thus, to the extent of power procured from MESCOM, MSEZ is deemed to have met the RPO to that extent, if MESCOM has complied with RPO. However, for the power procured from sources other than ESCOMs, the RPO has to be separately complied with. **Thus, for the quantum of 19.01 MU purchased under open access, MSEZ has to comply with RPO either by procuring Solar / Non-solar RE Energy (as the case may be) or by procuring the relevant REC. MSEZ shall clarify/ furnish necessary information in the matter.**

Further, the Commission in its Tariff Order 2022, had directed MSEZL to procure 320 Solar RECs and 490 Non-solar RECs within two months from the date of the Order to comply with RPO of FY21. The compliance of the same shall be furnished with documents for having procured the RECs.

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