CHAPTER – 2

REVISED ANNUAL REVENUE REQUIREMENT FOR FY19

1 Revised Annual Revenue Requirement (ARR) for FY19

AEQUS SEZ's Application:

AEQUS SEZ in its application dated 30th November, 2017, has sought the approval of the Commission for the revised ARR and retail supply tariff for FY19. The summary of the proposed revised ARR for FY19 is as follows:

TABLE – 2.1

Revised ARR for FY19 – AEQUS SEZ's Submission

Rs. Crores

Particulars	FY19
Energy at IF Point (MU)	20.78
Sales (MU)	19.90
Distribution Loss (MU)	0.88
Distribution Loss in %	4.25%
Revenue	
Revenue from Sale of Power	14.75
Expenditure	
Power Purchase Cost	12.07
Employee Expenses	0.62
R&M Expenses	0.10
A&G Expenses	0.37
Total O&M Expenses	**1.09**
Depreciation	0.42
Interest on Capital Loan	0.79
Interest on Working Capital	0.31
Interest on Consumer Deposit	0.13
Return on Equity	0.42
Other Income	0.00
Total Expenses	**15.22**

The AEQUS SEZ has requested the Commission to approve the revised Annual Revenue Requirement of Rs.15.22 Crores for FY19 without considering the carry forward of the surplus of Rs.0.10 Crore for FY17. The AEQUS SEZ in its application has requested to allow to retain the surplus of Rs.0.10 Crore for FY17 against the earlier year's deficit. Considering the estimated revenue of Rs.14.75 Crores, based on the existing retail supply tariff, AEQUS SEZ has projected a revenue deficit of Rs.0.47 Crore for FY19. The AEQUS SEZ, in its application has stated that, the AEQUS SEZ Management has decided not to pass on the gap in revenue of FY17 to the consumers and not proposing any tariff increase for FY19. For any change in the power purchase rate from the existing Rs.5.81per unit, the AEQUS SEZ has requested the Commission to pass on the same to the consumer through tariff increase for FY19.

Treatment of Revenue gap for FY17:

AEQUS SEZ in its application has proposed a revenue surplus of Rs.0.10 Crore without proposing to carry forward the same to the ARR of FY19. The Commission, as indicated in the previous chapter of this Tariff Order, has decides to carry forward the revenue surplus of Rs.0.08 Crores of FY17 to the approved ARR for FY19.

2. Determination of revised ARR for FY19:

The analysis of the expenditure and revenue and the decisions of the Commission thereon on each of the items of expenditure of the AEQUS SEZ for FY19, are as detailed below:

i) Capital Expenditure:

The AEQUS SEZ in its filings, has proposed a capex of Rs.2.00 Crores for FY19, which includes mainly the Ring Main units (RMUs), Cables and Mobile transformers to be installed for arranging power supply to the prospective consumers of SEZ. The proposed capex for FY19 is shown below:

TABLE –2.2

Proposed capex for FY19

Rs. Crores

Particulars	Proposal for FY19
To cater to the needs of new consumers by construction of new substations (plastics/AMS/API JV Plants)	1.10
New RMU for arranging power supply to plot No. 35 (new 220k plant)	0.60
Mobile transformer	0.30
Total	**2.00**

The AEQUS SEZ has also stated that, in order to cater to the increasing load demand within the SEZ, the existing 11kV line needs to be upgraded or new lines have to be drawn from the existing 110/11kV Hattaragi substation. This arrangement will suffice the requirement of catering loads to the units in SEZ till the new substation of 220/110/11kV is established by KPTCL in the SEZ campus. Further, the AEQUS SEZ has stated that, during FY18, it has taken up the following works under capex:

TABLE-2.3

Investment of Capex for FY18

Rs. Crores

Particulars	Works of FY18
Upgradation of transformers and allied equipment in substation 1 and 2 from 1MVA to 3MVA	1.45
Augmentation of RMU	0.25
RMU connectivity cables	0.60
Installation of new metering cubicle at IF point (KPTCL substation)	0.25
Total	**2.55**

Commission's analysis and decisions:

The Commission notes that, the AEQUS SEZ has carried out the capex works amounting to Rs.2.55 Crores during FY18 for upgradation of the transformer capacity, augmentation of RMU and installation of metering cubicle etc.

