

EXECUTIVE SUMMARY

**The Petition of
Maharashtra Airport Development Company Limited
For its Distribution Business**

1. EXECUTIVE SUMMARY

As per the provisions of the MERC (Multi Year Tariff) Regulations, 2011 & 2015, the Petitioner is filing this petition before the Hon'ble Commission for approval of:

- a) Final True-Up of FY 2014-15 and FY 2015-16 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2011
- b) Provisional True-Up of FY 2016-17 and FY 2017-18 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2015
- c) Projections for various components of Aggregate Revenue Requirements FY 2018-19 and FY 2019-20 and determination of gap/surplus as per MERC (Multi Year Tariff) Regulations, 2015
- d) Determination of tariffs for FY 2019-20 as per MERC (Multi Year Tariff) Regulations, 2015

1.1 Company Profile and related history

- 1.1.1 Maharashtra Airport Development Company Limited ("MADC"), the Petitioner herein was constituted in the year 2002 as a special purpose company by Government of Maharashtra to develop a Multi-modal International Hub Airport at Nagpur ("MIHAN") in the State of Maharashtra to provide the regional air connectivity. The Petitioner has been playing a lead role in the implementation of MIHAN project and other airport projects across the State of Maharashtra. MADC is a Company incorporated under the Companies Act, 1956, and having its registered office at 8th Floor, World Trade Centre I, Cuffe Parade, and Mumbai- 400005.
- 1.1.2 On 02.01.2007, with a view to provide an efficient, uninterrupted supply of power in the MIHAN area, the Petitioner issued an advertisement inviting proposals from interested parties for the selection of a joint venture partner for the development of a Coal based Power Plant. Pursuant to the above mentioned advertisement on 24.04.2007, MADC selected Abhijeet Group to implement the Project in association with the Petitioner on a Build, Operate and Transfer basis.
- 1.1.3 AMNEPL was created as joint venture with the Abhijeet group and as of today MADC holds 26% of the Issued Equity Capital in AMNEPL. On 22.06.2007, the Memorandum of Association, the Articles of Association of AMNEPL was executed. A Concession Agreement ("The Agreement") was executed between MADC and AMNEPL on 07.11.2007 pursuant to the competitive bidding process.
- 1.1.4 On 02.04.2009, the Petitioner, AMNEPL, Abhijit Infrastructure Limited and Abhijit Infra Limited entered into the Shareholders Agreement for the purpose of regulating their relationship with each other as shareholders of AMNEPL and to provide for terms of managing the affairs of AMNEPL.

