

BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION, BENGALURU**Dated 30th May, 2019****Present:**

Shri Shambhu Dayal Meena	Chairman
Shri H.M. Manjunatha	Member
Shri M.D. Ravi	Member

ORDER**In the matter of Approval of revised ARR for FY18 due to APR, Approval of ARR for the Control Period FY20-22 and determination of Retail Supply Tariff for FY20 in respect of AEQUS SEZ Private Limited.****1. Background:**

M/s AEQUS Special Economic Zone Private Limited, situated at Hattargi Village, Hukeri Taluk, Belagavi District, has filed an Application for approval revised ARR for FY18 due to Annual Performance Review, approval of ARR for the Control Period FY20-22 and determination of Retail Supply Tariff for FY20, under Section 61 and 62 of the Electricity Act, 2003, the KERC (Tariff) Regulations, 2000 read with the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006.

In exercise of the powers conferred under Section 62, 64, and 86 of the Electricity Act, 2003, read with the KERC (Terms and Conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, as amended from time to time and other enabling Regulations, the Commission has considered the applications of the AEQUS SEZ Pvt Ltd, and after considering the views and objections of the consumers and other stakeholders, has passed this Order.

The details of the Licensee's proposals, Commission's analysis and the decision thereon, are discussed in this Order.

2. Licensee's Profile:

The AEQUS SEZ Private Limited (formerly Quest Global SEZ Private Limited) (hereinafter referred as AEQUS SEZ) is a company registered under the Companies Act, 1956. The Company is engaged in development, maintenance, leasing and operation of industrial infrastructure and facilities in its SEZ area situated in Hattargi village, Hukkeri Taluk, Belagavi District. The AEQUS SEZ is India's first sector specific-"Precision Engineering" industry, SEZ.

Currently the AEQUS SEZ has 12 approved units which are in operation. At present the energy is sourced from the HRECS, through dedicated 11KV feeders from the KPTCL's sub-station at Hattargi. However, to cater to the growing needs of the industrial units at AEQUS SEZ, establishment of a 110/11 kV Substation by the KPTCL is under consideration.

3. Consumers' Profile:

The consumers' Profile of AEQUS SEZ is as follows:

TABLE - 1
AEQUS Consumer's Profile- From April 2017- to March 2018

Sl. No.	Industrial	Load (kVA)	Actual Energy Consumption Units (kWh)
1	Aerospace Processing India Pvt Ltd	700	2,418,975
2	Aerostructure Manufacturing India Pvt Ltd Unit 1	800	3,431,918
3	Aerostructure Manufacturing India Pvt Ltd Unit 2	400	3,622,990
4	Aequs Pvt Limited Unit 2	200	998,636
5	Aequs Pvt Limited Unit 3	200	467,093
6	Aequs Pvt Limited Unit 4	250	164,146
7	Quest Global Engineering Pvt Ltd	200	540,606
8	Aequs Automotive India Pvt Ltd	150	423,499
9	UFI Filters India Pvt Ltd	200	265,888
10	Indoschottle Autoparts India Pvt Ltd	1,000	2,000,110
11	SQuAD forging India Pvt Ltd	3500	1,41,700
12	Aerostructure Assemblies India Pvt Ltd	320	159,126
13	Aequs Engineered Plastics India Pvt	300	1,490,365
14	FTWZ-Apollo Aerospace Components India Pvt	-	4621
	Total (A)	8,220	17,400,673
	Common Facility		
1	ASEZ-Common facility- Total (B)	315	553,591
	Construction Activity Consumers-Total (c)	-	88,872
	Total (A)+(B)+(C)	8,535	18,043,136

4. Application filed by the Licensee:

AEQUS SEZ Pvt. Ltd., has filed application for Annual Performance Review(APR) for FY18 and revision of ARR thereon, approval of ARR for the control period FY20-22 and approval of retail supply tariff for FY20. The Commission in its letter dated 18th December, 2018 communicated the preliminary observations. The replies to the preliminary observations have been submitted to the Commission vide letter dated 27th December, 2018.

In its application the AEQUS has made the following prayers:

1. As part of APR exercise for FY18, approve the increase in power purchase rate above Rs.5.81 per unit and order the passing on of the entire increase to their consumers.
2. Consider the ARR for FY20;
3. Consider the tariff proposals as per the application and approve appropriate tariff duly considering:
 - a. In the event of increase in the power purchase cost approved for FY19, the same may be passed on to the consumers;
 - b. FAC to be approved during FY20, will be pass through to the consumers;
 - c. Reclassification of the tariff as proposed for construction activities.
4. Pass appropriate Orders on the application submitted.