Further, the AEQUS SEZ has stated that, it has taken up the capex program of Rs.2.00 Crores for FY19, which involves construction of new substations, installation of new RMU with cable connections and procurement of mobile transformers. However, the AEQUS SEZ has not indicated the likely achievement during the year.

The Commission after, taking note of the above, has decided to consider the capex as proposed by AEQUS SEZ at Rs.2.00 Crores for FY19. However, the Commission, for financing the capex, has considered Rs.1.00 Crores FY19 for the ARR purposes and retail supply tariff for FY19. The capex reckoned by the Commission is subject to prudence check during the relevant Years APR.

ii) Sales:

(a) AEQUS in their filing have stated that the estimates for next five years is made based on the inputs provided by each consumer and anticipated growth within the campus. Further, it is stated that the estimates for FY18 are made considering the actuals up to September, 2017. It is also stated that M/s SUAD Forging India P. Ltd., AEQUS Engineered Plastics Ltd., ASMIPL & API and Aero-Space components manufacturing unit are enhancing their business activity, resulting in additional energy requirement. Based on the above AEQUS has estimated sales of 19.89 MU for FY19, which is 19.46% growth over FY18 estimated sales of 16.65 MU.

(b) The Commission had noted that AEQUS has arrived at the sales estimates based on the inputs provided by each consumer and that AEQUS had not furnished any documents submitted by these consumers in this regard. As such AEQUS was directed to furnish the requests obtained from the individual consumers or any other documents like minutes of the meeting held with consumers in this regard. Further, AEQUS was directed to furnish, for all the manufacturing units, details of electricity consumption and production quantum of the manufactured products in the specified format.

AEQUS in their replies have stated that they have approached all the Consumers to understand their growth plans and energy needs in order to develop realistic forecast. Further, it is stated that the consumers are averse to share the production details as they are manufacturing components of defense and aerospace.

The Commission has noted the replies furnished by AEQUS. **In absence of any further details furnished by AEQUS, the Commission approves sales to the consumers at 19.90 MU for FY19.**

(c) Regarding the number of installations, the Commission had noted that in FY19 there would be 23 installations as against 15 in FY18, indicating a growth of 53.33% and had directed AEQUS to confirm such huge growth in FY19, as overestimation would affect the revenues of AEQUS.

AEQUS has stated that seven units are under various stages of construction and anticipated to start their activity in next eighteen months and two potential units have initiated their engineering and architectural works. Therefore, it is stated that AEQUS has made the best estimates.

The Commission has noted the replies furnished by AEQUS and approves the number of installations as proposed by AEQUS for FY19.

iii) Demand Side Management:

The AEQUS has proposed that it has identified technical potential of energy savings through replacement of fluorescent tube with LED. The AEQUS shall clarify as to how much of the potential of 19,529 Units is targeted for FY19. The Commission, in this regard had addressed a letter on 26.10.2017 directing the AEQUS to submit an implementation plant for achieving the above-identified savings, but it is yet to be submitted by AEQUS. Further, if AEQUS itself is investing in the said DSM program, whether the same is included in the CAPEX for FY19, shall be made clear.
AEQUS in their replies have stated that:

a. Energy efficiency program has been initiated by the consumers of AEQUS and a detailed report would be submitted in this regard at the earliest.

b. As all the expenditure for DSM program is incurred by consumers, the same is not included in the ARR.
c. AEQUS would strive to motivate the consumers to realize the estimated potential savings in the current financial year itself.

The Commission has noted that there is no expenditure incurred by AEQUS for the Proposed DSM program and the same is not included in the ARR.

iv) Wheeling Charges and Cross Subsidy Surcharge:

The Commission had directed, AEQUS to propose wheeling charges and Cross Subsidy Surcharge for their area of supply, as required under MYT Regulations.

AEQUS in their replies have stated that as on day all the consumers are availing supply from them and that in FY19 few consumers may opt for wheeling. In this regard AEQUS has requested to as to whether the wheeling charges, CSS and net-metering provisions for solar as determined by the Commission for the jurisdictional EISCOM would be relevant for them or it should be modified.

