ASPEN INFRASTRUCTURES LIMITED

Survey No. 26, Village Pipaliya, Taluka: Waghodia District: Vadodara- 391 760, Gujarat, India

Inviting Objections/ suggestions on Petition of Aspen Infrastructures Limited for approval of Truing-up for FY 2016-17 determination of revised Aggregate Revenue Requirement for FY 2018-19 and tariff for FY 2018-19 for its Distribution Business at Vadodara SEZ (Petition No. 1708 /2018)

1 Executive Summary

1. The Petitioner, Aspen Infrastructures Limited (hereinafter referred to as Aspen), is a Company incorporated under the provisions of the Companies Act, 1956 having its registered office at 5th Floor, Godrej Millenium, Koregaon Park Road, Koregaon Park, Pune 411 001, Maharashtra, India.

2. Aspen has developed a sector specific SEZ for Hi-tech engineering products and related services at Village Alwa and Pipaliya, Taluka Waghodia, District Vadodara in the State of Gujarat, under Section 3 of the SEZ Act, 2005 (28 of 2005).

3. Aspen has been notified as the Developer of the SEZ by the Ministry of Commerce & Industry (Department of Commerce), Government of India, vide Notification No. S.O. 1084(E) dated July 3, 2007.

4. In accordance with the Ministry of Commerce & Industry (Department of Commerce) Notification dated March 3, 2010 and under the provisions of the Electricity Act, 2003 (EA 2003) and in view of the Hon'ble Commission's Order dated December 16, 2009 in the matter of grant of distribution licence, Aspen is a deemed Distribution Licensee in its SEZ area at Vadodara.

5. The Hon'ble Commission, vide its Order dated August 17, 2015 in suo-motu Petition No. 1446 of 2014, has reiterated the status of Aspen as a deemed licensee in the SEZ area, and directed the Secretary of the Hon'ble Commission to issue the licence to Aspen.

6. The Ministry of Commerce & Industry (Department of Commerce) had notified the areas of 100.9900 hectare, 9.6761 hectare and 4.9778 hectare vide notifications S.O.1084(E) (dated July 3, 2007), S.O.1669(E) (dated July 11, 2008), and S.O.1366(E) (dated May 27, 2009), respectively. Hence, the total notified area under the SEZ was 115.6439 hectare. Subsequently, based on a proposal from Aspen, the Ministry of Commerce & Industry (Department of Commerce), de-notified areas of 10.4241-hectare, 52.4588 hectare, and 1.2130 hectares vide its Notifications S.O.2001(E) dated August 4, 2014, S.O.2505(E) dated

September 24, 2014, and S.O.-(E) dated April 16, 2015, respectively, thereby making the resultant notified area of the SEZ as 51.5480 hectare. Aspen had submitted the map of the resultant SEZ area and SEZ notification dated April 16, 2015 issued by Ministry of Commerce & Industry, Government of India, to the Hon'ble Commission, and the Hon'ble Commission has approved the reduced licence area, in its Order in suo-motu Petition No. 1446 of 2014.

7. In accordance with the directions of the Hon'ble Commission vide its Order dated December 2, 2015 in suo-motu Petition No. 1534 of 2015, Aspen filed a Petition for approval of truing up for FY 2014-15 and provisional ARR and Tariff for FY 2016-17. The Hon'ble Commission, vide its Order dated April 4, 2016 in Case No. 1560 of 2016 determined the provisional ARR and tariff for FY 2016-17.

8. On January 18, 2017, Aspen filed a Petition under Section 62 of Electricity Act 2003, as per Regulation 16.2 of GERC (Multi Year Tariff) Regulations, 2016 [GERC MYT Regulations, 2016] for truing up for FY 2015-16, determination of Multi Year ARR for the Control Period from FY 2016-17 to FY 2020-21, and tariff for FY 2017-18. The Hon'ble Commission, vide its Order dated June 30, 2017 in Case No. 1638 of 2017 determined the Multi-Year ARR for FY 2016-17 to FY 2020-21 and tariff for FY 2017-18.

9. The current Petition is being filed as per Regulation 16.3 of GERC MYT Regulations, 2016 for truing up for FY 2016-17 and approval of revised ARR and tariff for FY 2018-19.

