



**KARNATAKA ELECTRICITY REGULATORY COMMISSION**

**TARIFF ORDER 2024**

**OF**

**AEQUS SEZ**

**ANNUAL PERFORMANCE REVIEW FOR FY23**

**&**

**APPROVAL OF REVISED ANNUAL REVENUE  
REQUIREMENT FOR FY25**

**&**

**REVISION OF RETAIL SUPPLY TARIFF FOR FY25**

**28<sup>TH</sup> FEBRUARY, 2024**

**No. 16 C-1, Miller Tank Bed Area, Vasanthnagar, Bengaluru-560 052**

**Phone: 080-22268677/22268678/22268679**

**Fax: 080-22268667/22370214**

**Website: <https://karunadu.karnataka.gov.in/kerc>**

**E-mail: [kerc-ka@nic.in](mailto:kerc-ka@nic.in)**

# C O N T E N T S

| CHAPTER       |   | Page No.  |
|---------------|---|-----------|
|               | <b>ORDER</b>  |           |
|               | <b>CHAPTER – 1</b>  |           |
|               | <b>ANNUAL PERFORMANCE REVIEW FOR FY23</b>   |           |
| <b>1.1</b>    | AEQUS's Application for APR for FY23  | <b>6</b>  |
| <b>1.2</b>    | Sales for FY23  | <b>7</b>  |
| <b>1.3</b>    | Distribution Losses for FY23  | <b>8</b>  |
| <b>1.4</b>    | Capex for FY23  | <b>9</b>  |
| <b>1.5</b>    | Power Purchase for FY23   | <b>9</b>  |
| <b>1.6</b>    | RPO Compliance for FY23   | <b>11</b> |
| <b>1.7</b>    | Operation and Maintenance Expenses  | <b>12</b> |
| <b>1.8</b>    | Depreciation  | <b>14</b> |
| <b>1.9</b>    | Interest on Capital loan  | <b>15</b> |
| <b>1.10</b>   | Interest on Working Capital   | <b>17</b> |
| <b>1.11</b>   | Interest on Consumers' Security Deposits  | <b>18</b> |
| <b>1.12</b>   | Return on Equity  | <b>19</b> |
| <b>1.13</b>   | Income Tax  | <b>20</b> |
| <b>1.14</b>   | Other Income  | <b>20</b> |
| <b>1.15</b>   | Abstract of Approved ARR for FY23   | <b>20</b> |
| <b>1.16</b>   | Revenue from Sale of Power  | <b>21</b> |
| <b>1.17</b>   | Surplus in Revenue for FY23   | <b>21</b> |
|               | <b>CHAPTER – 2</b>  |           |
|               | <b>ANNUAL REVENUE REQUIREMENT FOR FY25</b>  |           |
| <b>2.1</b>    | Annual Revenue Requirement (ARR) for FY25   | <b>22</b> |
| <b>2.2</b>    | Determination of ARR for FY25   | <b>24</b> |
| <b>2.3</b>    | Capital Investment Plan   | <b>24</b> |
| <b>2.4</b>    | Sales Estimate for FY25   | <b>24</b> |
| <b>2.5</b>    | Distribution Losses   | <b>26</b> |
| <b>2.6</b>    | Power Purchase Cost   | <b>27</b> |
| <b>2.7</b>    | O&M Expenses  | <b>30</b> |
| <b>2.8</b>    | Depreciation  | <b>32</b> |
| <b>2.9</b>    | Interest on Loans   | <b>33</b> |
| <b>2.10</b>   | Interest on Working Capital Loan  | <b>35</b> |
| <b>2.11</b>   | Interest on Consumer Security Deposits  | <b>36</b> |
| <b>2.12</b>   | Return on Equity (RoE)  | <b>37</b> |
| <b>2.13</b>   | Other Income  | <b>39</b> |
| <b>2.14</b>   | Abstract of Approved ARR for FY25   | <b>39</b> |
| <b>2.15</b>   | Average Cost of Supply  | <b>40</b> |
| <b>2.16</b>   | Revenue   | <b>40</b> |
| <b>2.17</b>   | Surplus in Revenue  | <b>40</b> |
| <b>2.18</b>   | Retail Supply Tariff of AEQUS SEZ for FY25  | <b>41</b> |
| <b>2.19</b>   | Wheeling Charges  | <b>42</b> |
| <b>2.19.1</b> | Wheeling within AEQUS SEZ Area  | <b>43</b> |
| <b>2.19.2</b> | Wheeling of Energy  | <b>44</b> |
| <b>2.19.3</b> | Charges for Wheeling of Energy by Non-GEOA Renewable Energy Sources (Non-REC Route) to the consumers in the State | <b>46</b> |
| <b>2.19.4</b> | Charges for Wheeling Energy by Non GEOA RE Sources  | <b>46</b> |

|               |                                |           |
|---------------|--------------------------------|-----------|
|               | Wheeling Energy from the State |           |
| <b>2.19.5</b> | Banking Charges for RE sources | <b>46</b> |
| <b>2.19.6</b> | Cross Subsidy Surcharge        | <b>46</b> |
| <b>2.19.7</b> | Additional Surcharge           | <b>46</b> |
| <b>2.20</b>   | Commission's Order             | <b>47</b> |

## LIST OF TABLES

| <b>Table No.</b> | <b>Content</b>   | <b>Page No.</b> |
|------------------|--|-----------------|
| <b>1.1</b>       | APR for FY23 – AEQUS's Submission                                    | <b>6</b>        |
| <b>1.2</b>       | Power Purchase Cost for FY23   | <b>10</b>       |
| <b>1.3</b>       | O&M Expenses for FY22–AEQUS submission                               | <b>12</b>       |
| <b>1.4</b>       | Computation of Rate of Inflation                                     | <b>13</b>       |
| <b>1.5</b>       | Allowable O&M Expenses for FY23                                      | <b>14</b>       |
| <b>1.6</b>       | Allowable Depreciation for FY23                                      | <b>15</b>       |
| <b>1.7</b>       | Allowable Interest on Capital Loans for FY23                         | <b>16</b>       |
| <b>1.8</b>       | Allowable Normative Interest on Excess Equity for FY23               | <b>17</b>       |
| <b>1.9</b>       | Allowable Interest on Working Capital for FY23                       | <b>18</b>       |
| <b>1.10</b>      | Allowable Interest and Finance Charges                               | <b>19</b>       |
| <b>1.11</b>      | Allowable Return on Equity   | <b>19</b>       |
| <b>1.12</b>      | Approved ARR for FY23 as per APR                                     | <b>20</b>       |
| <b>2.1</b>       | ARR for FY25 – AEQUS Proposal  | <b>22</b>       |
| <b>2.2</b>       | Voltage wise distribution loss for FY25 AEQUS SEZ submissions        | <b>26</b>       |
| <b>2.3</b>       | Power Purchase Quantum and Cost for the period FY25 AEQUS Submission | <b>28</b>       |
| <b>2.4</b>       | Power Purchase cost for FY25   | <b>29</b>       |
| <b>2.5</b>       | Total Approved Power Purchase Cost for FY25                          | <b>29</b>       |
| <b>2.6</b>       | O&M Expenses for FY25  | <b>30</b>       |
| <b>2.7</b>       | Computation of Inflation Index                                       | <b>31</b>       |
| <b>2.8</b>       | Approved O&M Expenses – FY25   | <b>32</b>       |
| <b>2.9</b>       | Approved Depreciation for FY25                                       | <b>33</b>       |
| <b>2.10</b>      | Interest on Loan Capital for FY25 AEQUS SEZs' Submission             | <b>34</b>       |
| <b>2.11</b>      | Approved Interest on Loan for FY25                                   | <b>35</b>       |
| <b>2.12</b>      | Allowable Normative Interest on Excess Equity for FY25               | <b>35</b>       |
| <b>2.13</b>      | Interest on Working Capital for FY24                                 | <b>36</b>       |
| <b>2.14</b>      | Approved Interest on Consumer Security Deposits for FY25             | <b>37</b>       |
| <b>2.15</b>      | Approved Return on Equity for FY25                                   | <b>38</b>       |
| <b>2.16</b>      | Approved ARR for FY25  | <b>39</b>       |
| <b>2.17</b>      | Average Cost of Supply   | <b>40</b>       |
| <b>2.18</b>      | ARR for FY25   | <b>41</b>       |
| <b>2.19</b>      | Approved Retail Supply Tariff of AEQUS SEZ for FY25                  | <b>41</b>       |

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION****No.16C-1. Miller Tank Bed Area, Vasanthnagar****BENGALURU - 560 052****Dated 28<sup>th</sup> February 2024****Present:**

|                           |              |                 |
|---------------------------|--------------|-----------------|
| <b>Shri P. Ravi Kumar</b> | <b>.....</b> | <b>Chairman</b> |
| <b>Shri M.D.Ravi</b>      | <b>.....</b> | <b>Member</b>   |

**ORDER**

**In the matter of Approval of ARR for FY23 as per APR, Approval of Revised ARR and Retail Supply Tariff for FY25 in respect of AEQUS SEZ Private Limited.**

**1. Background:**

M/s AEQUS Special Economic Zone Private Limited, (herein after referred to as AEQUS SEZ) is situated at Hattargi Village, Hukeri Taluk, Belagavi District. M/s AEQUS SEZ is a deemed licensee in terms of the GoI Notification dated 03.03.2010 issued by Ministry of Commerce, GoI and has filed an Application for approval revised ARR for FY23 due to Annual Performance Review, approval of revised ARR and Retail Supply Tariff for FY25, 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 26 approved units and seven units pertaining to common facility 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 220/110/11 kV Substation at AEQUS SEZ by the KPTCL is initiated in June 2020 and expected to be commissioned by September 2022.