The Commission has noted the replies furnished by AEQUS. Regarding wheeling charges, as AEQUS has not furnished the breakup of distribution network cost, for the year FY19, the wheeling charges determined for HRECS shall apply.

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

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

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

v) Distribution Losses:

AEQUS SEZ in its application has projected the distribution losses of 4.25% by considering the evacuation loss of 2.65% and 1.65% of internal distribution loss for FY19. The AEQUS SEZ has reported the actual distribution loss of 4.70% for FY17. The Commission, in its MYT Order dated 30th March, 2016 had fixed the distribution loss of at 2.41% for FY19.

The Commission notes that, the AEQUS SEZ is upgrading its network and adding the lines/cables, RMU and increasing the capacity of transformers for catering to existing and additional consumers resulting in increased sales due to expansion in its distribution network. The Commission taking note of the facts, decides to refix the distribution losses at 4.25%, by reckoning the evacuation line loss and the internal distribution loss for FY19.

vi) Power Purchase cost:

AEQUS SEZ in its application has proposed the energy requirement of 20.779 MU at a cost of Rs.12.07 Crores for FY19 and the same is proposed to be procured from the HRECS at the rate of 5.81 per unit, as approved by the Commission in the Tariff Order dated.11.04.2017 for FY18.

The Commission in its Tariff Order dated 30th March, 2016 had approved power purchase of 25.10 MU at the rate of Rs.5.71 per unit amounting to Rs.14.33 Crores for FY19.

The Commission had approved power purchase rate of Rs.5.71 per unit by considering 5% of the HESCOM's total power purchase at the generation bus. For computing the total power purchase cost 95% of the said 5%

energy was considered from the regular sources, at the marginal cost from long-term sources (excluding RE) and the remaining 5% was considered from the short term/medium term sources.

The Commission notes that, the power purchase cost determined as per the above methodology would result in higher per unit rate. If such a higher rate is considered along with the other operating revenue expenditure, the total per unit delivered cost of power would be abnormally high and consequently the retail supply tariff for SEZ area of supply would be higher than the delivered costs and the retail supply tariff of consumers in the ESCOMs area of supply. This will defeat the very purpose of forming the SEZ with deemed licensee status. In order to encourage the export oriented manufacturing units in the SEZ area, the consumers within the SEZ area may have to be provided with power at a rate lower than the rates applicable to ESCOMs' consumers. Considering this fact, the Commission decides to reconsider the methodology adopted in the computation of power purchase cost for FY19. Accordingly, for computing the power purchase cost, the Commission has considered the State's total purchase cost excluding the Hydro power as the basis to arrive at the average cost of power, at the generation bus. An amount of Re.1.00 per unit has been added to this amount towards grid support charges, trading margins, energy handling charges etc., of the ESCOMs to arrive at the per unit power purchase cost to be collected by the HERCS. The computation of power purchase cost per unit at the interface point is shown in the following table:

TABLE – 2.4
Cost of Power purchase for FY19

Rs. Crores

Cost of Power Purchase for FY19 (As per State approved PP cost excluding Hydro)			
Particulars	**Energy in MU**	**Cost**	**Weighted Average PP cost**
Approved State total power Purchase and cost	68266.16	29295.12	4.291
Less:			
KPC & Other Hydro	10764.11	914.01	0.849

State PP cost excluding Hydro	57502.05	28381.11	4.936
Add: Trading Margin , Energy handling and Grid support charges			1.00
PP cost at Interface Point (Transmission Loss-3. 083 %)			**5.936**

The above per unit rate of power purchase payable to the HRECS includes a trading margin payable to HRECS beside charges payable to KPTCL, PGCIL, SLDC and POSOCO. **Hence, the Commission hereby approves the power purchase rate of Rs.5.936 per unit of energy delivered to AEQUS SEZ by HRECS at the IF point, for FY19.**

Based on the approved sales and the distribution losses for FY19, the total power purchase cost at IF point for FY19 is worked out as under:

