

MANGALORE SEZ LIMITED



Annual Performance Review for FY 21 and Annual Revenue Requirement for the Distribution & Retail Supply Business for the 6th Control period FY 23 – FY 25 & Tariff Petition for FY 23

FILED ON 25th November 2021

Submitted to

KARNATAKA ELECTRICITY REGULATORY COMMISSION

By
MANGALORE SEZ LIMITED

25thNovember, 2021

**BEFORE KARNATAKA ELECTRICITY REGULATORY
COMMISSION
AT BANGALORE**

**BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION AT
BANGALORE**

Filing No _____
Case No _____

IN THE MATTER OF

An Application for approval for Annual Performance Review for FY 21 and Annual Revenue Requirement and Expected Revenue from Charges (ERC) for wires and supply business of Mangalore SEZ Limited, Mangalore for the 6th control period FY 23 – FY 25 and approval of tariff filing for FY 23 of Mangalore SEZ Limited under Section 61 & 62 of the Electricity Act, 2003 read with relevant Regulations of KERC (Tariff) Regulations including KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006.

AND

IN THE MATTER OF

Mangalore SEZ Limited (MSEZL), Mangalore.

AFFIDAVIT

1. I, V. Suryanarayana, S/o V. Srinivasa Rao, aged 53 years, Chief Executive Officer, Mangalore SEZ Limited, Mangalore, do solemnly affirm and say as follows.
2. I, V. Suryanarayana, dealing with Regulatory Affairs, Mangalore SEZ Limited, Mangalore, duly authorized to make this Affidavit as per the delegation of powers approved for the Chief Executive Officer by the Board of Directors in the 2nd Board Meeting held on 8th July 2006.
3. The statement made in Chapters 1 to 10 and the related Annexure of ERC herein now shown to me are true to the best of my knowledge and the statements made in Chapters 1 to 10 are based on information I believe to be true.

4. Solemnly affirmed at Mangalore on this 23rd November 2021 that the contents of the above Affidavit are true to the best of my knowledge, no part of it is false and no material information has been concealed there from.

For **Mangalore SEZ Limited**

Place: Mangalore

Date: 23.11.2021

Authorized Signatory

V. Suryanarayana
Chief Executive Officer

ABBREVIATIONS

A&G	Administrative and General
ARR	Aggregate revenue requirement
APR	Annual Performance Review
CERC	Central Electricity Regulatory Commission
CAPEX	Capital Expenditure
CWIP	Capital Work in Progress
Cr	Crore
D:E	Debt to Equity Ratio
ERC	Expected Revenue from Charges
FAC	Fuel Cost Adjustment Charges
FY	Financial Year
HT	High Tension
GSS	Grid Substation
GFA	Gross Fixed Asset
KPTCL	Karnataka Power Transmission Company
KERC and Hon'ble Commission	Karnataka Electricity Regulatory Commission
KV	Kilo volts
KVA	Kilo volt Amperes
KW	Kilo Watt
KWh	Kilo Watt hours
LT	Low Tension
MAT	Minimum Alternate Tax
MESCOM	Mangalore Electricity Supply Company
MSEZ	Mangalore Special Economic Zone
MSEZL	Mangalore SEZ Limited
MUs	Million Units
MVA	Mega Volt Amp
MYT	Multi Year Tariff
O & M	Operation & maintenance
PP	Power Purchase
RBI	Reserve Bank of India
R & M	Repairs and Maintenance
RoE	Return on Equity
SEZ	Special Economic Zone
TDS	Tax Deducted at Source
WII	Weighted inflation index

Table of Contents

Chapter No.	Chapter Heading	Page Number
1	Statutory Adherence	10
2	MSEZL in Brief	11 - 14
3	Segregating Licensed and Non-Licensed activities of MSEZL	15 - 20
4	Annual Performance Review – FY 21	21 – 34
5	Revision of Power Purchase computation	35-36
6	Load forecast, Sales Plan, Power purchase plan and Capex plan for 6th Control MYT period FY 23 – FY 25	37-41
7	ARR for 6th Control MYT period FY 23 – FY25	42-51
8	Provisional ARR for 6th Control MYT FY 23 to FY 25	52
9	Tariff Proposal for FY 23	53-55
10	Prayer	56-57

ARR FILING FORMATS

Sl. No.	Item	Distribution Form Number	Page Nos.
1.	Revenue Requirement & Revenue GAP	RR-GAP	58
2.	Profit and Loss Account	A1	59
3.	Balance Sheet	A2	60
4.	Cash flow Statement	A3	61
5.	Aggregate Revenue Requirement	A4	62
6.	Capital Base	A5	63
7.	Cost of power purchase	D1	64-66
8.	Revenue from sale of power	D2	67
9.	Revenue from subsidies and grants	D3	68
10.	Non-tariff income	D4	69
11.	Repairs and maintenance cost	D5	70
12.	Employee cost	D6	71
13.	Employee costs – Additional Information	D6A	72
14.	Administration and General charges	D7	73
15.	Depreciation	D8	74
16.	Loans and debentures and interest charges	D9	75
17.	Sale and Leaseback assets	D9A	76
18.	Details of expenses capitalized	D10	77
19.	Other debits	D11	78
20.	Extraordinary items	D12	79
21.	Net prior period credits / (charges)	D13	80
22.	Contributions, Grants and subsidies towards cost of capital assets	D14	81
23.	Gross Fixed Assets	D15	82
24.	Net fixed assets	D16	83
25.	Work in progress (Capital expenditure)	D17	84
26.	Receivables against Sale of Power (DCB)	D18	85
27.	Tariff category wise DCB	D18A	86
28	Energy flow diagram for distribution system FY 23 – FY 25	D19	87-89
29	Existing tariff and proposed tariff	D20	90
30	Revenue at existing tariff and proposed tariff	D21	91
31	Expected Revenue when Proposed Tariff is introduced for a Part Year	D22	92

32	Embedded cost of service of supply of electricity	D23	93
33	External subsidy	D24	94

ARR FILING ANNEXURES

Sl. No.	Item	Annexure Nos.
1	Auditor Independent Report for FY 21 Licensed Activity	I

NOTE

In this application:

Previous year is defined as Financial Year 2020-21
(Referred as FY – 21)

Current year is defined as Financial Year 2021 – 22
(Referred as FY – 22)

Ensuing year is defined as Financial Year 2022 –23
(Referred as FY – 23)

MYT Period is defined as FY 2022-23 to FY 2024-25
(6th Control Period FY 23-25)

1. STATUTORY ADHERANCE

- A. In accordance with The Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations-2006, every Distribution Licensee is required to file an application for approval of ARR and ERC under the MYT framework for the Control Period. The filing for the Control period shall have to be made by the licensed within a period not less than 120 days before the commencement of the Control Period. The filing shall be for the entire Control Period. The filing shall be in the same form as specified in the KERC (Tariff) Regulations, with year wise details for each year of the Control Period, duly complying with the principles for determination of ARR as specified in these Regulations.
- B. The Hon'ble Commission has vide Notification dated 23rd September, 2021 has notified fixation of duration of the 6th control period as 3 years period commencing from FY 23 to FY 25.
- C. As per the Extraordinary Gazette Notification dated 3-3-2010 issued by Ministry of Commerce, Government of India, the Developers / Co-Developers of a Special Economic Zones notified under sub section 1 of section 4 of SEZ act 2005, shall be deemed a distribution licensee as per Section 14 of the Electricity Act 2003. Consequently, MSEZL (a SEZ Developer) has been consistently filing the tariff petition (from FY 16 onwards) and the latest tariff application was filed for 5th Control period FY 20-22. The Hon'ble Commission was pleased to pass the MYT orders and revised ARR accordingly.
- D. The Hon'ble Commission vide letter dated 24th September 2021 has directed MSEZL to file the business plan for the period of five years along with ERC and Tariff application for a period of three years for the 6th Control period, commencing from FY 23 to FY 25.
- E. The content of this application is in accordance with the Retail supply tariff guidelines notified by Hon'ble Commission. As part of this exercise, MSEZL will provide such information as may be stipulated by the Hon'ble Commission from time to time. For any additional information not previously known or available to

us at the time of filing the APR for FY 21 and ARR & ERC for control period FY 23-25, the information would be placed as additional submissions for the kind consideration of the Hon'ble Commission.

2. MSEZL in brief

A. Profile of the company

- i. The Government of India has, over the last decade, adopted a multi-pronged approach for promotion of foreign investments in India. Government of India announced the SEZ Policy to enable the creation of SEZs in the country with a view to provide an internationally competitive and hassle-free environment for exports. This policy was intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.
- ii. Mangalore SEZ Limited (MSEZL) is an SPV co-promoted by Oil and Natural Gas Corporation Limited (ONGC) (26%), Infrastructure Leasing & Financial Services Limited (IL&FS) (50%), Karnataka Industrial Areas Development Board (KIADB) (23%) and Kanara Chamber of Commerce and Industries (KCCI) and others (1%).
- iii. MSEZL being upgraded to Multi Product SEZ can attract investments from sectors viz., Petroleum & Petrochemical Products, Plastics, IT & ITES, Pharma, Textiles and Manufacturing & Others. Currently, MSEZL has attracted investments from Petrochemicals, Pharma and Food Processing Industries.

