AEQUS
ecosystems of efficiency

Letter No. ASEZ/2019-20/090

Date: 30th Dec 2019

To,

Karnataka Electricity Regulatory Commission,
No.16, C -1, Miller Tank Bed Area,
Vasanthanagara, Bengaluru – 560052

Kind Attention: Secretary, KERC, Bangalore.

Subject: Response to preliminary observations on APR – FY19 and ARR – FY21.

References:

1. Your Letter dated 20th Dec 2019 bearing No. KERC/B/10/19/1155
2. Our letter dated 29.11.19 Application for ARR for FY 21 and APR for FY 19

Respected Sir,

In reference to clarifications/additional information requested by your kind office through letter dated 20th Dec 2019 bearing No. KERC/B/10/19/1155, we are furnishing below the information/clarification requested.

Clarification 1: APR 19 Sales

Observations:

The Commission, in its Tariff Order dated 14.05.2018 had approved sales of 19.90 MU for FY19 against AEQUS proposal of 20.588 MU. The actual sales as per current filing is 22.134 MU indicating increase in sales of 2.234 MU with respect to the approved figures.

At page 21 & 22 of the tariff filing, AEQUS has analysed the reasons for increase in sales and has attributed the same mainly due to increased consumption by Aerospace Processing India P. Ltd., Aerostructure Manufacturing India Pvt. Ltd 1 & 2, Aequs Pvt Ltd. 4, and Aequs Engineered Plastics P. Ltd.

The Commission notes that the total Contract Demand of consumers of AEQUS as on 31.03.2019 is 9.048 MVA and as on September 2019 it is 11.648 MVA. However, at page-3 of the filing it is stated that at present power upto 6.9 MVA could be drawn and with installation of express feeder upto 10 MVA could be drawn. Even though, AEQUS is planning for establishment of a new KPTCL substation, which would take some time, it is not clear how the present CD of 11.648 MVA is being met i.e. whether there is overdrawal from the grid or AEQUS is resorting to power cuts? Hence, AEQUS shall clarify the same.

Response:

We request the Hon'ble commission to kindly refer table 37 (Page-43) and the explanation provided thereafter, wherein demand and supply gap analysis has been carried out based on the projections. As on Sept'19, MD recorded at ASEZPL's IF point is 5.82 MVA against aggregated 11.648 MVA contract demand of consumers. There is no over drawl from grid. With

Aequs SEZ Private Limited
Corporate Identity Number: U45202KA2007PTC043154

Registered Office: No. 55, Whitefield Main Road, Mahadevapura Post, Bengaluru - 560048, Karnataka, India
Corporate Office: Aequs SEZ, No. 437/A, Hattargi Village, Hukkeri Taluk, Belgaum - 591243
T: +91 0831 309 0000 F: +91 0831 309 0001
www.aequs.com

the present infrastructure demand can be met without much difficulty till March'21 and over to this AEQUS has back-up DG support system to cater if any surges.

Clarification 2: FY20 & FY21 Sales

Observations:

AEQUS in its filing has stated that the FY20 estimates are made considering the actual sales of 12.56 MU up to September 2019 and estimated sales of 13.47 MU for the next half of the year aggregating to 25.11 MU.

The Commission notes that as on September 2019, during the current year, 4 new consumers have been added, who have consumed about 0.065 MU. Further, AEQUS has stated that few major consumers have increased their consumption as they are in the process of diversification of their business activity.

Further, it is stated that the estimates for next five years is made based on the inputs provided by each consumer and anticipated growth within the campus. It is also stated that as on October 2019, twenty-eight units have registered with the SEZ and that 28 consumers would be in operation in FY20, 29 consumers in FY21, 31 consumers in FY22 and 33 consumers in FY23 & FY24.

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

Response:

As submitted in Para 6.2 Page 40 of the filing, AEQUS has judiciously approached all the consumers to understand their growth plans and energy needs and same has been reviewed and normalized with the present consumption trends for each of the consumer with best possible estimates. However, as desired, please find herewith this letter enclosed copies of the e-mails/letters from our consumers regarding their energy consumption projections for the respective years.

Clarification 2.a :

In FY21, the CD for Aequs Pvt. Ltd. Unit 4 has increased to 0.40 MVA from 0.25MVA in FY20. Similarly for Aerostructure Manufacturing India Pvt. Ltd. it has increased to 0.40 MVA from 0.30 MVA, for Aerospace processing India Pvt. Ltd U-2, it has increased to 0.35 MVA from 0.25 MVA, Aequs Force Consumer Products P Ltd has increased to 1.25 MVA from 0.75

Response:

1. Aequs Pvt Ltd Unit 4 is into business of supplying precision systems machined components for the aerospace sector. Management of APL-4 has projected a healthy orderbook leading to increased manufacturing activity & installed machine capacity in FY21 consequentially leading to an increase in CD.
2. Aerostructure Manufacturing India Pvt. Ltd Unit 3 sales for FY20 is projected to increase based on anticipated business growth and strategy towards utilisation of max. plant capacity. The CD increase has been forecasted based on the growth as factored by customer.

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3. Aerospace Processing India Pvt. Ltd Unit -2 is into aerospace surface treatments having chemical processing, surfacing enhancement and NDT capabilities. The current fully integrated modular facility has projected increase in orders in FY21 which may lead to additional sanction demand to 0.35 MVA from current 0.25 MVA.

4. Aequs Force Consumers Product Pvt Ltd is into manufacture of plastic toy products wherein Management has envisaged ramp-up in operations in FY21 which is leading to increase sanctioned demand from 0.75 MVA to 1.25 MVA.