## 3. Consumers' Profile:

| Apr-22 to March-23      |  |                       |                                |
|-------------------------|--|-----------------------|--------------------------------|
| SI No                   | Unit   | Contract Demand (KVA) | Energy Consumption Units (KWH) |
| <b>Industrial Units</b> |  |                       |                                |
| 1                       | Aerospace Processing India Pvt Ltd               | 820                   | 3,390,748                      |
| 2                       | Aerostructure Manufacturing India Pvt Ltd Unit 1 | 650                   | 3,701,775                      |
| 3                       | Aerostructure Manufacturing India Pvt Ltd Unit 2 | 1,000                 | 5,308,787                      |
| 4                       | Aequs Private Ltd Unit 2                         | 200                   | 539,915                        |
| 5                       | Aequs Private Ltd Unit 3                         | 150                   | 1,900,846                      |
| 6                       | Aequs Private Ltd Unit 4                         | 325                   | 487,083                        |
| 7                       | Quest Global Engineering Service Pvt Ltd         | 200                   | 212,588                        |
| 8                       | VP Aero Solutions Pvt Ltd                        | 80                    | 123,212                        |
| 9                       | UFI Filters India Pvt Ltd                        | 275                   | 454,535                        |

|  |  |              |                   |
|--|--|--------------|-------------------|
| 10   | SFS Group India Private Limited (Formerly Indo Schottle) | 750          | 2,820,905         |
| 11   | Squad Forging India Pvt Ltd                              | 1,500        | 2,175,700         |
| 12   | Aerostructure Assemblies India Pvt Ltd                   | 150          | 211,130           |
| 13   | Aequs Engineered Plastic Pvt Ltd                         | 700          | 3,430,635         |
| 14   | Appollo Aerospace components India Pvt Ltd               | 8            | 4,213             |
| 15   | All Metal Service India Pvt Ltd                          | 215          | 75,400            |
| 16   | Aerostructure Manufacturing India Pvt Ltd Unit 3         | 200          | 1,000,331         |
| 17   | Aerospace Processing India Pvt Ltd Unit-2                | 250          | 284,303           |
| 18   | Purosil Performance Hose LLP                             | 450          | 417,440           |
| 19   | Latecoere India Private Limited                          | 450          | 424,720           |
| 20   | Aequs Force Consumer Products Pvt Ltd                    | 750          | 3,298,398         |
| 21   | Aubert Duval & Engineering India Pvt Ltd                 | 50           | 11,576            |
| 22   | Inspiron Enterprises                                     | 5            | 205               |
| 23   | Sandvik Asia India Pvt Ltd                               | 5            | 33                |
| 24   | Unique Tooling Solutions Pvt Ltd                         | 5            | 39                |
| 25   | Walter Tools India Pvt Ltd                               | 5            | 69                |
| 26   | Sankamthai   | 10           | 14,884            |
| <b>Total (A) #26</b>                           |  | <b>9,203</b> | <b>30,289,469</b> |
| <b>Common Facility</b>                         |  |              |                   |
| 1  | ASEZ - Administrative block                              | 200          | 343,395           |
| 2  | ASEZ - Security and Custom office block                  | 20           | 72,525            |
| 3  | ASEZ - Canteen and OHC Block                             | 20           | 112,737           |
| 4  | ASEZ - Sewage Treatment Plant                            | 50           | 126,010           |
| 5  | ASEZ - Substation 2 ( Auxillary consumption)             | 25           | 15,201            |
| 6  | ASEZ - Municipal Utility                                 | 50           | 260,761           |
| 7  | ASEZ - Office Space                                      | 25           | 127,770           |
| <b>Total (B) #7</b>                            |  | <b>390</b>   | <b>1,058,398</b>  |
| <b>Construction Facilities</b>                 |  |              |                   |
| <b>Total (C) Consumers #0</b>                  |  |              | -                 |
| <b>Total 33 Consumers for FY23 (A)+(B)+(C)</b> |  |              |                   |
|  |  | <b>9,593</b> | <b>31,347,867</b> |

#### 4. Background for filing the Tariff application:

The Commission in its Order dated 4<sup>th</sup> April, 2022 had approved revised ARR under APR for FY21, revised ARR for FY23 and had determined retail supply tariff for FY23. AEQUS SEZ Pvt. Ltd., has filed its application on 28.11.2023 for Annual Performance Review (APR) for FY23 and Approval of revised ARR thereon, approval of ARR and Revision of retail supply tariff for FY25. The Commission, in its letter dated 20<sup>th</sup> December, 2023 communicated the preliminary observations. The replies to the preliminary observations have been filed on 29<sup>th</sup> December, 2023.

In its application the AEQUS has made the following prayer:

1. Pass appropriate orders on the APR filed for FY23. Aequs would like to request that as part of the true-up, if KERC, increases/decreases the power purchase rate above Rs.7.2457 per KWh for FY23 as well as any other expenditures then the entire charges on account of such change should be considered in arriving at the ARR for FY25.
2. Consider the ARR for FY25 and request Hon'ble Commission to accept the proposed reduction in tariff to our consumers and pass necessary orders.
3. Consider the tariff proposal detailed in the Chapter-13, and approve appropriate tariff, duly considering submission made by Aequs for FY25, considering following,
  - a. In the event of any change in Power Purchase rate from INR 7.2457 per KWh (as approved by commission for FY24 tariff order dated 12<sup>th</sup> May 2023), the same must be passed on to consumers.
  - b. Revisit methodology towards calculating power purchase cost with inclusion of low-cost power sources, the benefit of which has been deprived to our consumers in comparison to any other industrial consumers in the state.
  - c. FAC that might be approved by KERC during FY25 will be a pass-through cost. Hence it is neither considered as revenue (Refer D2) nor as expenditure (refer D1) in the FY25 ARR filed by Aequs.
  - d. 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 for true up.
  - e. On the RPO related power sourcing obligation, additional 50 paise per unit over and above normal tariff has been considered for ARR. Any revision in the aforementioned additional 50 paise per unit being charged over and above the normal tariff rate for RPO related power sourcing obligation has to be passed on to the consumers by considering in the ARR for FY25. Further any change in aforementioned additional per unit rate owing to the RPO obligation occurring after the Tariff Order date would be brought before the Hon'ble Commission in the APR for true up.

4. Pass appropriate orders for the ARR for FY25 as detailed in Chapter 7 and Chapter 8 and read with submission made in chapter 9.
5. Condone any errors, omissions, and deletions in the petition as well as past delays & omissions, if any, and give a chance to provide any other necessary information as deemed fit by the Commission
6. Pass appropriate order on the application made by Aequs SEZ.

**5. Acceptance of Applications and Publication of Notices:**

The Commission, vide its letter dated 2<sup>nd</sup> January, 2024, informed the AEQUS that, its application filed on 28.11.2023, for APR for FY23, approval of ARR and determination of retail supply tariff for FY25 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 4<sup>th</sup> and 5<sup>th</sup> January, 2024, in The New Indian Express and Kannada Prabha respectively.

**6. Public consultation Process:**

As part of the 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 stakeholders on the Tariff application filed by AEQUS SEZ for FY25.

The Commission did not receive any written objection from the Consumers/ stakeholders.

The consumers of AEQUS who were present during the public hearing held on 20.02.2023 via Video Conference, did not raise any objection on the tariff Petition filed by AEQUS SEZ, before the Commission.



## CHAPTER – 1

### ANNUAL PERFORMANCE REVIEW FOR FY23

#### 1.1 AEQUS's Application for APR for FY23:

AEQUS has filed its application for Annual Performance Review (APR) for FY23 and determination of revised ARR and retail supply tariff for FY25 on 28<sup>th</sup> November, 2023. AEQUS has sought the Commission's approval for its revised ARR as per Annual Performance Review (APR) for FY23 based on the Audited Accounts.

The Commission, in its Tariff Order dated 4<sup>th</sup> April, 2022, had approved the revised ARR along with Retail Supply Tariff for FY23.

The Commission, in its letter dated 20<sup>th</sup> December, 2023 had communicated the preliminary observations on the application. AEQUS has furnished the replies to the preliminary observations on 26<sup>th</sup> December, 2023.

The Annual Performance Review of AEQUS for FY23, as per the provision of MYT Regulations and based on its audited accounts, and details submitted is discussed in this Chapter.

#### AEQUS's Submission:

AEQUS, based on the Audited Accounts, has submitted its proposals for revision of ARR as per APR for FY23 as tabulated below:

**TABLE – 1.1**  
**APR for FY23 – AEQUS's Submission**

Amount in Rs. Crores

| Sl. No. | Particulars            | As approved in TO 04.04.2022 | As Filed |
|---------|------------------------|------------------------------|----------|
| 1       | Energy @ IF Point      | 25.976                       | 32.667   |
| 2       | Sales                  | 25.402                       | 31.348   |
| 3       | Distribution Loss (MU) | 0.574                        | 1.319    |
| 4       | Distribution Loss in % | 2.21                         | 4.04     |
|         | <b>Revenue:</b>        |                              |          |

| Sl. No. | Particulars  | As approved in TO 04.04.2022 | As Filed      |
|---------|--|------------------------------|---------------|
| 5       | Revenue from sale of power                             | 20.426                       | 27.15         |
|         | <b>Expenditure :</b>                                   |                              |               |
| 6       | Power Purchase Cost                                    | 17.088                       | 23.06         |
| 7       | Employee Cost  | 1.632                        | 0.72          |
| 8       | Repairs & Maintenance                                  |                              | 0.25          |
| 9       | Admin. & General Expenses                              |                              | 0.70          |
| 10      | <b>Total O&amp;M Expenses</b>                          | <b>1.632</b>                 | <b>1.67</b>   |
| 11      | Depreciation   | 0.360                        | 0.38          |
| 12      | Interest on Loans                                      | 0.201                        | 0.31          |
| 13      | Interest on Working capital                            | 0.365                        | 0.48          |
| 14      | Interest on consumer deposits                          | 0.110                        | 0.10          |
| 15      | Less: Expenses capitalised                             | 0.00                         | 0.00          |
| 16      | Return on Equity                                       | 0.119                        | 0.38          |
| 17      | Less: Other Income                                     | -0.020                       | 0.00          |
| 18      | Carry Forward Deficit of APR for FY21                  | -0.106                       | 0.00          |
| 19      | Regulatory Assets as per T.O dated 04.11.2022 for FY22 | 0.465                        | 0.00          |
| 20      | <b>Net ARR</b>   | <b>20.426</b>                | <b>26.380</b> |
| 21      | <b>Surplus/ Deficit</b>                                | <b>0.00</b>                  | <b>0.77</b>   |

AEQUS in its application, has reported a surplus in revenue of Rs.0.77 Crores, considering the revenue of Rs.27.15 Crores from supply of power against a net ARR of Rs.26.380 Crores, for FY23 and requested to carry forward the same to revised ARR for FY25.

**The item-wise review of revenue and expenditure and the decisions of the Commission thereon, are as discussed in the following paragraphs:**

## 1.2 Sales for FY23:

The Commission, in its Tariff Order 2022, had approved sales of 25.402 MU for FY23. The actual sales as per the current filing is 31.348 MU, indicating increase in sales of 5.946 MU with respect to the approved sales. AEQUS has stated that there is increase in consumption by consumers except UFI filters, SFS Group India, Aero Space Processing India and that there is increase in contract demand by one consumer.

The Commission directed AEQUS to furnish the actual data consumer wise of the contract demand and the energy consumed for the last 3-years (FY20 to FY23).

The AEQUS has furnished the above data.

The Commission has noted the reply furnished by AEQUS SEZ. In view of the above, the Commission decides to approve actual sales of 31.348 MU for the year FY23.

### 1.3 Distribution Losses for FY23:

AEQUS in its application, has submitted that it has been sourcing its energy requirement from HRECS through 11 KV feeder lines emanating from KPTCL's 110/11kV station at Hattargi Village, through double circuit evacuation line. Hence, distribution losses in the AEQUS distribution system consist of two components:

- Evacuation loss in the distribution line from IF point at Hattaragi 110 KV sub-station to AEQUS campus;
- Distribution losses in the AEQUS Internal distribution network, inside the campus.