- 1.1.5 Thereafter, the development of the Project was initiated by AMNEPL and simultaneously, the Petitioner started the development of the Distribution Network. The first unit of the Project was declared commissioned on January 6, 2011 by AMNEPL. Thereafter the remaining units were declared commissioned by AMNEPL with the fourth unit being declared as commissioned on August 1, 2011.
- 1.1.6 The Commission, vide Order dated 3 August, 2012 in the matter of the Petition of the Petitioner as per the Case No.16 of 2011, declared the Petitioner to be the Deemed Distribution Licensee for the notified SEZ area of MIHAN, and initiated the preparation of draft Specific Conditions of License Regulations for it.
- 1.1.7 The Petitioner submitted its Petition dated 13.07.2012, for adoption of Tariff and approval for modification in the Concession Agreement dated 7.11.2007 between the Petitioner and AMNEPL, after both the parties mutually agreed to put a clause in the Concession Agreement to make it compliant with the provisions of the Electricity Act, 2003. In the first hearing of the matter that took place on 17.08.2012, the Petitioner accepted the petition was not maintainable under the Section 63 of the Electricity Act, 2003 and requested the permission of the Commission to file an amended petition. The petitioner, in its amended petition, admitted that it had wrongly proceeded on the legal basis in the original petition and submitted that the tariff determination for distribution and retail supply of electricity to the consumers in the MIHAN SEZ area would be covered under Section 62(1) (d) of the Act. In the second hearing on the matter on 22.10.2012, the Petitioner submitted to withdraw the petition. The Commission, vide its order dated 5.12.2012 in the case of 65 of 2012, allowed the Petitioner to withdraw the petition.
- 1.1.8 On 15.02.2013, AMNEPL submitted a petition for approval of Capital Expenditure and Determination of Tariff for Sale of Firm Power generated from one unit of 61.5 MW of the power plant. The Petitioner submitted an Intervention Application in the matter on 08.04.2013 stating that it is being filed pursuant to the Concession Agreement dated 07.11.2007 entered between the Petitioner and AMNEPL. However, the Petitioner had not submitted any application to the Commission for obtaining approval of Power Purchase Agreement for procuring power from AMNEPL. Further, in the entire process of bidding and signing of Concession Agreement, no prior approval from the Commission was obtained. The Commission recognized the fact that the Concession Agreement had been originally signed considering the power supply from a Captive Power Plant and directly to the consumers and was never meant to be for supply of power to a Distribution Licensee. Hence, the Concession Agreement could not be construed as a Power Purchase Agreement between AMNEPL as Generating Company and MADC as Distribution Licensee. The Commission vide its order 23 of 2013 on 23.08.2013 rejected the petition for the determination of tariff filed by AMNEPL.
- 1.1.9 At this time, arose a dispute between the Petitioner and AMNEPL and default notices were issued by both, the Petitioner and AMNEPL upon each other. On 24.10.2013, AMNEPL

arbitrarily and unilaterally issued the 'notice of intent to terminate' the Agreement to the Petitioner.

1.1.10 Thereafter, the Project was shut down by AMNEPL on 05.11.2013 unilaterally, and power was being supplied by AMNEPL using the DG sets. On 26.11.2013, the Petitioner replied to the said 'notice of default' as well as 'notice of intent to terminate' and urged AMNEPL to withdraw the said notices as they were misconceived and issued in complete derogation of the mechanism prescribed under the Agreement. On 24.01.2014, AMNEPL extended the cure period of its notice dated 24.10.2013 further by a period of two months but in the mid of March 2014, AMNEPL had shut down their DG Sets and stopped supplying power to consumers. Thereafter the Petitioner also issued a 'notice of default' dated 13.03.2014, pointing out the various defaults on the part of AMNEPL.

1.1.11 The Petitioner in its petition dated 11.03.2014 submitted that AMNEPL had shut down their DG sets and stopped supplying power to MIHAN SEZ area and requested the Commission to pass suitable directions to secure the supply of power. The Commission in its Daily Order dated 11.04.2014 recognized that based on statistics on interruptions provided, there was an emergent situation for which ad-interim arrangement was needed to be in place for providing uninterrupted supply of power to the consumers. The Commission based on the hearing on 11.04.2014 enquired MSEDCL regarding its preparedness to supply the power to the consumers in the Petitioner's area, to which MSEDCL confirmed the availability of power and its readiness to supply at the earliest. Subsequently, the Commission issued a Corrigendum on 15.04.2014 to the Daily Order dated 11.04.2014 and included MSETCL to settle the technical details of actual management of transmission, distribution and associated system between the four parties (AMNEPL, The Petitioner, MSEDCL & MSETCL). AMNEPL challenged the Daily Order dated 11.04.2014 before the Hon'ble Bombay High Court. The Hon'ble High Court directed AMNEPL to file any rejoinder by 30 April, 2014 and directed the Commission to issue the Order afresh on or before 6 May, 2014 after hearing all parties. AMNEPL in its subsequent submissions dated 25 April, 2014 and 27 April, 2014 could not submit details related to the emergent situation. The Commission also noted that MSEDCL further submitted that there was no technical issue for supplying power by AMNEPL and MSEDCL to consumers. However, if any technical issue arises in future the same will be resolved by the Petitioner, AMNEPL, MSETCL and MSEDCL. After hearing all the parties, The Commission vide its order 62 of 2014 issued on 06.05.2014 directed that the consumers would be enabled with an option to get uninterrupted power from MSEDCL and MSEDCL would start supplying power to such consumers who have applied to it. For supplying to the consumers who desire to take supply from MSEDCL, MSEDCL after processing their request to supply them with power might use the transmission/distribution network of AMNEPL and the Petitioner, wherever necessary, for which MSEDCL would pay appropriate charges. This would be an interim arrangement and both parties (AMNEPL & the Petitioner) were free to approach this Commission once normalcy was restored.

