

GUJARAT ELECTRICITY REGULATORY COMMISSION



Tariff Order

Truing up for FY 2015-16,
Approval of Final ARR for FY 2016-17,
Approval of Multi-Year ARR for FY 2016-17 to 2020-21
and Determination of Tariff for FY 2017-18

For

Kandla Port Trust (KPT)

Case No. 1639 of 2017

30th June, 2017

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**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

Tariff Order

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ABBREVIATIONS

ARR	Annual Revenue Requirement
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
KPT	Kandla Port Trust
LU	Lakh Units
MMTPA	Million Metric Tonne Per Annum
MYT	Multi-Year Tariff
O&M	Operations & Maintenance



Kandla Port Trust
Truing up for FY 2015-16, Approval of Final ARR for FY 2016-17, Approval of Multi-Year ARR
for FY 2016-17 to 2020-21 and Determination of Tariff for FY 2017-18



Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1639 of 2016

Date of the Order: 30/06/2017

CORAM

Shri Anand Kumar, Chairman
Shri K. M. Shringarpure, Member
Shri P. J. Thakkar, Member

ORDER

- 1.1. Kandla Port Trust (hereinafter referred to as 'KPT' or the 'Petitioner') has filed petition on 1st February, 2017 under Section 62 of the Electricity Act, 2003, read with GERC (Multi-Year Tariff) Regulations, 2011, for the Truing up of FY 2015-16 and GERC (Multi-Year Tariff) Regulations, 2016 for determination of final ARR for FY 2016-17, determination of ARR for the Control Period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18. After technical validation of the petition, it was registered on 18th February, 2017.
- 1.2. Kandla Port is a natural harbour situated in Kandla creek and is about 90 km from the Gulf of Kutch - with 11 dry cargo berths and a state-of-the-art container terminal with a capacity of 3.6 MMTPA. It is one of the major ports on the west



coast of India under the Government of India, Ministry of Shipping and its main activity is to facilitate maritime trade for commercial cargo handling vessels.

The license for supply of electrical energy was granted to Kandla Port Trust by the Chief Commissioner of Kutch under the Indian Electricity Act, 1910 vide Notification No. AF-133/55 dated 12th April, 1956

Consequent to the enactment of the Electricity Act, 2003, KPT has become a deemed licensee under the Act and is required to file a petition under Section 62 of the Act for determination of tariff by the appropriate Commission.

- 1.3. The Commission directed KPT to publish its application in the abridged form to ensure public participation in accordance with Section 64 of the Electricity Act, 2003.

The Public Notice, inviting objections / suggestions from its stakeholders on the ARR petition filed by it, was published in the following newspapers:

List of newspapers

Sr. No.	Particulars	Language	Date of Publication
1	The Indian Express	English	11.03.2017
2	Kutch Mitra	Gujarati	13.03.2017

The Petitioner also placed the public notice and the petition on its website (www.kandlaport.gov.in) for inviting objections and suggestions on the petition. The interested parties / stakeholders were asked to file their objections / suggestions on the petition on or before 12th April, 2017.

The Commission received no objections/suggestions from any consumers / consumer organizations till the last submission date. Hence, no public hearing was conducted for the same.

- 1.4. KPT filed its first petition under the Multi-Year Tariff Framework for the control period from FY 2011-12 to FY 2015-16 on 7th December, 2010, in accordance with the GERC (Multi-Year Tariff) Regulations, 2011. The Commission issued the Multi-Year Tariff Order on 18th August, 2011 for the control period



comprising FY 2011-12 to FY 2015-16, based on the GERC (MYT) Regulations, 2011.

- 1.5. The petitioner filed its petition for Truing-up of FY 2014-15 and determination of tariff for FY 2016-17. The Commission has considered the ARR approved in the MYT order for FY 2015-16 as provisional ARR for FY 2016-17 as per Order dated 2nd December, 2015 in Suo Motu Petition No. 1534/2015. The Commission vide Order dated 22nd June, 2016 noted that in the absence of separated audited accounts for the regulated business of KPT, truing up of approved ARR for FY 2014-15 cannot be considered. The Commission had similar observations for truing up of earlier periods of the second control period.
- 1.6. The Commission has notified the GERC (Multi-Year Tariff) Regulations, 2016 on 29th March, 2016 which shall be applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulation 17.2 provides for submission of detailed Multi-Year Tariff application comprising truing up for FY 2015-16 to be carried out under GERC (Multi-Year Tariff) Regulations, 2011, Multi-Year Aggregate Revenue Requirement for the entire Control Period i.e. FY 2016-17 to FY 2020-21 with year-wise details, Revenue from the sale of power at existing tariffs and charges and projected revenue gap or revenue surplus, for the second year of the Control Period under these Regulations, viz., FY 2017-18 and application for determination of final ARR for FY 2016-17 and determination of tariff for FY 2017-18.
- 2.1. KPT has approached the Commission with the present Petition for “Truing up” of the FY 2015-16, determination of final ARR for FY 2016-17, determination of ARR for the third control period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for the FY 2017-18 with following main prayers:
 - a) Admit the Aggregate Revenue Requirement petition for the control period from FY 2016-17 to FY 2020-21;
 - b) Approve the Aggregate Revenue Requirement of MYT for the control period from FY 2016-17 to FY 2020-21;
 - c) Pass such order and further orders as are deemed fit and proper in the facts and circumstances of the case.



