

Date: 27.12.18

To,

Karnataka Electricity Regulatory Commission,
No.16, C -1, Miller Tank Bed Area,
Vasanthanagara, Bengaluru 560 052

Kind Attention: Secretary, KERC, Bangalore.

Subject: Response to preliminary observations on APR – FY18 and ARR for control period FY20 to FY22 and tariff petition for FY 20.

References: 1. Your Letter dated December 18th 2018 bearing No. KERC/B/09/18/1268
2. Our letter dated 30.11.18 Application for ARR for FY 20 and APR for FY 18

Respected Sir,

In reference to clarifications/additional information requested by your kind office through letter dated December 18th, 2018 bearing No. KERC/B/09/18/1268 (Reference: 1), we are furnishing below the information/clarification requested.

Clarification 1: APR 18 Sales

Observations: The Commission had in its Tariff Order dated 08.05.2017 had approved sales of 18.69 MU for FY-18, as proposed by AEQUS. The actual sales as per current filing is 18.043 MU indicating a marginal reduction of 0.647 Mus in sales. However, at page 22, furnishing the details of consumer-wise sales, AQUES has stated that, the approved sales as 16.653 MU instead of 18.69 MU[Note: At page 24 AEQUS for loss calculation has considered 18.69 MU as sales] and that the sales have increased by 1.39 MU as per actuals. Hence, AEQUS shall reconcile the approved figures and shall resubmit the consumer-wise sales details.

Response: In Table 16 (page 21) there are three columns for FY 18 provided as Provisional, Approved and Actuals respectively. Figures in the first column represent the numbers as per November 17 filing of AEQUS. Second column provides the figures as per May 2017 KERC Order and the Third column numbers provide the actual figures for FY 18.

Besides, we request the Honorable Commission to refer page no.22 wherein details of consumer wise sales has been provided with the provisional sales of 16.653 MUs and actual sales of 18.043 MUs.

We request the Honorable Commission to kindly, refer table No 17 –Consumer profile in page number 22 of submitted report for FY 18 wherein detailed consumer wise forecast (Provisional) Vs Actuals has been tabulated with explanation.

Please also refer table 18 (Page 24) Distribution loss trajectory for the FY 18 wherein it is clearly indicated that the provisional sales (16.653 MUs) for FY 18 and approved sales of (18.690 MUs) and actual sales (18.043 MUs) has been considered.

We therefore submit that all the numbers are factually correct and reconciliation of numbers is not necessitated.

Observations: The Commission notes that the total Contract Demand of consumers of AEQUS as on 31.03.2018 is 8.535 MVA and as on September, 2018 it is 9.79 MVA. However, at page -4, of the filing it is stated that at present power upto 5 MVA could be drawn. Eventhough, AEQUS is planning for establishment of a new KPTCL substation, which would take some time, it is not clear how the present CD of 9.79 MVA is being met. I.e. whether there is overdrawl from the grid or AEQUS is resorting to power cuts?

Response: We request the Honorable Commission to kindly, refer table No 36 (Page 42) and the explanation provided below that table, wherein demand and supply gap analysis has been carried out based on the projections. As on Sept 18, MD recorded at ASEZPL's IF point is 4.7 MVA against aggregated 9.79 MVA contract demand of consumers. There is no over drawl from the grid. With the present infrastructure demand can be met without much difficulty till beginning of FY 20 and over to this Aequs has DG support of 2 MVA.

Clarification 2:

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

Response: As submitted in_Para 6.2 Page 38 of the filing, AEQUS has judiciously approached all the consumers to understand their growth plans and energy needs and same has been reviewed and normalized with the present consumption trends for each of the consumer with best possible estimates. However, as desired, please find, here with this letter enclosed copies of the e-mails/letters from our customers regarding their energy consumption projections for the respective years.

Clarification

a. The CD for AEQUS Automotive India P. Ltd. has increased substantially in FY20 to 0.50 MVA from 0.15 MVA. Similarly, for AEQUS Engineered Plastics it is increased to 0.75 MVA from 0.30 MVA.

