

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION, BENGALURU****Dated 14<sup>th</sup> May, 2018****Present:**

- |                                       |                 |
|---------------------------------------|-----------------|
| <b>1. Sri M.K.Shankaralinge Gowda</b> | <b>Chairman</b> |
| <b>2. Sri H.D.Arun Kumar</b>          | <b>Member</b>   |
| <b>3. Sri D.B.Manival Raju</b>        | <b>Member</b>   |

**ORDER****In the matter of determination of revised ARR  
and  
Retail Supply Tariff for FY19 in respect of Mangalore SEZ Limited****1. Preamble:**

As per the Extraordinary Gazette Notification dated 3.3.2010, issued by the Ministry of Commerce, Government of India, all the Special Economic Zones notified under sub-Section (1) of Section 4 of the SEZ Act, 2005, shall be deemed to be a Licensee as per Section 14 of the Electricity Act, 2003. The Mangalore Special Economic Zone Ltd, by virtue of the aforesaid notification issued by Government of India, became a deemed Distribution Licensee, w.e.f 03.03.2010.

The Mangalore Special Economic Zone Ltd., (hereinafter referred to as MSEZL) has filed the application dated 29<sup>th</sup> November, 2017, for the approval of APR for FY17, revised ARR and retail supply tariff for FY19 in terms of the KERC Tariff Regulations and the MYT Regulations.

In exercise of the powers conferred under Sections 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 MSEZL and

after considering the views and objections of the consumers and other stakeholders, the Commission has passed this Order.

The details of the licensee's proposals, Commission's analysis and the decisions thereon, are discussed in subsequent paragraphs of this Order.

## 2. Licensee's Profile:

The MSEZL was incorporated in February, 2006 under the Companies Act, 1956, having its registered office at Infantry Road, Bengaluru and its site office located at Ashok Nagar, Mangalore, Dakshina Kannada District. The MSEZL is jointly promoted by the Oil and Natural Gas Corporation Ltd, (ONGC), the Infrastructure Leasing & Financial Services Ltd, (IL&FS), the Karnataka Industrial Areas Development Board (KIADB) and the Kanara Chamber of Commerce and Industries (KCCI). The Company is implementing a sector specific Special Economic Zone in its Phase-I for Petroleum and Petrochemical Sector. It has recently been approved as "Multi-Product" Special Economic Zone.

### MSEZL's Network:

Power for supply to the entire Dakshina Kannada (DK) District is procured by the Mangalore Electricity Company Limited (MESCOM) at IF points of the Karnataka Power Transmission Corporation Limited (KPTCL) substations. The 220KV double circuit line from Kemar to Kavoor is passing through the MSEZL area and a 220/110KV substation is constructed by the KPTCL, from which the power supply is being made available to the MSEZL at IF point.

### Consumer Profile:

The consumer profile of MSEZL as at the end of 31<sup>st</sup> March, 2017 is shown hereunder:

**TABLE – 1**  
**CONSUMER PROFILE FOR FY17**

Sl. No	Consumers
1	ONGC Mangalore Petrochemicals Limited
2	JBF Industries Ltd
3	Indian Strategic Petroleum Reserves Limited
4	Sygene International Limited, a Biocon Company

5	Anthea
6	Cardolite Specialty Chemicals LLP
7	Trident Infra Private Limited
8	Authentic Ocean Treasure
9	Gadre Marine Export Private Limited
10	Yashaswi Fish Meal & Oil
11	Shree Ulka LLP

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

The Commission, in its Order dated 11<sup>th</sup> April, 2017 had determined the ARR and the retail supply tariff for FY18. Further, in its Tariff Order dated 30<sup>th</sup> March, 2016, the Commission has approved the ARR for the control period FY17-19 besides revising the retail supply tariff for FY17.

Now, the MSEZL has filed an application on 29<sup>th</sup> November, 2017 and has requested the Commission to:

1. Pass appropriate Orders on APR for FY17.
2. Approve the revised ARR for FY19.
3. Consider the tariff structure / proposal detailed in the application and approve the tariff proposed in the tariff application, duly considering the submissions made by the MSEZL for FY19.
4. Condone any error, omissions and deletions in the petition and give a chance to provide any other necessary information as deemed fit by the Commission.
5. Pass appropriate orders on the application made by the MSEZL.

### 4. Acceptance of Applications and Consultation Process:

The Commission, vide its letter dated 21<sup>st</sup> December, 2017 communicated its preliminary observations and the MSEZL in its letter dated 26<sup>th</sup> December, 2017 has furnished its replies.

The Commission, vide its letter dated 29<sup>th</sup> December, 2017, informed the MSEZL that, its application filed on 28<sup>th</sup> November, 2017, for approval of APR

for FY17 and revised ARR and revision of retail supply tariff for FY19 in the Mangalore SEZ area, has been treated as a petition in terms of the Tariff Regulations, subject to further verification and validation and informed it to publish a summary of the application in the leading newspapers in the distribution area of the MSEZL, inviting objections/comments/suggestions from the consumers and other stakeholders.

Accordingly, the MSEZL has published the summary of its application on 3<sup>rd</sup> and 4<sup>th</sup> January, 2018, in Deccan Herald, The New Indian Express, Vijay Karnataka, Kannada Prabha and Udayavani newspapers. The Commission has published a Notice of Public hearing on 9<sup>th</sup> February, 2018 in Deccan Herald and Samyuktha Karnataka newspapers, In response, the Commission has received two objections.

#### **5. Public Consultation:**

1. In pursuance of the provisions of Section 64 of the Electricity Act, 2003, the Commission has undertaken the process of public consultation, to obtain suggestions/views/objections from the interested stake-holders, on the application filed by the MSEZ, for Annual Performance Review for FY17, approval of ERC and Revised ARR for FY19 and approval of revised retail supply tariff for FY19, under the MYT Regulations.

Though the Commission had allowed a month's time for submitting the written objections, the Commission did not receive any written objections, within the stipulated time.

#### **2. The Gist of the objections by the Stakeholders during the Public hearing held on 02-03-2018:**

The Commission has held a Public Hearing on 2<sup>nd</sup> March, 2018, at Mangalore to elicit the views/objections and suggestions of the general public/ stakeholders. The details of the oral submissions are as under:

Sri Abdur Rehman Musba representing M/s Cardolite Speciality Chemicals India LLP, submitted that:

- 1) The interest and depreciation should be restricted to the capacity catered by the MSEZ instead of the capacity of infrastructure created by it.
- 2) The consumers of the MSEZ should not be charged more than the similarly placed consumers in the MESCOM area.
- 3) The tariff to the MSEZ consumers should be fixed considering the small area of supply as compared to the large area of supply by the ESCOMs. For this, the MYT Regulations may be suitably amended.
- 4) The demand charges may be increased from Rs.200/kVA/month to at least Rs.250/kVA/month and the energy charges may be reduced correspondingly.
- 5) The MESCOM should sell power to SEZ at the pooled power purchase cost as no infrastructure of MESCOM is used by MSEZ.

**Replies by MSEZ:**

The MSEZL, while furnishing replies stated that above points are to be considered by the Commission while taking decisions on the tariff issues

**Commission's Views:**

The APR and ARR exercise is being undertaken in accordance with the provisions of the MYT Regulations. The Commission has kept in view the suggestions made by the stakeholder.