2.2. KPT has arrived at the consolidated gap of Rs. 1138.54 lakh (Rs. 835.56 lakh + Rs. 302.98 lakh) for FY 2015-16 and FY 2017-18. The petitioner has proposed the said gap to be recovered through tariff revision.

2.3. Based on the Petitioner's application, the Commission has carried out truing up process of expenses and revenue of FY 2015-16 and review the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges for the entire third control period i.e. from FY 2016-17 to FY 2020-21. The Commission has observed following incompleteness and inconsistencies with respect to information submitted by the Petitioner in the present Tariff Application.

a) Anomalies in Energy Sales and Power Purchase Quantum

The petitioner has reported Energy Sales differently in Table 1, as 118.05 LUs and in Table 6, as 111.25 LUs in the Petition and that in the Form-I, as 112.15 LUs, as shown below:

“Table 1: Category wise Energy Sales (Lac Units) & CAGR for previous three years

Category of Energy Sales	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
RGP	9.32	9.02	8.82	7.77	7.26
NRGP	9.99	31.37	54.70	55.03	59.21
Temp	9.04	12.00	14.14	10.61	8.68
St Ltg	15.83	5.80	8.00	13.77	15.77
HTP 1	85.85	65.99	32.30	22.85	21.81
	131.03	125.12	118.06	115.84	118.05

”

“Table 6:

Energy Requirement	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Energy sales in Lac Units	110.03	111.25	132.12	237.96	260.58	284.90	312.12
T&D losses %	9.10%	9.00%	8.85%	8.70%	8.50%	8.25%	8.20%
T&D Loss in Units	10.01	10.01	11.75	20.70	22.14	23.50	25.59
Energy Requirement	120.04	121.26	144.52	258.66	282.72	308.40	337.71
Energy	155.59	144.75	158.97	284.52	310.992	339.24	371.48



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Energy Requirement	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Purchase							
Surplus (Deficit) Power	35.55	23.44	14.45	25.86	28.27	30.84	33.77

“Form 1: Customer Sales & Forecast
True-Up Year (FY 2015-2016)

(MU)

Consumer Category & Consumption Slab	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
HT & EHT Category													
Category-1	0.19	0.22	0.20	0.18	0.19	0.19	0.19	0.17	0.17	0.17	0.15	0.17	0.218
Low Voltage Category													
RGP	0.06	0.06	0.07	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.727
Commercial	0.49	0.52	0.52	0.49	0.52	0.50	0.53	0.44	0.45	0.47	0.46	0.52	5.921
Temporary	0.08	0.06	0.08	0.09	0.06	0.07	0.07	0.10	0.07	0.07	0.05	0.07	0.869
St. Light	0.13	0.13	0.13	0.12	0.14	0.12	0.13	0.11	0.12	0.12	0.13	0.14	1.518
Total	0.95	1.00	1.00	0.94	0.97	0.94	0.98	0.88	0.86	0.89	0.84	0.96	11.215

Further, it is noted that KPT has stated that the Energy Requirement for FY 2015-16 is 121.26 LUs, whereas the actual power purchase is affirmed as 144.75 Lac units as reported in Table 6 of the petition. Nevertheless, the Commission has also noted that KPT mentioned another figure of power purchase units as 199.68 LUs in Table 7 of the present application, as shown below:

“Table 7: Power Purchase Cost for FY 14-15 and FY 15-16

	Lac Units	Total Cost	PPC/Unit
FY 14-15	219.00	1555.59	7.10
FY 15-16	199.68	1448.25	7.25

Upon questioning on the said inconsistencies, it is revealed by the Petitioner that the gap is with respect to the requirement of indent power. Furthermore, the petitioner has informed that load pattern of the port cannot be predicted owing to power consumption in operations of cranes for unloading / loading of goods and power requirement for Fire Fighting System are fluctuating in nature.



Therefore, the petitioner has kept a margin between actual power consumption and indented power purchase.

The Commission feels that KPT has not been able to reply satisfactorily to the queries raised by the office of the Commission related to variation in Energy Sales and Power Purchase Units. Further, in view of the variation reported in power purchase quantum, the Commission finds the projections for the control period inappropriate. Therefore, the Commission deems appropriate to reject the submission made by the Petitioner in respect of Power Purchase Quantum.

b) Apparent Errors in Calculations

The Commission finds a number of apparent calculation errors in the present application with respect to various heads such as Distribution Losses, Energy Requirement, O&M expenses, Return on Equity and Revenue from Sale of Power for truing up of FY 2015-16 and for ARR for the Control Period from FY 2016-17 to FY 2020-21. The tables from the petition filed by KPT illustrating errors in calculations are reproduced below as examples:

“Table 10: Total O & M Expenses projected from FY 2016-17 to FY 2020-21

Rs. Lacs

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
	Projected	Projected	Projected	Projected	Projected
Employee Exp.	218.75	229.68	241.16	253.21	265.87
A&G Exp.	5.48	5.75	6.03	26.33	26.64
R&M Exp.	110.19	119.00	128.52	138.80	149.44
Total O&M Exp.	354.42	374.43	395.71	408.34	441.95

“Table 20: Revenue Projection at Existing Tariffs.