TABLE – 2.5

Approved Sales and Power Purchase cost for FY19

Year	Sales in MU	Distyribution Losses in %	Energy at IF point in MU	PP rate at IF point Rs. per unit	Total Power Purchase cost in Rs. Crores
FY19	19.90	4.25%	20.78	5.936	12.333

Thus, the Commission decides to approve the power purchase cost of Rs.12.33 Crores which is payable to HRECS for FY19.

vii) Other items of Expenditure:

In addition to the power purchase cost, the following are the other items of expenditure to be factored in the ARR for FY19:

a) O & M Expenses:

The AEQUS SEZ in its application has claimed O & M costs of Rs.1.09 Crores as follows:

TABLE – 2.6

O & M Expenses – AEQUS SEZ Proposal

Rs. Crores

Particulars	FY19
Employee Expenses	0.62
Repairs & Maintenances Expenses	0.10
General Administration Expenses	0.37
Total	**1.09**

The Commission in its Tariff Order dated 30th March, 2016 had approved an amount of Rs.0.73 Crores towards the O&M expenses for FY19. The Commission has considered the actual O&M expenses of Rs.0.50 Crores incurred in FY16 as per the audited accounts, which include employee cost, R&M expenses and A&G expenses as the base year data for computation of O&M expenses for FY19.

The Commission, in accordance with the provisions of MYT Regulations and the methodology adopted while approving the O&M expenses for the control period for FY17 to FY19 and for the financial years and subsequent APRs carried out in respect of ESCOMs, proceeds with the determination of normative O&M expenses based on the 12 Year data of WPI and CPI. Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by the CERC with CPI and WPI in a ratio of 80:20, the allowable annual escalation rate of inflation for FY19 is computed as follows:

TABLE – 2.7

Computation of Rate of Inflation

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)*(LnRt)]
2005	103.37	115.8	113.314				
2006	109.59	122.9	120.238	1.06	0.06	1	0.06
2007	114.94	130.8	127.628	1.13	0.12	2	0.24
2008	124.92	141.7	138.344	1.22	0.20	3	0.60
2009	127.86	157.1	151.252	1.33	0.29	4	1.16
2010	140.08	175.9	168.736	1.49	0.40	5	1.99

2011	153.35	191.5	183.87	1.62	0.48	6	2.90
2012	164.93	209.3	200.426	1.77	0.57	7	3.99
2013	175.35	232.2	220.83	1.95	0.67	8	5.34
2014	182.00	246.90	233.92	2.06	0.72	9	6.52
2015	177.03	261.42	244.542	2.16	0.77	10	7.69
2016	180.6	274.3	255.56	2.26	0.81	11	8.95
A= Sum of the product column							39.44
B= 6 Times of A							236.63
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.08
g(Exponential factor)= Exponential (D)-1							0.0811
e=Annual Escalation Rate (%)=g*100							**8.1059**

While determining the normative O & M expenses for FY19, the Commission has considered the following aspects:

a) The actual O & M expenses of the base year as per the audited accounts for FY16.

b) The three year compounded annual growth rate (CAGR) at 16.26% of the number of installations considering the actual number of installations as per the audited accounts up to FY17 and as projected by the Commission for FY18 and FY19.

c) The weighted inflation index (WII) at 8.1059% as computed above.

d) Efficiency factor at 0.5% as considered in approved ARR for the control period.

This base year cost has been escalated by weighted inflation index of 8.1059%, consumer growth rate of 16.26% and efficiency factor of 0.50% to arrive at the O & M expenses for the control period FY19. Based on this approach, the O&M expenses for FY19 is are arrived at as follows:

TABLE -2.8

Approved O & M Expenses-FY19

Rs. Crores

Particulars	**FY16**	**FY17**	**FY18**	**FY19**
No. of Installations	14	15	15	22
Consumer Growth rate-CAGR		22.47%	14.47%	16.26%
Weighted Inflation Index		8.1059%	8.1059%	8.1059%
Base Year O&M Cost	0.50			
Allowable O&M expenses		0.65	0.75	0.98

Thus, the Commission decides to approve O & M expenses of Rs.0.98 Crores for FY19.

b) Depreciation:

