3.17 Summary of Aggregate Revenue Requirement and sharing of Gains/ Losses

Petitioner's submission

GIFT PCL has submitted the comparison of various ARR components and computed the Gains / (Losses) due to Controllable and Uncontrollable factors as summarized below:

Table 3-36: ARR claimed for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	True-Up Year (FY 2019-20)				
		Approved in the MYT Order	Actual Claimed	Difference	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
1	Power Purchase Expenses	14.38	10.35	4.03	-	4.03
2	Operation & Maintenance Expenses	1.89	3.57	(1.68)	-	(1.68)
3	Depreciation	4.03	5.46	(1.43)	-	(1.43)
4	Interest & Finance Charges	5.54	5.30	0.24	-	0.24
5	Interest on Security Deposit	0.35	0.32	(0.03)	-	(0.03)
6	Interest on Working Capital	-	-	-	-	-
7	Bad Debts Written Off	-	-	-	-	-
8	Contribution to Contingency Reserves	0.39	-	0.39	-	0.39
9	Return on Equity	2.37	4.51	(2.14)	-	(2.14)
10	Income Tax	-	-	-	-	-
12	Less: Non-Tariff Income	0.32	0.44	(0.12)	-	(0.12)
13	**Aggregate Revenue Requirement**	**28.62**	**29.07**	**(0.45)**	**-**	**(0.45)**

Following is the summary of trued-up ARR for FY 2019-20 to be recovered by GIFT PCL after incorporation of sharing of Gains / (Losses).

Table 3-37: Trued up ARR claimed for FY 2019-20

(Rs. Crore)

Sr. No.	Particular	Claimed
1	**ARR as per the MYT Order for FY 2019-20 (A)**	**28.62**
2	Add: Losses on account of Controllable factors to be passed on to the consumers (1/3) (B)	-
3	Add: Losses on account of Un-Controllable factors to be passed on to the consumers (C)	0.45
4	**Trued-up ARR for FY 2019-20, D= (A+B+C)**	**29.07**

Analysis

The sharing of Gains and Losses for FY 2019-20 based on the Truing up for each of the components of the ARR are calculated as discussed in the preceding paragraphs and the same is summarised in the Table below:

Table 3-38: Approved ARR along with impact of Controllable/ Uncontrollable Factors for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up	Deviation	Controllable (Gain/(Loss)	Uncontrollable (Gain/(Loss)
1	Power Purchase Expenses	14.38	10.35	9.98	4.40	-	4.40
2	Operation & Maintenance Expenses	1.89	3.57	3.94	-2.05	-	-2.05
3	Depreciation	4.03	5.46	1.05	2.97	-	2.97
4	Interest & Finance charges	5.54	5.30	0.74	4.80	-	4.80
5	Interest on Security Deposit	0.35	0.32	0.32	0.03	-	0.03
6	Interest on Working Capital	-	-	-	-	-	-
7	Contribution to Contingency Reserves	0.39	-	-	0.39	-	0.39
8	**Total Revenue expenditure**	**26.57**	**25.00**	**16.04**	**10.54**	-	**10.54**
9	Return on Equity Capital	2.37	4.51	0.66	1.71	-	1.71
10	Income Tax	-	-	-	-	-	-
11	**Aggregate Revenue Requirement**	**28.94**	**29.51**	**16.70**	**12.24**	-	**12.24**
12	Less: Non-Tariff Income	0.32	0.44	0.44	(0.12)	-	(0.12)
13	**Aggregate Revenue Requirement**	**28.62**	**29.07**	**16.26**	**12.36**	-	**12.36**

Summary of trued up ARR for FY 2019-20 to be recovered by GIFT PCL after incorporation of sharing of Gains/ Losses is as detailed in the Table below:

Table 3-39: Trued up ARR approved for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Truing up
A	Approved as per the MYT Order (A)	28.62
B	Less: Gain on account of controllable factor to be passed on to the consumers (1/3) (B)	-
C	Less: Gain on account of Un-controllable factor to be passed on to the consumers (C)	12.36
D	**Trued-up ARR for trued up of FY 2019-20, D= (A-B-C)**	**16.26**

3.18 Net Revenue Gap / (Surplus)

Petitioner's submission

The Petitioner has requested to consider the gain /loss in case of distribution losses and O&M charges as uncontrollable. GIFT PCL has submitted that as per the proviso of Regulations 22.1, some uncontrollable factors, which are not specifically mentioned, can be included as uncontrollable factor after requests made by the Applicant. The relevant provisions are given below:

> *"Provided that where the Applicant believes, for any variable not specified above, that there is a material variation or expected variation in performance for any financial year on account of uncontrollable factors, such Applicant may apply to the Commission for inclusion of such variable at the Commission's discretion, under this Regulation for such financial year."*

Accordingly, the Petitioner requested the Commission to treat the variation as uncontrollable and approve the true-up amount. The revised ARR after considering the pass-through expenses is given below. Further, the actual revenue from sale of power has been considered to work out the gap / (surplus) at the end of FY 2019-20. The details of true-up for FY 2019-20, after gain / losses, and the net revenue gap / (surplus) after considering the revenue from sale of power is given below:

Table 3-40: Net revenue gap/(surplus) as claimed for FY 2019-20

(Rs. Crore)