5. Acceptance of Applications and Publication of Notices:

The Commission, vide its letter dated 18th December, 2018, informed the AEQUS that, its application filed on 30.11.2018, for APR for FY18, approval of ARR for FY20-22 and determination of retail supply tariff for FY20 in the AEQUS SEZ area, has been treated as a petition, in terms of the Tariff Regulations, subject to further verification and validation and directed it to publish a summary of the application in the leading newspapers in the distribution area of AEQUS SEZ.

Accordingly, the AEQUS SEZ has published the summary of its application on 3rd and 4th January, 2018, in The New Indian Express and Kannada Prabha respectively.

Public consultation Process:

The Commission undertook the process of public consultation in pursuance of Section 64 of the Electricity Act, 2003, in order to obtain suggestions/views/objections from the interested stake-holders on the Tariff application filed by AEQUS.

The Commission did not receive any written objection from the Consumers/ stakeholders. However, four of the consumers of AEQUS have made oral submissions during the public hearing held on 13.02.2019 at the premises of AEQUS SEZ, Hattargi village, on the Tariff Applications filed by AEQUS. The names of the persons who have made oral submissions are given below:

SL. No	Names & Addresses of Objectors
1	Mr. Arun Kumar, Assistant Vice President , SQUAD Forging India Private Limited.
2	Mr. Ashok Bassapur, Assistant General Manager Aero Structures Manufacturing India Private Limited Unit-1.
3	Mr. Somalingappa S., General Manager UFI Filters Pvt. Ltd.
4	Mr. Mike Stanga, Director , Purosil.

The gist of the oral submissions made during the Public Hearing, held on 13.02.2019

Objections	Replies
The status of KPTCL 220KV substation intended for supply to AEQUS is not known and KPTCL should speed up the works for providing quality and reliable power.	The representative of KPTCL, the SEE, Major Works Division Circle, Belagavi stated that, the Substation work has been approved and 15 Acre of land has already been handed over by the AEQUS SEZ. The DPR preparation for the 220/110/11KV substation is under progress and the tendering will be done within next 30 days. Regarding a question from the

Objections	Replies
	<p>Commission about the duration for completion of work, he replied that it will be completed in 18 months. The Commission advised KPTCL officer that as the completion of substation work by 2020 is very critical, they should ensure this without further delay. Commission indicated that they may issue a direction to KPTCL in this regard as, it does not want the consumers of AEQUS to suffer in the coming years.</p>
<p>The power requirement of SQUAD Forging India Private Limited is expected to increase from 3MVA to 6MVA in the beginning of FY20. Hence establishment of 220KV is crucial.</p>	<p>Representatives of AEQUS informed that the existing 10 MVA transformer at Hattargi substation being the present source, is over loaded and the process for enhancement is under way. The representative of KPTCL Mr. Shrikant Sasalatti , SEE Major Works Division Circle, Belagavi and DT HESCOM stated that, Augmentation of existing 10 MVA to 20 MVA transformer capacity at Hattargi substation has been placed for TCCM approval and will be taken up immediately and work can be completed in three months' time.</p>
<p>As number of industrial consumers are increasing every year , per unit power cost should decrease as it happens in other commodities where the materials becomes cheaper with the increase in consumer base.</p>	<p>The representative of HESCOM Mr. Prakash Kumar BT explained as to how the pooled power procurement cost of Power purchase is worked out in Karnataka and the same is considered for fixation of tariff to various class of consumers including the tariff structure for fixation of per kWh rate. He suggested that any of the consumers, considering to reduce their PP cost, can source the power through open access on a long term basis, with private power generators, in case the same is beneficial to them.</p>

Objections	Replies
<p>AEQUS should purchase cheaper power from RE sources such as Solar, Wind as the prices are on declining trend.</p>	<p>The representative AEQUS Mr. Vikram Annappa stated that, AEQUS SEZ has appointed a technical consultant to review the feasibility of setting up MW scale Solar Roof Top on its industrial sheds. After the review of the technical feasibility, the AEQUS SEZ will approach Hon'ble Commission for necessary approvals/ Orders as well as with respect to structuring of commercial terms and PPA.</p>
<p>UFI Filters has to compete with Chinese market, And any increase in the power tariff will have severe effect on their compatibility in the international market and hence not to increase the tariff</p>	<p>AEQUS representative Mr. Vikram Annappa also requested the Commission to continue the existing power purchase cost. The Commission observed that, the power purchase cost is being fixed based on various factors, considering the availability of power from various sources. Hence, there is bound to be a change in power purchase cost. The licensees have to look for various options like going in for solar energy back up and contracting cheaper power from other sources with a view to reduce the power purchase costs.</p>

Commission's Views:

The Commission has taken note of the suggestions and the replies furnished. The AEQUS is directed to address the issues concerning power supply to the consumers by taking remedial measure on various issues raised by the consumers/stakeholders.