10. It may be noted that since the values are small, they have been represented in Rs. Lakh instead of Rs. Crore.

True up for FY 2016-17

The Hon'ble Commission, vide its Tariff Order dated June 30, 2017 in Case No. 1638 of 2017, approved the Aggregate Revenue Requirement for FY 2016-17, wherein the sales, energy balance and power purchase quantum and cost were revised, while the other components were considered at the same level as approved in the Tariff Order for Aspen. Aspen is herewith submitting the details of actual expenses and revenue for FY 2016-17 in this Petition, for truing up of the same in accordance with the GERC (Multi Year Tariff) Regulations, 2016.

The actual energy sales of Aspen were higher than that approved by the Hon'ble Commission in the Tariff Order for FY 2016-17, at 11.27 Million Units (MU) as against 10.13 MU approved by the Hon'ble Commission in the Tariff Order, as shown in the Table below:

Table 1-1: Energy Sales in FY 2016-17 (Units)

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Sales	1,01,32,800	1,12,70,698

Aspen requests the Hon'ble Commission to approve the actual energy sales as indicated above, for truing up of FY 2016-17.

The actual Energy Balance for Aspen's licence area for FY 2016-17 is given in the Table below:

Table 1-2: Energy Balance for FY 2016-17

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Energy Sales (Units)	1,01,32,800	1,12,70,698
Distribution Loss (%)	2.47%	2.30%
Distribution Loss (Units)	2,56,619	2,65,542
Energy procured (Units)	1,03,89,419	1,15,36,240

The actual distribution loss at 2.30% is lower than the approved distribution loss level of 2.47%. Aspen humbly requests the Hon'ble Commission to approve the actual distribution loss achieved by Aspen, which is lower than the approved loss levels in percentage terms.

In accordance with the request for approving the actual sales and actual distribution losses, Aspen requests the Hon'ble Commission to approve the actual power purchase quantum of 1,15,36,240 units as shown in the Table above, which is higher than the approved power purchase quantum of 1,03,89,419 units, on account of the higher actual sales.

The actual cost of power purchase from MGVCL in FY 2016-17 is summarised in the Table below:

Table 1-3: Power Purchase Cost for FY 2016-17

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Power Purchase (Units)	1,03,89,419	1,15,36,240
Power Purchase Cost (Rs. Lakh)	779.21	792.31
Cost per Unit (Rs. /kWh)	7.50	6.87

As can be seen from the above Table, the actual per unit cost of power purchase of Rs. 6.87 per kWh is lower than the rate of Rs. 7.50 per kWh approved by the Hon'ble Commission. Aspen requests the Hon'ble Commission to approve the actual power purchase cost of Rs. 792.31 lakh for FY 2016-17, for the purpose of truing up.

The Hon'ble Commission had approved O&M Expenses of Rs. 35.84 lakh in the Tariff Order. The actual O&M Expenses incurred by Aspen in FY 2016-17 are Rs. 41.65 Lakh as shown in the following Table:

Table 1-4: O&M Expenses for FY 2016-17 (Rs. lakh)

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Employee Expenses	2.75	3.85
R&M Expenses	0.79	1.64
A&G Expenses	32.30	36.16
Total O&M expenses	**35.84**	**41.65**

The major part of the A&G expenses consists of the Petition filing fees paid to the Hon'ble Commission, in accordance with the GERC (Fees, Fines & Charges) Regulations, 2005, and the remaining expenses are all justified expenses on facility management, security, consultancy fees, etc. Hence, Aspen respectfully submits that the actual A&G expenses should be allowed, as Aspen is entitled to recover the regulatory fees paid to the Hon'ble Commission, from its consumers.

Hence, Aspen requests the Hon’ble Commission to approve the actual O&M expenses of Rs. 41.65 lakh for FY 2016-17, for the purpose of truing up, as the same is uncontrollable for Aspen.

As the entire GFA of Aspen has been built up with the help of consumer contributions, Aspen has not claimed depreciation, interest on loans and return on equity, in accordance with regulatory principles, though the Accounts reflect depreciation in accordance with Accounting Principles.