AEQUS, in its application has reported the actual distribution losses of 4.04% as against the approved loss of 2.21% for FY23. AEQUS has further submitted that, the distribution losses in the evacuation lines from IF points situated at KPTCL substation at Hattaragi to AEQUS SEZ campus, based on the meter readings, is 3.49% and the distribution losses within AEQUS SEZ area of operation is 0.57%. AEQUS, in its annual accounts, has reported the distribution losses of 4.04% for FY23 as follows:

|                                   |         |
|-----------------------------------|---------|
| Energy at Interface Points in MU  | 32.6672 |
| Energy at AEQUS Campus meter      | 31.5282 |
| Distribution Loss in Units (MU)   | 1.139   |
| Evacuation losses in %            | 3.487%  |
| Energy at AEQUS campus in MU      | 32.5282 |
| Sales to consumers in MU          | 31.3479 |
| Distribution losses in units (MU) | 0.1803  |
| Distribution Loss in %            | 0.5719% |
| Total distribution loss           | 4.04%   |

### Commission's Analysis and Decisions:

The Commission has noted that the actual distribution losses of 4.0386% reported by AEQUS SEZ, includes the losses in the evacuation line from IF Point

situated at KPTCL sub-station at Hattaragi to SEZ area of operation at 3.487% and the actual internal distribution loss within the AEQUS SEZ area of operation at 0.5719%. The Commission in its Order dated 4<sup>th</sup> April, 2022, had fixed a distribution loss target of 2.21%. The actual loss of 4.0386% achieved during FY23 is in excess of the distribution loss target set by the Commission by 1.8286%. The Commission notes that, AEQUS SEZ has not submitted any justification for having achieved higher distribution loss during FY23. The Commission directs AEQUS SEZ to strive hard to achieve the distribution losses within the approved level so as to reduce the burden on the consumers. Since the volume of power handled by AEQUS SEZ is very less with in the SEZ area, the Commission decides to recognize the distribution loss of 4.0386% for FY23. The Commission further direct AEQUS SEZ to study and analyze the reasons for higher achieving higher distribution losses during FY23 and submit the report to the Commission. The Commission has decided not to impose any penalty on the actual achievement of loss targets for FY23, as the Commission has not fixed any upper or lower limits while fixing the distribution loss targets in the previous years.

#### **1.4 Capex for FY23:**

AEQUS in its Petition, has submitted that it has incurred an amount of Rs.1.71 Crores of capital expenditure during FY23. The Commission notes that AEQUS SEZ has incurred the capital expenditure for extension of RCC cable trench to tap the 220kV substation power, construction of new control room and supply and laying of HT cables to RMU units, consequent to the construction of 220/110/11 kV substation by KPTCL at AEQUS SEZ campus. Accordingly, the Commission decides to approve the capex of Rs.1.71 Crores incurred by AEQUS SEZ for FY23.

#### **1.5 Power Purchase for FY23:**

AEQUS, in its Petition, has reported that it had purchased the total quantum of 32.6672 MU at the IF points of HRECS at a cost of Rs.23.06 Crores as against the approved power purchase of 25.976 MU at a cost of Rs.17.088 Crores for FY23.

The Commission notes that AEQUS had purchased 27.186 MU at the cost of Rs.20.204 Crores from HRECS by including Rs.1.25 Crores additional power purchase cost as per the Tariff Order dated 04.04.2022 to be paid to HRECS as per the approved APR for FY21 and 5.481 MU at the cost of Rs.2.86 Crores purchased under short term open access as against the total power purchase cost of Rs.17.088 Crores approved for FY23.

The Commission has considered the total power purchase cost of the State excluding Hydro power for computing the total power purchase cost while approving the ARR for FY23. The Commission has adopted the same approach for the determination of power purchase cost for the purpose of APR for FY23, which is detailed below:

**TABLE – 1.2**  
**Power Purchase Cost for FY23**

| Particulars   | Energy in MU | Total Cost- Rs. Crores | Weighted average Cost (Rs. Per units) |
|---|--------------|------------------------|---------------------------------------|
| Approved State total power Purchase and cost                  | 73492.13     | 44435.3856             | 6.046                                 |
| Less: KPC & Other Hydro                                       | 14761.32     | 1904.923               | 1.290                                 |
| State PP cost excluding Hydro as per actuals                  | 58730.81     | 42530.46               | 7.242                                 |
| Add: Trading Margin, Energy handling and Grid support charges |              |                        | 0.25                                  |
| <b>PP cost at Interface Point per unit</b>                    |              |                        | <b>7.4916</b>                         |

Based on the above computations, the power purchase cost for the purchase of 27.186465 MU by AEQUS SEZ from HRECS at IF points work out to Rs.20.3670 Crores at Rs.7.4916 per unit and for the purchases of 5.4807 MU under STOA for Rs.2.85 Crores as against the total approved cost of Rs.17.088 Crores for FY23. The actual power purchase cost incurred by AEQUS SEZ as per audited accounts by excluding Rs.1.25 Crores of the difference in power purchase cost approved to paid to HRECS as per Tariff Order dated 04.04.2022 is Rs.21.8034 Crores for FY23. AEQUS SEZ is required to pay the difference in the power purchase cost of Rs.1.4135 Crores to HRECS as worked out below:

|   |              |
|---|--------------|
| State Average cost of Power purchase excluding Hydel power  | 7.2416       |
| Add: Trading Margin, Energy handling and Grid support charges and transmission Loss in Rs. Per unit | 0.25         |
| PP cost at Interface Point (Tr. Loss-2.99 %) in Rs. Per unit  | 7.4916       |
| Actual Power purchase at IF Points in MU from HREC's  | 27.186465    |
| PP Cost to AEQUS in Rs. Crores  | 20.367       |
| Power purchase cost accounted as per audited accounts in Rs. Crores                                 | 18.953       |
| <b>Difference in Power Purchase cost to be paid to HRECS in Rs. Crores</b>                          | <b>1.414</b> |

Thus, the Commission decides to consider the approved power purchase quantum of 32.667 MU at IF points at a cost of Rs.23.217 Crores for the purposes of APR of FY23.

#### 1.6 RPO Compliance for FY23:

AEQUS has submitted that it has complied the RPO for FY23 as per the extant Regulations. The Commission had observed that as per Table-14 the total energy procured under short-term is 5.48 MU whereas in Table at page-22 it is indicated as 4.91 MU. Also in Table-14, the power procured from G-DAM is 0.571MU whereas at page-22 the same is indicated as 0.6457 MU. The data shall be reconciled with the audited accounts and the AEQUS shall furnish the documents for having procured energy from IEX, both renewable and non-renewable. AEQUS shall also furnish the documents for having procured 535 numbers of RECs.

The AEQUS SEZ has requested the Commission to consider the following energy purchase at interface point from sources other than HRECS:

| Sl. No. | Sources of Purchase               | Energy in MU's |
|---------|-----------------------------------|----------------|
| 1       | IEX Power under STOA- Brown Power | 4.910          |
| 2       | IEX Power under STOA- Green Power | 0.571          |
|         | Total                             | 5.481          |

Further, it is clarified that the G-DAM energy procured at regional periphery is 0.6457 MU and at interface point of AEQUS SEZ it would be 0.571 MU. AEQUS

SEZ has also furnished a copy of REC certificate for having purchased 535 Non-solar RECs. Thus, AEQUS SEZ has purchased 1106 MWh (after rounding of) of green energy to comply with the RPO (22.50%) of 1105 MWh (after rounding of).

AEQUS SEZ has complied with the RPO for FY23 for the power procured from open access source. Further, as HRECS has complied with RPO for FY23, AEQUS SEZ as per the extant Regulations has complied with RPO for FY23 to the extent of power procured from HRECS.

In view of the above, the Commission decides that AEQUS SEZ has complied with RPO for FY23.

### 1.7 Operation and Maintenance Expenses:

AEQUS SEZ, in its Petition, has claimed Rs.1.67 Crores as against Rs.1.632 Crores as approved by the Commission towards O&M expenses for FY23. Accordingly, AEQUS in its application has sought the approval for the actual O&M expenditure of Rs.1.67 Crores for FY23, as follows:

**TABLE - 1.3**  
**O&M Expenses for FY23–AEQUS submission**

| Amount in Rs. Crores    |             |
|-------------------------|-------------|
| Employee Expenses       | 0.72        |
| Repairs & Maintenance   | 0.25        |
| A&G expenses            | 0.70        |
| <b>O&amp;M expenses</b> | <b>1.67</b> |

The Commission notes that, the actual O&M expenses incurred by AEQUS as per the bifurcated audited accounts is Rs.1.67 Crores for FY23.

However, the Commission, while approving the O&M expenses for ESCOMs and SEZ (deemed licensee) proceeds with the determination of normative O&M expenses based on the twelve-Year data of WPI and CPI in accordance with the provisions of MYT Regulations and the methodology adopted earlier. Thus, 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 FY23 is computed as follows:

**TABLE – 1.4**  
**Computation of Rate of Inflation**

| Year  | WPI   | CPI   | Composite Series | $Y_t/Y_1=R_t$ | $\ln R_t$ | Year (t-1) | Product $[(t-1) * (\ln R_t)]$ |
|---|-------|-------|------------------|---------------|-----------|------------|-------------------------------|
| 2011  | 98.2  | 66.5  | 72.84            |               |           |            |                               |
| 2012  | 105.7 | 72.7  | 79.30            | 1.09          | 0.08      | 1          | 0.08                          |
| 2013  | 111.1 | 80.6  | 86.70            | 1.19          | 0.17      | 2          | 0.35                          |
| 2014  | 114.8 | 85.7  | 91.52            | 1.26          | 0.23      | 3          | 0.68                          |
| 2015  | 110.3 | 90.8  | 94.70            | 1.30          | 0.26      | 4          | 1.05                          |
| 2016  | 110.3 | 95.3  | 98.30            | 1.35          | 0.30      | 5          | 1.50                          |
| 2017  | 114.1 | 97.6  | 100.90           | 1.39          | 0.33      | 6          | 1.96                          |
| 2018  | 118.9 | 102.4 | 105.70           | 1.45          | 0.37      | 7          | 2.61                          |
| 2019  | 121.2 | 110.2 | 112.40           | 1.54          | 0.43      | 8          | 3.47                          |
| 2020  | 121.8 | 116.3 | 117.40           | 1.61          | 0.48      | 9          | 4.30                          |
| 2021  | 135.0 | 122.0 | 124.60           | 1.71          | 0.54      | 10         | 5.37                          |
| 2022  | 151.3 | 129.2 | 133.62           | 1.83          | 0.61      | 11         | 6.67                          |
| A= Sum of the product column  |       |       |                  |               |           |            | 28.04                         |
| B= 6 Times of A   |       |       |                  |               |           |            | 168.22                        |
| C= (n-1) *n*(2n-1) where n= No of years of data=12  |       |       |                  |               |           |            | 3036.00                       |
| D=B/C   |       |       |                  |               |           |            | 0.06                          |
| g (Exponential factor) = Exponential (D)-1  |       |       |                  |               |           |            | 0.056973                      |
| <b>e=Annual Escalation Rate (%) =g*100</b>  |       |       |                  |               |           |            | <b>5.6973</b>                 |
| As per CERC Notification No. Eco T I / 2023-CERC dated 06.04.2023 with weightage of 80% on CPI and 20% on WPI |       |       |                  |               |           |            |                               |

Following aspects have been considered by the Commission while determining the normative O & M expenses for FY23:

- The actual O & M expenses of the base year as per the audited accounts for FY22.
- The two years compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per the audited accounts up to FY23 at 1.55%.
- The weighted inflation index (WII) at 5.6973% as computed above.
- Efficiency factor at 0.5% as considered in the earlier control periods.



