

Date: 27.12.17

To:

Karnataka Electricity Regulatory Commission,
6th and 7th Floor, Mahalakshmi Chambers,
No. 9/2, M.G. Road, Bangalore – 560 001.

Kind Attention: Secretary, KERC, Bangalore.

Subject: Preliminary observations on APR – FY19 and ARR- FY17

Reference: 1. Your Letter dated December 21st Dec 2017 bearing No. B/10/17/1605
2. Our letter dated 30.11.17 Application for ARR for FY 19 and APR for FY 17

Respected Sir,

In reference to clarifications/additional information requested by your kind office through letter dated December 21st Dec 2017 bearing No. B/10/17/1605 (Reference: 1). Here with this communication we are furnishing the information/clarification requested.

Clarification 1: Sales FY 17:

Observations: The Commission, in its Tariff Order dated 8th May, 2017, had approved sales of 12.72 MU for FY17 as proposed by the AEQUS SEZ. The actual sales as per current filing is 12.71 MU indicating a marginal reduction in sales.

Response:

Compared to the projections made for the year, energy sale is close to the projected numbers. The difference is only 0.01 Mus. However, for the purpose of clarity, we are furnishing the following information.

Consumer wise analysis of sales shows that, drop in sale of energy is predominantly on account of reduction in the consumption of Aequs Engineered plastics, API, APL 2&3, Aequs Automotive, Aerostructure Assemblies India Pvt Ltd, however, the same is off set by increase in consumption by few other consumers

We request the Honorable Commission to kindly, refer table No 16 –Consumer profile in page number 23 of submitted report for FY 19 wherein detailed consumer wise forecast Vs Actuals has been tabulated with explanation.

Clarification 2: Capex for FY17

Observations: The AEQUS SEZ has incurred a capex of Rs. 0.27 crores. The details of actual expenditure may be furnished.

Response:

During FY 17, Aequs has incurred a capex of Rs. 0.27 crores. Broadly classified as per the below table, however item wise details has been tabled and Annexure-1 to this document.

Particulars	INR Crores
Substaion , Cables cost & Meetering Equipments	0.23
Computer Software & office equipments	0.04
Total	0.27

Clarification 3: ARR –FY 19

Observations: The AEQUS SEZ in its application, has 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 FY18 estimates 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 accounts for 19.46% growth over FY18 estimated sales of 16.65 MU.

The Commission notes that the AEQUS SEZ 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. Therefore, the AEQUS SEZ shall furnish the requests obtained from the individual consumers or any other documents like minutes of the meeting held with the consumers in this regard.

Further, for all the manufacturing units, details shall be furnished in the following format:

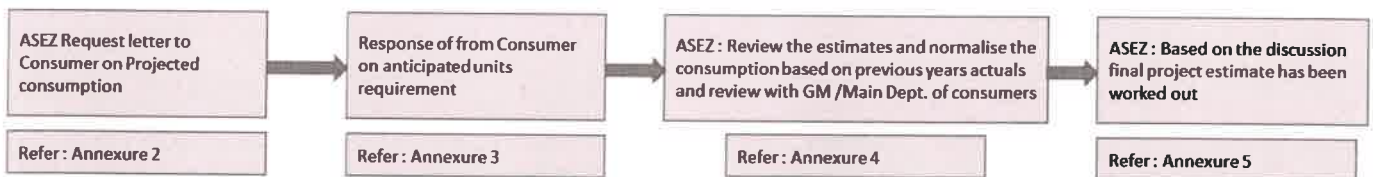
Name of the Consumer/Company	Actual Electricity Consumption in FY17- kWh	Actual Production in FY17- in relevant units	Estimated Production in FY19- in relevant units

Regarding the number of installations, the Commission notes that FY19 there would be 23 installations as against 15 in FY18, which indicates growth of 53.33%. AEQUS shall confirm such huge growth in FY19, as overestimation would affect the revenues of AEQUS.

Response:

Energy sales forecast for the control period is developed based on the inputs provided by the each of the consumers and the anticipated growth in new consumers and energy sales to these units, within campus. To develop the realistic forecast Aequs SEZ has approached all consumer's business head and maintenance departments to understand their growth plans and energy needs. Aequs SEZ has worked closely with its consumer to develop the energy forecast with concurrence and confirmation from the consumers. Same has been reviewed and compared and normalized with present consumption patterns of each consumer.

Energy forecasting process:



Please refer table No 16 –Consumer profile in page number 23 of submitted report for FY 19 wherein the name of the consumer and actual electricity consumption in FY17 kWh is provided. Since unit holders in SEZ are engaged in manufacturing of different components of defense & aerospace industry, our consumers are averse to share the production related information, so for ASEZ, may not possible to provide the production quantitative details of FY17 & FY19.

Regarding the number of installations:

Please refer the Table 29 in page number 43 of the report wherein ASEZ has detailed out the number installation and additions during upcoming year.

In table SL.No 15 to 21 (7 Consumer) – Plant or Units are under various stages of construction and anticipated to start industrialization in next 18 months.