Sr. No.	Particular	Legend	Claimed
1	**ARR as per the MYT Tariff Order for FY 2019-20**	**a**	**28.62**
2	Add: Gain/Loss on account of Controllable factor to be passed on to the consumers (1/3)	b	-
3	Add: Gain/Loss on account of Un-Controllable factor to be passed on to the consumers	c	(0.45)
4	**Pass through as tariff**	**d=-(1/3b+c)**	**0.45**
5	**Trued-up ARR**	**e=a+d**	**29.07**
6	Revenue from Sale of Power	f	16.22
7	**Net Revenue Gap / (Surplus)**	**g=e-f**	**12.85**

Analysis

The Net Revenue Gap / (Surplus) approved for FY 2019-20 is given in the Table below:

Table 3-41: Net Revenue Gap / (Surplus) approved for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Actual Claimed	Approved in Truing up
1	Annual Revenue Requirement (Trued up)	29.07	16.26
2	Revenue from sale of Power	16.22	16.22
3	**Net Revenue Gap / (Surplus) (1-2)**	**12.85**	**0.04**

Accordingly the trued-up revenue gap Rs. 0.04 Crore is approved for FY 2019-20 against Rs. 12.85 Crore Gap claimed by GIFT PCL. This trued-up gap along with holding cost is considered for determination of tariff for FY 2021-22.

4 Determination of ARR for FY 2021-22

4.1 Introduction

This Chapter deals with the determination of ARR for FY 2021-22.

The Commission had issued Suo-Motu order on dated 22nd December, 2020 about applicability of the GERC (MYT) Regulations, 2016 for the determination of Annual ARR and determination of tariff for FY 2021-22.

GIFT has submitted that it has worked out estimated ARR for FY 2021-22 based on the GERC (MYT) Regulations, 2016 in line with the directions issued by the Commission vide Suo-Motu order No. 07 of 2020 published on dated 22nd December, 2020.

The present chapter covers the projected ARR of FY 2021-22 as submitted by GIFT PCL and the approach adopted for determination of the ARR for the FY 2021-22.

4.2 Energy Sales

Petitioner's submission

GIFT has submitted that sales forecast worked out according to demand projection as per actual sales in the past years and current market scenario in the SEZ area.

GIFT has submitted that the license area is being developed as financial / commercial hub by GIFT CL & GIFT SEZ. The Financial Services / Commercial Sector development is likely to take place gradually over a period. The SEZ and Non-SEZ Area is still in the development phase. GIFT Master Plan facilitates Multi Services SEZ with International Financial Service Centre (IFSC) status, approved by Government of India and Domestic Finance Centre and associated Social infrastructure. The total allotted built up area (BUA) is around 12.21 Mn Sq. ft. out of which 3.3 Mn Sq. ft. BUA is already completed while work is in progress in 2.32 Mn Sq. ft. area and around 6.59 Mn Sq. ft. area is in planning stage. The new Financial Services institutions/ Commercial Institutions and associated necessary infrastructure is likely to develop gradually based on overall economic conditions. Hence, it would be very difficult to project the demand and sales projections precisely, for the initial phase of development.

GIFT has considered the projections of existing constructed floor area with year-on-year trend of floor occupancy, new development of floor area allotted and applied for plan approval, under construction floor space and timeline for construction completion, estimated power requirements of existing and prospective consumers with reference to development plan, power demand and energy use ratio of preoccupied space, as per category of utilization and inputs from Developers for load projection about prospective clients, who can occupy the allotted area during FY 2020-21 and FY 2021-22. The sales projections for FY 2021-22 are as follow:

Table 4-1: Energy Sales projected for FY 2021-22

(MUs)

Particulars	GIFT PCL Petition
HT & EHT Category	
HTP-I	23.25
HTP-III	0.31
Low Voltage Category	
LTMD	3.03
GLP	0.19
TEMP	1.01
Non-RGP	1.20
RGP	0.17
SL	0.47
Total	**29.64**

GIFT has submitted that the consumer category mainly served by the Petitioner belong to financial/commercial services providers including commercial bulk consumers of HTP-I category and Common utility services like DCS, WTP, AWCS etc. The consumer base of other categories would be relatively small.

Based on various projects is in progress, inputs collected from developer of SEZ and Non-SEZ area about prospective clients, details of plots allotted so far in SEZ and Non-

SEZ area, the projections for number of consumers have been worked out. The summery is as under:

Table 4-2: Projections of Consumer for FY 2021-22

Category	No. of consumers	sanctioned Load in kW	Contract Demand in KVA/MVA
HTP 1			
Up to 500 kVA of billing demand	20	-	5563
501-1000 kVA	3	-	2389
1001 -2500 kVA	0	-	-
Above 2500 kVA	1	-	2600
HTP 3	5	-	600
LT Category			
RGP	-	-	-
Others	-	-	-
Upto 2 kW	22	44	-
Above 2 kW - upto 4 kW	319	957	-
Above 4 kW - upto 6 kW	7	42	-
Above 6 kW	-	-	-
GLP	2	87	-
Non RGP			
First 10 kW of connected load	173	988	-
Next 30 kW of connected load	55	1150	-
LTMD			
For first 40 kW	12	310	-
Above 40 kW - upto 60 kW	19	1044	-
Above 60 kW-upto 100 kW	27	1831	-
			-
SL	12	128	-
TMP	65	1062	-
Total	**742**	**7643**	**11152**

Analysis

In response to Commission's query, the Petitioner has submitted the excel sheet of projections of Energy Sales for FY 2021-22. The Commission had also sought the justification on how Covid-19 pandemic has impacted the sales and how GIFT is expecting the sales would increase in FY 2021-22. The Petitioner has submitted that due to Covid-19 pandemic, energy sales have been impacted adversely in April and May 2020 as National lockdown was imposed. After relaxation from Government from June 2020, the energy sales have gradually increased. The actual energy sales for FY 2020-21 (Till January 2021) have been accounted at 17.10 MUs. It is expected that energy sales shall reach 20.50 Mus by 31st March, 2021. The actual energy sales for FY 2019-20 were 21.53 Mus. Accordingly, despite Covid-19 pandemic in FY 2020-21, the energy sales have almost been equivalent to FY 2019-20.