The AEQUS SEZ has claimed depreciation of Rs.0.42 Crores for FY19 based on the estimated average gross fixed assets. For the purpose of allowing the depreciation, the average of opening and closing balances of gross fixed assets duly considering the addition of gross fixed assets as indicated in pre-paras of this chapter, has been considered and the allowable depreciation, at the rate as per the MYT Regulations, is worked out as follows:

TABLE – 2.9

Approved Depreciation for FY19

Rs. Crores

Particulars	FY19
Buildings	0.05
Civil	0.00
Plant & M/c	0.21
Line, Cable Network including plant/Machinery	0.03
Furniture	0.00
Office Equipment	0.00
Depreciation	**0.29**

Thus, the Commission decides to approve depreciation of Rs.0.29 Crores for FY19.

c) Interest on Capital loans:

The AEQUS SEZ has claimed Rs.0.79 Crores towards interest on capital loan, duly considering the opening balance of capital loans of Rs.5.83 Crores, new loans of Rs.1.40 Crores and repayment of Rs.0.57, with an interest rate of 15.00% for the existing loan and at 11.50% for the new loans for FY19. Out of the interest amount, the AEQUS SEZ has claimed Rs.0.01 Crores allowable interest for the equity in excess of 30% of GFA used to carry out the capital works for FY19.

The current interest rates charged by the commercial banks and financial institutions are mainly based on Marginal Cost of fund based Lending Rates (MCLR). These rates are comparatively lower than the base rates considered earlier. Further, in view of the changing economic scenario, it is observed that there is a considerable reduction in the MCLR and also a downward trend is evident in the financial market. Hence, in such a situation, the Commission is of the view that, the AEQUS SEZ can avail Capital loans at competitive interest rates, which would be less than the proposed rates of 11.50%. The Commission notes that, the present SBI MCLR rate for capital loans with tenure of 3 years is 8.35%. Considering the present MCLR, the Commission decides to allow an interest rate of 11.00% for new borrowings of FY19 for capital loans and at 15% for the existing capital loan for FY19.

The Commission has considered the closing balance of capital loan of Rs.3.80 Crores as per the audited accounts for FY17 and new borrowings and repayments as estimated on the capex reckoned by the Commission for the purpose of computation of ARR for FY19. The Commission notes that the actual rate of interest for the capital loan borrowed from the Banks by AEQUS SEZ is at 15.00%. For the new borrowings, the Commission has considered the interest rate at 11.00% for allowance of interest on capital loan for FY19 as under.

TABLE – 2.10

Approved Interest on Loan for FY19

Rs. Crores

Particulars	FY19
Opening Balance of Capital Loans	4.28
Add: New Loans	0.70
Less: Repayments	0.35
Total loan at the end of the year	4.63
Average Loan	4.45
Weighted average Interest Rate allowed in %	14.83%
Interest on Capital Loans	**0.66**

Thus, the Commission decides to approve interest on capital loans at Rs.0.66 Corers for FY19.

The Commission directs the AEQUS SEZ to explore possibility of debt restructuring by swapping the high cost loans by low cost loans, in order to reduce the interest burden on the old loans.

d) Interest on Working Capital Loan:

The AEQUS SEZ has claimed Rs.0.31 Crores as normative interest on Working Capital Loan at the rate of 11.80% for FY19. The Commission in its Tariff Order dated 30th March, 2016 had approved interest on working capital at Rs.0.36 Crores for FY19.

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

The present interest rates by commercial banks and financial institutions are charged mainly based on Marginal Cost of Fund Based Lending Rates (MCLR). These rates are comparatively lower than the base rates considered earlier. Further, in view of the changing economic situation, it is observed that there is a considerable reduction in the MCLR and also downward trend is evident in the interest rates. Hence, in such a situation, the Commission is of the view that, the MSEZL can avail Capital loans at competitive interest rates which would be less than the proposed rates of 11.80%. The Commission notes that, the present SBI MCLR rate for short term loans with tenure of one years is 8.15%. Considering the present MCLR, the Commission decides to allow an interest rate of 11.00% for FY19 for Working Capital loans. This rate of interest now allowed by the Commission while approving the ARR, is subject to review during the APR.