In table SL.No 22 to 23 (2 Consumer) – For these potential consumer has initiated their engineering and architectural work towards establishment of the plant within our SEZ campus,

ASEZ has taken utmost care in tabulating and estimating the consumers and their consumptions, so that projections are derived based on the best estimates.

We hope, the clarifications given above along with the documentary evidences, in the form of Annexures, would be adequate for the Honorable Commission. However, in the event of KERC needing any further information/clarification, AEQUS would be willing to provide the same.

Clarification 4: ARR –FY 19: Demand Side Management:

Observations: The AEQUS SEZ has proposed that it has identified technical potential of energy savings through replacement of fluorescent tubes with LED. The AEQUS SEZ 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 it to submit an implementation plan for achieving the above identified savings, it is yet to be submitted by the AEQUS SEZ. Further, if the AEQUS SEZ itself is investing in the said DSM program, whether the same is included in the CAPEX for FY19, shall be clarified.

Response:

Improvements & Technical up gradations towards energy efficiency, has been initiated from our consumers side. A detailed report will be submitted to your kind office at the earliest.

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

Since, we are a licensee operating in a small geographical area, we believe, that implementation of DSM, measures has to largely come from our consumers side, which we are ensuring. However,

we would like to submit that:-

We have analyzed the consumer load and gathered technical saving potential within our campus and same is mentioned below.

Aeque SEZ campus is full of state of the art technology in its business processes. Campus is maintained using different cost and energy efficient modern technology. Since inception, LED Luminas have been installed in the campus of Aeque SEZ however, few consumers have Fluorescent tubes within their premises. Aeque SEZ has conducted DSM awareness session for them and apprised them about benefits of taking DSM initiatives. We identified technical potential of replacing Fluorescent tube with LED lights in SEZ campus as well as consumer premises and same has been put up for consideration of Honorable commission.

Appliances Type	Quantity	Ratings (W)	Average Running Hours in a day	Energy Consumed for a Year (KWh)	LED Replacement (Wt.)	Energy Saving Potential in a year (KWh)
Incandescent bulb	0	-	-	-	-	-
Fluorescent tube	32	36	16	6728	16	3738
	76	52	16	23080	18	15091
	20	14	16	1635	8	701
CFL Tube lights	108	3	-	-	-	-
	315	18	-	-	-	-
	233	28	-	-	-	-
	80	36	-	-	-	-
	13	40	-	-	-	-
	84	52	-	-	-	-
LED Lights	477	8	-	-	-	-
	293	12	-	-	-	-
	250	15	-	-	-	-
	35	18	-	-	-	-
	18	70	-	-	-	-
	3	150	-	-	-	-
Total Saving Potential						19,529

We will strive to motivate consumers to replace all the Fluorescent tube with LED and help Aeque SEZ to realize 19,259 electricity units' savings in this financial year.

Clarification 5: Wheeling Charges and Cross Subsidy Surcharge:

Observations: As required under MYT Regulations, the AEQUS SEZ shall propose wheeling charges and Cross Subsidy Surcharge, if any, for their area of supply.

Response:

- i) Till FY18, Honorable KERC has not passed any separate order for Wheeling charges and Cross subsidy surcharge for AEQUS SEZ.
- ii) As of now, all our consumers are availing power supply from our system only.
- iii) From FY19, AEQUS SEZ may get requests from consumers for wheeling. Couple of our consumers have expressed their willingness to source the energy from the third party either through bilateral arrangement or through trading. However, the matter is in the initial stage of discussion. Also expressed their willingness towards establishing a roof top solar units, and request ASEZ towards net metering provisions.
- iv) We request Honorable Commission to clarify whether the wheeling charges, cross subsidy surcharge and net metering provisions as determined by KERC for the area DISCOM is relevant to us or has to be suitably modified to reflect the distribution wires cost of AEQUS SEZ which predominantly comprises of power purchase cost which is procured from HESCOM/Hukkeri. We seek suitable guidance, directions and orders of the Honorable Commission in this regard.

Clarification 6: RPO Compliance:

Observations: The AEQUS SEZ shall furnish the status of solar and non-solar RPO compliance for FY17 and also the estimates of RPO to be met in FY19 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 FY18 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.

Clarification 7 : Capex for FY19:

Observations: The AEQUS SEZ has proposed a capex of Rs. 2.00 crores for FY19. The details of work- wise proposed capex shall be furnished.

Response:

To meet the growing consumer needs and anticipated growth in consumption, ASEZ has to expand its distribution network, a detailed capital expenses has been detailed in the tables No 32(b) page No 51 in the ARR FY 19 filled with Honorable Commission.

Particulars	INR Crore
To cater the needs to new consumers need to construction new Substations. (Plastics/AMS/API JV plant)	1.10
New RMU has been proposed towards arranging power supply to plot number 35 (New 200K plant).	0.60
Mobile Transformer	0.30
Sub Total	2.00

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

Thanking you.

Yours faithfully,

For Aequs-SEZ Pvt Ltd,



Vikram S Annappa

(Authorized Signatory)



Aequs SEZ Private Limited

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