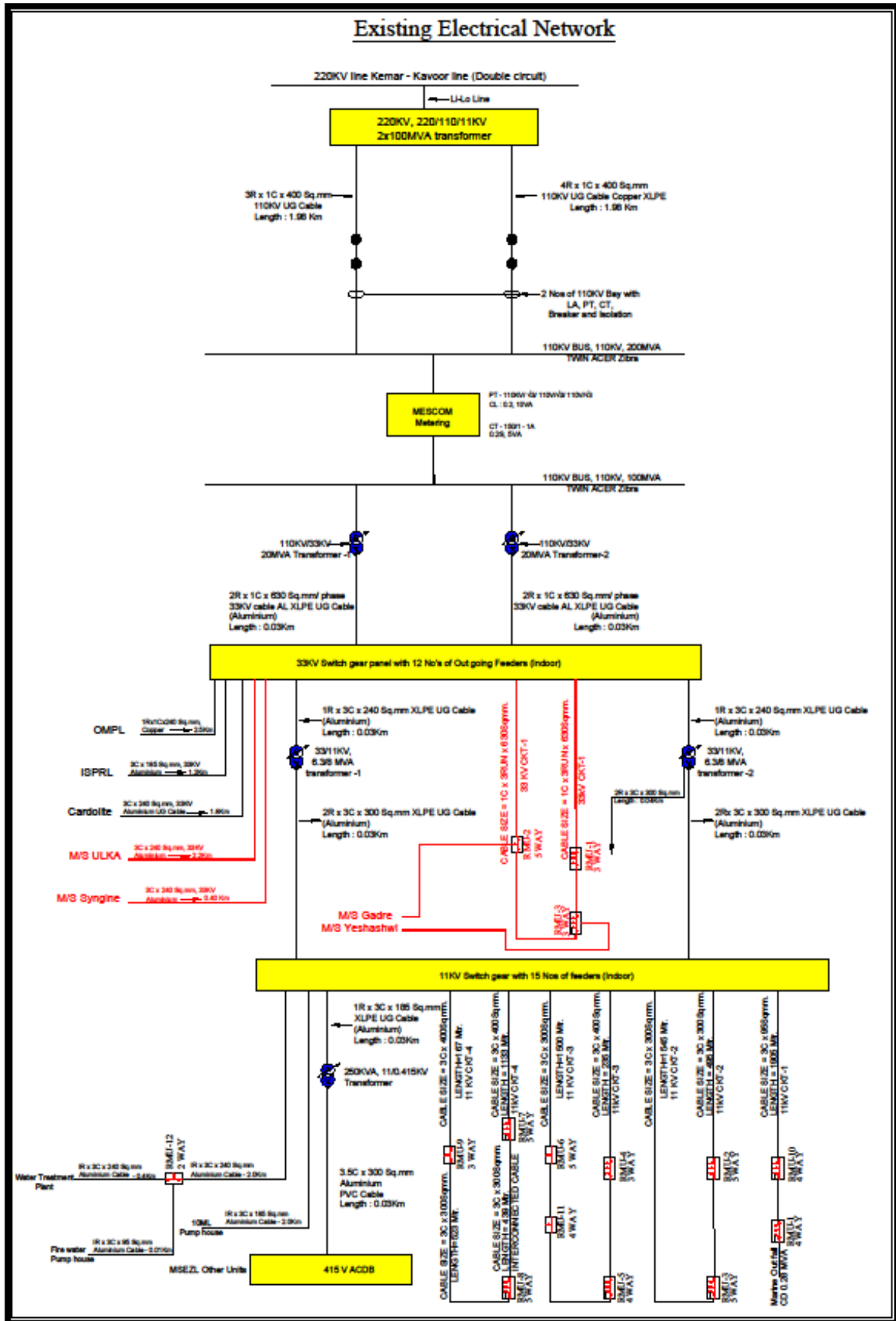
Our Esteemed Consumer Profile is as under:

Sl. No	Customers
1	ONGC Mangalore Petrochemicals Limited
2	Indian Strategic Petroleum Reserves Limited
3	Syngene International Limited, a Biocon Company
4	Catasynth Specialty Chemicals
5	Cardolite Specialty Chemicals LLP
6	Authentic Ocean Treasure
7	Gadre Marine Export Private Limited
8	Yashaswi Fish Meal & Oil
9	Shree Ulka LLP
10	MSEZL utility installations

B. Brief Introduction to Electrical Network

- i. MSEZL has constructed 110/33/11KV substation (GSS-03) with installed capacity of 40MVA, which can be augmented, to 80MVA to cater power to various units. MSEZL receives and distributes power to all its consumers by underground cables only. A stable and quality power supply is provided to 11KV consumers through Ring Main Units which are inter linked with UG cables and for 33KV consumers the supply is directly fed through radial feeders emanating from 110/33/11KV GSS-03 and also through ring main units.
- ii. The 110/33/11KV GSS-03 of substation receives stable power from the nearby 220/110/11KV Main Receiving Sub-station of KPTCL at Bajpe for which 13.939 acres of land within the MSEZ area is leased to KPTCL. From this receiving substation, MSEZL has laid twin circuits of copper underground cables of 110KV class 400-sqmm cable to GSS-03, each circuit is capable of delivering 80MVA power, with an augmentation. The total route length of the twin circuits is 1.9 KMS.
- iii. In the upstream 220/110/11KV Main Receiving Sub-station of KPTCL is sourced through the 220KV Double circuit line from Kemar to Kavour. This line is integrated to the grid network of KPTCL and further to the southern grid of India.

Existing Electrical Network



C. Consumers Profile as on 31.03.2021

As on 31 March 2021, the Company provided power supply to consumers at different voltage levels, as under: -

Sl. No.	Class of Consumer	No. of consumers	Voltage class	Sanctioned load MVA
1	HT - Industrial	18	33/11KV	33.51
2	HT - Construction	-	11KV	-
3	LT - Industrial	7	440 V	0.14
4	LT - Construction	1	440 V	1
	Total	26		34.65

3. Segregating Licensed & Non-licensed activities of MSEZL

- A. The books of account of MSEZL as at 31st March 2021 is audited; received, considered and adopted by the shareholders in the Annual General Meeting held on 10th September 2021. From the audited books of account, the audited financial statements have been segregated into licensed and non-licensed portion activities.
- B. The basis and method adopted for segregation of Balance sheet and Profit & Loss account of FY 21 is consistent with the methodology followed for segregation in the previous tariff petitions filed for the 5th Control period.
- C. MSEZL has put in its best efforts to accurately bifurcate the entire business transactions into the "Licensed" and "Non-Licensed" portion. It has all the supporting records/documents in support of the exercise made. The Company would be happy to provide any further information that would be required by the Hon'ble Commission in this regard.
- D. The independent report received from the auditor for the segregation of statement of Balance sheet and licensed activity Statement of Profit & Loss for FY 21 is attached as Annexure I.

The audited Balance sheet of the MSEZL as at 31st March 2021:

Rs. in Crore	
Particulars	As at 31-03-2021
SHAREHOLDER'S FUNDS:	
SHARE CAPITAL	50.00
RESERVES & SURPLUS	(38.01)
Total	11.99
LOAN FUNDS:	
LOANS FROM STATE GOVT	-
LOANS FROM OTHERS- SECURED	510.59
LOANS FROM OTHERS- UNSECURED	-
FRESH BORROWINGS FOR CAPEX	-
Total	510.59
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	17.78
OTHER LONG TERM LIABILITIES	966.19
LONG TERM PROVISIONS	2.14

DEFERRED TAX LIABILITY	20.68
GRAND TOTAL	1,529.37
APPLICATION OF FUNDS:	
NET FIXED ASSETS:	
a) GROSS BLOCK	1,486.16
b) LESS: ACCUMULATED DEPRECIATION+AAD	217.69
c) NET FIXED ASSETS	1,268.47
d) CAPITAL WORK IN PROGRESS	133.36
e) ASSETS NOT IN USE	
f) DEFERRED COSTS	
g) INTANGIBLE ASSETS	11.89
SUB TOTAL OF (c) TO (g)	1,413.71
INVESTMENTS	0.09
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT KEPT WITH MESCOM AND OTHERS	7.05
OTHER NON-CURRENT ASSETS	16.01
OTHERS	7.30
SUB TOTAL	30.44
NET CURRENT ASSETS:	
A. CURRENT ASSETS, LOANS & ADVANCES	
a) INVENTORIES	-
b) CURRENT INVESTMENTS	-
c) RECEIVABLES AGAINST SALE OF POWER& OTHER RECEIVABLES	89.70
d) CASH & BANK BALANCES	87.71
e) LOANS & ADVANCES and OTHER CURRENT ASSETS	6.43
f) SUNDRY RECEIVABLES	-
TOTAL OF A	183.85
B. CURRENT LIABILITIES AND PROVISIONS:	
a) SECURITY DEPOSIT FROM CONSUMERS	6.65
b) BORROWINGS FOR WORKING CAPITAL	-
c) PAYMENTS DUE ON CAPITAL LIABILITIES	7.26
d) OTHER CURRENT LIABILITIES - D 25	39.96
e) CURRENT MATURITIES OF LONG TERM DEBT	23.05
f) TRADE PAYABLE	10.54
g) PROVISION FOR PENSION, GRATUITY,FBF etc.	11.17
h)PROVISION FOR IT and FBT	-
TOTAL OF B	98.63
NET CURRENT ASSETS (A - B)	85.21
GRAND TOTAL	1,529.37

The segregated balance sheet as at 31st March 2021 into licensed and Non-Licensed activities is as under.

Rs. in Crore			
PARTICULARS	MSEZL Audited Figures as at 31st March 2021	Non- Licensed Activity as at 31 st March 2021	Licensed Activity as at 31 st March 2021
SHAREHOLDER'S FUNDS:			
EQUITY SHARE CAPITAL – (INCLUDING SHARE DEPOSIT)	50.00	50.00	-
EQUITY SHARE CONTRIBUTION	-	-	35.55
RESERVES & SURPLUS	(38.01)	(44.41)	6.39
Total	11.99	5.60	41.94
LOAN FUNDS:			
LOANS FROM STATE GOVT	-	-	-
LOANS FROM OTHERS- SECURED	-	-	-
LOANS FROM OTHERS- UNSECURED	510.59	488.44	22.16
FRESH BORROWINGS FOR CAPEX	-	-	-
Total	510.59	488.44	22.16
CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS	17.78	17.78	-
OTHER LONG TERM LIABILITIES	966.19	966.19	-
LONG TERM PROVISIONS	2.14	2.14	-
DEFERRED TAX LIABILITY	20.68	15.42	5.26
GRAND TOTAL	1,529.37	1,495.56	69.37
APPLICATION OF FUNDS:			
NET FIXED ASSETS:			
a) GROSS BLOCK	1,486.19	1,418.96	67.20
b) LESS: ACCUMULATED DEPRECIATION+AAD	217.69	201.56	16.14
c) NET FIXED ASSETS	1,268.47	1,217.41	51.05
d) CAPITAL WORK IN PROGRESS	133.86	133.86	-
e) ASSETS NOT IN USE	-	-	-
f) DEFERRED COSTS	-	-	-
g) INTANGIBLE ASSETS	11.89	11.89	-
SUB TOTAL OF (c) TO (g)	1,413.71	1,362.65	51.05
INVESTMENTS	0.09	0.09	-
LONG TERM LOANS AND ADVANCES – SECURITY DEPOSIT WITH MESCOM AND OTHERS	7.05	2.69	4.37
OTHER NON-CURRENT ASSETS	16.01	16.01	-
OTHERS	7.30	7.30	-
SUB TOTAL	30.44	26.08	4.37
NET CURRENT ASSETS:			
A. CURRENT ASSETS, LOANS & ADVANCES			

a) INVENTORIES	-	-	-
b) CURRENT INVESTMENTS	-	-	-
c) RECEIVABLES AGAINST SALE OF POWER & OTHER RECEIVABLE	89.70	83.99	5.71
d) CASH & BANK BALANCES	87.71	68.68	19.03
e) Share Contribution to Licensed Activity	-	35.55	-
f) LOANS & ADVANCES and OTHER CURRENT ASSETS	6.43	6.22	0.22
g) SUNDRY RECEIVABLES	-	-	-
TOTAL OF A	183.85	194.44	24.96
B. CURRENT LIABILITIES AND PROVISIONS:			
a) SECURITY DEPOSIT FROM CONSUMERS	6.65	0.11	6.54
b) BORROWINGS FOR WORKING CAPITAL	-	-	-
c) PAYMENTS DUE ON CAPITAL LIABILITIES	7.26	7.25	0.01
d) OTHER CURRENT LIABILITIES - D 25	39.96	39.93	0.03
e) CURRENT MATURITIES OF LONG TERM DEBT	23.05	22.05	1.00
f) TRADE PAYABLE	10.54	7.09	3.45
g) PROVISION FOR PENSION, GRATUITY, FBF etc.	11.17	11.17	-
h) PROVISION FOR IT and FBT			
TOTAL OF B	98.63	87.60	11.03
NET CURRENT ASSETS (A - B)	85.21	106.83	13.94
GRAND TOTAL	1,529.37	1,495.56	69.36

The balance sheet details for licensed activity as at 31.03.2021 is explained, as under.