Thus, the normative O&M expenses for FY23 are computed as follows:

**TABLE - 1.5**  
**Allowable O&M Expenses for FY23**

| Amount in Rs. Crores   |              |
|--|--------------|
| Particulars  | FY23         |
| No. of Installations   | 33           |
| 3- year CAGR   | 1.55%        |
| Weighted Inflation Index                                     | 5.6973%      |
| Base Year actual O&M Cost (as per audited accounts for FY22) | 1.43         |
| $O\&M\ Index = O\&M\ (t-1) * (1 + WII - X)$                  | 1.526        |
| Actuals as per audited accounts and claimed by AEQUS         | 1.67         |
| <b>Allowable O&amp;M expenses for FY23</b>                   | <b>1.526</b> |

The O&M costs are controllable expenses as per the MYT Regulations. The Commission notes that the actual O&M expenses of Rs.1.67 Crores incurred by AEQUS SEZ is more than the normative allowable O&M expenses of Rs.1.526 Crores. The Commission as per the MYT Regulations decide to allow the O&M expenses of Rs.1.526 Crores for FY23.

**Thus, the Commission decides to allow the normative O&M expenses of Rs.1.526 Crores for FY23.**

## 1.8 Depreciation:

AEQUS in its Petition, has claimed an amount of Rs.0.38 Crores towards depreciation as against an approved depreciation of Rs.0.36 Crores for FY23. AEQUS in its Petition, has submitted that for computing the depreciation, it has considered the rates notified as per Annexure – III of CERC notification of 2009 as the basis for calculation of depreciation. For each asset a residual value of 10% is considered on the value of asset.

For computing the allowable depreciation for FY23, the Commission has considered the Gross Fixed Assets of AEQUS SEZ as per its audited accounts and the details furnished under D-8 and D-15 formats. Thus, the allowable depreciation for FY23 is computed as under:

**TABLE – 1.6**  
**Allowable Depreciation for FY23**

Amount in Rs. Crores

| Particulars                   | Opening Balance of Asset as on 01.04.2022 | Depreciation for FY23 | Closing Balance of Asset as on 31.03.2023 |
|-------------------------------|---|-----------------------|---|
| Buildings                     | 1.74                                      | 0.060                 | 2.28                                      |
| Vehicle                       | 0.08                                      | 0.000                 | 0.08                                      |
| Plant & Machinery             | 4.57                                      | 0.213                 | 4.57                                      |
| Line, Cable Network           | 1.37                                      | 0.092                 | 2.54                                      |
| Furniture                     | 0.00                                      | 0.00                  | 0.00                                      |
| Office Equipment              | 0.03                                      | 0.00                  | 0.03                                      |
| Software - Tangible Assets    | 0.04                                      | 0.010                 | 0.04                                      |
| Land                          | 0.37                                      | 0.000                 | 0.37                                      |
| <b>Total</b>                  | <b>8.20</b>                               | <b>0.380</b>          | <b>9.91</b>                               |
| <b>Allowable depreciation</b> |   |                       | <b>0.380</b>                              |

**Thus, the Commission decides to allow depreciation of Rs.0.380 Crores for FY23.**

### **1.9 Interest on Capital loan:**

AEQUS in its Petition, has claimed an amount of Rs.0.31 Crores towards interest on capital loans by including Rs.0.22 Crores towards interest on normative loans for the excess equity amount over and above 30% of total Gross Fixed Assets.

AEQUS SEZ has informed that it has taken loan from Cosmos Bank & Canara Bank for meeting the capital expenditure. The opening balance of debt component is Rs.1.21 Crores and Nil balance of Closing debt for FY23. Accordingly, the actual interest on capital loan as per the audited accounts is Rs.0.09 Crores for FY23.

AEQUS, in its filing has stated that as per MYT Regulations, debt-equity norm considered at 70% of gross block as funded from debt and normative interest is allowed on the debt portion of the capital expenditure if no borrowings are made and debt components of the projects are funded through internal

resources. Hence, AEQUS has requested the Commission to allow the interest of Rs.0.22 Crores on normative loans also for FY23.

The Commission notes that as per the bifurcated audited accounts of the licensed activity of AEQUS, the opening balance of loans is Rs.1.21 Crores and the closing balance is Rs. Nil for FY23. The repayment of capital loan is indicated as Rs.1.21 Crores for FY23. Considering the interest on capital loan claimed by AEQUS of Rs.0.09 Crores, the weighted average rate of interest on capital loan works out to 14.88% for FY23, which is comparatively higher than the normative rate of interest.

The Commission notes that, AEQUS SEZ had availed the capital loan originally at 15% and later on brought down to 13% by restructuring of loans. Even after restructuring of the loan, the rate of interest is on the higher side as compared with the capital loans availed by the ESCOMs and other deemed distribution licensee in the State.

The Commission by considering the prevailing MCLR rates which is lesser than the interest rate at which the AEQUS SEZ has availed the capital loans and which would be lesser than the present weighted average interest rate of 14.88%. Thus, the Commission as per the provisions of the MYT Regulations, has decided to recognize the rate of interest at 9.30% (7.30% + 200 basis points) for computation of interest on the average capital loan amount for FY23 as under:

**TABLE – 1.7**  
**Allowable Interest on Capital Loans for FY23**

| Amount in Rs. Crores                         |              |
|--|--------------|
| Particulars                                  | FY23         |
| Opening balance of Capital Loans             | 1.21         |
| Add: New Loans                               | 0.00         |
| Less : Repayments                            | 1.21         |
| Total loan at the end of the year            | 0.00         |
| Average Capital Loan                         | <b>0.605</b> |
| Interest Rate in % (7.30% + 200 basis point) | 9.30%        |
| <b>Allowable Interest on Capital Loans</b>   | <b>0.056</b> |

As regards normative interest for the excess equity over 30% of Gross Fixed Assets, the Commission notes that considering opening GFA at Rs.8.16 Crores, 30% of the GFA works out to Rs.2.45 Crores. The Commission also notes that the opening balance of equity of AEQUS SEZ as per bifurcated audited account is at Rs.3.27 Crores. Accordingly, equity in excess of 30% GFA works out to Rs.0.82 Crores and the allowable normative interest on excess equity over 30% of GFA is as under:

**TABLE – 1.8**  
**Allowable Normative Interest on Excess Equity for FY23**

| Amount in Rs. Crores |   |               |
|----------------------|---|---------------|
| Sl.No.               | Particulars   | FY23          |
| 1                    | Opening Balance of GFA  | 8.16          |
| 2                    | 30% OF GFA (Eligible for allowance)   | 2.45          |
| 3                    | 70% of GFA (Eligible for allowance of capital loan)                           | 5.71          |
| 4                    | Opening Balance of equity   | 3.27          |
| 5                    | Equity in excess of 30% of GFA (4-2)  | 0.82          |
| 6                    | <b>Allowable Normative Interest on excess equity over 30% of GFA at 9.30%</b> | <b>0.0764</b> |

**Thus, the Commission decides to approve the total interest on loan of Rs.0.133 Crores inclusive of allowable normative interest on excess equity for FY23.**

#### **1.10 Interest on Working Capital:**

AEQUS, in accordance with the Regulations, has computed and claimed normative interest on working capital of Rs.0.48 Crores, as against Rs.0.365 Crores approved by the Commission, for FY23.

The Commission notes that as per the bifurcated audited accounts, AEQUS SEZ has not availed any working capital loan and interest thereon during FY23. However, AEQUS SEZ has computed the normative interest on working capital of Rs.0.48 Crores at the interest rate of 10.25%. Thus, for computing the normative interest on working capital, the Commission as per the provisions of MYT Regulations has considered the weighted average interest rate or the MCLR of one year plus 250 basis points whichever is less, which works out to

9.50%. Hence, the Commission as per the MYT Regulations decides to allow the interest on working Capital loans as under:

**TABLE – 1.9**  
**Allowable Interest on Working Capital for FY23**

| Amount in Rs. Crores  |              |
|---|--------------|
| Particulars   | FY23         |
| One-twelfth of the amount of O&M Expenses   | 0.127        |
| Stores, materials and supplies 1% of Opening balance of GFA                         | 0.082        |
| One-sixth of the Revenue  | 4.525        |
| Total Working Capital   | 4.734        |
| Rate of Interest (% p.a.) (7.00% + 250 Basis Points)                                | 9.50%        |
| Allowable Normative Interest on working capital                                     | 0.45         |
| Interest on working capital claimed by AEQUS  | 0.48         |
| Actual Interest on Working Capital incurred   | 0.00         |
| <b>Allowable Interest on Working Capital as per MYT norms (50% of Rs.0.45 Crs.)</b> | <b>0.225</b> |

**Thus, the Commission decides to allow Rs.0.225 Crores towards interest on working capital for FY23.**

#### **1.11 Interest on Consumers' Security Deposits:**

AEQUS SEZ in its Petition, has claimed an amount of Rs.0.10 Crores as against Rs.0.110 Crores as approved by the Commission towards payment of interest on consumers' security deposits for FY23.

The Commission as per the audited accounts of AEQUS, considers the opening and closing balance and the amount of interest on consumers' security deposits for FY23. The interest on consumer deposits is computed as per the KERC (Interest on Consumers' Security Deposit) Regulations, 2005, as per the bank rate prevailing as on the 1<sup>st</sup> of April of the relevant year. The Commission further notes that, as per the bifurcated audited accounts AEQUS SEZ has incurred Rs.0.10 Crores towards interest on consumer security deposits for FY23. Thus, the Commission by considering the bifurcated audited accounts the allowable interest on consumers' security deposits by reckoning the bank rate of 4.25% as on 1<sup>st</sup> April, 2022, is Rs.0.10 Crores for FY23.

**Thus, the Commission decides to allow an amount of Rs.0.10 Crores towards interest on consumers' security deposits for FY23.**

The total allowable interest and finance charges for FY23 are as follows:

**TABLE – 1.10**  
**Allowable Interest and Finance Charges**

Amount in Rs. Crores

| Sl. No. | Particulars   | FY23         |
|---------|---|--------------|
| 1       | Interest on Loan capital including normative interest | 0.133        |
| 2       | Interest on working capital                           | 0.225        |
| 3       | Interest on consumers' security deposits              | 0.100        |
|         | <b>Total interest and finance charges</b>             | <b>0.458</b> |

### 1.12 Return on Equity:

AEQUS, in its application, has claimed the Return on Equity of Rs.0.38 Crores as against Rs.0.119 Crores as approved by the Commission by restricting its claim on the equity to 30% of opening balance of Gross Fixed Assets for FY23.

#### Commission's Analysis and Decisions:

The Commission takes note of the opening balance of net equity as per the bifurcated audited accounts of the AEQUS SEZ for FY23. AEQUS SEZ, while claiming the RoE, has considered the opening balance of net equity of Rs.3.27 Crores by reckoning the accumulated loss of Rs.2.84 Crores for FY23. However, AEQUS SEZ has claimed RoE of Rs.0.38 Crores on 30% of the opening balance of GFA of Rs.2.46 Crores for FY23. The Commission as per the bifurcated audited accounts has reckoned the opening balance of net equity and the GFA. As per the provisions of the MYT Regulations, by considering the actual balance of net equity and GFA as per the bifurcated audited accounts of the licensed activity of AEQUS, computed the allowable ROE for FY23 as under:

**TABLE – 1.11**  
**Allowable Return on Equity**

Amount in Rs. Crores

| Particulars  | FY23  |
|--|-------|
| Opening balance of Share Capital   | 6.11  |
| Opening balance of accumulated deficit under Reserves and Surplus              | -2.84 |
| Opening balance of Net Equity  | 3.27  |
| Normative Equity at 30% of the opening GFA (OB: GFA Rs. 8.16 Crores)           | 2.448 |
| Equity in excess of 30% of GFA   | 0.822 |
| Eligible Equity to allow ROE at 30% of Opening GFA                             | 2.448 |
| Allowable RoE at 15.50% on the 30% of GFA<br>( $2.448 \times 15.50\%$ )<br>100 | 0.379 |

Thus, the Commission decides to allow Return on Equity of Rs.0.379 Crores for FY23.