1.1.12 The Petitioner had submitted a petition dated 31.07.2014, as Deemed Distribution Licensee for the Multimodal International Hub Airport at Nagpur (MIHAN) Special Economic Zone (SEZ) area, for approval of short term power procurement and Tariff. The Petitioner also proposed

Average Cost of Supply as Rs 4.386 per Unit. It also proposed the consumer category-wise tariff to be applied to its consumers on a provisional basis. The Commission vide its order dated 20.01.2015 in the matter of case 149 of 2014 noted that MSEDCL was another Distribution Licensee in the same area. Thus, the Petitioner's Licence area fell under the proviso to Section 62(1) of the EA, 2003 which provides that, in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may fix a ceiling tariff for retail sale of electricity. MSEDCL's tariff was the only approved tariff for the area. Hence, the Commission ruled that the tariff approved for the respective consumer categories of MSEDCL would be the ceiling Tariff for the MIHAN SEZ area. To the extent that such proposed tariff is lower than the ceiling tariff, i.e. MSEDCL's Tariff for the respective consumer categories, the Petitioner was at liberty to apply it to its own consumers.

- 1.1.13 The Commission vide its Daily Order dated 18.11.2014 also ruled that the Petitioner may procure power through power exchanges to meet its power requirement. Pursuant to the above Order of the Commission, after obtaining proprietary membership of the Indian Energy Exchange (IEX), the Petitioner started purchasing power through IEX from 22 November, 2014 on a day-ahead basis and supplied power to the consumers in MIHAN SEZ area. The Petitioner billed consumers in the MIHAN SEZ area at an average tariff rate of Rs.4.386 per kWh. It purchased power through IEX up to February 2015 at rates varying between Rs.3.26 per kWh and Rs. 3.56 per kWh. Since IEX rates were changing every day, The Petitioner purchased power from Lloyds Metals and Energy Ltd. through competitive bidding for March 2015 at Rs.3.50 per kWh for the period from 00:00 Hrs to 24:00 Hrs., and at Rs.3.90 per kWh for the period from 12:00 Hrs to 18:00 Hrs. It started purchasing power through IEX again from 1 April, 2015, and continued to purchase power through IEX up to 10 June, 2015.
- 1.1.14 The Petitioner called for tenders for short-term procurement of power, and issued a Letter of Intent (LOI) to MSEDCL on 9 June, 2015 to supply power to the Petitioner at Rs.3.15 per kWh for 11 months from 11 June, 2015 to 30 April, 2016. Since 11 June, 2015, the Petitioner had been purchasing power from MSEDCL at Rs.3.15 per kWh at the interface point of 220 kV AMNEPL Bus and MSETCL Transmission Network at Khairi-Khurd, Hingna, Nagpur. Joint Meter Reading is taken every week at Khairi Khurd by the representatives of the Petitioner, MSEDCL and Maharashtra State Electricity Transmission Co. Ltd. (MSETCL). Upon the request of the Petitioner, MSEDCL keep extending the contract period of supply by every 6 months subsequently. The existing PPA with MSEDCL is till 31st August 2019 at the rate of Rs. 4.89 per kWh.

1.1.15 The Petitioner is using the 220 kV Transmission system of AMNEPL for supplying power to consumers in MIHAN SEZ and paying provisionally to AMNEPL at Rs. 0.14 per kWh.