It is noted that the category-wise sales projected by the Petitioner for FY 2021-22. As energy sales are difficult to predict given that the SEZ is still under the development stage, it is viewed that the Licensee is in the best position to judge the sales growth, and hence, accepted the category-wise sales as projected by GIFT PCL, as shown in the Table below:

Table 4-3: Energy Sales approved for FY 2021-22

(MUs)

Particulars	GIFT PCL Petition	Approved in this Order
Energy Sales	29.64	29.64

The energy sales of 29.64 MUs is approved for FY 2021-22.

4.3 Distribution Losses

Petitioner's submission

GIFT PCL has projected distribution losses of 3.21% for the FY 2021-22. GIFT PCL has submitted that it has created state of art power distribution network in SEZ and Non-SEZ area which is spread over an area of 886 acres. The Petitioner has considered n-1 network redundancy at all level for higher power reliability and availability to end consumers in the Distribution License Area.

In view of above, GIFT PCL has requested the Commission to allow projected distribution losses for FY 2021-22 as shown in below table:

Table 4-4: Projection of Distribution Losses projected for FY 2021-22

(%)

Particulars	GIFT PCL Petition
Distribution Losses	3.21%

Analysis

The Petitioner has considered the Distribution Losses of 3.21% for FY 2021-22. In response to the Commission's query regarding projecting the distribution losses of 3.21% for FY 2021-22 i.e. same as that achieved in FY 2019-20 despite sales expected to increase to 29.64 MUs and load is also projected to increase, the Petitioner has submitted that it has made the all possible efforts to reduce the system losses. The transformer losses get stagnant after achieving breakpoint because auxiliary losses are fixed at certain levels and the losses shall only decrease after substantial increase in energy sales. The sub-station yard loss (i.e. at 66 kV) hovers in between 1.90% to 2%. Due to increase in consumers which are located far away from sub-station (i.e. SEZ area), the cable route length for last mile connectivity consequently increases. Accordingly, the ideal distribution losses are in range of 1.3% to 1.5%. Hence, distribution losses remain in range of 3% to 3.5% range despite increase in sales.

The submissions of the Petitioner is noted. While the loss levels may be linked to the quantum of sales or optimal loading of the network, it should be the endeavour of the Petitioner to reduce the losses further from the existing levels especially considering that there are no commercial losses in the network. Accordingly, considering the foregoing, the Distribution Losses is approved as shown in the table below:

Table 4-5: Distribution Losses approved for FY 2021-22

(%)

Particulars	GIFT PCL Petition	Approved in this Order
Distribution Losses	3.21%	3.21%

The Distribution Losses of 3.21% is approved for FY 2021-22.

4.4 Energy Balance

Petitioner's submission

GIFT PCL has submitted that the projection of Energy Balance for the FY 2021-22 is based on the projection of consumer category wise sales and projected distribution losses.

GIFT PCL has proposed to meet the power requirements through medium term and short term sources. The medium-term power requirement (55%) will be met through PTC India Ltd and the short-term power requirements (41%) through power exchange by bidding in day ahead market (DAM) at India Energy Exchange (IEX) and the remaining small quantum is assumed to be available through UI / DSM.

GIFT PCL has further submitted that the renewable power requirement to meet the RPO is considered through solar energy generation from projects situated in the licensee area and balance from procuring RECs from the exchange.

Similarly, the entire non-solar RPO will be met through non-solar REC purchase only.

The estimated energy sales, losses and the resultant Energy Balance for the FY 2021-22 as projected by GIFT PCL are given below:

Table 4-6: Energy Requirement projected for FY 2021-22

(MUs)

Particulars	GIFT PCL Petition
Energy Sales	29.64
Distribution Losses (%)	3.21%
Distribution Losses	0.98
Energy Requirement at the Periphery of GIFT PCL	**30.62**

Analysis

The submissions of the Petitioner is noted. The views on the proposed sources of power purchase have been outlined in the subsequent section relating to power purchase cost.

Based on the energy sales approved in Table 5-3 and the Distribution Losses approved in Table 5-5, the energy requirement computed for GIFT PCL for FY 2021-22, as given in the Table below:

Table 4-7: Energy Requirement approved for FY 2021-22

(MUs)

Particulars	GIFT PCL Petition	Approved in this Order
Energy Sales	29.64	29.64
Distribution Loss (%)	3.21%	3.21%
Distribution Loss (MU)	0.98	0.98
Energy Requirement	30.62	30.62

4.5 Energy Availability and Power Purchase Cost

Petitioner's submission

GIFT PCL has projected power requirement to be procured for retail supply business during FY 2021-22. GIFT PCL has worked out the quantum of power procurement based on projected sale of power to its customers and projected Transmission and Distribution losses.