E. Balance Sheet Items:

i. Fixed Asset

The Gross Fixed Assets (GFA) position as on 31st March 2021 comprises of the followings fixed assets:

Sl. No.	Particulars	Amount Rs. in Crore
1.	Leasehold Land	6.17
2.	Building and structures	2.84
3.	Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and below	21.29
4	Towers, Poles, fixture, overhead conductors, UG cables and devices	35.96
5	Other items/Computers	0.07
6	Other Civil Works - Roads	0.87
	MSEZL - Total	67.20

ii. Accumulated Depreciation

The accumulated depreciation as at 31st March 2021 for the above listed GFA's is Rs.16.14 Crore.

iii. CWIP

The CWIP as at 31st March 2021 is NIL.

iv. Long Term Loans & Advances

The deposits kept with MESCOM for drawing 20 MVA power and outstanding as at 31st March 2021 is Rs.4.37 Crore.

v. Current Assets:

a. Receivables against sale of power Rs.5.71 Crore, details are as under:

i. The receivables include Rs. 4.92 Crore of the bills raised for the month of March 2021 and Rs.0.79 Crore revenue arrears payable by Cardolite Specialty Chemicals LLP as per the Hon'ble Commission tariff order for FY 18-19.

b. Cash & Bank Balance: The cash and bank balance are Rs.19.03 Crore.

c. Other Current Assets includes gross accrued interest receivable for FY 21 on security deposit kept with MESCOM Rs.0.22 Crore.

vi. Current Liabilities:

a. Security deposits from consumers Rs.6.54 Crore: The outstanding security deposits includes security deposits from consumers as at 31st March 2021 Rs.6.27 Crore and interest payable on these deposits Rs.0.27 Crore for FY 21.

b. Current Liabilities of Rs.0.02 Crore is towards TDS and TCS payable and Rs.0.01 Crore is towards retention money payable.

c. Current maturities of long-term debt: The repayment of long-term loan in FY 22 Rs.1Crore is considered here.

d. Trade Payable: The trade payable Rs.3.45 Crore includes the amount payable towards monthly contractual obligations and power purchase cost.

vii. Non-Current Deferred tax liability:

The tax liability arising out of the temporary timing difference on account of differential depreciation rates under Income Tax Act, 1961 and CERC notified rates is accounted as deferred tax liability and as at 31st March, 2021 the accumulated liability is Rs.5.26 Crore.

viii. Capital Structure for Licensed Business Activity:

- a) In the previous ARR filings, we had prepared and presented the balance sheet initial capital structure. The method adopted for arriving at the debt and equity amount **for a capital investment of Rs.65.84 Crore** was explained in detail in the FY 18 ARR filing from page number 22 to page number 23. The same is recapitulated as under:
- The overall D: E ratio for MSEZL was 46:54 (including cost of land) and hence, the D: E ratio for licensed business activity is also structured and computed on the similar basis.
 - The funding for capital investment of Rs.65.84 Crore is considered at the D: E ratio of 46:54 respectively.
- b) Though the D:E ratio of MSEZ licensed activity as per its Balance sheet is 46:54 as stated above, for the regulatory accounting, we have considered capital structure at D:E ratio of 70:30 for computation of interest on capital loan and RoE calculation for tariff fixation/determination. These calculations are furnished in filing formats Form A1, Form A4 and Form D9.
- c) **The Hon'ble Commission in its Order dated 26th October 2017 against RP.08/2017 for FY 18 FY 17 has considered normative D: E ratio of 70:30 as the capital structure for approving the returns viz., interest on capital and RoE respectively.**
- d) We wish to emphasize again that the segregation of licensed activity flows from the MSEZL statutory accounting where the debt and equity is carried at historical actual viz., 46:54 ratio, which is reflected in the Form A2, Form A4 and Form D9.
- e) Thus, in the Balance Sheet as at 31st March 2021 – the outstanding debt stands at Rs.23.16 Crore (including Rs.1 Crore towards current maturities of long term debt) and equity share capital is Rs.35.55 Crore.

4. Annual Performance Review – FY 21

4.1 The Hon'ble Commission had approved a Net ARR of Rs.52.19 Crore for FY 21, including recovery of Rs.2.68 Crore of FY 19 net carry forward deficit arising of true-up of FY 19 power purchase cost.

4.2 The APR FY 21 is submitted for the kind consideration of the Hon'ble Commission as under:

- A. Operating Performance.
- B. Statement of audited Profit & Loss Account.
- C. Financial Presentation of APR claim.

A. Operating Performance:

i. Energy Sales:

The Hon'ble Commission had approved sales of 57.22 MUs. The actual sales category wise are as follows:

Consumer Category	Approved sales (in Mus)	Actual Energy Sales (in MUs)
HT Industrial	56.79	63.58
LT Industrial	0.43	0.41
HT Construction	-	-
LT Construction	-	0.0005
Total	57.22	63.9905

ii. Power Purchase:

The Hon'ble Commission had approved power purchase of 57.89 Mus from MESCOM. The source wise actual power drawn is as under:

Source of energy	Actual Energy Purchase at IF Point in MUs
MESCOM PP	60.98
Open access PP	3.42
Total PP	64.40

iii. Distribution Loss:

We have achieved a distribution loss at 0.64%, which is substantially less than the approved distribution loss of 1.16%.

B. The Statement of audited profit and loss is as under:

Rs. in Crore

Ref Form- No	PARTICULARS	FY 21 P&L as per Audited Accounts
T1/D1	POWER PURCHASE (MU)	64.40
T1/D1	ENERGY AVAILABLE AT INTERFACE POINTS (MU)	64.40
T2/D2	ENERGY SOLD (MU)	63.99
	DISTRIBUTION LOSS (%)	0.64%
	INCOME	
T2/D2	REVENUE FROM SALE OF POWER	55.37
T3/D3	TARIFF SUBSIDY FOR BJ/KJ & IP SETS	-
T3/D3	REV SUBSIDIES & GRANTS	-
T4/D4	OTHER INCOME	0.21
	TOTAL	55.57
	EXPENDITURE	
T1/D1	PURCHASE OF POWER	43.86
T5/D5	REPAIRS & MAINTENANCE	0.74
T6/D6	EMPLOYEES COSTS	0.44
T7/D7	ADM & GENERAL EXPENSES	0.29
T8/D8	DEPRECIATION AND RELATED DTS	2.83
T9/D9	INTEREST & FINANCE CHARGES (*)	2.08
	SUB-TOTAL	50.25
T10/D10	LESS: EXPENSES CAPITALISED – Interest and other exp.	-
T11/D11	OTHER DEBITS (incl. Bad debts)	-
T12/D12	EXTRAORDINARY ITEMS	-
	TOTAL EXPENDITURE	50.25
	PROFIT (LOSS) BEFORE TAX	5.32
	PROVISION FOR TAXES	-
	Current Tax	-
	Deferred Tax	0.33
	PROFIT (LOSS) AFTER TAX	4.99
T13/D13	NET PRIOR PERIOD Debits/Credits	
	RETURN ON EQUITY	3.12
	REVENUE SURPLUS/(DEFECIT)	1.87

NOTES:

(*) 'Interest & Finance Charges' – The auditor has considered and certified for only for the actual interest expense of Rs.2.08 Crore and not the normative interest on debt portion of Rs.0.93 Crore, which is allowed as per tariff regulations and claimed under APR FY 21 regulatory claim.

C. Financial Presentation on FY 21 APR claim:

I. Revenue:

A. From Sale of Power:

a. One time revenue recovery of Rs.1.31 Core not included in FY 21 APR claim:

- i. The Hon'ble Commission while approving the APR for FY 19 had revised the power purchase from Rs.24.96 Crore to Rs.28.252 Crore. The Hon'ble Commission had directed MSEZL to pay the difference in the power purchase of Rs.3.292 Crore to MESCOM. MSEZL had complied with the order and paid the entire amount to MESCOM on 29.03.2021.
- ii. The Hon'ble Commission having considered the increase in PP cost by Rs.3.292 Crore and upon truing up the other items in FY 19 APR, had decided to carry forward the net deficit of Rs.2.687 Crore into the ARR of FY 21.
- iii. Consequently, the Hon'ble Commission has allowed recovery of Rs.2.687 Core over a period of next two years in two yearly installment from consumers in proportion to the energy consumed by respective consumers in FY 19. Accordingly, MSEZL has raised invoices and recognized one time revenue of Rs.1.31 Crore, i.e.,50% of Rs.2.687 Crore in FY 21.
- iv. The one-time revenue recovery of Rs.1.31 Crore is **not included and claimed** in FY 21 APR revenue from sale of power:
 - As the one-time revenue recovery is allowed towards the differential power purchase cost of FY 19 and
 - The one-time revenue amount is allowed to be recovered (50% recovery in FY 21 and balance 50% recovery in FY 22) directly from the consumers in proportion to their energy consumption in FY 19.

b. Collection of ToD charges during November 2020 to March 2021 and withdrawal of revenue demand:

- i. The Hon'ble Commission in the ESCOMs tariff order for FY 21 effective from 1st November 2020 had revised the ToD charges by 'withdrawing penalty on energy consumed during morning peak i.e. from 06.00Hrs to 10.00Hrs'.
- ii. However, while billing the consumers for the energy consumed for the period 1st November 2020 to 31st March 2021 the ToD at Rs.1/unit was inadvertently charged for the energy consumed during morning peak hours i.e from 6am to 10am.

