ಕರ್ನಾಟಕ ವಿದ್ಯುಚ್ಛಕ್ತಿ
ನಿಯಂತ್ರಣ ಆಯೋಗ

KARNATAKA ELECTRICITY
REGULATORY COMMISSION

ಸಂಖ್ಯೆ : 16 ಸಿ-1, ಮಿಲ್ಲರ್ಸ್ ಟ್ಯಾಂಕ್ ಬೆಡ್ ಏರಿಯ,
ವಸಂತನಗರ, ಬೆಂಗಳೂರು – 560052.

No. 16 C-1, Millers Tank Bed Area,
Vasanthanagara, Bengaluru-560052.

KERC/DD(Tariff)/OP35-2024/1171

Date: 10.12.2024

Enc.: As per the letter

The Managing Director,
Mangalore SEZ Limited,
Sy.No.168/3A, Plot No.U-1,
Bajpe Village, Mangaluru Taluk,
Dakshina Kannada,
Karnataka-574 142

Sir,

Sub: Preliminary Observations on MSEZ petition for Annual Performance Review for FY2023-24 and ARR for the Control Period FY2025-26 to FY2027-28.
Ref.: OP No.35 / 2024 filed before KERC.

This has reference to the petition cited above wherein MSEZ has sought the approval of the Commission for Annual Performance Review (APR) for FY2023-24 and approval of ARR / Transmission Tariff for the Control period FY2025-26 to FY2027-28.

In this regard, I am directed to inform MSEZ that after scrutiny of the application, the Commission has made certain preliminary observations and the same are enclosed to this letter.

MSEZ is requested to furnish clarifications / additional information / compliance to these observations within TEN days from the date of this letter, to enable the Commission to take further necessary action in the matter.

Yours faithfully,

10/12

Secretary
for Karnataka Electricity Regulatory Commission

<u>Preliminary Observations on MSEZ petition for Annual Performance Review for FY2023-24 and ARR for the Control Period FY2025-26 to FY2027-28.</u>

A. ANNUAL PERFORMANCE REVIEW FOR FY2023-24:

1. MSEZL in its Petition while claiming interest on normative loan amount has correctly indicated Rs.10.48 Crore as the opening balance of normative loan as on 01.04.2023 and Rs.8.59 crore as the closing balance as on 31.03.2024 by considering the repayment of normative loan amount of Rs.1.90 Crore. For FY25, MSEZL has considered the repayment of Rs.1.64 Crore and arrived at the closing balance of Rs.6.95 Crore as on 31.03.2025.

2. There is drastic reduction in sales for the year FY 24 (71.22MU) compared to previous year FY23(98.68MU). MSEZL may analyze the reasons for such decrease in sales in FY24.

3. The Commission, in its Tariff Order 2023, had approved sales of 86.97 MU for FY24. The actual sales as per current filing is 70.97 MU, indicating decrease in sales to the extent of 16.00 MU.

   MSEZL shall analyze the reasons for decrease in sales in FY24 with respect to the approved figures, furnishing analysis on consumer category-wise variations. Further, MSEZL shall clarify as to whether open access quantum of 14.04MU is included in the sales of 70.97MU.

4. MSEZL may furnish the details of common costs (SEZ business and licensed business) and allocation methodology and its rationale may be furnished.

5. Whether any of the consumers of MSEZL has availed open access? if so details of energy drawn through OA.

B. ANNUAL REVENUE REQUIREMENT FOR FY2025-26 to FY2027-28.

1. MSZEL has considered the closing balance of Rs.6.95 Crore as on 31.03.2025 as the opening balance and closing balance for FY26 and FY27 without factoring repayment of normative loan. For FY28, MSEZL has factored Rs.1.26 Crore as the repayment and arrived at the closing balance of Rs.5.69 Crore as on 31.03.2028.

Further, for claiming the interest on capital loan, MSEZL has considered Rs.13.32 Crores of closing balance of long term capital loan as on 31.03.2025 as the opening balance for FY26. The Commission has observed that, for FY 26 and FY27, MSEZL has not factored the repayment of capital loan and indicated the OB as on 01.04.2025 as the closing balance for FY26 and FY27. For FY28, MSEZL has factored Rs.2.42 Crore as the repayment and arrived the closing balance of Rs.10.90 Crore as on 31.03.2028.

