

AERA/20010/ MYTP/IOSPL/FF/BANGALORE/CP-III/2021-26
Airports Economic Regulatory Authority of India

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003**

Date: 21st September, 2021

Public Notice No. 28/2021-22

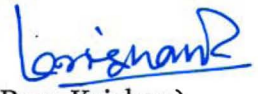
Sub: Comments/Submissions received from Stakeholders on the Consultation Paper No. 13/2021-22 dated 13.08.2021 regarding determination of Fuel Infrastructure Charges in respect of M/s Indian Oil Skytanking Private Limited (IOSPL) at Kempegowda International Airport (KIA), Bangalore for the Third Control Period (01.04.2021 – 31.03.2026).

Attention of all concerned is invited to Consultation Paper No. 13/2021-22 dated 13.08.21 regarding determination of Fuel Infrastructure Charges in respect of M/s Indian Oil Skytanking Private Limited (IOSPL) at Kempegowda International Airport (KIA), Bangalore for the Third Control Period (01.04.2021 – 31.03.2026), vide which the Authority had sought comments from the Stakeholders.

2. In response thereof, the Authority has received comments/submissions from the following stakeholders.

SI. No.	Stakeholders
1.	M/s Bangalore International Airport Limited (BIAL)
2.	M/s Federation of Indian Airlines (FIA)
3.	M/s Indian Oil Skytanking Private Limited (IOSPL)
4.	M/s Hindustan Petroleum Corporation Limited (HPCL)

The comments/ submissions received, as above, are attached for information of all concerned.


(Ram Krishan)
Director (P&S)

Fwd: IOSPL-BIAL Land lease Agreement

From : RAM KRISHAN <director-ps@aera.gov.in>
Subject : Fwd: IOSPL-BIAL Land lease Agreement
To : TRILOK CHAND <trilok@aera.gov.in>

Wed, Sep 15, 2021 02:25 PM

📎 1 attachment

fyi pl.

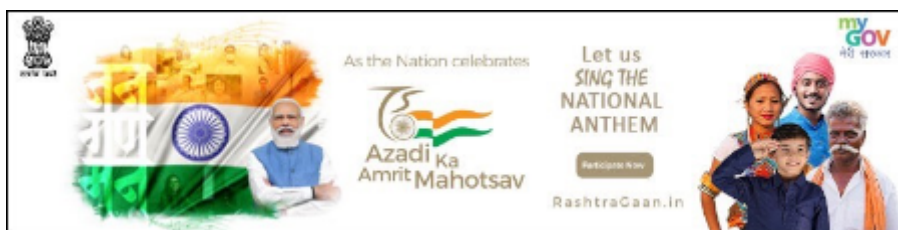
From: "bhaskar v" <bhaskar.v@BIALAIRPORT.COM>
To: "RAM KRISHAN" <director-ps@aera.gov.in>, "Jaimon Skaria" <jaimon.skaria@gov.in>
Cc: "bhaskar rao" <bhaskar.rao@BIALAIRPORT.COM>, "satyaki raghunath" <satyaki.raghunath@BIALAIRPORT.COM>, "arun c" <arun.c@BIALAIRPORT.COM>, raveen@BIALAIRPORT.COM
Sent: Wednesday, September 15, 2021 2:18:26 PM
Subject: IOSPL-BIAL Land lease Agreement

Dear Sir,

PFA the "[Amendment to User License Agreement](#)" that needs to be considered as additional response by BIAL to the Consultation Paper 13/2021-22 for IOSPL. The attached document contains the schedule of lease rentals payable by IOSPL to BIAL for the revised term till May 2033.

We request you to please consider the lease rentals as per Schedule C of the attached document for the purpose of tariff determination for IOSPL.

Regards,
Bhaskar



 **Amendment to User License Agreement.pdf**
377 KB

Ref: BIAL/S&D/21-22-AB14

9th September, 2021

Indianoil Skytanking Private Limited (IOSPL)
Fuel Farm Facility, Kempegowda International Airport,
Bengaluru - 560 300

Kind Attn: Mr. T.S Dupare, Chief Executive Officer.

Dear Sirs,

Sub: Amendment Letter to User License Agreement dated March 1, 2006

Ref:

1. User License Agreement dated 1st March, 2006 executed between (i) Indian Oil Corporation Limited, (ii) Indian Oiltanking Limited and (iii) Skytanking Holding GMBH ("Users") and BIAL.
2. Novation Agreement dated December 5, 2006, entered into between BIAL, Users (as referred above) and IOSPL.