- iii. Upon noticing the error, MSEZL in July 2021 withdrew the revenue demand and issued appropriate credit notes to all the consumers for the ToD charges collected in the invoices issued for months November 2020 to March 2021 at rate Rs.1/unit for the energy consumed during the peak hours 6am to 10am.
- iv. MSEZL had communicated to all the consumers on the withdrawal of revenue demand and issuance of credit note. The consumers were asked them to reduce the credit note amount from the June 2021 month invoice amount and pay the balance net invoice amount. All the consumers have acknowledged the credit note and reduced the same while paying the June 2021 invoice amount.
- v. The details of consumer wise credit notes are as under:

Sl. No	Consumers	Amount in Rs.in Crore
1	ONGC Mangalore Petrochemicals Limited	0.17
2	Indian Strategic Petroleum Reserves Limited	0.03
3	Syngene International Limited, a Biocon Company	0.04
4	Catasynth Specialty Chemicals	0.05
5	Cardolite Specialty Chemicals LLP	0.05
6	Authentic Ocean Treasure	0.02
7	Gadre Marine Export Private Limited	0.07
8	Yashaswi Fish Meal & Oil	0.03
9	Shree Ulka LLP	0.02
10	MSEZL utility installations	0.02
	Total	0.50

- vi. The credit note issued in June 2021 is accounted in FY 22 financial books. However, the credit notes issued pertains to the revenue collected from sale of power for APR FY 21 and thus, the credit notes worth Rs.0.50 Crore is reduced from the APR FY 21 revenue from supply of power.
- vii. Thus, we request the Hon'ble Commission to allow the reduction of credit note issued in June 2021 Rs.0.50 Crore in the APR for FY 21 itself.

c. Revenue from sale of power for FY 21:

- i. The summary of consumer category wise sales and revenue is as under:

Sl. No.	Consumer Category	Energy Sold in MUs	Revenue – Rs. in Crore
1	HT Industrial	63.58	53.75
2	LT Industrial	0.41	0.30
3	HT Construction	--	-
4	LT Construction	0.0005	0.0010
5	Total Revenue from sale of power	63.99	54.05
6	Less: ToD Credit notes issued in July 21 i.e., FY 22 for period Nov 20 to March 21 under APR FY 21.	-	0.50
7	Revenue from sale of power claimed for APR FY 21 (5-6)	63.99	53.55

d. Thus, considering the submissions detailed in foregoing paras we request the Hon'ble Commission to consider and allow Rs.53.55 Crore as revenue from sale of power for APR FY 21.

B. Other Income:

i. The details of other income areas under:

Sl. No.	Details	Amount	Rs. in Crore
1	Interest income on deposits kept with MESCOM		0.20
2	Tender sale fees		0.01
	Total		0.21

ii. Thus, we request the Hon'ble Commission to allow the other income of Rs.0.21 Crore.

II. EXPENDITURE:

a. Cost of Power Purchase:

i. APR FY 19 differential PP cost:

- The Hon'ble Commission while approving the APR for FY 19 had revised the power purchase from Rs. 24.96 Crore to Rs.28.252 Crore. The Hon'ble Commission had directed MSEZL to pay the difference in the power purchase of Rs.3.292 Crore to MESCOM. MSEZL had complied with the order and paid the entire amount to MESCOM on 29.03.2021.
- The one-time differential PP cost is allowed for recovery from the customers directly and hence, the inclusion of the same in the power purchase cost for FY 21 does not arise.

- Thus, Rs.3.292 Crore paid to MESCOM on 29.03.2021 towards differential power purchase cost for FY 19 is not included and claimed in the APR FY 21 power purchase cost.

ii. Sources & Cost of power supply:

- MESCOM Power purchase: In FY 21, MSEZL has purchased 60.98 MUs from MESOM and paid Rs.39.26 Crore at approved PP rate of Rs.6.226/unit for the period 01.04.2020 to 31.10.2020 and at Rs.6.5713/unit from 01.11.2020 to 31.03.2021, along with FAC/unit charged by MESCOM from time to time.
- Short Term Open Access (STOA) power purchase: MSEZL had e-tendered for 2 MW STOA power purchase. Based on the e-bidding process MSEZL had entered into six months - w.e.f.17.01.2021 to 17.07.2021 STOA power purchase agreement with M/s.Kreate Energy Limited for supply of power at a landed rate of Rs.3.82/unit. For the period 17.01.2021 to 31.03.2021, MSEZL has purchased 3.42 MUs and paid Rs.1.31 Crore.
- The summary of source and cost of power supply is as under:

Source	Units Purchased in MUs	Power Purchase Cost Rs. in Cr.	Average rate Rs. /kWh
MESCOM	60.98	39.26#	6.438
STOA	3.42	1.31	3.82
Total	64.40	40.57	6.2996

#Excludes Rs.3.29 Crore paid to MESCOM as per Hon'ble Commission order dated 04.11.2020 for revision of FY 19 PP cost.

Includes FAC charged by MESCOM during FY 21 from time to time as per the Hon'ble Commission respective orders.

- iii. **If the power purchase cost for FY 21 is increased, we request the Hon'ble Commission that the entire increase in PP cost should be allowed for recovery from the consumers.**
 - iv. **Further, it is requested that the Hon'ble Commission compute the revision in PP cost/unit after considering our detailed submissions made in Chapter 5 on reduction of power purchase cost at IF point.**
- b. O&M Expenses:
- i. MSEZL has incurred O&M expenses of Rs.1.48 Crore which comprise of (a) R&M Expense (b) Employee cost and (c) A&G Expense, wherein the: -

- R&M expense includes expenses like GSS operation and maintenance cost, consumables, etc.
 - A&G expense includes expenses line insurance premium on fixed assets of GSS, professional and technical fess, KERC tariff and annual license fee, printing, advertisement charges, testing charges, servicing of electrical instruments, KPTCL & CEIG statutory charges, inspection charges, audit fees, and etc.
 - Employee Cost includes the share of direct employee cost and shared Corporate Service Employee cost.
- ii. The Hon'ble Commission has approved O&M expense of Rs.1.58 Crore for FY 21 ARR.
- iii. Based on the methodology followed by the Hon'ble Commission the Company has calculated the normative allowable O&M expense for FY 21, considering the WII of 7.9586% and an efficiency factor at 0.5%, as considered in earlier control periods.
- iv. The normative allowable O&M is as under:

Particulars	FY 20	FY 21
Inflation index in %	8.2604%	7.9586%
Base year O&M expenses at Actuals – Rs. in Cr	1.47	
Normative O&M expense Rs. in Cr (T*1+WII) = Rs.1.47 Crore * 1.079586		1.59

- v. The actual O&M incurred Rs.1.48 Crore is lower than the allowable normative O&M expense Rs.1.59 Crore and the approved O&M of Rs.1.58 Crore.
- vi. Thus, we request the Hon'ble Commission to allow the O&M claim of Rs.1.48 Crore for FY 21.
- c. Depreciation:
- i. Depreciation is calculated based on the method and depreciation rates notified as per Annexure III of CERC Notification 2009. Further, in FY 21 annual accounts, Notes 2 titled 'significant accounting policies - on depreciation', it is specifically stated that depreciation charge to Profit & Loss account on power distribution assets is as based on the depreciation rates notified by CERC.

- ii. The actual depreciation charge to statement of profit and loss for FY 21 is Rs.2.83 Crore.
- iii. The depreciation charge along with the details of gross and net carrying value of assets are as under: -

Asset details	Gross carrying amount			Depreciation /Amortization			Net carrying amount	
	As at 01.04.2020	Additions during the year	As at 31.03.2021	As at 01.04.2020	Additions during the year	As at 31.03.2021	As at 31.03.2021	As at 31.03.2020
Leasehold land	6.17	-	6.17	-	-	-	6.17	6.17
Building	2.84	-	2.84	0.44	0.09	0.53	2.31	2.40
Substation & others	21.29	-	21.29	5.04	1.01	6.05	15.24	16.24
UG cables	35.96	-	35.96	7.69	1.71	9.40	26.56	28.27
Computers	0.07	-	0.07	-	-	-	0.07	0.07
Road	0.87	-	0.87	0.13	0.03	0.16	0.71	0.74
Total	67.20	-	67.20	13.31	2.83	16.14	51.06	53.89

- iv. Thus, we request the Hon'ble Commission to allow the actual depreciation charge of Rs.2.83 Crore.

d. **Interest & Finance Charges:**

- i. Interest on Loan Capital:

Table A: The interest on capital loan is worked as under.

Sl. No.	Particulars	Details	Remarks
1	Average borrowing for licensed activity – Rs. in Crore	23.52	As per Table B below
2	Weighted Average rate of interest on term loan – per annum	7.64% p.a.	As per Table C below
3	Actual Interest charge for FY 21 –Rs. in Crore (1*2)	1.79	
4	Normative Interest claim on excess equity investment in GFA - Rs. in Crore	0.93	As per Table E below
5	Total interest claimed for FY 21 (3+4) – Rs. in Crore.	2.72	

Table B: The average long-term loan:

Amount Rs. in Crore

Sl. No.	Particulars	As at 31.03.2021	As at 31.03.2020	Remarks
1	Long term capital loan	22.16	23.16	Refer Form A-2 & Form D-9 of the current tariff filing
2	Current maturities of long-term loan	1.00	0.71	Refer Form A-2 & Form D-9 of the current tariff filing
3	Total Outstanding	23.16	23.87	
4	Average Borrowings		23.52	

Table C: The Weighted Average Interest on term Loans of MSEZL for FY 21 is as under:

Sl. No.	Particulars	Details	Remarks
1	Interest on Term loan Paid (A) -Amount in Rs. in Crore	41.37	Refer Note 36 in Annual Accounts
2	Average Borrowings – Amount in Rs. in Crore	541.81	Refer Table D, below
3	Weighted Average rate of interest on term loan – per annum (1/2*100) for FY 21	7.64%	

Table D: The average long term capital loan of MSEZL for FY 21 is as under:

Amount in Rs. Crore				
Sl. No.	Particulars	As at 31.03.2021	As at 31.03.2020	Remarks
1	Non-current Long term capital loan	510.59	533.47	Refer Note 22 in Annual accounts
2	Current portion of Long term capital loan	23.05	16.50	Refer Note 29 in Annual accounts
3	Total	533.64	549.97	
	Average Borrowings		541.81	

In connection with the interest claim of Rs.1.79 Crore, we would like to draw the attention of the Hon'ble Commission to the following points:-

- The interest on loan capital is computed based on the weighted average rate of interest for FY 21 i.e.7.64% p.a. (Table C).
- The quantitative details in Table C and Table D are based on the MSEZL audited annual accounts for FY 21.
- There are no fresh/new loans considered for licensed activity business in FY 21.