Further, in FY 2016-17, no income tax was payable by Aspen even under the MAT rule, as there was a book loss shown in the Accounts for FY 2016-17. Therefore, Aspen has not considered any Income Tax for the purposes of truing up.

Interest on Security deposit received by Aspen from MGVCL has been considered as Non-Tariff Income in FY 2016-17. Further, the income from Facility Maintenance from electricity business of Rs. 41.66 lakh has also been included under the Non-Tariff Income. The actual Non-Tariff Income for FY 2016-17 is as shown in the Table below:

Table 1-5: Non-Tariff Income for FY 2016-17 (Rs. lakh)

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Non-Tariff Income	53.84	61.96

Aspen requests the Hon’ble Commission to approve the actual Non-Tariff Income for FY 2016-17, which is higher than the approved Non-Tariff Income, for the purpose of truing up.

Summary of Aggregate Revenue Requirement

In the Order dated 30 June 2017, the Hon'ble Commission had included the approved Revenue Gap after true-up of FY 2015-16, i.e., Rs. 1.48 crore, in the ARR of FY 2017-18. Hence, the same shall be claimed by Aspen in the true-up for FY 2017-18.

The ARR approved by the Hon'ble Commission in the Tariff Order for FY 2016-17 and the actual ARR for FY 2016-17 for the purpose of truing up, are given in the Table below:

Table 1-6: Aggregate Revenue Requirement for FY 2016-17 (Rs. Lakh)

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Power Purchase Expenses	779.21	792.31
O&M Expenses	35.84	41.65
Employee Expenses	*2.75*	*3.85*
R&M Expenses	*0.79*	*1.64*
A&G Expenses	*32.30*	*36.16*
Depreciation	-	-
Interest on Long Term Loan Capital	-	-
Interest on Working Capital	7.22	8.01
Income Tax	-	-
Total Revenue Expenditure	**822.27**	**841.97**
Return on Equity	-	-
Less: Non-Tariff Income	53.84	61.96
Aggregate Revenue Requirement	**768.43**	**780.01**

The actual Revenue from sale of electricity in FY 2016-17 was Rs. 780.00 lakh.
Accordingly, the following Table summarizes the Revenue Gap/(Surplus) for FY 2016-17:

Table 1-7: Revenue Gap/(Surplus) for FY 2016-17 (Rs. Lakh)

Particulars	Approved in MYT Order dated 30.06.2017	Claimed in True-Up
Aggregate Revenue Requirement	768.43	**780.01**
Revenue from sale of electricity		780.00
Revenue Gap/(Surplus)		**0.01**

Thus, the Revenue Gap for FY 2016-17 works out to Rs. 0.01 lakh. Aspen respectfully submits that the Revenue Gap has been minimised by reducing the distribution losses to 2.30% as compared to the level of 2.47% approved by the Hon'ble Commission, which enabled Aspen to reduce the quantum of power purchase and hence, the power purchase costs, which is the biggest head of ARR of Aspen.

Accordingly, Aspen requests the Hon'ble Commission to approve the above-mentioned Revenue Gap of Rs. 0.01 lakh after truing up for FY 2016-17 and allow Aspen to recover this Revenue Gap in FY 2018-19, along with the ARR of FY 2018-19.

Aspen respectfully submits that as the ARR for FY 2016-17 was approved for the combined Wires and Supply Business, the true-up for this year has to be also be undertaken in a combined manner.

Revised ARR for FY 2018-19 and Tariff for FY 2018-19

Based on the past trend of sales, the energy sales projected for FY 2018-19 is shown in the Table below:

Table 1-8: Revised Projected Energy Sales for FY 2018-19 (MU)

Particulars	Approved in MYT Order	Revised Projections
Energy Sales	11.17	12.28

Distribution Loss

Aspen has proposed the trajectory for Distribution Losses for FY 2018-19 based on the Loss trajectory approved by the Hon'ble Commission in MYT Order for FY 2018-19, as shown in the Table below:

Table 1-9: Proposed Distribution Loss Trajectory for FY 2018-19

Particulars	Approved in MYT Order	Revised Projections
Distribution Loss	2.47%	2.47%

Aspen respectfully requests the Hon'ble Commission to approve the distribution loss for the FY 2018-19 as 2.47%, without any reduction, as the losses are already very low and highly dependent on the quantum of sales, as lower sales have led to higher no-load losses in the past. In case the actual losses turn out to be lower due to higher sales, as was the case in FY 2016-17, then Aspen shall submit the same at the time of true-up for FY 2018-19, however, for projection purposes, the approved loss levels of 2.47% should be considered.