Accordingly, the approved interest on working capital loans is as follows:

TABLE – 2.11

Approved Interest on Working Capital - FY19

Rs. Crores

Particulars	FY 19
One-twelfth of the amount of O&M Expenditure	0.08
Opening GFA as per Audited Accounts	6.02
Stores, materials and supplies 1% of Opening balance of GFA	0.06
One-sixth of the Revenue	2.46
Total Working Capital	2.60
Rate of Interest (% per annum)	11.00%
Interest on Working Capital	0.29

Thus, the Commission decides to approve the interest on Working Capital loans at Rs.0.29 Crores for FY19.

e) Interest on Consumers' Security Deposits:

The AEQUS SEZ has claimed the interest on consumers' security deposit at Rs.0.13 Crores for FY19, as against the approved interest on consumers' security deposit of Rs.0.20 Crore by the Commission, in its Tariff Order dated 30th March, 2016.

In accordance with the KERC (Interest on Security Deposit) Regulations 2005, the interest rate on consumers' security deposit to be allowed is the bank rate prevailing on 1st April of the financial year for which interest is due. As per the Reserve Bank of India's Notification dated 2nd August, 2017, the applicable bank rate is 6.25%. The Commission has considered the same, for computation of interest on consumers' security deposits for FY19.

The Commission has considered the closing balance of consumers' security deposits of Rs.0.66 Crores as per the bifurcated audited accounts for FY17 for onward projection for FY18 and FY19. The Commission as per the provision of MYT Regulations has been considered the average of the opening and closing balances of consumer's deposits of the relevant years for allowing the interest on deposits. Hence, the interest on consumer's deposits for FY19 is computed as follows:

TABLE – 2.12

Approved Interest on Consumers' Security Deposits for FY19

Rs. Crores

Particulars	FY19
Average Balance of Consumers' Deposits	2.00
Rate of Interest	6.25%
Interest on Consumers' Security Deposit	0.13

Thus, the Commission decides to approve interest on consumers' security deposits of Rs.0.13 Crores for FY19.

The abstract of approved interest and finance charges for FY19 are as follows:

TABLE – 2.13

Approved Interest and finance charges for FY19

Rs. Crores

Particulars	FY19
Interest on Loan Capital	0.66
Interest on Working Capital	0.29
Interest on Consumers' Security Deposit	0.08
Total Interest & Finance Charges	**1.03**

f) Return on Equity (RoE):

The AEQUS SEZ in its application has claimed Return on Equity of Rs.0.42 Crores based on net equity of Rs.2.71 Crores, without considering the MAT on RoE for FY19.

The Commission notes that, as per the bifurcated audited accounts of AEQUS SEZ for FY17, the closing balance of share capital is Rs.2.77 Crores and the accumulated deficit under reserve and surplus is Rs.1.22 Crores. The Commission having recognized the net equity of Rs.1.55 Crores as the opening balance for FY18 has reckoned Rs.1.77 Crores as the opening balance of equity for computation of RoE for FY19.

The Commission, in accordance with the provisions of the MYT Regulations, has considered 15.5% of Return on Equity without the applicable Minimum

Alternate Tax (MAT). The approved Return on Equity for FY19 is arrived at as follows:

TABLE – 2.14

Approved Return on Equity for FY19

Rs. Crores

Particulars	FY19
Opening balance of Share capital	2.77
Opening balance of accumulated deficit	(0.998)
Net Equity	1.772
Approved RoE at 15.5%	0.27

Thus, the Commission decides to approve RoE of Rs.0.27 Crores for FY19.

g) Other Income:

AEQUS SEZ in its applications has not estimated the Other Income for FY19. The Commission notes that, the Other Income as per the audited accounts for FY17 is Rs.0.06 Crores. The Commission considering the other income earned by AEQUS in the previous year, decides to approve the other income of Rs.0.03 Crores for FY19.

Thus, the Commission decides to consider other income at Rs.0.03 Crore for FY19.