- The average loan outstanding of Rs.23.52 Crore is (i) based on the opening loan balances as admitted by the Hon'ble Commission in the earlier years ARR/tariff petitions and (ii) after considering the loan repayment in FY 21.
- **Thus, interest as computed above on average debt balance at 46% i.e.Rs.23.52 Crore works out to Rs.1.79 Crore.**

ii. Normative Interest on Loan Capital:

- The clause 3.6 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations, 2006 allows normative interest on the equity amount in excess of 30% gross fixed assets (GFA).
- The workings for allowable normative interest on excess equity capital, is as under:

Table E

Sl. No.	Particulars	Amount in Rs. Crore
1	Opening balance of GFA	67.20
2	30% of GFA (eligible for allowance of RoE)	20.16
3	Opening balance of equity	36.95
4	Equity in excess of 30% of GFA (3-2)	16.79
5	Allowable interest in % p.a.	7.64%
6	Allowable normative interest	1.28
7	Amount claimed for APR FY 21 (please refer Form D 9 workings)	0.93

Thus, we request the Hon'ble Commission to allow the normative interest on loan capital of Rs.0.93 Crore for FY 21.

iii. Normative Interest on Working Capital:

- As per the norms specified under the MYT regulations, the normative interest on working capital is claimed for APR FY 21.
- The one-year SBI MCLR i.e., 7% **plus** additional 250 basis points (as per the provisions of MYT regulations) totaling to **9.5% p.a.** is claimed as working capital interest.
- The detailed working is as under:

Sl. No.	Particulars	Rs. in Crore
A	O&M expenses for one month	0.12
B	Opening gross fixed assets	67.20
C	Spares at 1% on GFA at the beginning of the year (B*1%)	0.67
D	Receivables equivalent to 2 months avg. billing	9.23
E	Total working capital (A+C+D)	10.02
F	Rate of interest (% p.a.)	9.5%
G	Interest on Working capital (E*F)	0.95

Thus, we request the Hon'ble Commission to allow the normative interest on working capital of Rs.0.95 Crore for FY 21.

iv. Interest on Consumers Deposits:

- Interest on consumers deposit Rs.0.29 Crore is calculated as per the KERC (Interest on Security Deposits) Regulations, 2005.
- The interest cost is worked out considering the bank rate as on 01.04.2020 at **4.65% per annum.**
- The interest expense on consumers deposit Rs.0.29 Crore is charged to P&L account and also, a provision for interest payable in made FY 21 audited books of account.

Thus, we request the Hon'ble Commission to allow us the actual Interest expense on consumers' deposits of Rs.0.29 Crore for FY 21.

v. **The summary of interest and finance charge claimed in APR FY 21 is as under:**

Table F

Sl. No.	Interest and finance charges	Amount in Rs. Crore	
		As per Audited Accounts	As per APR claim
1	Interest on loan capital - at actual	1.79	1.79
2	Normative Interest on excess equity investment in GFA	-	0.93
3	Normative Interest on working capital	-	0.95
4	Interest on consumers deposit	0.29	0.29
	Total	2.08	3.95

e. Tax Expense:

- i. The deferred tax liability arising out of difference in rates of depreciation under Income Tax Act, 1961 and CERC notified rates for licensed activity assets is recognized as deferred tax liability.
- ii. We request the Hon'ble Commission to kindly take note of the deferred tax liability for FY 21.

Deferred tax liability – Provided in books of accounts	Rs. 0.33 in Crore
---	----------------------

- iii. Further, we would like to bring to the kind attention of the Hon'ble Commission that since the deferred tax liability is only a charge on P&L statement and does not represent actual outgo of tax in FY 21.

Thus, the charge of deferred tax Rs.0.33 Crore is not considered for arriving at the Revenue deficit of FY 21 and hence, the deferred tax is not proposed in the APR FY 21 for recovery from the consumers.

- f. Return on Equity:

- i. The clause 3.9 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations, 2006 considers and allows RoE restricting to 30% GFA.
- ii. The allowable Return on equity for FY 21 is calculated as under

STATEMENT SHOWING DETAILS OF RoE FOR FY 21	
Particulars	Amount Rs. in Cr
The Gross equity share capital as on 01.04.2020 is	35.55
Opening balance of accumulated deficit under Reserves & Surplus	1.4
Opening balance of Net Equity	36.95
Normative equity at 30% of the opening GFA of Rs.67.20 Cr	20.16
RoE @ 15.5%	3.12

Thus, we request the Hon'ble Commission to allow us the RoE of Rs.3.12 Crore for FY 21.

- g. **As per the above item wise presentation and submission, there is revenue surplus of Rs.1.80 Crore for FY 21.**

h. The abstract of FY 21 approved ARR vis-à-vis the APR claim is as under:

Rs. in Crore

Sl. No.	Details	As approved in T O dated 04.11.2020 dated 04.11.2020	As per MSEZL APR claim
1	POWER PURCHASE (MU)	57.89	64.40
2	ENERGY AVAILABLE AT INTERFACE POINTS (MU)	57.89	64.40
3	ENERGY SOLD (MU)	57.22	63.99
4	DISTRIBUTION LOSS (%)	1.16%	0.64%
5	REVENUE		
	Revenue from sale of power	52.19	53.55
	EXPENDITURE		
6	Power Purchase cost	38.04	40.57
7	O&M Expenses	1.58	1.48
8	Depreciation	2.84	2.83
9	Interest on Loan capital	2.99	2.72
10	Interest on working capital	0.93	0.95
11	Interest on consumer security deposit	0.34	0.29
12	RoE	3.12	3.12
13	Income taxes	-	-
14	Less: Other income	(0.33)	(0.21)
15	Deficit of FY 19 carried forward	2.68	-
16	Total ARR (6+7+8+9+10+11+12+13-14+15)	52.19	51.75
17	Revenue Surplus (5-16)	-	1.80

III. Proposal for APR FY 21:

- a. If the Hon'ble Commission upon truing up the power purchase cost for APR FY 21 approves any increase and directs MSEZL to pay the increased power purchase cost to MESCOM, then the power purchase cost (a direct uncontrollable cost) should be fully allowed for recovery from the consumers.
- b. The increase in the power purchase cost, if any should be adjusted against the revenue surplus of Rs.1.80 Crore and the net resulting revenue surplus or deficit

i.e., after adjusting the revenue surplus of Rs.1.80 Crore, should be allowed to be carry forward and either reduced from or added to the FY 23 ARR.

- c. Further, we humbly request the Hon'ble Commission to compute the revised PP cost if any for APR FY 21 after considering our detailed submissions made in Chapter 5 on revision of power purchase cost.**

5. Revision of Power Purchase computation

A. Present methodology of arriving at Power Purchase Cost:

- i. The Hon'ble Commission computes the power purchase cost by considering the State's total purchase cost and energy, excluding the Hydro power as the basis to arrive at the average power purchase cost/unit at the IF point.
- ii. The above method of computing the power purchase cost has resulted in reduction of retail supply tariff for our customers and we take this opportunity to thank the Hon'ble Commission for adopting this methodology.
- iii. The extract of the Hon'ble Commission's working on PP cost for FY 22 is as under:

Particulars	Energy in MUs	Cost Rs. in Crores	Weighted Average PP cost Rs./unit
Approved state power purchase and cost	70,852.52	37,506.56	5.294
Less:			
KPC & Other Hydro	-11,396.97	-1302.43	1.143
State PP cost excluding Hydro	59,455.55	36,204.13	6.089
Add: Mark-up cost component Trading Margin, Energy handling and Grid support charges			0.75
PP cost at interface point t for FY 21			6.8393

B. Observations on State approved power purchase cost for FY 22:

- i. The Hon'ble Commission has approved total State's power purchase and cost for FY 22 at 70,852.52 MUs and Rs.37,506.56 Crore respectively and such power purchase cost is arrived after including (i) fixed components viz., KPTCL transmission, PGCIL, SLDC and POSCO charges totaling of Rs.6,353.905 Crore and (ii) RE source charges. Hence, the weighted average PP/unit Rs.6.089 is inclusive of fixed cost recoveries.

C. Recovery of mark-up cost component:

- i. We submit for the kind consideration of the Hon'ble Commission that since the approved State's power purchase cost is inclusive of fixed cost recovery the **mark up of 75 paise/unit for the same set of cost** is exponentially increasing the PP cost/unit at IF point.

- ii. The separate recovery of 75 paise/unit towards the said mark-up components is resulting in **recovering twice** for the same set of cost components in the PP cost/unit at Interface point.

D. Reduction in Power Purchase cost:

- i. The Y-o-Y increase in the power purchase cost/unit **(coupled with the revision in the APR for the respective year)** is having a direct and cascading impact on the end retail supply tariff to consumers.
- ii. Hence, it is suggested for the kind consideration of the Hon'ble Commission to reduce the mark up cost by at least Paise 50/unit. This would directly result in the reduction of the retail supply tariff to the consumers and would lessen the financial burden on the consumers of MSEZL & make their export-oriented business more competitive & marketable in international market.

E. Request to the Hon'ble Commission for reduction in mark-up cost:

- i. **Basis the above submissions, the Hon'ble Commission may kindly consider our request for reduction in markup cost by Paise 50/unit.**
- ii. **Further, the benefit of reduction in the markup may also be applied while revising the PP cost in APR FY 21.**

6. Load forecast, Sales Plan, Power purchase plan and Capex plan for 6th Control MYT period FY 23 – FY 25

In this chapter, detailed information is submitted on the following plans for the kind consideration of the Hon'ble Commission:

- A. Load forecast and Distribution loss.
- B. Sales Plan.
- C. Power Purchase plan.
- D. Capex plan.

A. Load forecast:

- i. The load forecast for the control period is made considering the existing consumer profile only. The base year of FY 22 is considered to understand the load growth of the consumers, as most of the consumers have started their commercial operations. The peak demand recorded in FY 21 (upto October 2021) is 18 MVA and average load during the above period is 10 MVA.
- ii. The consumer category wise load estimation is as under:

Table A – Year wise demand and sales projections:

Sl. No.	Year	No of Consumers	Contract Demand in MVA
1	FY 23	28	33.60
2	FY 24	28	33.60
3	FY 25	28	35.40

- iii. Table B- Category wise load forecast is as under:

Sl. No.	Type of consumer category	FY 23	FY 24	FY 25
1	HT Industrial – 33 KV	28.15	28.15	29.65
2	HT Industrial – 11 KV	4.60	4.60	4.60
3	HT Construction	0.7	0.7	1.00
4	LT Industrial	0.15	0.15	0.15
	TOTAL	33.60	33.60	35.40

- iv. Distribution loss:
 - a. Distribution loss in electrical network comprises of technical loss and commercial loss. Since the distribution system of MSEZL is very compact and

confined to an area of about 1638 Acres only and there are only limited numbers of consumers, thereby there is no scope for the occurrence of commercial loss. Power to all the consumers of MSEZL is catered from 2X20MVA, 110/33/11KV Substation (GSS-03) which is located almost at the load Centre of MSEZL, thereby the voltage drops and power loss occurring in the distribution system is bare minimum. MSEZL has also taken care to provide adequate size cables to all the distribution feeders and distribution network connected various 33KV and 11KV RMUs further to minimize the voltage drops and power loss occurring in the distribution system.

- b. The distribution loss for the energy input recorded at the respective IF points and energy recorded at consumers end is as under:

Table C:

Year	Particulars		
	Sales in MUs	Loss in MUs	Loss in %
FY 23	64.02	0.70	1.09%
FY 24	64.67	0.71	1.09%
FY 25	65.07	0.71	1.09%

B. Sales plan:

- i. The sales forecast is made considering energy sales from the existing consumers and incremental sales on anticipation of addition of new consumers.
- ii. Presently all the consumers are fully operational. The consumers yearly energy consumption, post their construction activity phase, is analyzed to estimate the future energy requirements. Hence, the average of previous years energy consumption is taken to arrive at the estimated energy.