GIFT PCL has considered the source-wise energy procurement based on estimated sales during FY 2021-22. The total energy procurement would be around 30.62 MU for FY 2021-22 considering the distribution loss projected by the Petitioner. GIFT PCL has submitted that it has considered procurement of power through its MTOA and power exchange for FY 2021-22.

PTC India Ltd. will supply majority of power through MTOA (55%). The proposed capacity under MTOA is 2 MW. The energy injection at distribution periphery would be around 16.99 MU, after deducting the intra-state transmission loss. The rate of power purchase from PTC India Ltd is envisaged at approximately Rs. 3.75/ kWh, considering of the prevailing landed cost for FY 2021-22.

For short term sources, the Petitioner projects to source around 41% of power procurement from Power Exchange. Based on the rate discovered in DAM market, it has been assumed the purchase rate would be around Rs. 4.01 per unit for energy to be purchased from power exchange. This rate is considered for power available at distribution periphery after considering all the necessary charges. Remaining small quantum is assumed to be available through UI / DSM and rate is proposed at Rs. 3.00 per unit considering the trend of present UI/DSM rate of FY 2020-21.

Renewable Power Purchase Obligation (RPO)

The Petitioner submitted that the RPO level specified by the Commission for FY 2021-22 is as given in the Table below:

Table 4-8: RPO for FY 2021-22

RE Technology	GIFT PCL Petition
Solar	8.00%
Wind	8.25%
Others (Biomass, Bagasse, Hydro and MSW)	0.75%
Total	**17.00%**

GIFT PCL has considered renewable power procurement to meet the RPO through solar energy generation from projects situated in the licensee area and balance from procuring RECs from the exchange. GIFT has also considered purchase of REC for meeting RPO shortfall of FY 2019-20 and FY 2020-21. The REC procurement cost for Solar and non-solar is envisaged at Rs. 1.00 /kWh.

GIFT PCL has considered purchase of aforesaid renewable power in accordance with the RPO target notified by Commission through its GERC (Procurement of Energy from Renewable Sources) (Second Amendment) Regulations, 2018.

The summary of estimated source-wise power purchase cost during FY 2021-22 is tabulated below:

Table 4-9: Power Procurement Quantum & Cost projected by GIFT PCL for FY 2021-22

(Rs. Crore)

Particulars	Energy Quantum (MUs)	Rate (Rs/kWh)	Amount (Rs. Crore)
MTOA through PTC	16.99	3.75	6.37
IEX	12.63	4.01	5.06

Particulars	Energy Quantum (MUs)	Rate (Rs/kWh)	Amount (Rs. Crore)
UI/DSM	1.00	3.00	0.30
Solar REC	4.24		0.42
Non Solar REC	6.39		0.64
Power trading cost			0.55
Total	**30.62 (excluding REC)**	**4.36**	**13.35**

Analysis

The Petitioner has proposed to procure majority of power from PTC India Ltd. on medium term basis. The Commission has asked to provide supporting documents (like PPA etc.) for the projection of power purchase cost. In response to Commission's query the petitioner has provided copy of the PPA signed with Adani Power (Mundra) Limited (through PTC) for supply of 1.5 MW RTC Power from June 2020 to May 2021. For procurement from PTC for FY 2021-22, the Petitioner has considered the rate of Rs. 3.75 per unit which seems reasonable considering Tariff of Rs. 3.38/kWh tariff plus GETCO & SLDC charges and accordingly the Commission approves the same.

It is noted that GIFT PCL has proposed to meet the requirement towards the solar & non-solar RPO target (Shortfall of FY 2019-20 & FY 2020-21 and target for FY 2021-22) through REC procurement during FY 2021-22 at Rs. 1.00 per kWh. GIFT PCL has not given any reason for not initiating the RE procurement process when it is amply clear that power purchase from conventional sources plus REC is a costlier option. It is directed to GIFT PCL to be diligent and ensure that RE power is procured to meet its RPO requirement. It is also directed to GIFT PCL to ensure that Power planning is required to be undertaken by considering the procurement of RE power and purchase of REC is to be resorted to only in case of shortfall of generation of RE power. It is also to mention that Green Team Ahead Market (GTAM) was introduced during FY2020-21 at IEX platform w.e.f. 21st August, 2020 wherein solar and Non-Solar renewable energy is being transacted in four contracts namely intra-day, Day Ahead Contingency, Daily and Weekly. It is viewed that Petitioner may take necessary steps to take advantage of new facilities/ services/ products available in the power market to optimise its power purchase cost. The power purchase quantum of 10.63 MU from renewable sources is considered at rate of Rs. 4.00 per kWh for estimating power purchase cost of FY 2021-22.

Small quantum of 1 MU is assumed to be available through UI / DSM and rate is proposed at Rs. 3.00 per unit considering the trend of present UI/DSM rate of FY 2020-21. It is opined that UI/DSM cannot be considered as a source of power for the purpose of projections as UI is a mechanism developed to improve grid efficiency, grid discipline, accountability and responsibility by imposing charges on those who defer from their scheduled generation or drawal and not a regular source for purchasing power. Accordingly, GIFT PCL can source this small quantum of power either from the power markets or some other cheaper source.