Response: AEQUS Automotive India P. Ltd. customer's demand for the automotive components reduced drastically over the years and hence management of the company has decided to diversify into aerospace and other sector, specifically in auxiliary components manufacturing, virtue of this unit is adding new capability to it factory . It is anticipated by AAPL that, in coming years there will be substantial orders and manufacturing activity leading to increase in CD year on year.

AEQUS Engineered Plastics, by virtue of their business growth and expansion has moved to a new facility and has expanded its operations 3 times bigger than existing facility in FY 19 due to which anticipated CD has been increasing substantially in FY 20.

Clarification

b. The CD for UFI Filters India Ltd and Indo-Schottele Auto parts India P. LTD. has decreased in FY20 in comparison to FY19 estimates.

Response: UFI Filters India Ltd have revised their operations strategy and non-priority operations has either been outsourced/discontinued, hence reduced CD in FY 20 and Indo-Schottele Auto Parts India P. LTD. has requested reduction in CD based on their business plan.

Clarification

c. Even though 24 consumers are considered for FY20, CD details are given for 21 consumers only. Similarly, for FY21 it is furnished for 23 consumers only and for FY22 for 25 consumers, out of 26 consumers proposed.

Response:

For FY 20, out of 24 consumers, CD details are given for 21 consumers in Table 34. CD details for the following 3 consumers are not provided for the reasons stated below:-

I. Sl. No 16 – Apollo Aero Space Components India Pvt. Ltd: - This consumer, is into business of supplying spares parts and assembly components to the units situated within the SEZ. It has a small establishment to cater to the demand. Company uses energy for the purpose of lighting/ illumination, load of 8 KVA. In Table 34 wherein CD's of all the consumer tabulated, up to the second decimal in MVA. Therefore, this load of 0.008 MVA is may not have reflected.

II. Sl. No. 22 & 23 – Aequs SEZ's business development team is in constant endeavour towards adding new capability and customer (Unit) to campus, as part of their projection, it is anticipated that 2 new units might get added to campus in coming year specifically Units 1 and 2: The consumer of Unit 1 is into Raw materials processing activity and the Unit 2 is into manufacturing and assembling of defence products. These consumers are likely to take power supply from AEQUS in FY 20 based on the various clearances and approvals at their end to establish the business in campus. Based on the nature of operations and business plan of new consumers, AEQUS has anticipated the likely energy consumption for FY 20 and thereafter from these units. However, new consumer is yet to tabulate the exact load and consumption and AEQUS has not received any application from these consumers for sanction of power. As a result, we are not in a position to exactly quantify the contract load requirement and hence the same is not considered in the projections of CD for FY 20.

The same is continued for the subsequent year also including Units 3 to 6 are likely to be our consumers in the coming years.

Clarification

d. Even though CD for Apollo Aerospace Components India P. Ltd. is indicated as nil, sales of 0.01 MU is considered for all the years.

Response:

Kindly refer the detailed reply furnished above in (Clarification (c) (I)).

Clarification

e. In the case of New Unit-1 & 2, even though CD for FY20 is nil, sales of 0.16 & 0.54 MU is considered in FY20. Similarly, in the case of New Unit-3 & 4, even though CD for FY21 is nil, sales of 0.55 & 0.41 MU is considered in FY21

Response:

Kindly refer the detailed reply furnished above in (Clarification (c) (II)).

Clarification

f. In the case of Aerostructure Manufacturing India P Ltd unit-1, even though CD for FY21 is maintained at FY20 level, sales for FY21 have increased and in case of Unit-2 and in the case of AEQUS Automotive India P Ltd,

Response:

Aerostructure Manufacturing India P Ltd unit-1, sales for FY 21 is projected to increase based on anticipated business growth and strategy towards utilisation of max plant capacity. As explained in earlier above, Aequs Automotive India P Ltd initially lower business volumes in automotive sector due to which diversify into aerospace and other sector wherein management has envisaged more manufacturing orders specifically in auxiliary components manufacturing. Hence CD has increased based on the anticipated business volumes.

Clarification

g. In the case of Quest Global, even though CD for FY21-FY24 is increased with respect to FY20, sales are retained at FY20 level.