1.2 Background to Multi Year Tariff filing

1.2.1 The Hon'ble Commission has notified the MERC (Multi Year Tariff) Regulations, 2015 on 8th December, 2015 effective from 01.04.2016 for the 3rd control period from FY 2016-17 to FY 2019-20. It laid down principles of ARR and MYT filing for the control Period.

1.2.2 In the order dated 10th May, 2016 (Case 47 of 2015), the Hon'ble Commission directed the Petitioner to file MYT petition within three months, i.e., till August 2016. This was further extended by three months, i.e., till November 2016. The Petitioner further requested to extend the submission period by another 3 months, i.e., till February 2017. The Petitioner requested the Hon'ble Commission for the final extension for one month, i.e. till March 2017.

1.2.3 In line with the provisions of the Electricity Act and Regulations issued by the Hon'ble Commission along with other guidelines and directions issued by the MERC from time to time, Petitioner had earlier filed Petitions for approval of short term procurement of power and Tariff for consumers in MIHAN SEZ Area to the Hon'ble Commission.

1.3 Revenue from existing tariff and gap analysis

1.3.1 The total revenue gap from previous gaps of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 along with the impact of carrying costs amounts to Rs. 33.43 Crs. which is the opening gap of FY 2018-19.

Table 1: Gap analysis for the period FY 2014-15 to FY 2017-18

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Revenue at existing tariff (Rs. Cr.) (Actual)	2.84	11.10	14.88 ¹	20.45 ²
Standalone ARR (Rs. Cr.)	6.16	19.41	22.56	29.24
Revenue gap (Rs. Cr.)	3.32	8.31	7.68	8.79
Consolidated Gap Analysis				
Opening Gap (Rs. Cr.)	-	3.51	12.67	22.13
Addition of Gap (Rs. Cr.)	3.32	8.31	7.68	8.79
Closing Gap	3.32	11.82	20.34	30.92
Carrying cost rate (weighted average Base rate + 150 bps/ SBI MCLR + 150 bps) (%)	11.50%	11.04%	10.80%	9.50%
Carrying cost (Rs. Cr.)	0.19	0.85	1.78	2.52

¹ Revenue at existing tariffs as per case 149 of 2014 (provisional tariff order)

² Revenue at existing tariffs as per case 149 of 2014 (provisional tariff order)

1.3.2 The projected revenues for FY 2018-19 and FY 2019-20 at the existing tariffs work out to be Rs. 33.17 Crs. and Rs. 54.31 Crs. as against estimated standalone ARR of Rs. 48.78 Crs. and Rs. 76.18 Crs. respectively.

1.3.3 The standalone revenue gaps for FY 2018-19 and FY 2019-20 as per existing tariffs amount to Rs. 15.61 Crs. and Rs. 21.87 Crs. respectively as mentioned in the table below:

Table 2: Revenue gap for FY 2018-19 & FY 2019-20

Particulars	FY 2018-19	FY 2019-20
Revenue at existing tariff (Rs. Cr.)	33.17	54.31
Standalone ARR (Rs. Cr.)	48.78	76.18
Revenue gap (Rs. Cr.)	15.61	21.87

1.4 Tariff Proposal for the Control Period

1.4.1 The Petitioner does not propose to recover the past gaps amounting to Rs. 33.17 Cr. as the tariffs would increase.

1.4.2 Further, the Petitioner does not propose to entirely recover the standalone gaps of the control period (FY 2018-19 to 2019-20) so as to reduce the effect of tariff shocks to the consumers. It is expected that the consumer base would increase slowly and hence the recovery of the previously accumulated consolidated gaps as well as the gaps resulting out of the partial recovery of the standalone gaps for FY 2018-19 to FY 2019-20 can be done in the next control period.