GIFT PCL has also proposed procurement of power of 12.63 MU which is around 41% of the total requirement through Power Exchange. The market clearing price at IEX hovers around Rs. 3 per unit but the landed cost at petitioner's periphery is around Rs. 4 per unit. Shortfall in power purchase through Power Exchange is allowed. As discussed above, power purchase quantum of 16.99 MU through PTC and 10,93 MU from renewable sources is allowed. Hence, shortfall in power purchase quantum remains of 3.00 MU. Power purchase quantum of 3.00 MU is allowed from Power Exchange at rate of Rs. 4.00 / kWh.

It is observed that GIFT PCL has claimed Rs. 0.55 Crore as power trading cost. On the ground as discussed during Truing up for FY 2019-20, Rs. 0.44 Crore disallowed as part of power purchase cost. Trading margin of Rs. 0.11 Crore for power procurement is approved. It is directed to GIFT PCL to make payment of trading margin after prudence check as in some of the existing PPA, trading margin of PTC is already included in Tariff quoted by Bidder.

Accordingly, the source-wise energy purchase is approved as follows:

Table 4-10: Energy Availability approved for FY 2021-22

(MUs)

Particulars	GIFT PCL Petition	Approved in this Order
MTOA through PTC	16.99	16.99
IEX	12.63	3.00
UI/DSM	1.00	-
Solar Energy	4.24*	4.24
Non Solar Energy	6.39*	6.39
Total	**30.62**	**30.62**

*REC considered by the Petitioner and the Commission has considered energy

Accordingly, the power purchase cost approved as follows:

Table 4-11: Source-wise Power Purchase Cost approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
MTOA through PTC	6.37	6.37
IEX	5.06	1.21
UI/DSM	0.30	-
Solar REC-2021-22	0.42	1.70
Non Solar REC-2021-22	0.64	2.55
Power Trading Cost	0.55	0.11
Net Power Purchase Cost	**13.35**	**11.95**

4.6 Capital Expenditure, Capitalization and Funding of Capex

Petitioner's submission

The Petitioner has developed Infrastructure for EHV connectivity from source, substation for conversion at distribution voltage (33 & 11 KV) and last mile connectivity along with distribution feeder and aligned infrastructure. Infrastructure inside the building for power distribution is developed by the concerned builders. Internal building distribution network comprises of incomer HT panels, HT cables, distribution transformers, LT panels and LT distribution network. All these infrastructures are designed by developer of building as per guidelines of design approved by GIFT PCL. Network is approved by GIFT PCL for prudence, and after installation it is checked by GIFT PCL, before charging of network. Maintenance of this network is also done by developers.

The Petitioner has proposed the capital expenditure and capitalization of Rs. 11.19 Crore and Rs. 18.03 Crore respectively during FY 2021-22.

Based on above, GIFT has submitted the summarized statement of proposed capital expenditure during FY 2021-22 as shown in below table:

Table 4-12: Capitalisation projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Opening GFA	113.83
Capitalisation	
- Plant and Machinery	18.03
- Civil works	0.00
- Furniture	0.00
Addition Capitalization During the Year	**18.03**
(less): Additional Consumer contribution	2.26
Closing Balance of GFA	129.60

GIFT has submitted the proposed scheme-wise Capitalization for FY 2021-22 as under:

Table 4-13: Proposed Scheme-wise Capitalization for FY 2021-22

Sr. No.	Project	Project Cost (in Crores)	Rationale
1	Connectivity charges	4.86	GETCO supervision charge after finalisation for connectivity at 66KV
2	Power Distribution Arrangement for various consumers	1.10	Power Supply arrangements for new connections (LT & HT distribution and metering (Cable Laying & CSS)
3	Power supply arrangement for (switching panel for Block No-53)	4.10	Extension of distribution network in Block-53 for new buildings
4	Backup Power for Block-14	1.97	From consumer contribution – included in SLC addition

Sr. No.	Project	Project Cost (in Crores)	Rationale
5	Solar Power 1 MW	4.00	To set up 1 MW solar plant at GIFT's own land outside GIFT City for self-consumption and RPO compliance
6	33/0.415 kV substation at Block 41	2.00	As per development plan, Block 41 & 46 comprises 26 buildings. By considering network development in a phased manner, it is required to set up substation of 1 MW initially to cater the demand of Block-41.
	Total Capex Expenditure Planned	**18.03**	

- **Connectivity charges**

  The Petitioner has paid the supervision charges to GETCO for second source substation. The project has been completed but hand-over is yet to be done. The Petitioner is following up with GETCO for finalisation of the amount paid. It is expected that the same will be finalised in ensuring year post handing over. Hence, the same is projected to be capitalised in the ensuring year.

- **Power Distribution Arrangement for various consumers**

  The Petitioner has to arrange Power Supply arrangements for new consumers and to develop the required infrastructure for giving supply connections, various items have to be procured like cables, meter box, feeder pillars, civil works & other miscellaneous items. So for such purpose, it is estimated that the cost would be around Rs 1.10 crore during FY 2021-22.