Energy Balance

Based on the projected Sales and Distribution Loss, the Energy Balance for Aspen's licence area for FY 2018-19 is given in the Table below:

Table 1-10: Revised Projected Energy Balance for FY 2018-19

Particulars	Approved in MYT Order	Revised Projections
Energy Sales (Units)	1,11,69,670	1,22,78,514
Distribution Loss (%)	2.47%	2.47%
Distribution Loss (Units)	2,82,878	3,10,960
Energy procured (Units)	1,14,52,548	1,25,89,474

Power Purchase

In accordance with the total sales, distribution loss and energy requirement, Aspen has estimated the cost of power purchase from MGVCL for FY 2018-19, as shown in the Table below:

Table 1-11: Revised Power Purchase Cost for FY 2018-19

Particulars	Approved in MYT Order	Revised Projections
Power Purchase (Units)	1,14,52,548	1,25,89,474
Power Purchase Cost (Rs. Lakh)	842.91	926.59
Cost per Unit (Rs. /kWh)	7.36	7.36

It may be noted that Aspen has not considered any increase in the tariff of MGVCL, as per MGVCL's Tariff Order in Case No. 1624/2016 dated 31.03.2017, and the Hon'ble Commission has approved the same cost per unit in MYT Order in Case No. 1638 of 2017 of Aspen. Hence, Aspen has considered the rate of Rs. 7.36 per unit for power purchase from MGVCL for FY 2018-19, for projecting the power purchase cost for the Control Period as approved by Hon'ble Commission.

O&M Expenses

Aspen has projected the O&M expenses for FY 2018-19 by escalating the actual O&M expenses of FY 2016-17 as claimed in the true-up for FY 2016-17, with 5.72% twice, to account for the growth of 2 years. The escalation factor of 5.72% has been specified in the GERC MYT Regulations, 2016.

Table 1-12: Revised O&M Expenses for FY 2018-19 (Rs. lakh)

Particulars	Approved in MYT Order	Revised Projections
O&M expenses	40.06	46.55

Capital related expenses

As the entire GFA of Aspen has been built up with the help of consumer contribution, and no capital investment has been envisaged for FY 2018-19, Aspen has not considered any depreciation, interest on loans, and return on equity for the FY 2018-19.

Income Tax

In FY 2016-17, no income tax was payable by Aspen even under the MAT rule, as there was a book loss shown in the Accounts for FY 2016-17. Therefore, Aspen has not considered any provisional Income Tax for its business for FY 2018-19. In case Income Tax is actually paid for FY 2018-19, the same shall be claimed at the time of true-up.

Interest on Working Capital

The rate of interest for computing the Interest on Working Capital (IoWC) for FY 2018-19 has been considered as 1-year SBI MCLR as on April 1, 2017, i.e., 8%, plus 250 basis points, in accordance with the First Amendment to the GERC MYT Regulations, 2016. Thus, the effective rate of interest for IoWC works out to 10.50%,

The normative IoWC has been calculated as per the methodology specified in Regulation 40.5 of the GERC MYT Regulations, 2016, as summarised in the Table below:

Table 1-13: Revised IoWC for FY 2018-19 (Rs. lakh)

Particulars	Approved in MYT Order	Revised Projections
IoWC	7.85	8.45

Non-Tariff Income
Aspen has projected the income from Facility Management Charges under Non-Tariff Income for the FY 2018-19, at the same level as the actual income from these Charges in FY 2016-17. The total Non-Tariff Income projected for FY 2018-19 is shown in the Table below:

Table 1-14: Non-Tariff Income for the FY 2018-19 (Rs. lakh)

Particulars	Approved in MYT Order	Revised Projections
Non-Tariff Income	58.06	61.96