#### 1.13 Income Tax:

The AEQUS in its Petition, has not claimed income tax / MAT for FY23. Hence, the Commission has not allowed any tax for FY23.

#### 1.14 Other Income:

AEQUS in its Petition, has not claimed other income for FY23. Hence, the Commission has not allowed the other income for FY23.

#### 1.15 Abstract of Approved ARR for FY23:

As per the above item-wise decisions of the Commission, the consolidated statement of ARR for FY23 is as follows:

**TABLE –1.12**  
**Approved ARR for FY23 as per APR**  
Amount in Rs. Crores.

| Particulars  | As<br>Approved<br>T.O. dated<br>04.04.2022 | As<br>filed   | As per<br>APR<br>FY23 |
|--|--|---------------|-----------------------|
| Energy at IF Point in MU   | 25.976                                     | 32.667        | 32.667                |
| Sales in MU  | 25.402                                     | 31.348        | 31.348                |
| Distribution Loss (MU)   | 0.574                                      | 1.319         | 1.319                 |
| Distribution Loss in %   | 2.21%                                      | 4.04%         | 4.04%                 |
| <b>Revenue:</b>  |  |               |                       |
| Revenue from Sale of Power   | <b>20.426</b>                              | <b>27.150</b> | <b>27.150</b>         |
| <b>Expenditure:</b>  |  |               |                       |
| Power Purchase Cost  | <b>17.088</b>                              | 23.06         | 23.217                |
| O&M Expenses   | 1.632                                      | 1.670         | 1.526                 |
| Depreciation   | 0.360                                      | 0.375         | 0.380                 |
| Interest on Loan Capital   | 0.201                                      | 0.31          | 0.133                 |
| Interest on Working Capital  | 0.365                                      | 0.48          | 0.225                 |
| Interest on Consumers' security Deposit                                | 0.110                                      | 0.10          | 0.100                 |
| (Less) Expenses Capitalised  | 0.000                                      | 0.00          | 0.000                 |
| Return on equity   | 0.119                                      | 0.38          | 0.379                 |
| Regulatory Assets as per T.O dated 04.11.2022 for FY22 / Carrying cost | 0.465                                      | 0.00          | 0.000                 |
| <b>Less: Other Income</b>  | 0.020                                      | 0.00          | 0.000                 |
| Carry Forward Deficit of APR for FY21                                  | (-)0.106                                   | 0.00          | 0.000                 |
| <b>Net ARR</b>   | <b>20.426</b>                              | <b>26.38</b>  | <b>25.955</b>         |
| <b>Surplus for FY23</b>  | <b>0.000</b>                               | <b>0.77</b>   | <b>1.195</b>          |

**1.16 Revenue from Sale of Power:**

AEUQS SEZ in its application has factored Rs.27.15 Crores as revenue from sale of power to its consumers for FY23. The Commission notes that, as the bifurcated audited accounts the revenue earned by sale of power to consumers is Rs.27.15 Crores for FY23. Thus, the Commission decides to consider Rs.27.15 Crores as revenue from sale of power for FY23.

**1.17 Surplus in Revenue for FY23:**

As against an approved ARR of Rs.20.426 Crores, the Commission, after the Annual Performance Review of AEQUS SEZ, decides to allow the revised ARR of Rs.25.955 Crores for FY23. Considering the revenue from sale of power of Rs.27.150 Crores, surplus of Rs.1.195 Crores is determined for the year FY23. The Commission decides to carry forward this surplus of Rs.1.195 Crores to the ARR of FY25, as discussed in the subsequent Chapter of this Order.



## CHAPTER – 2

### ANNUAL REVENUE REQUIREMENT FOR FY25

#### AEQUS SEZ's Application:

#### 2.1 Annual Revenue Requirement (ARR) for FY25:

AEQUS in its application dated 29<sup>th</sup> November, 2023, has requested the Commission for determination of revised ARR and Retail Supply Tariff for FY25. The summary of the proposed revised ARR for FY25 is as follows:

**TABLE – 2.1**  
**ARR for FY25– AEQUS Proposal**

Amount in Rs. Crores

| Particulars                                 | As Approved<br>as per T. O<br>04.04.2022 | As Filed      |
|---|--|---------------|
| Energy @ IF Point (MU)                      | 30.127                                   | 32.846        |
| Sales (MU)                                  | 29.599                                   | 32.269        |
| Distribution Loss in %                      | 1.75                                     | 1.46          |
| <b>Revenue From Sale of Power</b>           | <b>25.266</b>                            | <b>25.950</b> |
| <b>Expenditure:</b>                         |  |               |
| Power Purchase Cost                         | 19.975                                   | 21.930        |
| Employee Expenses                           |  | 0.840         |
| R&M Expenses                                | 1.952                                    | 0.310         |
| A&G Expenses                                |  | 0.980         |
| Depreciation                                | 0.419                                    | 0.500         |
| Interest on Capital Loan                    | 0.174                                    | 0.220         |
| Interest on Working Capital                 | 0.425                                    | 0.460         |
| Interest on Consumer Deposit                | 0.110                                    | 0.200         |
| RoE   | 0.119                                    | 0.520         |
| Less : Other Income                         | (-)0.040                                 | 0.000         |
| <b>Total ARR</b>                            | <b>23.134</b>                            | <b>25.960</b> |
| Carried forward Surplus /(-)Deficit of FY23 | <b>0.000</b>                             | <b>0.780</b>  |
| <b>Net ARR</b>                              | <b>23.134</b>                            | <b>25.180</b> |
| <b>NET Surplus/Deficit (-) for FY25</b>     | <b>2.132</b>                             | <b>0.770</b>  |

AEQUS in its filing has projected revenue from sale of power of Rs.25.950 Crores and the revised ARR of Rs.25.180 Crores for FY25, and projected the revenue surplus of Rs.0.77 Crores for FY25. AEQUS in its prayer has requested the following:

- a) In the event of any change in the power purchase rate from Rs.7.2457 per kWh, the same may be passed on to consumers;
- b) Revisit methodology towards calculating power purchase cost with inclusion of low-cost power sources;
- c) FPPC is a pass through cost. Hence, it is neither considered as a revenue or nor as expenditure in the ARR filed by AEQUS for FY25;
- d) If during the actual STOA bidding process, the bid price revises, then the revised STOA PP cost would be submitted to the Commission during APR for true-up.
- e) Any revision in the green energy tariff has to be passed on to the consumers by considering in the ARR for FY25.

#### **Treatment of Revenue gap/surplus for FY23:**

AEQUS SEZ in its filing, has projected a revenue surplus of Rs.0.77 Crores as per APR for FY23 and has requested the Commission that, if there are any net increases/decreases in the cost, then the entire charges on account of such change may be carry forward to the ARR for FY25.

The Commission has approved the revenue surplus of Rs.1.195 Crore for FY23 in accordance with the MYT Regulations, as discussed in the previous chapter and has decided to carry forward the surplus of FY23 to the ARR of FY25.

## 2.2 Determination of ARR for FY25:

The analysis of the expenses and revenue and the decisions of the Commission on each of the expenditure and revenue proposed by AEQUS SEZ for FY25 are discussed below:

## 2.3 Capital Investment Plan:

AEQUS SEZ in its filing, has projected the revised capital expenditure of Rs.1.06 Crores for FY25. AEQUS has projected the capex requirement considering the required enhancement of distribution system to cater to the new consumers and to facilitate evacuation of the power from the proposed 2 MW SRTPV plant.

The Commission notes the AEQUS proposed revised capex of Rs.1.06 Crores as against the Commission approved capex of Rs.1.00 Crores as per Tariff Order dated 04.04.2022 to carry out the capital works for FY25. The Commission opines that investment is required to cater to the needs of new consumers by enhancement of capacity and capability to provide reliable quality and quantity energy requirements and to evacuate power from the proposed installation of 2 MW SRTPV to minimize the power purchase cost to the consumers. Considering the requirement of capital investment within the area of AEQUS SEZ and the amount of capex incurred during the previous year, the Commission decides to recognize the capex of Rs.1.06 Crore for FY25.

## 2.4 Sales Estimate for FY25:

AEQUS has submitted that to develop realistic forecast for future years, it has involved consumers seeking their energy needs. Based on the estimate provided by the consumers and the present consumption pattern, sales for various consumers are normalized. Based on above, AEQUS has estimated sales of 33.269 MU for FY25.

**The Preliminary observations of the Commission on sales estimates are as follows:**

- (i) The Commission had observed that at Table-27 the number of installations under industrial and allied category is indicated as 29 numbers whereas as per Table-28, only 28 installations have been considered, indicating the contract demand. This shall be rectified.

AEQUS SEZ in their replies as submitted that under industrial and allied category 29 numbers indicated is wrong and has requested the Commission to consider the same as 28 numbers

- (ii) AEQUS has submitted that Global events like Russia- Ukraine War and also the events in middle-east, have impacted the Indian Aero Industry. With interaction with the consumers, realistic forecast for energy for the year FY25 is estimated, which is almost flat compared to FY24 consumption, as there is no substantial capacity addition from existing consumers. The Commission had observed that for FY25, the sales estimated is 32.27MU when compared to 31.66MU estimated for FY24 indicating a growth rate of 1.93%. AEQUS shall furnish the working details for arriving at the above growth rate. AEQUS shall also clarify as to whether the above growth rate is applied individually to each consumer or different growth rates is considered for each consumer.

AEQUS SEZ has submitted that the estimates are judiciously done interacting with the consumers. Further, it is clarified that CAGR is not applied individually to each consumer.

The Commission has noted the replies furnished by AEQUS SEZ. For estimating the sales for FY25, the Commission has considered the lower of the estimates based on CAGR and FY23 growth over FY22, consumer-

wise. Based on the above, the Commission approves 33.092 MU as the sales for FY25 for AEQUS SEZ as against the proposal of 33.269 MU by AEQUS SEZ.

## 2.5 Distribution Losses:

AEQUS in its filing, has submitted that it is drawing power from 2 separate feeders emanating from Hattargi sub-station. The total distribution loss of AEQUS SEZ network, consists of two parts:

- Evacuation line loss: From IF point at Hattargi 110 KV Substation to AEQUS SEZ campus
- Distribution Loss in the internal distribution system within AEQUS SEZ campus

AEQUS SEZ has informed that the evacuation line loss will cease to exist upon commissioning of 220/110/11KV substation at AEQUS Campus which is assumed to be commissioned from FY25. Hence, evacuation line loss has been not factored in computation of distribution losses for FY25.