- **Power Supply Arrangement for Block-53**

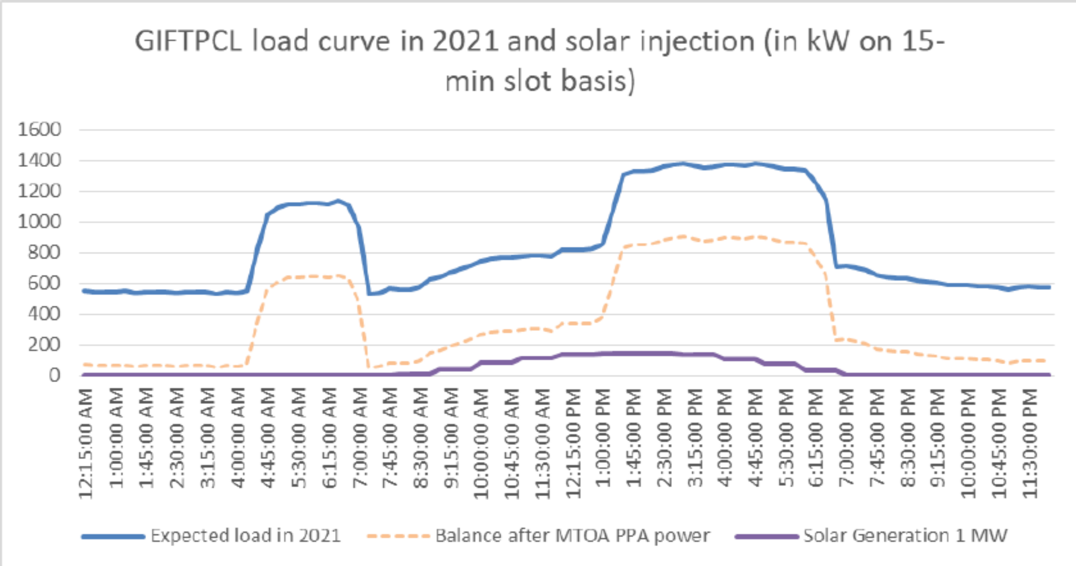
  In Block-53, new buildings are being developed and different builders have initiated the work and the same is in advance stage. As per the response received from such developers, the Petitioner has to lay the necessary distribution network. The extension of distribution network in Block-53 for new buildings is comprised of switching panel and related allied accessory, HT cables & other miscellaneous items. The projected cost is around Rs 4.10 crore.

- **Substation for Block 41**

  As per the development plan, Block 41 & 46 comprises 26 buildings including residential and shopping mall. The total power demand of Block 41 & 46 is approximately 10 MW. By considering network development in a phased manner, it is required to set up substation of 1 MW initially to cater the demand of undergoing development of 4 buildings in Block-41 which will predominantly be LT consumers. As per the status of the project, the Petitioner is planning to construct 1 MW substation and for this reason Rs 2.00 Crore has been estimated to be spent in FY 2021-22. The same substation will be augmented in future as per load growth in those blocks.

- **Ground Mount Solar Power Plant of 1.0 MW**

  The Petitioner is planning to set up a 1 MW solar power plant at GIFT's own land available with the Petitioner for self-consumption as well as for RPO compliance. The project is planned to be developed near the land available beside the National Highway. The land of 16 acres can accommodate 4 MW solar project; however, initially the Petitioner is planning to develop 1 MW power project through capex mode. The Petitioner will prepare the capex tender and publish the tender for project execution under Engineering, Procurement and Commissioning (EPC) mode. Based on the experience of development of 1 MW project, the Petitioner will plan to enhance the solar project capacity in future. The same will be utilised to meet the future RPO compliance. The Solar power project is planned in a way to reduce power purchase quantum from open market as per the load curve of GIFT City. The Petitioner has studied the load curve of its license area and power available through medium term open access (MTOA) mode. At present, after availing MTOA power, remaining power is managed through power exchange and UI / DSM. After installation of solar power project, the Petitioner will avail the solar power during the day time and remaining will be managed through Power Exchange. A typical day's (96 block) projected load curve and solar power generation is given below.



Accordingly, GIFT PCL has proposed Capital expenditure & Capitalization for FY 2021-22 as per below table:

Table 4-14: Capital Expenditure and Capitalization projected for FY 2021-22

(Rs. Crores)

Particulars	FY 2021-22
Capital Expenditure	11.19
Capitalisation	18.03

Analysis

The submission of the Petitioner is examined. With regards to the connectivity charges, GIFT PCL has submitted that these charges pertain to the GETCO supervision charge. The Commission had sought the clarification from GIFT PCL regarding the year to which the GETCO supervision charges pertain. In response to the Commission’s query, the Petitioner submitted that the supervision charges have been paid to GETCO during creation of second source, however, due to some settlement issue, it is estimated to be capitalised in FY 2021-22.

In response to the Commission’s query, the Petitioner has furnished the DPR along with the other details of all schemes including Solar Power 1MW Scheme for the capital expenditure projection for FY 2021-22 and also the cost benefit analysis.

As regards the project related to establishing a 1 MW Solar Generation Plant, it is noted that the Petitioner works out benefit by assuming that it will avoid purchase of Solar REC and conventional power. But Petitioner has not provided sufficient details relating to the effective cost of generation from the proposed solar generation plant. The Petitioner has also not justified how the option of solar generation identified by the Petitioner is better as compared to other options available to the Petitioner for procuring Solar Power including the cost implication of the consumers. Considering that the cost of solar generation in the markets has been significantly dropping over a period of time, an attempt has to be made by the Petitioner to explore other options in the market. It is important to note that recently the Commission has adopted solar tariff of Rs. 1.99/ kWh discovered through competitive bidding process carried out by GUVNL through the quantum of Solar Power was high as compared to proposed capacity by GIFT PCL. The Petitioner must also justify how the option of self-solar generation is economically better for the consumers. Considering the lack of information and necessary justification by the Petitioner, the claim of Rs. 4.00 Crore on account of proposed scheme of 1 MW solar Power for FY 2021-22 is hereby disallowed. The Petitioner is at liberty to approach the Commission in the future with adequate information regarding the project including the effective cost of generation and other alternatives explored while finalising the option.