1.4.3 For the calculation of the revenue from proposed tariff, the Petitioner has considered the HT Category to consist of two sub categories, i.e. HT Industrial and HT Commercial and LT Category to consist of two sub categories, i.e. LT-A (having contract demand less than 20kW) and LT-B (having contract demand greater than 20kW).

1.4.4 The category-wise proposed Average Billing Rates (ABRs) for FY 2018-19 have been tabulated below:

Table 3: Category-wise existing and proposed Average Billing Rates (ABRs) for FY 2018-19

Category	Existing Tariff* ³ (Rs/kWh)	Proposed Tariff* ⁴ (Rs./kWh)
HT Category	4.53	4.72
LT Category	4.44	4.20
Overall	4.53	4.70

1.4.5 The category-wise proposed Average Billing Rates (ABRs) for FY 2019-20 have been tabulated below:

Table 4: Category-wise existing and proposed Average Billing Rates (ABRs) for FY 2019-20

Category	Existing Tariff* ⁵ (Rs/kWh)	Proposed Tariff* ⁶ (Rs./kWh)
HT Category	4.49	4.42
LT Category	4.46	3.50
Overall	4.49	4.39

1.5 Aggregate Revenue Requirement (ARR) for FY 2018-19 to FY 2019-20

1.5.1 The Aggregate Revenue Requirement of Petitioner has been computed based on the guidelines laid by the Hon'ble Commission in the MERC MYT Regulations, 2015

1.5.2 The Petitioner has projected the Aggregate Revenue Requirement for the years FY 2018-19 and FY 2019-20 as under:

Table 5: Total ARR (Distribution wires and Retail supply) for the FY 2018-19 & FY 2019-20

Particulars	FY 2018-19	FY 2019-20
	Projected	Projected
Power Purchase Expenses (Rs. Cr.)	36.37	63.11
O&M expenses (Rs. Cr.)	2.38	2.46

³ The Existing Tariffs have been calculated based on the provisional tariffs as per the MADC Provisional Tariff order 149 of 2014 for both HT and LT categories

⁴ The Proposed Tariffs have been calculated as overall Average Billing Rates of voltage categories as shown

⁵ The Existing Tariffs have been calculated based on the provisional tariffs as per the MADC Provisional Tariff order 149 of 2014 for both HT and LT categories

⁶ The Proposed Tariffs have been calculated as overall Average Billing Rates of voltage categories as shown

Particulars	FY 2018-19	FY 2019-20
	Projected	Projected
Depreciation (Rs. Cr.)	3.04	3.04
Interest on Loan expenses (Rs. Cr.)	2.28	1.96
Interest on Working Capital (Rs. Cr.)	0.17	0.17
Interest on Consumer Security Deposit (Rs. Cr.)	0.38	0.38
Provision for bad and doubtful debts (Rs. Cr.)	0.08	0.11
Contingency reserve (Rs. Cr.)	0.66	0.82
Transmission Charges paid to AMNEPL	1.08	1.77
Income tax (Rs. Cr.)	0.48	0.48
Return on equity (Rs. Cr.)	2.37	2.37
Less: Non-tariff income (Rs. Cr.)	0.51	0.51
Aggregate Revenue Requirement (Rs. Cr.)	48.78	76.18

1.6 Proposed category wise tariffs

1.6.1 The Average Billing Rates proposed for the various sub-categories of consumers have been shown in the table below:

Table 6: Proposed Tariffs for the sub-categories of the consumers for the Control period

Category	FY 2018-19	FY 2019-20
HT Industrial ABR (Rs./kWh)	4.58	4.25
HT Commercial ABR (Rs./kWh)	5.01	5.00
HT Category ABR (Rs./kWh)	4.72	4.42
LT-A (Below 20kW) ABR (Rs./kWh)	3.42	2.90
LT-B (Above 20kW) ABR (Rs./kWh)	4.31	3.59
LT Category ABR (Rs./kWh)	4.20	3.50
Overall ABR (Rs./kWh)	4.70	4.39