Also, the sales estimation is made after considering reduction in energy on account of:

- Consumer- M/s.Syngene International Limited has opted for open access power and planned for roof top solar plant of 424 KW. Also, NOC is given to Syngene International Limited for open access but as of the filing date Wheeling and Banking agreement is yet to be entered into and

- Consumer – Cardolite Specialty India LLP has installed 600 kWp roof top solar plant and have indicated their plans for open access. But NOC for open access is not given as Cardolite Specialty India LLP has filed a writ petition before the High Court of Karnataka against the Hon'ble Commission tariff order for recovery of revenue arrears of Rs.79,32,960.

Considering the above assumptions, the year wise sales information is as under:

Table A – Year wise demand and sales projections:

Sl. No.	Year	No of Consumers	Demand in MVA	Energy in MUs
1	FY 23	28	33.60	64.02
2	FY 24	28	33.60	64.67
3	FY 25	28	35.40	65.07

Table B- Category wise demand and sales projections:

Sl. No.	Type of consumer category	FY 23		FY 24		FY 25	
		MVA	MUs	MVA	MUs	MVA	MUs
1	HT Industrial – 33 KV	28.15	58.82	28.15	59.63	29.65	59.53
2	HT Industrial – 11 KV	4.60	4.11	4.60	4.11	4.60	4.11
3	HT Construction	0.70	0.50	0.70	0.50	1.00	1.00
4	LT Industrial	0.15	0.59	0.15	0.43	0.15	0.43
5	Total	33.60	64.02	33.60	64.67	35.40	65.07

C. Power Purchase plan:

- i. The power purchase cost forms nearly 80% of the ARR and a Y-o-Y increase in cost per unit is having a cascading impact on the retail supply tariff. With a view to reduce the retail supply tariff MSEZL has in FY 22 endeavored to procure 2.38 MW (average) of power through Short Term Open Access (STOA) and 5.27 MW (average) power from MESCOM. In the MYT ARR FY 23-25, MSEZL proposes to procure 2.54 MW (average) of power through STOA and 4.85 MW (average) of power through MESCOM and Others.
- ii. Further, MSEZL has vide letter dated 21.05.2021 to the Hon'ble Commission has sought formal approval for installation of upto 5 MW solar rooftop plant. Once the approval is received the proposal would be taken up. MSEZL anticipates

the proposed solar rooftop would be commercially operational fully starting from FY 24 onwards and the power purchase plan is submitted accordingly.

iii. The year wise source wise power purchase plan is as under:

Sl. No.	Source of power	FY 23 MUs	FY 24 MUs	FY 25 MUs
1	MESCOM and Others* - A	42.50	43.15	43.56
2				
i	Short Term Open Access (STOA)	18.00	18.00	18.00
ii	(**) STOA towards RPO/ Solar Roof Top Plant.	4.23	4.23	4.23
	Total STOA (i+ii)	22.23	22.23	22.23
3	Total Power purchase (1+2)	64.73	65.38	65.79

(*) Others: With an intent to provide a reliable and cost-efficient power, MSEZL has vide letter dated 07.08.2021 requested M/s. Power Company Karnataka Limited to propose a suitable and workable proposal for power supply. The proposal from M/s.PCKL is awaited and upon concretizing the same, we would approach and place it for necessary approval before Hon'ble Commission.

(**) RPO Obligations: To meet RPO compliance in respect of Short-Term Open Access power purchase it is proposed to be met through purchase from MESCOM/Others.

D. Capex plan:

i. Short term plan:

a. The Department of Electrical Inspectorate during the periodical inspection of EHT substation has instructed to provide 'Nitrogen Fire Injection System' for 1101/33 KV 2*20MVA transformers. MSEZL has estimated a capex cost of Rs.0.25 Crore and thus, we request the Hon'ble Commission to allow Rs.0.25 Crore.

b. A workshop floor is required to carry out any repair or servicing of the plant and machinery. Hence, it is proposed to construct a workshop floor in the present Grid substation area. The estimated civil cost of the said workshop floor is Rs.0.13 Crore.

ii. Long term plan:

a. Based on the present consumers load growth and energy requirement it is proposed to augment grid station capacity during FY 24 and complete the work in FY 25. This would be necessitated as existing 40 MVA transformer would be loaded by FY 24 and a new 20 MVA transformer may have to be provided.

b. The detail of capex is as under:

Sl. No.	Description of work	Rs. in Crore	
		FY 24	FY 25
1	Augmentation of 110/33/11KV substation – GSS-03 by providing additional 20MVA,110/33KV power transformer and other connected equipment's	1.25	1.25

c. On anticipation of addition of new consumers capital expenditure would be required to extend distribution networks for rendering power supply. Hence, any such future capital expenditure will be brought to the notice of the Hon'ble Commission in the respective year's tariff filing.

iii. Any major replacement of an asset, if any taken up during the year as part of substation operations would be considered for capex and brought before the attention of the Hon'ble Commission.

7. ARR for 6th Control MYT period FY 23 – FY25

A. Power Purchase Cost:

- i. The estimated power purchase cost for the MYT ARR FY 23-25 is arrived considering the power purchase plan submitted for the kind consideration of the Hon'ble Commission in chapter 6.
- ii. Also, the kind attention of the Hon'ble Commission is drawn to the submissions made in Chapter 5, wherein a request is submitted for reduction in the power purchase *marks-up cost by Paise 50/unit*.
- iii. However, for the purposes of MYT ARR and determination of FY 23 tariff the power purchase cost/unit approved by Hon'ble Commission for FY 22 Rs.6.8393/unit is considered as the base cost/unit. Further, the FAC paid to MESCOM as per the FAC tariff orders being a *pass-through cost* is **not factored** in the total power purchase cost. Similarly, FAC recovered from consumers is **not included** in the average realization rate.
- iv. The Short-Term Open Access Power (STOA) purchase is considered at a landed cost of Rs.5/unit and the RPO compliance arising out of STOA power purchase is proposed to be met through purchase from MESCOM and Others by paying an additional cost of 50 paise/unit to the estimated base cost of Rs.6.8393/unit. We wish to bring to the kind notice of the Hon'ble Commission that the total average landed cost under STOA power purchase is Rs.5.45/unit, the detailed working is presented in following table.
- v. **Also, if the Hon'ble Commission determines and approves a power purchase rate higher than Rs.6.8393/unit then (i) the revised power purchase cost should be approved with a consequential increase in MYT ARR FY 23-25 and (ii) the consequential increase in the MYT ARR needs to be fully compensated through a corresponding and consequential increase in the end retail supply tariff from consumers for FY 23.**

- vi. Also, if in the actual STOA bidding process, the bid price revises (+/-) then the revised STOA PP cost would be brought before the Hon'ble Commission in the APR corresponding to the respective MYT period.
- vii. The summary of estimated power purchase cost for MYT period FY 23-25 is as under:

Sl. No.	Details		FY 23	FY 24	FY 25
A	Technical information				
1	Sales	in MUs	64.02	64.67	65.07
2	Distribution loss	in % terms	1.09%	1.09%	1.09%
3	Power Purchase	in MUs	64.73	65.38	65.79
B	Source wise Power Purchase (PP) plan				
1	MESCOM and Others	in MUs	42.50	43.15	43.56
2	STOA				
i	-STOA	in MUs	18.00	18.00	18.00
ii	-SOTA Solar RPO	in MUs	1.89	1.89	1.89
iii	-STOA Non-Solar RPO	in MUs	2.34	2.34	2.34
iv	Total STOA units 2i+2ii+2iii	in MUs	22.23	22.23	22.23
C	Estimated PP cost/unit				
1	MESCOM and Others	Rate/unit	Rs.6.8393	Rs.6.8393	Rs.6.8393
2	Landed cost in short term open access (STOA)				
i	-STOA	Rate/unit	5	5	5
ii	-STOA Solar RPO	Rate/unit	7.3393	7.3393	7.3393
iii	-STOA Non-Solar RPO	Rate/unit	7.3393	7.3393	7.3393
D	Power purchase cost	B*C			
1	MESCOM and Others	Rs. in Crore	29.06	29.51	29.79
2	STOA				
i	-STOA	Rs. in Crore	9.00	9.00	9.00
ii	-STOA Solar RPO	Rs. in Crore	1.39	1.39	1.39
iii	-STOA Non-Solar RPO	Rs. in Crore	1.72	1.72	1.72
iv	Total STOA cost 2i+2ii+2iii	Rs. in Crore	12.10	12.10	12.10
V	STOA average cost per unit D iv/C iv	Rate/unit	5.45	5.45	5.45
E	Total Estimated PP cost	Rs.in Crore	41.17	41.62	41.90

viii. Thus, we request the Hon'ble Commission to allow power purchase cost of Rs.41.17 Core, Rs.41.62 Crore and Rs.41.90 Crore for FY 23, FY 24 and FY 25 respectively.

B. Operation and Maintenance Expenses:

- i. The normative O&M expenses for MYT control period FY 23-25 is calculated considering the following factors:
 - a) FY 21 as base year: The actual O&M expenses of Rs.1.48 Crore as per the audited accounts for FY 21, as the base year O&M expenses for calculating the estimated normative O&M expenses for FY 23. Subsequently, the FY 23 & FY 24 normative O&M expenses is taken as the base to arrive at the FY 24 & FY 25 normative O&M expenses.
 - b) The weighted inflation index of 7.9586% as computed by the Hon'ble Commission vide the tariff order for FY 22.
 - c) Efficiency factor at 0.5% is considered.
- ii. However, we bring to the kind notice of the Hon'ble Commission that for the MYT control period we have not considered the inflationary impact of the respective years on the base WII of 7.9586%.
- iii. The table showing the normative allowable O&M expenses for MYT control period FY 23 to FY 25 is as under:

Particulars	FY 21	FY 23	FY 24	FY 25
No. of installations	26	28	28	28
Weighted inflation index (WII)	7.9586%	7.9586%	7.9586%	7.9586%
Base year O&M cost – Rs. in Cr.	1.48	1.48	1.60	1.74
Normative O&M index = O&M (t-1) *(1+WII-X) - Allowable		1.60	1.74	1.86
Allowable O&M for MYT Control period FY 23 – FY 25 – Rs. in Crore		1.60	1.74	1.86

- iv. Thus, we request the Hon'ble Commission to allow normative O&M expenses of Rs.1.60 Crore, Rs.1.74 Crore and Rs.1.86 Crore for FY 23, FY 24 and FY 25 respectively.