Accordingly, Capital Expenditure of Rs. 7.19 Crore is approved for FY 2021-22. The Petitioner has also submitted the proposed scheme-wise Capitalization for FY 2021-22, and based on that Capitalization of Rs. 14.03 Crore FY 2021-22 is approved.

Table 4-15: Capex worked out for FY 2021-22

(Rs. Crore)

No.	Particulars	GIFT PCL Petition	Approved in this Order
A	Capital expenditure	11.19	7.19
B	Capitalization	18.03	14.03

The closing GFA for FY 2019-20 of Rs. 17.90 Crore is considered as approved in this Order and the addition of assets of Rs. 11.04 Crore in FY 2020-21 as approved earlier in the MYT Order dated 31st July, 2019 for working out the closing balance of GFA for FY 2020-21. Accordingly, the closing balance of GFA for FY 2020-21 thus worked out, has been considered as opening balance of GFA for FY 2021-22. The asset capitalisation approved for FY 2021-22 have been discussed earlier in this Section. The Capitalization for FY 2021-22 is envisaged to be partly funded from additional consumer contribution and the balance has been considered as funded through Debt: Equity in the ratio of 70:30.

Accordingly, the capitalisation and funding approved for FY 2021-22 are given in the Table below:

Table 4-16: Capitalization and its funding approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Opening GFA	113.83	36.14
Addition to GFA	18.03	14.03
Less: Additional Consumer Contribution	2.26	2.26
Closing GFA	129.60	47.91
Capitalization for Debt: Equity	15.77	11.77
Normative Debt (70%)	11.04	8.24
Normative Equity (30%)	4.73	3.53

4.7 Operations and Maintenance Expenses

Petitioner's submission

GIFT PCL has derived the O&M expenses for FY 2021-22 by escalating the actual expenses of FY 2019-20 by 5.72%, twice. As per the provisions of the GERC (MYT) Regulations, 2016, the escalation factor has been considered on actual O&M expenses for FY 2019-20.

Due to introduction of GST from 01 July, 2017, the impact of it has been considered in the Repair & Maintenance expense and Administrative & General Expense. The A&G expense includes Petition fee to be paid to the GERC for tariff petition purpose. The R&M expenses are outsourced, GIFT conducts competitive bidding for getting competitive price hence, the projected cost is optimized cost for R&M expenses.

Table 4-17: Operation and Maintenance Cost projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Employee Expenses	1.74
R&M Expenses	1.59
A&G Expenses	0.66
Operation and Maintenance Expenses	**3.99**

Analysis

Regulations 86.2 and 94.8 of the GERC (MYT) Regulations, 2016 specify the method of allowing normative O&M Expenses for the MYT Control Period, as reproduced below:

"86.2 Operation and Maintenance expenses:

a) The Operation and Maintenance expenses shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending March 31, 2015, subject to prudence check by the Commission.

b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31, 2014 and shall be escalated year on year at the escalation factor of 5.72% to arrive at operation and maintenance expenses for subsequent years up to FY 2020-21…"

It is noted that the FY 2021-22 was not part of the earlier control period (FY 2016-17 to FY 2020-21) and it was rather proposed to be the first year of the next Control Period starting FY 2021-22. While the notification of the new Tariff Regulations for the next Control Period was deferred by the Commission on account of circumstances and reasons beyond the control of the Commission, for the purpose of application of the norms for the FY 2021-22 as per the existing GERC (MYT) Regulations, 2016, the FY 2021-22 is being treated at par with the first year of the control period. Accordingly, the allowable O&M expenses for the FY 2021-22 have been computed in line with the provisions of the Regulation 86.2 of the GERC (MYT) Regulations, 2016 by considering the average actual O&M expenses (approved by the Commission) for FY 2017-18 to FY 2019-20 which have been considered as the O&M expenses for the FY 2018-19 ending 31st March 2019 and escalated year on year at rate of 5.72% to arrive at the allowable O&M expenses for FY 2021-22. The Commission has approved actual O&M expenses of Rs. 0.57 Crore, Rs. 0.70 Crore and Rs. 3.94 Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.

Accordingly, the approved the O&M Expenses for FY 2021-22 are as given in the Table below.

Table 4-18: Operation and Maintenance Expenses approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Employee Expenses	1.74	
R&M Expenses	1.59	
A&G Expenses	0.66	
Operation and Maintenance Expenses	**3.99**	**2.05**

4.8 Depreciation

Petitioner's submission

GIFT PCL has considered the depreciation on the basis of gross fixed asset at the starting of financial year and additional capitalization proposed to be capitalized during the year as proposed under capex roll-out plan. On this basis, the average of opening and closing value of asset has been calculated. Depreciation for FY 2021-22 has been calculated based on average asset value and depreciation rate as given in the GERC (MYT) Regulations, 2016.