Summary of Aggregate Revenue Requirement

Based on the components of ARR discussed above, the projected Aggregate Revenue Requirement for FY 2018-19 is shown in the Table below:

Table 1-15: Projected Aggregate Revenue Requirement for FY 2018-19 (Rs. Lakh)

Particulars	Approved in MYT Order	Revised Projections
Power Purchase Expenses	842.91	926.59
O&M Expenses	40.06	46.55
Depreciation		
Interest on Long Term Loan Capital		
Interest on Working Capital	7.85	8.45
Income Tax		
Total Revenue Expenditure	**890.82**	**981.59**
Return on Equity		
Less: Non-Tariff Income	58.06	61.96
Aggregate Revenue Requirement	**832.76**	**919.63**

Revenue Gap/(Surplus)

Based on the projected ARR for FY 2018-19 and expected revenue from sales at the existing tariff, the projected Revenue Gap/(Surplus) for FY 2018-19 is shown in the Table below:

Table 1-16: Revenue Gap/(Surplus) for FY 2018-19 (Rs. Lakh)

Particulars	FY 2018-19
Total ARR of FY 2018-19	919.63
Add: Revenue Gap of FY 2016-17	0.01
Net ARR	**919.64**
Revenue from Sales	880.07
Revenue Gap/(Surplus)	**39.57**

Proposed Tariff

As Aspen is still in the process of development of the SEZ, and the sales are yet to reach significant levels, Aspen requests the Hon'ble Commission to allow Aspen to continue to charge consumers in the SEZ area at the same tariff that shall be applicable for the respective category of consumers in the MGVCL area of supply for FY 2018-19. It is expected that the tariff increase approved for Aspen, by virtue of the MGVCL tariff being the ceiling tariff, would be able to recover all/most of the Revenue Gap of Rs. 39.57 lakh for FY 2018-19.

Segregation of ARR between Wires Business and Supply Business

Aspen has segregated the Revised ARR for the FY 2018-19 between Distribution Wires Business and Retail Supply Business as per the Allocation Matrix specified in Regulation 87.1 of the GERC MYT Regulations, 2016.

Proposed Wheeling Charges

In accordance with the approach adopted by the Hon'ble Commission in the MYT Order dated June 30, 2017 in Case No. 1638 of 2017, the ARR of the Wires Business computed above, has not been segregated between HT and LT Voltages. Accordingly, the proposed Wheeling Charges are calculated as shown in the Table below:

Table 1-17: Proposed Wheeling Charge at 11 kV for FY 2018-19 (Paise/kWh)

Sl.	Particulars	Units	Amount
1	ARR for the Wires Business	Rs. Lakh	20.17
2	Energy Input at 11 kV	Lakh Units	125.89
3	Wheeling Charge at 11 kV	Paise/kWh	16.02
4	Proposed Wheeling Charges at 11 kV	Paise/kWh	16.00

Further, the Open Access consumers will also have to be bear the Distribution Losses of 2.47%, in addition to the above proposed Wheeling Charges.

Proposed Cross-Subsidy Surcharge

As the CSS works out to be negative based on existing tariff, no CSS is proposed for Open Access consumers for FY 2018-19. In case the CSS works out to be positive based on tariffs approved by the Hon'ble Commission for FY 2018-19, then the same shall be applicable for Open Access consumers.

Prayers

In view of the above facts and circumstances, Aspen prays that the Hon'ble Commission may be pleased to:

i) Admit the Petition for approval of truing up for FY 2016-17 and approval of Revised ARR and Tariff for FY 2018-19;

ii) Allow Aspen to continue to charge consumers in the SEZ area at the same Wheeling Charge that shall be applicable for the respective category of consumers in the MGVCL area of supply for FY 2018-19;

iii) Allow Aspen to continue to charge consumers in the SEZ area at the same Retail Tariff that shall be applicable for the respective category of consumers in the MGVCL area of supply for FY 2018-19;

iv) Condone any inadvertent omissions/errors/shortcomings and permit Aspen to add/change/modify/alter this filing and make further submissions as may be required at a future date;

v) Pass such Orders as the Hon’ble Commission may deem fit in the facts of the present case.