Clarification 2.b:

Even though CD for New Unit-1, is indicated as nil, sales of 0.05 MU are considered for FY21.

Response:

We request Hon'ble Commission to kindly refer item number 22 in table 35 on Projected Contract Demand in MVA on page 42 wherein the CD has been mentioned as 0.50 MVA for New Unit I in FY21. Hence CD for the unit in consideration is 0.50 MVA against nil as noted in observations.

Clarification 2.c:

Even though the CD for Indoschottele Autoparts India Pvt. Ltd, Squad forging India Ltd., Purosil Performance Hose LLP and Latecoere India Pvt. Ltd is retained at FY20 level, the sales to these consumers have been increased in FY21.

Response:

1. Indoschottele Autoparts India Pvt. Ltd sales for FY21 is projected to increase based on anticipated business growth and strategy towards utilization of max. plant capacity. For FY20 the sanctioned demand for the unit is 0.75 MVA wherein recorded demand is 0.44 MVA. The facility is presently operating at 60% of its capacity and is expecting to achieve higher capacity utilization in coming years, which may lead to additional energy consumption with existing CD.

2. Squad forging India Pvt Ltd is into forging of small and medium sized forging components. For FY 20 the sanctioned demand for the unit is 3.0 MVA wherein recorded demand is 0.85 MVA. The facility is presently operating at 30% of its capacity and will be expected to achieve higher capacity utilisation in coming years, which may lead to additional energy consumption with existing CD. Considering this, same level of CD is retained up to FY 25 and sales been forecasted based on the inputs shared by consumer.

3. Purosil Performance Hose LLP is into off-road vehicles rubber components and hose manufacturing. They have commenced their operations in FY20 and ramp-up of operations is expected from FY21 onwards consequentially leading to the increase in energy consumption.

4. Latecoere India Pvt. Ltd is into manufacturing of wiring harness for the aerospace industry. They have commenced their operations in FY20 and ramp-up of operations is expected from FY21 onwards consequentially leading to the increase in energy consumption.

Clarification 3: Power Purchase for FY21 :

Observations:

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AEQUS SEZ, in its tariff application has stated that, during FY21 it is planning to buy short-term power from the exchange and also it has floated tenders for installing 2MW SRTPV plant and that the proposed SRTPV plant is expected to generate energy of up to 2.5MU for the full year. The delivered cost of power is expected to reduce the overall cost of power purchase of AEQUS, which can be directly passed on to the consumers.

The commission notes that as a licensee, within the framework of rules and licensing conditions, AEQUS SEZ can explore all possibilities for procuring power at reasonable rates in order to reduce the retail supply tariff to its customers. But, for the purpose of approval of ARR for FY21, the Commission has to invariably reply on facts and figures which are confirmed up/crystallized and furnished by AEQUS, in the tariff application. Since, the probable energy to be purchased from exchange and energy likely to be generated from the SRPTV and the costs thereon are not furnished in the tariff application, the commission is unable to consider a lower power purchase cost for the purpose of passing on the benefits thereon, to the consumers. In this regard, AEQUS shall submit the probable quantum and cost to enable the commission to consider the same for approving the ARR and retail supply tariff for FY21. In the absence of specific data on the sources power purchase and cost thereon, the commission would adopt the usual practice of sourcing the power from the normal source. i.e. HRECS/HESCOM.

Response:

AEQUS in its filing has considered the entire power procurement for FY 21 will be from one source i.e., HRECS/HESCOM. For FY 21, we request the Hon'ble commission to adopt the usual practice that is being followed year on year for fixing the PP cost for AEQUS. However, in case, AEQUS is able to implement any of the proposed options, during the year 20-21, the same would be proposed for true-up as PP cost APR of FY 21.

Sum and substance of whole exercise is to reduce the power purchase cost burden on our consumers, in the first year of any such initiative, it would be difficult to predict the exact quantum of power from each of the new initiates and the number of months for which it will be available, as materialization of projects depends on various external factors that are beyond the control of the licensee. In case, AEQUS is able to implement any of the proposed options, during the year 20-21, the same would be reflected in the "Overall PP cost" of AEQUS and the same would be proposed for true-up PP cost during APR of FY 21 as per the Regulations

Clarification 4: Wheeling Charges and Cross Subsidy Surcharge:

Observations:
AEQUS may consider working out the wheeling charges, CSS and Additional Surcharge considering its own costs and furnish the same to the commission.

Response:
On the above issue, we would like to bring to kind notice of Honorable Commission that at page no.72 (Chapter 11 point no. vi) we have submitted as under :-
KERC, in its order dated 30th May 2019 had passed orders, applying the Wheeling charges as determined for HRECS to Aequs also. Besides, the Cross subsidy surcharges as determined for all the ESCOMs was made applicable to AEQUS also.

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In this connection, we would like to reiterate that we are a small licensee and we do not have any consumers opting for the open access as of now. We therefore Request the Hon'ble Commission to pass the order for Wheeling charges and Cross Subsidy surcharge on similar lines considered by the KERC in May 2019 order.

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

Clarification 5: RPO Compliance:

Observations:
The AEQUS SEZ shall furnish the status of solar and non-solar RPO compliance for FY19 and the estimates of RPO to be met in FY20 and FY21 and the plan of action to meet the same in FY21.

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

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

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

Thanking you.

Yours faithfully,

For Aequs SEZ Pvt. Ltd,

Aequs SEZ Private Limited

Vikram S Annappa

(Authorized Signatory)

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