Response:

Quest Global is into engineering services and IT operations. The CD for FY 21-24 increased based on the anticipated business growth. There will be additional HVAC loads connected to the existing facility for available work station areas. However MU units has been retained considering optimal operations of the unit.

Clarification

h. In the case of Squad forging India P Ltd, - Even though CD is retained at 3.5 MVA up to FY22, sales have been increased every year.

Response:

Squad forging India P Ltd is into forging of small and medium sized forging components. For FY 19 the sanctioned demand for the unit is 3.5 MVA wherein recorded demand is 1 MVA. The facility is presently operating at 30% of its capacity and will be expected to reach at higher plant utilisation in coming years, which may lead to additional energy consumption with existing CD. Considering this, same level of CD is retained up to FY 22 and sales been forecasted based on the growth factored by customer.

Clarification

i. Aero structures Assemblies even though CD is constant, sales have been increased from FY20 -FY24.

Response:

For FY 19 the sanctioned demand for the unit is 0.32 MVA wherein recorded demand is 0.07 MVA. At present plant utilisation is low, considering this constant CD has been maintained up to FY 24. Sales has been forecast based on the growth as factored by customer.

Clarification 3: Demand Side Management:

Observations: The AEQUS shall furnish the annual DSM plan for FY19 & FY20, if any, indicating the Various DSM programs taken up/proposed to be taken up. Further, if the cost of such DSM programs is being incurred by AEQUS, the same shall be included in the Capex program

Response:

(i) Aequs has implemented the EMS – Energy Management System on its distribution network. EMS is a software tool where in real time energy monitoring will be enabled and results is helping in better optimization of the infrastructure resources and effective utilization.

(ii) Aequs has identified CFL and incandescent lamps installed in various units and same has been replaced with LED. The cost of replacement has been borne by the customers.

As all the capital expenditures towards DSM has been initiated from consumers, ASEZ has not provisioned in its ARR.

Clarification 4: Wheeling Charges and Cross Subsidy Surcharge:

Observations: AEQUS has submitted that at present there are no consumers opting for Open Access and has requested the Commission to determine the above charges on similar lines as considered in May 2018 Order. Since, the AEQUS has segregated the cost between distribution and supply, it may consider working out the wheeling charges and CSS considering its own costs.

Response:

On the above issue, we would like to bring to kind notice of Honorable Commission that at page no.76 (Chapter 12 point no. ix) we have submitted as under :-

KERC, in its order dated 14th May 2018 had passed orders, applying the Wheeling charges as determined for HRECS to Aequs also. Besides, the Cross subsidy surcharges as determined for all the ESCOMs was made applicable to AEQUS also.

In this connection, we would like to reiterate that we are small licensee and we do not have any consumers opting for the open access as of now. We therefore Request the Hon'ble Commission to pass the order for Wheeling charges and Cross Subsidy surcharge on similar lines considered by the KERC in May 2018 order.

We request Honorable Commission to kindly take note of this request and pass appropriate order for wheeling charges and cross subsidy charges.

Clarification 5: RPO Compliance:

Observations: The AEQUS SEZ shall furnish the status of solar and non-solar RPO compliance for FY18 and also the estimates of RPO to be met in FY19-FY 22 and the plan of action to meet the same in FY19.

Response:

As per KERC notification No. Y/02/17 dated 28.11.2017, any deemed licensee procuring bulk power partly or wholly from the area of ESCOM are deemed to have complied with the RPO to the extent of such from the ESCOM, if such ESCOM has complied with RPO. Therefore we request the Honorable Commission to take note of this and pass appropriate orders.

Besides, in FY19 order, KERC while working out ASEZ input power procurement from HRECS/HESCOM has bundled energy wherein our input power has solar allocation also, which clearly signifies that RPO issues are being addressed while approving the PP cost.

We request Honorable Commission to take this in record and inform us if any further information or clarification needed.

Thanking you.

Yours faithfully,

For Aequs SEZ Pvt. Ltd,

Vikram S Annappa

(Authorized Signatory)