MSEZL shall submit the reasons for not considering the repayment of normative loan and long term capital loan for FY26 and FY27 besides submitting the revised D9- format by factoring the same.

2. MSEZL has projected the Capex of Rs.0.50 Crore and Rs.2.50 Crore and Rs.1.00 Crore for FY26, FY27and FY28 respectively, without indicating the sources of fund to execute the Capex. MSEZL shall submit the details of source of fund to execute the proposed Capex for FY26 to FY28.

3. **Sales for FY25 to FY28:**

   (a) MSEZL is directed to furnish the consumer-wise actual data of sales upto 30th November, 2024 and estimates for Dec-24 to March-25.

   (b) At page-11, the number of consumers is indicated as 10, whereas at page-14 it is indicated as 33. This shall be clarified.

   (c) Even though, the actual distribution loss for FY24 is 0.35%, MSEZL has considered 0.40% for the control period, which is higher than the actual for FY24. Reasons thereof shall be furnished.

   (d) At page-14, the sanction load is indicated as 32.58MVA for FY24 considering 33 consumers. Whereas at page-28 for FY26 for the same number of consumers the CD is reduced to 30.69MVA. Further, even though the number of installations has remained the same during the control period, increase in sales is estimated. Reasons shall be furnished.

(e) Consumer-wise details of CD and estimated sales for FY25 to FY 28 shall be furnished along with the methodology adopted for sales estimation i.e. whether trend, CAGR or other method is used. The input received from the consumers regarding their energy requirement for the control period shall also be furnished.

4. **Wheeling Charges:**

MSEZL has proposed wheeling charges and losses as indicated below:

Paise / unit

	FY26	FY27	FY28
HT	1.24 (0.35%)	1.24 (0.35%)	1.21 (0.35%)
LT	6 (0.05%)	6 (0.05%)	6 (0.05%)

Regarding the allocation percentage between LT & HT, MSEZL has stated that most of the cost is attributable to HT network and therefore 95% of the network cost is allocated to HT. **The Commission notes that while 90% of the O&M cost is attributed to HT, only 15% of interest on working capital is attributed to HT. considering the O&M cost allocated to HT, the working capital should have been more in HT. MSEZL shall consider reviewing the same.**

Further, as per the MYT Regulations, tariff for distribution business and retail supply business shall be as per segregated accounts of distribuition and retail supply business. If not the allocation has to be done as per MYT regulations**. MSEZL shall confirm that separate accounts is being maintained for distribution business and retails supply business. If not allocation shall be done as per MYT Regulations.**

Basis for loss allocation between HT & LT is not furnished. **The same shall be submitted.**

5. **Additional Surcharge:**

MSEZL has proposed ASC as follows:

Rs. Crores

		FY26	FY27	FY28
1	Total fixed cost as proposed	12.46	12.80	12.90
2	Fixed cost recovered through demand charges	12.40	18.48	18.48
3	Balance fixed cost embedded in energy charges	0.09	-	-
4	Total energy sales MU	81.28	83.27	85.27
5	Fixed cost per unit embedded in energy charges	0.01	-	-

MSEZL has proposed higher recovery of fixed cost through demand charges than the actual fixed cost for FY27 & FY28. Reasons shall be furnished.

6. **RPO Compliance:**

MSEZL shall furnish the **status of RPO compliance for FY24. It is observed that MSEZL has procured power to the extent of 35.08 MU from MESCOM and 36.14 MU under open access.** As per the extant Regulations, deemed Licensee(s), procuring bulk power, partly or wholly, from the ESCOM(s), shall be deemed to have complied with the RPO to the extent of such procurement from the ESCOM(s) if, such ESCOM(s) has/have complied with the RPO. Thus, to the extent of power procured from MESCOM, MSEZ is deemed to have met RPO, if MESCOM has complied with RPO. It is observed that MESCOM has not complied with RPO for FY2023-24. MSEZ shall indicate the action taken to meet the RPO shortfall to the extent not met by MESCOM.

Further, for the power procured from sources other than ESCOMs, the RPO has to be separately complied with. **Thus, for the quantum of 36.14 MU purchased under open access, MSEZL has to comply with RPO either by procuring Solar and Non-solar RE Energy or by procuring the relevant REC. MSEZL shall clarify in the matter and furnish necessary documents for having complied with the RPO.**

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