C. Depreciation:

- i. The depreciation for the purpose of MYT control period FY 23-25 is computed as per the CERC notified rates on the 90% of the average value of Gross Fixed Assets (GFA).
- ii. For MYT ARR FY 24 and FY 25 depreciation calculation, the capex spending envisaged in FY 24 and FY 25 is not considered in GFA. Consequently, the GFA balance as on 31.03.2022 is considered and assumed to remain same for the control period FY 23 to FY 25.
- iii. However, at the time of filing the APRs for FY 23, FY 24 and FY 25 the depreciation charge based on the actual GFA would be claimed.
- iv. The table showing the computation of FY 23 depreciation is as under:

Statement Showing Details of Depreciation for FY 23						
Sl. No.	Particulars	GFA as at 01.04.22 – Rs. in Cr	GFA as at 31.03.2022 Rs. in Cr	Average GFA – Rs. in Cr.	Rate (%)	Depreciation – Rs. in Cr.
1	Building	2.84	2.84	2.84	3.34%	0.09
2	Civil -Roads	0.87	0.87	0.87	3.34%	0.03
3	Substation	21.29	21.29	21.29	5.28%	1.01
4	UG Cables	35.96	35.96	35.96	5.28%	1.71
5	Others				-	
Total depreciation charge claimed						2.84

- v. The GFA for the MYT control period FY 23 to FY 25 remaining the same, the depreciation charge of Rs.2.84 Crores for FY 23 would remain same in FY 24 and FY 25.
- vi. Thus, we request the Hon'ble Commission to allow depreciation charge of Rs.2.84 Crore for FY 23, FY 24 and FY 25 respectively.

D. Interest and Finance Charges:

- i. Interest on loan:
- a. In the APR FY 21, a weighted average interest rate of 7.64% p.a. is claimed. Thus, for the MYT control period FY 23 – FY 25 we have considered the APR FY

21 interest rate of 7.64% p.a. as applicable interest rate on the assumption that it would remain same during the said period.

- b. Floating rate of interest: The SBI term loan interest rate is linked to 6 Months SBI MCLR plus credit risk. The movement of floating interest rate is subject to various economic factors. Thus, the financial exposure arising out of risk in interest rate movement is presented for the kind consideration of the Hon'ble Commission through a 'rate sensitivity analyses in para h, as under. The financial exposure arising out of floating interest rate movement would be claimed while filing the APR for respective MYT periods.
- c. During the MYT control period FY 23 – FY25, no new borrowing is envisaged.
- d. The repayment of loan during the respective MYT period is considered appropriately.
- e. The table showing the computation of allowable interest on loan for MYT control period is as under:

Table A

Amount in Rs. Crore				
Sl. No.	Particulars	FY 23	FY 24	FY 25
1	Opening balance	21.52	20.88	19.31
2	Add: New loans	-	-	-
3	Less: Repayments	0.64	1.57	1.85
4	Total loan at the end of the year	20.88	19.31	17.46
5	Average loan	21.20	20.095	18.385
6	Rate of interest % p.a.	7.64%	7.64%	7.64%
7	Interest on capital loan (5*6)	1.62	1.54	1.40

- f. The Hon'ble Commission tariff regulations allow normative interest on equity in excess of 30% of gross fixed assets. The table showing the computation allowable normative interest is as under.

Table B

Amount in Rs. Crore				
Sl. No.	Particulars	FY 23	FY 24	FY 25
1	Opening balance of GFA	67.20	67.20	67.20
2	30% of GFA (eligible for allowance of RoE)	20.16	20.16	20.16

3	Opening balance of equity	36.95	36.95	36.95
4	Equity in excess of 30% of GFA (3-2)	16.79	16.79	16.79
5	Allowable interest in %	7.64%	7.64%	7.64%
6	Allowable normative interest claimed in MYT ARR	1.28	1.28	1.28

- g. Thus, we request the Hon'ble Commission to allow total interest to claim on capital loan for MYT control period FY 23 -25 as under:

Table C

Sl. No.	Particulars	Rs. in Crore		
		FY 23	FY 24	FY 25
1	Interest on capital loan – Table A, above	1.62	1.54	1.40
2	Interest on normative loan – Table B, above	1.28	1.28	1.28
3	Total interest claim	2.90	2.82	2.68

- h. Interest Rate Sensitivity Analysis for MYT control period:

Floating interest rate: The SBI term loan rate of interest is linked to 6 months SBI MCLR. These floating interest rates are subjected to various economic factors and hence, the financial exposure due to inherent risk in interest rate movement is prepared and presented before the Hon'ble Commission.

Assumption: To understand the financial exposure a 100-basis point (+)/ (-) fluctuation in the interest rate movement is assumed.

The analysis will help understand (in absolute terms) the impact of interest rate movement on the MYT ARR.

Analysis:

Sensitivity	Impact on ARR – Rs. in Crore	Remarks
Interest rates – increase by 100 basis points	0.38	Increase in FY 23 ARR

Interest rates – decrease by 100 basis points	(0.38)	Decrease in FY 23 ARR
---	--------	-----------------------

Term loan component	Loan amount – Rs. Cr	Interest rate – 100 basis points	Interest Amount – Rs. Cr
Average loan during FY 23, Table A above	21.20	1%	0.21
Equity in excess of 30% of GFA, Table B above	16.79	1%	0.17
Total Interest			0.38

We submit before the Hon'ble Commission that the financial exposure arising out of the interest rate risk would be claimed while filing the APR for the respective periods under MYT.

ii. Interest on Working Capital Loan:

a. The one-year SBI MCLR rate as on 15.09.2021 is 7% p.a. and considering 250 basis points (allowed as per the MYT tariff regulations) the effective interest rate works out to 9.5% p.a. The effective interest rate at 9.5% p.a. is assumed to be constant for the MYT ARR FY 23- FY25.

b. The table showing claim on interest on working capital is as under:

Table A

		Rs. in Crore		
Sl. No.	Particulars	FY 23	FY 24	FY 25
A	O&M expenses for one month	0.13	0.14	0.16
B	Opening gross fixed assets	67.20	67.20	67.20
C	Spares at 1% on GFA at the beginning of the year (B*1%)	0.67	0.67	0.67
D	Receivables equivalent to 2 months avg. billing	9.13	9.23	9.28
E	Total working capital (A+C+D)	9.94	10.04	10.11
F	Rate of interest (% p.a.)	9.5%	9.5%	9.5%
G	Interest on Working capital (E*F)	0.95	0.96	0.96

c. Thus, we request the Hon'ble Commission to allow an interest on working capital of Rs.0.94 Crore, Rs.0.95 Crore and Rs.0.96 Crore for FY 23, FY 24 and FY 25 respectively.

iii. Interest on Consumer Deposits:

- a. No new additional consumer deposits are envisaged to be accepted during the MYT ARR FY 23-25 and hence, the outstanding consumer deposits as at 31.03.2022 Rs. 6.27 Crore is considered for calculating interest on consumer deposits during the MYT ARR FY 23-25. Further, the RBI bank rate as at 01.04.2021 is 4.25% p.a. and we have considered the same for computation of allowable interest on consumer deposit during the MYT ARR FY 23-25.
- b. However, the financial impact arising out of any changes in the consumer deposits balance or revision in the RBI rate during the MYT ARR period will be claimed in the APR of the respective periods.
- c. The table showing allowable interest on consumers deposits is as under:

Sl. No.	Particulars	FY 23	FY 24	FY 25
1	Consumer deposits as at 1.04.2021 – Rs. in Crore	6.27	6.27	6.27
2	Consumer deposit as at 31.03.2022 – Rs. in Crore	6.27	6.27	6.27
3	Average consumer deposit (1+2)/2 – Rs. in Crore	6.27	6.27	6.27
4	Rate of Interest p.a.	4.25%	4.25%	4.25%
5	Allowable interest– Rs. in Cr	0.27	0.27	0.27

- d. Thus, we request the Hon'ble Commission to allow an interest on consumer's deposits of Rs.0.27 Crore for FY 23, F24 and FY 25 respectively.

E. Provision for bad and doubt full debts:

- i. In the tariff order dated 14.05.2018 for FY 18-19, the Hon'ble Commission had allowed the recovery of Rs.3.91 Crore from consumers in proportion to the energy consumed by respective consumers. Consequently, MSEZL had informed and raised revenue invoices on all the consumers. The revenue raised on Cardolite Specialty India LLP is for Rs.79,32,960. Aggrieved by the invoice raised by MSEZL for Rs.79,32,960, Cardolite filed RP No.16/2018 before the Hon'ble Commission seeking to review the tariff order dated 14.05.2018. The Hon'ble Commission after hearing both the parties was pleased to reject the review petition by passing a detailed speaking order dated 28.05.2019. Cardolite has filed a writ petition against the Hon'ble Commission order dated

28.05.2019 before the Hon'ble Hight Court of Karnataka and the matter is pending for hearing.

- ii. As the revenue arrears of Rs.79,32,960 is outstanding for more than one year, under Ind AS accounting policy fair value loss (provision for doubtful debts) should be recognized to give effect to loss of time value in receiving the dues. Thus, a provision for fair value loss (provision for doubtful debts) is recognized for Rs.0.20 Crore upto FY 22.
- iii. The provision for fair value loss of Rs.0.20 Crore is claimed in FY 22 books and for MYT ARR FY 23 - FY 25 a yearly estimated provision for Rs.0.04 Crore, Rs.0.038 and Rs.0.033 is claimed in FY 23, FY 24 and FY 25 respectively and we request the Hon'ble Commission to allow the fair value loss towards revenue arrears outstanding for more than one year.

F. Return on Equity:

- i. The equity base for the purpose of computation RoE is restricted to 30% of the GFA and is also assumed to remain the same during the MYT ARR FY 23-25. However, at the time of submission of APR for the respective years RoE will be claimed on the actual opening balances.
- ii. The RoE for the MYT control period FY 23, FY 24 and FY 25 is calculated as under:

Table A

Sl. No.	Particulars	FY 23	FY 24	FY 25
A	The Gross equity share capital as on 01.04.2020 is	35.55	35.55	35.55
B	Opening balance of accumulated deficit under Reserves & Surplus	1.4	1.4	1.4
C	Opening balance of Net Equity	36.95	36.95	36.95
D	Normative equity at 30% of the opening GFA of Rs.67.20 Cr	20.16	20.16	20.16
E	RoE @ 15.5%	3.12	3.12	3.12

- iii. Thus, we request the Hon'ble Commission to allow Rs.3.12 Crore as RoE for FY 23, FY 24 and FY 25 respectively.

G. Taxes on Income:

- i. MSEZL has not claimed any current tax charge. If any income tax becomes payable, the same will be claimed during the true-up exercise.

- ii. The deferred tax liability/asset is to account for the tax liability on accrual basis. There being no consequent cash outgo for the period the same is not considered in the 'Form RR GAP' for arriving at the net revenue surplus/deficit.