Rs. Lacs

Revenue at existing tariff	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Actual	Actual	Estimated	Projected	Projected	Projected	Projected
RGP	30.69	30.49	29.92	32.56	33.0	33.44	33.88
NRGP	278.69	314.40	359.41	394.73	434.18	477.60	525.32
Temporary	74.69	63.27	66.57	72.08	79.24	83.16	91.46
St. Light	57.14	69.38	77.0	80.72	86.35	92.39	98.85
HTP	164.06	162.04	266.49	1013.76	1113.60	1226.64	1349.29
Revenue from surplus power	78.53	196.28	51.42	51.42	45.27	38.47	38.0
Total Revenue	684.03	835.56	850.61	1645.27	1791.64	1951.46	2136.80

“Table 21: Revenue gap during the control period from FY 2016-17 to FY 2020-21



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Rs. Lacs

Revenue @ existing Tariff & Gap	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Actual	Actual	Estimated	Projected	Projected	Projected	Projected
ARR	2266.98	1944.80	1612.81	1999.67	2104.83	2360.94	2661.58
Covered by							
Revenue @ Existing Tariff	684.03	639.28	850.61	1645.27	1791.64	1951.46	2136.80
Revenue from surplus power	78.53	196.28	51.42	51.42	45.27	38.47	38.0
Revenue Gap/Surplus	1504.42	835.56	710.78	302.98	267.92	371.01	486.78

* The figures in bold reflect errors

In spite of repeated communications from the office of the Commission, the said calculation errors were not cleared / rectified.

The Commission is unable to process the present application due to lack of clarity and therefore, deems fit to reject this application.

c) Insufficiency of Data with respect to Capex, Capitalization and O&M expenses

The Commission notes that the office of the Commission has requested for full details supporting the forecast including audited actual historical data for capitalisation, power purchase cost, and O&M expenses from KPT for carrying out a detailed review of MYT projections. However, KPT has expressed difficulty in segregating the past financial data between its port and electricity distribution business, and hence could not submit the data as required for the petition evaluation.

Furthermore, despite of repeated directives for the submission of audited accounts, there has been non-submission of audited accounts for previous four years of control period, FY 2011-12 to FY 2015-16. And therefore, the truing up exercise was not carried out by the Commission. This has affected setting the normative parameters like equity, depreciation, and O&M expenses for the next control period.

The Commission feels that to assess the reasonableness of the MYT projections, sufficient supporting details ought to be supplied by the Petitioner



as specified in Regulation 19.7 of GERC (MYT) Regulations, 2016. In the absence of such details, we hereby decide to dismiss the present petition.

d) Inappropriateness in approach for Return on Equity Calculations

The Commission finds that the Opening Balance of Equity has not been submitted for the calculation of returns in the Petition. The petitioner has proposed to consider 50% of Gross Fixed Assets as the Opening Balance of Equity of the respective years.

Furthermore, the Commission notes that there is constant reduction in the Opening Gross Fixed Assets without any data presented for retiring of assets. Moreover, there are inconsistencies in balances of Gross Fixed Assets considered in the Petition. The aforesaid anomalies are noticeable from the following table submitted in the Tariff Petition.

“Table 18: Reasonable Return.

Reasonable Return	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Rs. Lacs	Actual	Actual	Estimated	Projected	Projected	Projected	Projected
Opening GFA	1981.03	1859.38	1798.65	1737.82	1616.17	1494.52	1772.87
Opening Norm. Eqt. 50% of Opn. GFA	990.52	929.69	899.32	868.91	808.08	747.26	886.43
Addition in Equity (30% of Asset Capitalization)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Closing Equity	990.52	929.69	899.32	868.91	808.08	1147.26	2386.43
Average Equity Amount	990.52	929.69	899.32	868.91	808.08	947.26	1636.43
Rate of Return on Equity	14%	14%	14%	14%	14%	14%	14%
Return of Equity	69.34	65.07	125.90	121.64	113.10	132.61	229.10

In view of above, the Commission believes that the methodology of calculating return on equity is not in accordance with GERC (MYT) Regulations. And therefore, we decide to set aside the present application.



COMMISSION'S ORDER

Since, the tariff petition suffers from grave errors, data gaps, and inconsistencies, and repeated communication to KPT did not yield any positive results, the Commission hereby, dismiss the petition in exercise of the powers given in Section 64 (3) (b) of the Electricity Act, 2003 and Regulation 29.1 (b) of the GERC (Multi-Year Tariff) Regulations, 2016. However, KPT should comply with the statutory requirements and re-submit the petition complete in all respect as per GERC (MYT) Regulations, 2011 and 2016.

Sd/-

P. J. THAKKAR
Member

Sd/-

K. M. SHRINGARPURE
Member

Sd/-

ANAND KUMAR
Chairman

Place: Gandhinagar
Date: 30/06/2017