3. Abstract of Approved ARR for FY19:

Based on the above discussions, the approved ARR for FY19 is as follows:

TABLE -2.15

Approved ARR for FY19

Rs. Crores

Particulars	As Approved Tariff Order 30.03.2016	As filed 30.11.2016	As Revised Approved
Power Purchase Cost	14.33	12.07	12.333
O&M Expenses	0.73	1.09	0.98
Depreciation	0.44	0.42	0.29
Interest on Capital Loan	1.31	0.79	0.66

Interest on Working Capital	0.36	0.31	0.29
Interest on Consumers' Security Deposit	0.20	0.13	0.13
Return on Equity	0.51	0.42	0.27
Less Other Income	0.26	0.00	0.03
ARR	**17.62**	**15.22**	**14.91**
Carry forward surplus of FY17 (APR)			**0.08**
Net ARR			**14.83**

4. Average Cost of Supply for FY19:

TABLE –2.16

Average Cost of Supply-FY19

Particulars	FY19
Approved ARR in Rs. Crores	14.833
Sales in MU	19.90
Average cost of supply in Rs. per Unit	**7.45**

5 Gap in Revenue for FY19:

As discussed above, the Commission by considering the carry forward surplus of Rs.0.08Crore as per the APR for FY17 has decided to approve the revised Annual Revenue Requirement (ARR) of AEQUS SEZ for its operations for FY19 at Rs.14.833 Crores as against AEQUS SEZ application proposing the revised ARR of Rs.15.22 Crores without factoring the surplus of Rs.0.10 Crores for FY17. Based on the existing retail supply tariff, the total revenue from sale of power will be Rs.14.75 Crores, which is Rs.0.08 Crores less than the projected revenue requirement for FY19.

The net ARR and the gap in revenue for FY19 is shown in the following table:

TABLE – 2.17

Revenue gap for FY19

Particulars	FY19
Net ARR (in Rs. Crores)	14.833
Approved sales (in MU)	19.90
Average cost of supply (in Rs./unit)	7.45
Revenue at existing tariff (in Rs. Crores)	14.75
Gap in revenue (in Rs. Crores)	**(0.08)**

The AEQUS in its application has projected the gap in revenue of Rs. 0.47 Crores and has not proposed any tariff increase for its consumers for FY19. Further, the AEQUS has submitted that, for any change in the power purchase rate from Rs.5.81 per unit, the difference in cost may be passed on to the consumer by revision of retails supply tariff for FY 19.

Consider the above fact, the Commission has approved the Retail Supply Tariff for FY19 as follows.

Approved Retail Supply tariff for FY19:

Particulars		Approved Tariff
HT Industrial / Common Facility		
	Fixed Charges/KVA/month	190.00
	Energy Charges Rs/kWh	6.50
HT Construction		
	Fixed Charges/KVA/month	200.00
	Energy Charges Rs/kWh	6.00

Note: For FY19, the billing demand has been revised to 85% of the Contract Demand, (CD) instead of existing 75% of the CD. Accordingly, Demand charges have to be claimed from April, 2018 onwards.

Time of Day (TOD) Tariff:

The following is the approved TOD tariff applicable to HT consumers:

Time of Day	Increase (+) / reduction (-) in energy charges over the normal tariff applicable
06.00 Hrs to 10.00 Hrs	(+) 100 paise per unit
10.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit
22.00 Hrs to 06.00 Hrs next day	(-) 100 paise per unit

General Terms and Conditions of Tariff:

The relevant general terms and conditions of tariff for HT and LT consumers as approved in the Tariff Orders of ESCOMs issued from time to time is also applicable to consumers of AEQUS SEZ.

7. Commission's Order

1. **In exercise of the powers conferred on the Commission under Sections 62, 64 and other provisions of the Electricity Act, 2003, the Commission hereby determines and notifies the retail supply tariff of AEQUS SEZ for FY19 as stated above.**

2. **The above retail supply tariff shall come into effect for the electricity consumed from the first meter reading date falling on or after 1st April of 2018, after due notification to the consumers of the AEQUS SEZ.**

3. **This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission, at Bengaluru this day, the 14th May, 2018.**

-Sd-	**-Sd-**	**-Sd-**
M.K.Shankaralinge Gowda **Chairman**	**H.D.Arunkumar** **Member**	**D.B.Manival Raju** **Member**