H. Interest income on security deposit:

- i. No fresh additional long-term deposits are envisaged to be paid during the MYT ARR FY 23-25 and hence, the outstanding security deposits as at 31.03.2022 Rs.4.37 Crore is considered for calculating interest income during the MYT ARR FY 23-25. Further, the RBI bank rate as at 01.04.2021 is 4.25% p.a. and we have considered the same for computation of interest income on deposit during the MYT ARR FY 23-25.
- ii. However, the financial impact arising out of any changes in security deposits balance or revision in the RBI rate during the MYT ARR period will be claimed in the APR of the respective periods.
- iii. The table showing allowable interest on consumers deposits is as under:

Table A

Sl. No.	Particulars	Rs. in Crore		
		FY 23	FY 24	FY 25
1	Consumer deposits as at 1.04.2021	4.37	4.37	4.37
2	Consumer deposit as at 31.03.2022	4.37	4.37	4.37
3	Average consumer deposit (1+2)/2	4.37	4.37	4.37
4	Rate of Interest p.a.%	4.25%	4.25%	4.25%
5	Allowable interest	0.19	0.19	0.19

- iv. No other incomes are envisaged during the MYT ARR FY 23-25.
- v. Thus, we request the Hon'ble Commission to allow Rs.0.19 Crore as other income for FY 23, FY 24 and FY 25 respectively.

It is submitted before the Hon'ble Commission to duly consider the MYT ARR FY 23-25, as above. The detailed workings in formats A1 to D24 is presented as annexure to these filings.

8. Provisional ARR for 6th Control MYT period FY 23 to FY 25

Sl. No.	Details	FY 23	FY 24	FY 25
		Provisional	Provisional	Provisional
	Power Purchase	64.73	65.38	65.79
	Energy Available at interface point (MU)	64.73	65.38	65.79
	Sale of Power (MU)	64.02	64.67	65.07
	Loss %	1.09%	1.09%	1.09%
	Average Cost of Supply (in paise)			
1	Receipts			
a	Revenue from tariffs & Miscell. Charges	54.82	55.38	55.72
b	Tariff subsidy for BJ/KJ & IP sets	-	-	-
c	RE subsidy from Govt.	-	-	-
	Total	54.82	55.38	55.72
2	Expenditure			
a	Power Purchase	41.17	41.62	41.90
b	R&M Expense	0.81	0.88	0.94
c	Employee Expenses	0.48	0.52	0.56
d	A&G Expense	0.31	0.35	0.37
e	Depreciation	2.84	2.84	2.84
f	Interest & Finance Charges	4.12	4.05	3.92
g	Less: Interest & other expenses capitalised	-	-	-
h	Other Debits (incl. Prov for Bad debts)	0.04	0.04	0.03
i	Extraordinary Items	-	-	-
j	Other (Misc.)-net prior period credit	-	-	-
	Total	49.78	50.29	50.55
3	ROE	3.12	3.12	3.12
4	Other Income	0.19	0.19	0.19

5	Provision for taxes	-	-	-
6	Annual Revenue Requirement (2)+(3)-(4)-(5)	52.70	53.22	53.48
7	Surplus(+)/ Shortfall(-) before tariff revision : (1)-(6)	2.12	2.16	2.24
8	Subsidy receivable from Government	-	-	-
9	Surplus(+)/ Shortfall(-) after tariff revision : (7+8)	2.12	2.16	2.24

9. Tariff Proposal for FY 23

I. On APR FOR FY 21:

- a. Basis the detailed submissions made for APR FY 21 claim, it is submitted for the kind consideration of the Hon'ble Commission that:
- If the Hon'ble Commission trues up the FY 21 power purchase cost and approves any increase in power purchase cost, then such an increase should be adjusted against the revenue surplus of Rs.1.8 Crore and the resulting revenue surplus or deficit (i.e., after adjusting the revenue surplus of Rs.1.80 Crore) **should be allowed to be fully carry forward and either reduced from or added to the ARR FY 23.**
 - The kind attention of the Hon'ble Commission is drawn to our submissions made in Chapter 5 on reduction of power purchase marks cost by Paise 50/unit. The reduction in marks up cost would minimize the increase if any arising from the revision of APR FY 21 power purchase cost. Further, such a reduction would also ensure that the customers get full benefit on transferring the entire surplus of Rs.1.80 Crore to the ARR FY 23.

II. Tariff proposal for FY 23:

- a. The present tariff proposal for FY 23 placed for the kind consideration of Hon'ble Commission is made without considering the carryforward of APR FY 21 revenue surplus of Rs.1.8 Crore.
- b. The ERC at the existing retail supply tariff approved by the Hon'ble Commission, is as under:

Table i:

Sl. No.	Particulars	Details	Remarks
1	Estimated sales in FY 23 – MUs and estimated contract demand is 33.60 MVA	64.02 MUs	Please refer Form D2 and D21
2	Existing average retail supply tariff per unit	8.563	Please refer to Form D21
3	ERC (1*2) – Rs. in Crore	54.82	Please refer to Form D21

c. Basis our submissions in chapter 7 & chapter 8, the ARR for FY 23 is Rs.52.70 Crore for an estimated energy sales of 64.02 MUs and contract demand of 33.60 MVA.

d. Surplus ERC:

Sl. No.	Particulars	Details	Remarks
1	ERC – Rs. in Crore	54.82	Table i above
2	ARR – Rs. in Crore	52.70	Please refer chapter 8
3	Surplus – Rs. in Crore	2.12	
4	Expected sales in MUs	64.02	
5	Reduction in retail supply tariff – Paise per unit	33	

e. MSEZL proposes to transfer the ERC surplus Rs.2.12 Crore to the consumers and thus, proposes a reduction in FY 23 tariff i.e., in energy charges by Paise 33/unit.

f. Further, it is brought to the kind attention of the Hon'ble Commission that the reduction in tariff by Paise 33/unit is without considering the following:

- Any increase in FY 23 uncontrollable PP cost from MESCOM and Others.
- If the Hon'ble Commission determines and approves power purchase rate higher than Rs.6.8363/unit then (i) the revised power purchase cost should be approved with a consequential increase in FY 23 ARR and (ii) the consequential increase in the ARR needs to be fully compensated through a corresponding and consequential increase in the end retail FY 23 tariff from consumers.
- If in a scenario the Hon'ble Commission accepts our request in chapter 5 on 'Revision of PP computation' the reduction thereon in the PP cost at IF

point and resulting decrease in retail supply tariff should be fully passed on to the consumers.

- The STOA average landed power purchase cost/unit is Rs.5.45/unit. Any variation in the landed cost either increase or decrease would be brought up for the kind information of the Hon'ble Commission while filing the APR for FY 23.

a. The Tariff category and rates proposed for FY 23:

We are proposing before the Hon'ble Commission the retail supply tariff for FY 23 as under:

Table A

STATEMENT SHOWING TARIFF CATEGORY AND RATES AS EXISTING									
Sl. No.	Tariff Category	Type of installation	No. of consumers	Sanctioned load (MVA)	Consumption MUs	PARTICULARS	RATE (Rs)	AMOUNT (Rs. Cr)	Realisation/Unit
1	HT	Industrial	18	32.75		Demand Charges/KVA	230	7.68	8.52
						Energy Charges	7.3	45.94	
2	HT	Construction	1	0.70		Demand Charges/KVA	260	0.22	14.68
						Energy Charges	11	0.55	
3	LT	Industrial	9	0.15		Fixed Charges/KW	220	0.03	7.34
						Energy Charges	6.75	0.40	
4	LT	Construction	-			Fixed Charges/KW	250	-	
						Energy Charges	11	-	
Total (HT +LT)			28	33.60				54.82	8.56

Table B

STATEMENT SHOWING TARIFF CATEGORY AND RATES AS PROPOSED									
Sl. No.	Tariff Category	Type of installation	No. of consumers	Sanctioned load (MVA)	Consumption MUs	PARTICULARS	RATE (Rs)	AMOUNT (Rs. Cr)	Realisation/ Unit
1	HT	Industrial	18	32.75		Demand Charges/KVA	230	7.68	8.19
						Energy Charges	6.97	43.85	
2	HT	Construction	1	0.70		Demand Charges/KVA	260	0.22	15.08
						Energy Charges	10.67	0.54	
3	LT	Industrial	9	0.15		Fixed Charges/KW	220	0.03	7.00
						Energy Charges	6.42	0.38	
4	LT	Construction	-			Fixed Charges/KW	250	-	-
						Energy Charges	11	-	
TOTAL (HT+LT)			28	33.60				52.70	8.23

III. On Wheeling Charges and Cross Subsidy Surcharge:

For the MYT control period FY 20 to FY 22 wheeling charges, the Hon'ble Commission decided that the wheeling charges as determined for ESCOM's in State of Karnataka shall be applicable to MSEZL. We request the Hon'ble Commission to continue the same proposition for MYT control period FY 23-25.

10. Prayer

1. MSEZL has submitted previous tariff applications by keeping the interest of the MSEZ consumers as paramount. The Hon'ble Commission has also kindly accepted our submissions and determined the retail supply tariff. The Hon'ble Commission has also in the tariff orders ensured parity in end tariff to consumers in MSEZ. In continuation of this endeavor, MSEZL has taken certain measures and the present tariff application is made for the kind consideration of Hon'ble Commission:

- A proposal for Paise 33/unit reduction in FY 23 tariff charges.
- A proposal for Paise 50/unit reduction of marks-up cost on Power purchase cost at IF point.
- Short Term Open Access power purchases – to reduce overall ARR and thereby reduce the retail supply tariff to consumers.
- Controlling the O&M expenses and reduction in interest cost due to loan repayments/prepayments.
- Maintaining the distribution loss at the approved levels.

2. MSEL expects that as the Indian Economy gathers pace, post COVID 19, the above measures coupled with the proposal for reduction in tariff by Paise 33 /unit would auger well for the MSEZ consumers and give fillip to their exports in international market and help in growth of Indian export market. Thus, MSEZL is sanguine that the Hon'ble Commission would positively consider the proposals.
3. MSEZL with the averments made in the respective Chapters of the present application duly detailing the MYT ARR and expected revenue from the existing tariff charges, respectfully prays the Hon'ble Commission to: -
 - a. Pass appropriate order for APR FY 21 based on detailed submissions made in chapter 4 and read with submissions in chapters 5 & 9.
 - b. Pass appropriate order for the MYT ARR for 6th Control period FY 23-FY 25 as detailed in Chapter 7 & Chapter 8 and read with submissions made in Chapter 5.
 - c. Consider tariff proposal for FY 23 and approve the tariff structure as detailed in the Chapter 9.
 - d. Condone any error, omissions and deletions in the petition and give a chance to provide any other necessary information as deemed fit by the Commission.
 - e. Pass appropriate orders on the application made by Mangalore SEZ Limited.

For **Mangalore SEZ Limited**

Place: Mangalore
Date: 23.11.2021

Authorized Signatory