Further, AEQUS SEZ has submitted that the distribution loss is calculated based on the difference of actual reading at the meter installed at AEQUS Campus and the total sale of energy to the entities in SEZ campus. The actual internal distribution loss projected for FY25 is 1.76% as under:

**TABLE - 2.2**  
**Voltage-wise distribution loss for FY25**  
**AEQUS SEZ submissions**

| Particulars                                       | In (%)       |
|---|--------------|
|   | FY 24        |
| Projected Sales from AEQUS SEZ                    | 32.269       |
| AEQUS SEZ Internal distribution loss @1.55% in MU | 0.57         |
| Total Power Procurement at IF Point (MU)          | 32.846       |
| Total distribution loss for AEQUS                 | <b>1.76%</b> |

The Commission takes note of the distribution losses projected by the AEQUS SEZ for FY25. The Commission notes the AEQUS SEZ submission in availing power supply from the IF points of KPTCL's 220 KV sub-station situated within the SEZ campus from FY25, as against the existing system of power procurement. Thus, the Commission decides to approve the distribution losses of 1.76% as proposed by AEQUS SEZ for FY25.

## **2.6 Power Purchase cost:**

### **AEQUS SEZ's Submission:**

AEQUS in its filing, has claimed Rs.21.930 Crores towards purchase of 32.846 MU at the IF points for FY25. AEQUS has submitted that the SEZ has planned to procure power from KPTCL new 220 KV/110/11 KV sub-station constructed within the AEQUS SEZ campus and hence there will be only internal distribution losses calculated on the basis of actual reading at the meter installed at 220 KV station gantry and total sale of energy to consumers within the SEZ campus.

AEQUS has projected the total power procurement of 32.846 MU for FY25. For the purpose of arriving at the power purchase cost, AEQUS has considered the power procurement of 20.953 MU at the approved tariff of Rs.7.246 per unit from HRECS and 11.893 MU under Short-term Open Access at the rate of Rs.5.676 per unit. Thus, AEQUS has projected the total power purchase cost of Rs.21.93 Crores for the total projected power procurement of 32.846 MU for FY25. AEQUS has planned to set up captive solar rooftop meet energy requirement. AEQUS has projected the power purchase for FY25 as under:

**TABLE – 2.3**  
**Power Purchase Quantum and Cost for the period FY25**  
**AEQUS Submission**

| Particulars                           | Units     | FY25          |
|---------------------------------------|-----------|---------------|
| Energy Sales                          | In MUs    | 32.269        |
| Distribution loss                     | %         | 1.76%         |
| Power Purchase at IF points           | In MUs    | 32.846        |
| <b>Estimated Power purchase costs</b> | In Crores | <b>21.930</b> |

### Commission's Analysis and Decision:

The Commission notes that, AEQUS SEZ has proposed to procure power from KPTCL's 220KV/110/11 KV sub-station situated within the SEZ campus as against the existing system of procurement of power. Hence, AEQUS SEZ is require to procure power from HESCOM at the power purchase rate approved by the Commission by entering in Power Supply Agreement. For the use of transmission network of KPTCL, AEQUS SEZ has to enter into transmission agreement with KPTCL and payment of transmission charges directly to KPTCL at the rate approved by the Commission.

The Commission, in accordance with the methodology adopted in the Tariff Order dated 30th May 2019, and the 4<sup>th</sup> April, 2022 has considered the State's total purchase cost excluding the Hydro power and KPTCL transmission charges as the basis to arrive at the average cost of power to be delivered by HESCOM at the IF point for the procurement of power from HESCOM.

Further, AEQUS SEZ has to pay the transmission charges to the transmission capacity at the rate as approved by the Commission to KPTCL, and SLDC charges to SLDC besides payment to the proposed procurement of 11.893 MU power under Open Access for FY25.

Accordingly, the computation of power purchase cost for FY25 is computed and shown in the following tables:

**TABLE - 2.4**  
**Power Purchase Cost for FY25**  
**(As per State approved PP cost excluding Hydro)**

| Particulars  | Energy in MU | Cost Rs. Crores | Weighted Average PP cost Rs./ Unit |
|--|--------------|-----------------|------------------------------------|
| Approved State total power Purchase and cost   | 82551.31     | 52037.872       | 6.304                              |
| Less:  | 13275.31     | 1882.51         | 1.418                              |
| KPC & Other Hydro  |              |                 |                                    |
| State PP cost excluding Hydro  | 69276.00     | 50155.362       | 7.2399                             |
| Less: KPTCL Transmission Charges   |              | 6148.27         | 6.352                              |
| Add: Trading Margin , Energy handling and Grid support charges including for the transmission loss component |              | 44007.092       | 6.352<br>0.250                     |
| <b>PP cost at Interface Point</b>  |              |                 | <b>6.6024</b>                      |

**TABLE - 2.5**  
**Total approved Power Purchase cost for FY25**

| Particulars   | Energy in MU | Cost per unit Rs./unit | Power Purchase Cost in Rs.Crores |
|---|--------------|------------------------|----------------------------------|
| Approved Power Purchase from HESCOM                                       | 21.792       | 6.6024                 | 14.388                           |
| Approved Power Purchase from Short Term Open Access including Green Power | 11.893       | 5.6714                 | 6.745                            |
| KPTCL Transmission charges on 20 MVA (17 MW) (6148.27 / 31287X17)         |              |                        | 3.3407                           |
| SLDC charges on 20 MVA (17 MW) (39.60/31287)x17                           |              |                        | 0.0215                           |
| <b>Total approved power purchase quantum and cost at IF points</b>        |              | <b>33.685</b>          | <b>24.4952</b>                   |



As per the approved quantum of sales, the distribution losses and the power purchase at IF Point of AEQUS SEZ and the power purchase rate computed as above, the total power purchase cost for FY24 is worked out to Rs.24.495 Crores for FY25.

**Thus, the Commission decides to approve total power purchase cost of Rs.24.495 Crores for 33.685 MU of energy delivered to AEQUS SEZ by HESCOM and under Open Access at IF points for FY25.**

## 2.7 O&M Expenses:

AEQUS SEZ in its filing, has claimed the O&M expenses of Rs.2.13 Crores as against Rs.1.952 Crores approved by the Commission in Tariff Order dated 04.04.2022 for FY25 as under:

**TABLE – 2.6**  
**O&M Expenses for FY25**

| S. No. | Particulars                   | Amount incurred in FY25 (in Rs. Crores) |
|--------|-------------------------------|---|
| 1      | Employee Expenses             | 0.84                                    |
| 2      | R&M Expenses                  | 0.31                                    |
| 3      | A&G Expenses                  | 0.98                                    |
| 4      | <b>Total O&amp;M Expenses</b> | <b>2.13</b>                             |

### Commission's Analysis and Decision:

The Commission notes the submission made by AEQUS SEZ in claiming O&M expenses of Rs.2.13 Crores for FY25.

The Commission, in accordance with the provisions of MYT Regulations, in its Tariff Order dated 04.04.2022, had determined the normative O&M expenses for FY24, based on the 12 Year data of WPI and CPI. Thus, based on the provisions of MYT Regulations, the Commission 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 FY25 is computed as follows:

**TABLE – 2.7**  
**Computation of Inflation Index**

| Year   | WPI    | CPI    | Composite Series | Yt/Y1=Rt | Ln Rt | Year (t-1) | Product [(t-1)* (LnRt)] |
|--|--------|--------|------------------|----------|-------|------------|-------------------------|
| 2011   | 98.20  | 66.50  | 72.84            |          |       |            |                         |
| 2012   | 105.70 | 72.70  | 79.30            | 1.09     | 0.08  | 1          | 0.08                    |
| 2013   | 111.10 | 80.60  | 86.70            | 1.19     | 0.17  | 2          | 0.35                    |
| 2014   | 114.80 | 85.70  | 91.52            | 1.26     | 0.23  | 3          | 0.68                    |
| 2015   | 110.30 | 90.80  | 94.70            | 1.30     | 0.26  | 4          | 1.05                    |
| 2016   | 110.30 | 95.30  | 98.30            | 1.35     | 0.30  | 5          | 1.50                    |
| 2017   | 114.10 | 97.60  | 100.90           | 1.39     | 0.33  | 6          | 1.96                    |
| 2018   | 118.90 | 102.40 | 105.70           | 1.45     | 0.37  | 7          | 2.61                    |
| 2019   | 121.20 | 110.20 | 112.40           | 1.54     | 0.43  | 8          | 3.47                    |
| 2020   | 121.80 | 116.30 | 117.40           | 1.61     | 0.48  | 9          | 4.30                    |
| 2021   | 135.00 | 122.00 | 124.60           | 1.71     | 0.54  | 10         | 5.37                    |
| 2022   | 151.30 | 129.20 | 133.62           | 1.83     | 0.61  | 11         | 6.67                    |
| A= Sum of the product column   |        |        |                  |          |       |            |                         |
| B= 6 Times of A  |        |        |                  |          |       |            |                         |
| C= (n-1)*n*(2n-1) where n= No of years of data=12  |        |        |                  |          |       |            |                         |
| D=B/C  |        |        |                  |          |       |            |                         |
| g(Exponential factor)= Exponential (D)-1   |        |        |                  |          |       |            |                         |
| e=Annual Escalation Rate (%)=g*100   |        |        |                  |          |       |            |                         |
| <b>As per CERC Notification No. Eco T 2 (Old SBD) / 2023-CERC dated 05.10.2023 with weightage of 80% on CPI and 20% on WPI</b> |        |        |                  |          |       |            |                         |

While determining the normative O&M expenses for FY25, the Commission has considered the following aspects:

- The actual O & M expenses of Rs.1.43 Crores as per the audited accounts for FY22, as the base for arriving at the base year O&M expenses for FY24 and FY25.
- Three-year compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per the

audited accounts up to FY22 and as projected by the Commission for FY24 and FY25.

- c) The weighted inflation index (WII) at 5.6973% as computed above.
- d) Efficiency factor at 0.5% as considered in the earlier Tariff Orders.

Based on the above said parameters, the Commission has computed the O&M expenses for FY25 in the following table:

**TABLE – 2.8**  
**Approved O & M Expenses-FY25**

| Amount in Rs. Crores                            |              |
|---|--------------|
| Particulars                                     | FY25         |
| No. of Installations                            | 37           |
| 2 year CAGR of Consumers                        | 4.96%        |
| Inflation                                       | 5.6973%      |
| Base Year O&M Cost (As per the actuals of FY22) | 1.43         |
| O&M Index= $O\&M_{(t-1)} * (1+WII-X)$           | <b>1.836</b> |
| O&M filed and claimed by AEQUS SEZ              | 2.13         |
| <b>Allowable O&amp;M expenses</b>               | <b>1.836</b> |

The Commission, in accordance with the provisions of the MYT regulations, has computed the normative allowable O&M expenses, of Rs.1.836 Crores as against Rs.2.13 Crores as claimed by AEQUS for FY25. However, the O&M expenses being controllable expenses, the Commission as per the MYT provisions has decided to allow the normative allowable O&M expenses of Rs.1.836 Crores for FY25.

**Thus, the Commission decides to approve the O&M expenses of Rs.1.836 Crores for FY25.**

## 2.8 Depreciation:

AEQUS SEZ in its filing, has claimed Rs.0.50 Crore as against Rs.0.419 Crores as approved by the Commission towards depreciation for FY25.

### Commission's Analysis and Decision:

The Commission, in accordance with the MYT Regulations, has considered the opening and closing balance of GFA and the amount of depreciation charged as per the bifurcated audited accounts of AEQUS SEZ's license activity for FY23 and the data as furnished under Format D-8 for FY25. The Commission has considered the additional categorization of assets of Rs.1.61 Crores on the basis of Opening Balance work in progress and new capex approved for FY25.