Table 4-19: Depreciation projected for FY 2021-22

(Rs. Crore)

Particulars	Plant and Machinery	Civil works	Furniture	Total
Opening GFA	102.66	10.88	0.28	113.83
Capitalization During the Year	18.03	0.00	0.00	18.03
(less): Additional Consumer contribution	2.26	-	-	2.26

Particulars	Plant and Machinery	Civil works	Furniture	Total
Net Capitalization	15.77	-	-	15.77
Closing Balance of GFA	118.44	10.88	0.28	129.60
Average GFA	110.55	10.88	0.28	121.71
Depreciation rate (%)	5.28%	3.34%	6.33%	
Depreciation claimed	**5.84**	**0.36**	**0.02**	**6.22**

GIFT PCL has submitted that the computation of depreciation on the fixed assets is based on straight line method as prescribed in the Regulations. The Depreciation rates considered are as per the GERC (MYT) Regulations, 2016.

Analysis

The approved capitalisation for calculation of depreciation is considered and the opening GFA for the FY 2021-22 is considered same as that approved in Table 4-16 of this Order. It is noted that average depreciation rate for FY 2019-20 is 5.16%. It is observed that GIFT PCL has worked out average depreciation rate of 5.11% for FY 2021-22 by applying the GERC depreciation rates which seems reasonable. Accordingly, the depreciation for FY 2021-22 is computed on average GFA for the year.

Accordingly, Depreciation of Rs. 2.15 Crore for FY 2021-22 is approved as shown below:

Table 4-20: Depreciation approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Gross Block at the beginning of the year	113.83	36.14
Addition during the year	18.03	14.03
Less: Assets funded through consumer contribution	2.26	2.26
Gross Block at the end of the year	129.60	47.91
Depreciation	**6.22**	**2.15**

4.9 Interest and Finance Charges

Petitioner's submission

GIFT PCL submitted that it has calculated the Interest Expenses on the basis of actual weighted average interest rate charged by the bank for existing loan as per the GERC (MYT) Regulations, 2016. GIFT PCL has paid the interest amount to the bank at weighted average interest rate of 7% and accordingly prevailing interest rate of the existing loan has been considered for FY 2021-22 as per the GERC (MYT) Regulations, 2016.

GIFT has considered the debt-equity in 70:30 ratio as indicated in the GERC (MYT) Regulations, 2016 after exclusion of projected Consumer Contribution, which would be received from the consumers.

GIFT has submitted the following details in respect of Interest and Finance Charges.

Table 4-21: Interest and Finance Charges projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT Petition
Opening Balance of Loan	56.10
Addition of Loan	11.04
Repayment (Depreciation Allowed)	6.22
Closing balance	60.92
Average loans	58.51
Average rate of Interest	7.00%
Interest on Loan	**4.10**

Analysis

The closing balance of Normative Loan of Rs. 11.09 Crore for FY 2019-20 as approved in this Order is considered and the addition of Normative Loan of Rs. 7.28 Crore and repayment of Normative Loan of Rs. 4.56 Crore for FY 2020-21 as approved earlier in the MYT Order dated 31st July, 2019 to work out the closing balance of loans for FY 2020-21. Accordingly, the closing balance of Normative Loan for FY 2020-21 thus worked out, has been considered as opening balance of Normative Loan for FY 2021-

22. The loan addition and repayment equivalent to depreciation as approved for FY 2021-22 have been considered.

As regards to the weighted average rate of interest, GIFT PCL has paid the interest amount to the bank at weighted average interest rate of 7.00% and based on the same interest rate of the existing loan has been considered for FY 2021-22.

Accordingly, the Interest and Finance Charges of Rs. 1.18 Crores for FY 2021-22 is approved as shown in the Table below:

Table 4-22: Interest and Finance Charges approved up for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Interest on Normative Loan		
Opening Loan	56.10	13.81
Addition of Loan due to Capitalisation during the Year	11.04	8.24
Less: Repayment	6.22	2.15
Closing Loan	60.92	19.90
Average Loan	58.51	16.86
Rate of Interest (%)	7.00%	7.00%
Interest Expenses	**4.10**	**1.18**

4.10 Interest on Security Deposit

Petitioner's submission

GIFT PCL has submitted that the consumer whose amount of security deposit exceeds Rs. 25 Lakhs, at his option, can furnish the security deposit in the form of irrevocable bank guarantee initially valid for period of 2 years as per the GERC (Security Deposit) (Second Amendment) Regulations, 2015.

GIFT PCL has computed the interest expenses on proposed security deposit for FY 2021-22 as 0.37 Crore considering the trend of consumer deposit of past years as tabulated below:

Table 4-23: Interest on Security Deposit projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Amount held as Security Deposit	6.61
Interest Rate (%)	5.60%
Interest on Security Deposit	**0.37**

Analysis

The average amount of consumer security deposits is accepted as projected by the Petitioner for FY 2021-22. The RBI Bank Rate @ 4.65% per annum is considered in line with the provisions of the GERC (MYT) Regulations, 2016 instead of 5.6% considered by GIFT PCL.

Accordingly, the Interest on Security Deposit of Rs. 0.31 Crores for FY 2021-22 is approved as shown in the Table below:

Table 4-24: Interest on Security Deposit approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Average Security Deposit	6.61	6.61
Interest Rate (%)	5.60%	4.65%
Interest on Security Deposit	**0.37**	**0.31**

4.11 Interest on Working Capital

Petitioner's submission

GIFT has submitted that the interest on working capital has been worked out as per the GERC (MYT) Regulations, 2016. The following have been considered for determining bases for working capital in a year.

- Operation & Maintenance expenses for one month, plus maintenance spare @ 1 % of GFA, plus receivables equivalent to one month of the expected revenue, minus
- Amount, if any, held as security deposits against bill payment