Accordingly, the allowable depreciation has been determined by the Commission, duly considering the data of assets as per audited accounts of AEQUS SEZ for FY23 and on the additional assets on the reckoned capex as made out in per paras for FY25 as detailed below:

**TABLE – 2.9**  
**Approved Depreciation for FY25**

Amount in Rs. Crores

| Particulars                             | Depreciation |
|---|--------------|
| Buildings                               | 0.068        |
| Plant & Machinery                       | 0.247        |
| Line, Cable Network                     | 0.158        |
| Furniture                               | 0.00         |
| Office Equipment                        | 0.00         |
| Software                                | 0.010        |
| Land                                    | 0.00         |
| <b>Total</b>                            | <b>0.483</b> |
| Less Depreciation Consumer Contribution | 0.000        |
| <b>Allowable Depreciation</b>           | <b>0.483</b> |

Thus, the Commission decides to approve the depreciation amount of Rs.0.483 Crores for FY25.

### 2.9 Interest on loans:

AEQUS SEZ, in its filling, has claimed Rs.0.22 Crores as against Rs.0.174 Crores as approved by the Commission towards interest on capital loan for FY25. AEQUS

SEZ has not proposed any interest on capital loan and on new borrowings for FY25. AEQUS SEZ has submitted that the normative loan at 70% of CAPEX has been considered for computation of interest on loan capital at 10% per annum for FY25.

The interest on loan claimed by the AEQUS SEZ for FY25 is as follows:

**TABLE – 2.10**  
**Interest on Loan Capital for FY 25**  
**AEQUS SEZs' Submission**

| Amount in Rs. Crores |   |             |
|----------------------|---|-------------|
| Sl. No.              | Particulars                                       | FY 25       |
| 1                    | Interest on Term Loan                             | 0.00        |
| 2                    | Interest on Normative Loan – exceeding 30% of GFA | 0.22        |
|                      | <b>Total</b>                                      | <b>0.22</b> |

#### **Commission's Analysis and Decision:**

The Commission notes that as per the bifurcated audited accounts of AEQUS SEZ, the closing balance of capital loan is nil as on 31.03.2023, and hence not proposed interest on capital loan for FY24. AEQUS has not proposed any new borrowings of capital loan for FY25. The Commission has made out in pre paras by considering the capex programme of capex of AEQUS SEZ has reckoned Rs.1.06 Crores as capital expenditure for FY25. Thus, for the computation of interest on loan capital, the Commission has considered Rs.0.74 Crores as new loans for FY25. The Commission has considered Rs.0.067 Crores as repayment during FY25. Further, the Commission as per the provisions of MYT Regulation has considered latest MCLR rate 8.85% interest on term loan for more than 3 years along with 200 basis points. Thus, interest on capital loans works out to be 10.85% for FY25.

The Commission has worked out the allowable interest on the capital loans for FY25, which is as under:

**TABLE – 2.11**  
**Approved Interest on Loan for FY25**

| Amount in Rs. Crores  |              |
|---|--------------|
| Particulars   | FY25         |
| Long term secured & unsecured loans                               | 0.48         |
| Add: New Loans  | 0.74         |
| Less: Repayments  |              |
| Total loan at the end of the year                                 | 0.067        |
| Average Loan  | 1.15         |
| Interest rate allowed for existing loans (%)                      | 10.60%       |
| Interest rate allowed for new loans (%) (8.85 + 200 basis points) | 10..85%      |
| <b>Allowable Interest on loan</b>                                 | <b>0.088</b> |

In addition, the Commission as per the provisions of MYT Regulations, has computed the interest on normative loan basis on the excess of equity over 30% of Gross Fixed Assets for FY25 as under:

**TABLE – 2.12**  
**Allowable Normative Interest on excess equity for FY25**

| Amount in Rs. Crores                               |              |
|--|--------------|
| Particulars  | FY25         |
| Opening balance of GFA                             | 10.62        |
| 30% of GFA (Eligible for allowance of RoE)         | 3.186        |
| Opening balance of Equity                          | 5.63         |
| Equity in excess of 30% of GFA (3-2)               | 2.444        |
| Allowable interest in % (8.85% + 200 Basis Points) | 10.85%       |
| <b>Allowable normative interest</b>                | <b>0.265</b> |

**Thus, the Commission decides to approve the total interest on capital loans inclusive of normative interest of Rs.0.353 Crores for FY25.**

## **2.10 Interest on Working Capital Loan:**

AEQUS SEZ in its filing, has claimed Rs.0.46 Crores at the interest rate of 10% per annum as against Rs.0.425 Crores as approved by the Commission towards the interest on working capital for FY25.

### Commission's Analysis and Decisions:

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, spares at 1% of opening GFA and two month's revenue receivables. The Commission as per the provisions of MYT Regulation decides to allow the interest on working at 11.15% per annum by considering latest notified MCLR rates of SBI for the short term loan of 1-year term at 8.65% along with 250 basis points. The approved interest on working capital loans is as follows:

**TABLE – 2.13**  
**Approved Interest on Working Capital – FY25**  
Amount in Rs. Crores

| Particulars   | FY 25        |
|---|--------------|
| One-twelfth of the annual amount of O&M Expenses            | 0.1530       |
| Stores, materials and supplies 1% of Opening balance of GFA | 0.1062       |
| One-sixth of the Revenue                                    | 4.338        |
| <b>Total Working Capital</b>                                | <b>4.597</b> |
| Rate of Interest (% p.a.) (8.65% + 250 Basis Points)        | 11.15%       |
| <b>Interest on Working Capital</b>                          | <b>0.513</b> |

Accordingly, the Commission decides to allow the normative interest on working capital of Rs. 0.513 Crores for FY25.

### 2.11 Interest on Consumer Security Deposits:

AEQUS SEZ in its filing has claimed Rs.0.20 Crores at the rate of 4% per annum on the projected opening balance of consumer security deposit of Rs.4.94 Crores for FY25 as against Rs.0.11 Crores towards interest on Consumer Security Deposits for FY25.

### Commission's analysis and decisions:

In accordance with the KERC (Interest on Security Deposit) Regulations, 2005, the interest rate on consumer security deposit to be allowed is the bank rate prevailing on the 1<sup>st</sup> of April of the financial year for which interest is due. As per the latest Reserve Bank of India notification the bank rate is 6.75%. The Commission has considered the same for computation of interest on consumer security deposits for FY25.

The Commission notes that, as per the audited accounts the closing balance of consumer security deposit is Rs.2.58 Crores for FY23. The same closing balance of consumer security deposit of FY23 has been considered as opening balance for FY25 for computing the interest on consumer security deposits for FY25, which is as under:

**TABLE – 2.14**  
**Approved Interest on Consumer Security Deposits for FY25**

| Amount in Rs. Crores                                 |       |
|--|-------|
| Particulars  | FY25  |
| Opening Balance of Consumer Deposits as per Accounts | 2.58  |
| Rate of Interest Allowed                             | 6.75% |
| <b>Allowable Interest on Consumer Deposit</b>        | 0.174 |

**Thus, the Commission decides to allow the interest on Consumer Security Deposits of Rs.0.174 Crores for FY25.**

### 2.12 Return on Equity (RoE):

AEQUS SEZ in its filing has claimed the return on equity (RoE) of Rs.0.520 Crores for FY25. AEQUS has calculated the RoE at 15.5% of 30% of GFA of Rs.3.35 Crores for FY25.



AEQUS has submitted that due to disallowance of certain actual expenses like interest on loan, O&M expense etc., AEQUS has not been able to realize full return on its equity. AEQUS has therefore requested the Commission to consider return on "Equity Base" without considering the accumulated losses so that 15.5% return on equity is realized.

AEQUS SEZ has submitted that taxes on income are calculated on the book profit at 21.55%. However, AEQUS has not recognized any taxes in the financials as there is a deficit for both FY23 and FY24, which will be offset by the losses carried forward from those years and has not claimed any amount of current tax charges for FY25.

### Commission's Analysis and Decision:

The Commission, in accordance with the provisions of the MYT Regulations, has considered 15.5% of Return on Equity.

The Commission notes that, as per the audited accounts of AEQUS SEZ's licensed activity for FY23, the opening balance of share capital is Rs.6.620 Crores and the opening balance of deficit under reserve and surplus is Rs.0.990 Crores for FY25. Thus, the opening balance of net equity is Rs.5.63 Crores. The Commission has considered the opening balance of Gross Fixed Assets of Rs.10.62 Crores in allowing the RoE for FY25. Accordingly, the Commission decides to approve the allowable RoE for FY25 as detailed in the following table:

**TABLE – 2.15**  
**Approved Return on Equity for FY25**

| Amount in Rs. Crores                                       |              |
|--|--------------|
| Particulars  | FY25         |
| Opening balance of Share Capital                           | 6.620        |
| Opening balance of Accumulated deficit                     | 0.990        |
| Net Equity at the beginning of the year                    | 5.630        |
| Eligible 30% of GFA to allow the maximum RoE (10.62 x 30%) | 3.186        |
| Equity in excess of 30% of GFA (5.630 – 3.186)             | 2.44         |
| <b>Allowable RoE at 15.5%</b>                              | <b>0.494</b> |

Thus, the Commission decides to approve RoE of Rs.0.494 Crores, for FY25.

### 2.13 Other Income:

AEQUS SEZ in its filing, has not indicated any amount towards as Other Income for FY25. Thus, the Commission decides not to allow any amount under other income for FY25.

### 2.14 Abstract of Approved ARR for FY25

Based on the above analysis and decision of the Commission, the net approved ARR for FY25 is as follows:

**TABLE – 2.16**  
**Approved ARR for FY25**

| Particulars                           | Amount in Rs. Crores                     |                        |                |
|---------------------------------------|--|------------------------|----------------|
|                                       | As Approved<br>as per T.O.<br>04.04.2022 | As Filed<br>29.11.2023 | As<br>Approved |
| Energy at IF points in MU             | 30.127                                   | 32.846                 | 33.685         |
| Energy Sales in MU                    | 29.599                                   | 32.269                 | 33.092         |
| Distribution losses in %              | 1.75%                                    | 1.76%                  | 1.76%          |
| Power Purchase Cost                   | 19.975                                   | 21.93                  | 24.495         |
| O&M Expenses                          | 1.952                                    | 2.13                   | 1.836          |
| Depreciation                          | 0.419                                    | 0.50                   | 0.483          |
| Interest on Capital Loan              | 0.174                                    | 0.22                   | 0.353          |
| Interest on Working Capital           | 0.425                                    | 0.46                   | 0.513          |
| Interest on Consumer Security Deposit | 0.110                                    | 0.20                   | 0.174          |
| RoE                                   | 0.119                                    | 0.52                   | 0.494          |
| Less: Other Income                    | (-)0.04                                  | 0.000                  | 0.000          |
| Surplus of FY23 carried forward       | <b>0.000</b>                             | <b>0.78</b>            | <b>-1.195</b>  |
| <b>Net ARR</b>                        | <b>23.134</b>                            | <b>24.180</b>          | <b>27.153</b>  |

**2.15 Average Cost of Supply:****TABLE – 2.17****Average Cost of Supply**

| Year | Approved Net ARR<br>Rs. Crores | Sales(MU) | Average Cost of Supply Rs.<br>per unit |
|------|--------------------------------|-----------|--|
| FY25 | 27.153                         | 33.092    | 8.205                                  |

**2.16 Revenue:**

AEQUS SEZ has indicated revenue of Rs.25.95 Crores from the estimated sale of 32.269 MU for FY25, at the existing retail supply tariff approved by the Commission for FY25.

The Commission has considered the revenue at Rs.26.030 Crores at existing tariff for the approved sale of 33.092 MU for FY25.

**2.17 Surplus in Revenue**

As discussed above, the Commission has carried forward the approved net surplus of Rs.1.195 Crores, as per the APR for FY23, while approving the revised ARR of Rs.27.153 Crores for FY25, as against the AEQUS proposed ARR of Rs.25.18 Crores for FY25.

Based on the existing retail supply tariff, the total revenue realization from sale of power will be Rs.26.03 Crores, resulting in a revenue deficit of Rs.1.123 Crores as against the approved ARR of Rs.27.153 Crores for FY25.

Hence, the realizable revenue based on the revised tariff is computed as under:

**TABLE - 2.18****ARR for FY25**

| Sl No | Particulars                               | FY 25    |
|-------|---|----------|
| 1     | Approved ARR in Rs. Crores                | 27.153   |
| 2     | Approved sales in MU                      | 33.092   |
| 3     | Average cost of Supply in Rs. / Unit      | 8.204    |
| 4     | Revenue at existing tariff in Rs. Crores. | 26.030   |
| 5     | NET Deficit (-)                           | (-)1.123 |

Thus, the Commission, based on the above computations, recognizes an amount of Rs.1.123 Crores as the net deficit for FY25.

**2.18 Retail Supply Tariff of AEQUS SEZ for FY25:**

The Commission based on the above approved ARR and by considering the above facts in order to ensure full recovery of the ARR has approved the following retail supply tariff for FY25.

**TABLE – 2.19****Approved Retail Supply Tariff of AEQUS SEZ for FY25**

| Category                    | Particulars                  | Rate   |
|-----------------------------|------------------------------|--------|
| <b>HT / LT Industries</b>   | Demand Charges / KVA/Month   | 340.00 |
|                             | Energy Charges / Rs. per KWh | 6.90   |
| <b>HT / LT Construction</b> | Demand Charge / KVA/Month    | 340.00 |
|                             | Energy Charges / Rs. Per Kwh | 11.00  |
| <b>LT Common Facilities</b> | Fixed Charges / KW/Month     | 275.00 |
|                             | Energy Charges / Rs. Per KWh | 7.00   |

The terms and condition / general condition applicable to both LT and HT category as approved by the Commission in approval of retail supply tariff of HESCOM is also applicable to AEQUS SEZ consumer.

## 2.19 Wheeling Charges:

AEQUS SEZ has requested the Commission to follow the previous year methodology, as there are no OA consumers.

The Commission observed that AEQUS SEZ has segregated its cost between distribution business and retail supply business. As such AEQUS SEZ may consider working out the wheeling charges, CSS and Additional surcharge considering its own costs and furnish the same to the Commission. The additional surcharge shall be computed as per the methodology adopted by the Commission in its order dated 17.11.2023.

The AEQUS SEZ has submitted that there are no OA consumers as of now and therefore has requested to determine wheeling charges and CSS as considered by the Commission in its Tariff Order, 2023.

The Commission notes that, AEQUS SEZ has apportioned Rs.3.10 Crores to distribution business and Rs.22.09 Crores to retail supply business out of the FY25 ARR of Rs.25.18 Crores. Thus, the distribution network cost works out to 12.31% of the total ARR proposed. Further, out of the distribution network cost, AEQUS SEZ has apportioned 86% to HT and 14% to LT networks.

Considering the above allocation and approved ARR, the distribution network cost is computed as indicated below:

Thus the ARR allocated to distribution network works out to Rs. 3.49 Crores (12.31% of approved ARR of Rs.28.348 Crores). Considering the approved sales for AEQUS SEZ of 33.092 MU, the total wheeling charges works out to Rs.1.05 / unit which is allocated between HT & LT in the ratio of 86:14 as proposed by AEQUS SEZ Ltd. Accordingly, the HT wheeling charges would work out to 91 paise / unit and the LT network cost would work out to 14 paise / unit. In addition to the above considering the approved loss of 1.76% and considering the allocation as per the energy flow diagram, the HT losses shall be 1.76% and

the LT losses shall be 0.00% for the wheeling transactions (as LT consumption is negligible, the losses is treated as zero).

In view of the above, the wheeling charges for AEQUS SEZ is as indicated below:

### 2.19.1 Wheeling within AEQUS SEZ Area:

The wheeling charges to each voltage level are worked out as under:

|            | Paise/unit |
|------------|------------|
| HT-network | 91         |
| LT-network | 14         |

In addition to the above, the following technical losses are applicable to all open access/wheeling transactions:

| Loss allocation | % loss |
|-----------------|--------|
| HT              | 1.76   |
| LT              | 0.00   |

**Note:** Total loss is allocated to HT, LT & Commercial loss based on energy flow diagram furnished by HUKERI RECS.

The actual wheeling charges payable (after rounding off) will depend upon the point of injection & point of drawal as under:

| Injection point → | HT         | LT         |
|-------------------|------------|------------|
| Drawal point ↓    |            |            |
| HT                | 91(1.76%)  | 105(1.76%) |
| LT                | 105(1.76%) | 14(0.00%)  |

**Note:** Figures in brackets are applicable losses

The wheeling charges as determined above are applicable to all the open access / wheeling transactions including GEOA transactions, for using the AEQUS SEZ's network only. For Non-GEOA RE sources the charges shall be as discussed in the later paragraphs of this order.

**2.19.2 WHEELING OF ENERGY [all transactions including GEOA and excluding Non-GEOA RE sources wheeling to consumers within the State] USING TRANSMISSION NETWORK AND/OR NETWORK OF MORE THAN ONE LICENSEE**

i. If only transmission network is used [both injection and drawal at transmission network], only transmission charges including transmission losses as determined by the Commission in the KPTCL's Transmission Tariff order shall be payable to the Transmission Licensee.

ii. If the Transmission network and the AEQUS SEZ's networks are used:

a. Injection at transmission network & drawal at HT network of AEQUS SEZ:

In addition to transmission losses and AEQUS SEZ's HT technical losses, Transmission Charges shall be payable to the Transmission Licensee and HT network wheeling charges of drawal AEQUS SEZ shall be payable to the AEQUS SEZ where the power is drawn. Wheeling charges of the AEQUS SEZ where the power is drawn shall be shared equally among the ESCOMs whose networks are used, if any.

b. Injection at transmission network & drawal at LT network of AEQUS SEZ:

In addition to transmission losses and drawal AEQUS SEZ's HT & LT technical losses, Transmission Charges shall be payable to the Transmission Licensee and distribution network [LT+HT] wheeling charges of drawal AEQUS SEZ shall be payable to the AEQUS SEZ where the power is drawn. Wheeling charges of the AEQUS SEZ where the power is drawn shall be shared equally among the ESCOMs whose networks are used, if any.

- c. Injection at AEQUS SEZ's HT network & drawal at Transmission Network:

In addition to transmission losses and injection AEQUS SEZ's HT technical losses, Transmission Charges shall be payable to the Transmission Licensee and HT network wheeling charges of injection AEQUS SEZ shall be payable to the AEQUS SEZ where the power is injected. Wheeling charges of the AEQUS SEZ where the power is injected shall be shared equally among the ESCOMs whose networks are used, if any.

- d. Injection at AEQUS SEZ's LT network & drawal at Transmission Network

In addition to transmission losses and injection AEQUS SEZ's HT & LT technical losses, Transmission Charges shall be payable to the Transmission Licensee and distribution network [LT+HT] wheeling charges of injection AEQUS SEZ shall be payable to the AEQUS SEZ where the power is injected. Wheeling charges of the AEQUS SEZ where the power is injected shall be shared equally among the ESCOMs whose networks are used, if any.

- e. Inter-distribution licensee transactions [injection at HT or LT of one distribution licensee and drawal at HT or LT of other distribution licensee]:

In such cases, in addition to the distribution losses of drawal distribution licensee [both LT + HT loss irrespective of injection or drawal voltage level], distribution network charges [wheeling charges both HT+LT] of the drawal distribution licensee shall be paid to the drawal distribution licensee. Wheeling charges of the distribution licensee where the power is drawn shall be shared equally with the injection distribution licensee.



**2.19.3 Charges for Wheeling of Energy by Non-GEOA Renewable Energy (RE) Sources (Non-REC Route) to the Consumers in the State**

The separate orders issued by the Commission from time to time in the matter of wheeling and banking charges for Non-GEOA RE sources (Non-REC route) including solar power projects wheeling energy to consumers within the State shall be applicable.

**2.19.4 Charges for Wheeling Energy by Non-GEOA RE Sources Wheeling Energy from the State to a Consumer/Others Outside the State and for those opted for Renewable Energy Certificate [REC]**

In case the renewable energy is wheeled from the State to a consumer or others outside the State, the normal wheeling charges as determined in paras 2.19.1 and 2.19.2 above of this Order shall be applicable. For Captive RE generators including solar power projects opting for RECs, the wheeling charges as specified in the separate Orders issued by the Commission from time to time shall be applicable.

**2.19.5 Banking Charges for RE sources:**

Banking Charges as specified in the separate Orders issued the Commission from time to time, shall be applicable.

**2.19.6 Cross subsidy surcharge:**

Regarding the CSS, since there are no subsidised category of consumers in AEQUS SEZ, the question of levying CSS does not arise. Therefore, CSS is not determined for FY25 for AEQUS SEZ.

**2.19.7 Additional surcharge:**

The Commission has determined the ASC for AEQUS SEZ Ltd., adopting the same methodology considered for ESCOMs as follows:

Total Fixed cost as per Tariff Order 2024: Rs.11.3743 Crores

Fixed Cost recovered through Demand Charges: Rs.3.5870 Crores

Balance fixed cost embedded in energy charges: Rs.7.7873 Crores

Total energy sales by AEQUS to its consumers: 33.092 MUs

FC/unit embedded in energy charges =  $7.7873 \times 10 / 33.092 = \text{Rs.}2.35$

Thus, Rs.2.35/unit of fixed cost embedded in the energy charges is determined as the ASC. The Commission in the previous Tariff Order of ESCOMs has noted that, with more and more integration of RE sources, concessions cannot be extended forever and such concessions need to be removed fully in a phased manner. As such, the Commission decides to levy Rs.2.35/unit as the ASC for FY25 for all the OA consumers of AEQUS SEZ Ltd. However, in respect of OA consumers procuring power from RE sources, the Commission decides to levy 60% of the above ASC and after rounding off, the Commission decides to levy 141paise/unit as the ASC for FY25.

## **2.20 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 APR for FY23, and notifies the revised ARR and Retail Supply Tariff of AEQUS SEZ for FY25 as per Table 2.19 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 1<sup>st</sup> of April, 2024, 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 28<sup>th</sup> of February, 2024.**

**(P. Ravi Kumar)**  
Chairman

**(M.D. Ravi)**  
Member