Pursuant to our discussions on the subject matter and as per Clause 12 of the User License Agreement which allows the parties to carry out any amendments/ modifications to the User License Agreement on a mutually agreeable terms and conditions by way of exchange of letters which would be binding on the parties, the following amendments to User License Agreement are being proposed by BIAL:

1. The term "Land" as mentioned in Recital C, shall be replaced with "Schedule Property".
2. Clause 1 of the User License Agreement shall stand deleted and replaced with the following:

1(a) BIAL has agreed to grant license to use, occupy and access the property as more particularly specified in Schedule A ("Schedule Property") to IOSPL on "as is where is basis" for a period of 11 years 8 months commencing from October 1, 2021 to May 23, 2033 (License Term), to, among other things, carry out storing, handling and supplying aviation turbine fuel to aircraft stands using underground fuel hydrant system as more particularly provided in Schedule B ('Permitted Use').

1(b) IOSPL is granted the right to carry out the Permitted Use in accordance with the (i) guidelines and instructions of BIAL; (ii) applicable law and in compliance with the directions, rules, regulation, etc., laid down by relevant authority.



Registered Office : Administration Block, Alpha 2, Kempegowda International Airport, Bengaluru - 560 300



1(c) IOSPL shall be responsible for and shall ensure to procure and keep valid all the required approvals, licenses, permits related to construction, occupation and operation pertaining to the Permitted Use in the Schedule Property. BIAL shall extend co-operation and also render all requisite assistance to IOSPL to secure any approvals, licenses, and permits that may be required thereof under any applicable law that may be in force from time to time.

3. Clause 2 of the User License Agreement shall be replaced with the following:

2(a) IOSPL shall pay to BIAL such amount stipulated in Schedule C hereunder as monthly rent for the Schedule Property (the 'Rent') plus applicable taxes including Goods and Services Tax ('GST'), commencing from October 1, 2021 ("Rent Commencement Date").

2(b) IOSPL agrees and acknowledges that, the Rent does not include the utility charges and other services to the Schedule Property, which shall be solely borne by IOSPL and or its contractors/partners/joint developers.

2(c) Starting from the Rent Commencement Date, BIAL shall raise an invoice in accordance with all applicable tax laws for the Rent plus applicable taxes, on the basis of particulars shared by IOSPL and IOSPL shall pay the agreed Rent plus applicable taxes to BIAL in advance, on or before the fifth day of each month or within 5 (five) days from the receipt of the invoice, whichever is later. Notwithstanding anything to the contrary contained herein the Rent and all other amounts payable to BIAL under this Letter Amendment shall be paid to the designated account notified by BIAL. Any delay in payment, shall attract late fee/interest at five percent (5%) per month from the due date up to the date of actual receipt of all due payment by BIAL.

2(d) Security Deposit: IOSPL shall pay to BIAL an interest-free, refundable amount of INR 10,83,41,550/- (Rupees Ten Crores Eighty-Three Lakhs Forty-One Thousand Five Hundred and Fifty only) as security deposit. (the "Security Deposit"), by Rent Commencement Date

2(e) The Security Deposit shall be by way of Demand Draft(s) drawn in favour of "Bangalore International Airport Limited" payable at Bengaluru or through a unconditional bank guarantee in the form acceptable to BIAL. At the end of each financial year there shall be an escalation of 5% to the Security Deposit. IOSPL shall either deposit the incremental amount with BIAL or amend the bank guarantee accordingly within 10 days from the commencement of each financial year.



2(f) The Security Deposit shall be refunded to the IOSPL within 3 (three) months of expiry of the License Term or early termination of the User License Agreement subject to applicable deductions and handing over of possession of the super structure erected on Schedule Property to BIAL.

4. Clause 4 stands deleted.

These amendments, upon becoming effective, shall form an integral part of the User License Agreement and save for the proposed amendments specified above all the other terms and conditions of the User License Agreement shall remain unchanged and continue in their full force and effect.

Capitalized terms not defined herein shall have the same meaning as ascribed to them in the Service Provide Right Holder Agreement (hereinafter referred to as SPRH Agreement) and Operating Agreement both dated March 1, 2006.

In the event of any conflict or inconsistency between the provisions of this Amendment Letter and the provisions of User License Agreement, the terms of this Amendment Letter shall prevail.

Please convey your unconditional acceptance of the amendments and return the duplicate copy as token of your acceptance.

 <p>For BANGALORE INTERNATIONAL AIRPORT LIMITED</p>  <p>Name: Bhaskar Anand Rao Designation: Chief Financial Officer</p>	<p>Accepted</p> <p>For INDIANOIL SKYTANKING PRIVATE LIMITED.</p>  <p>09/09/2024</p> <p>Name: T.S Dupare Designation: Chief Executive Officer</p> 
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SCHEDULE A

SCHEDULE PROPERTY

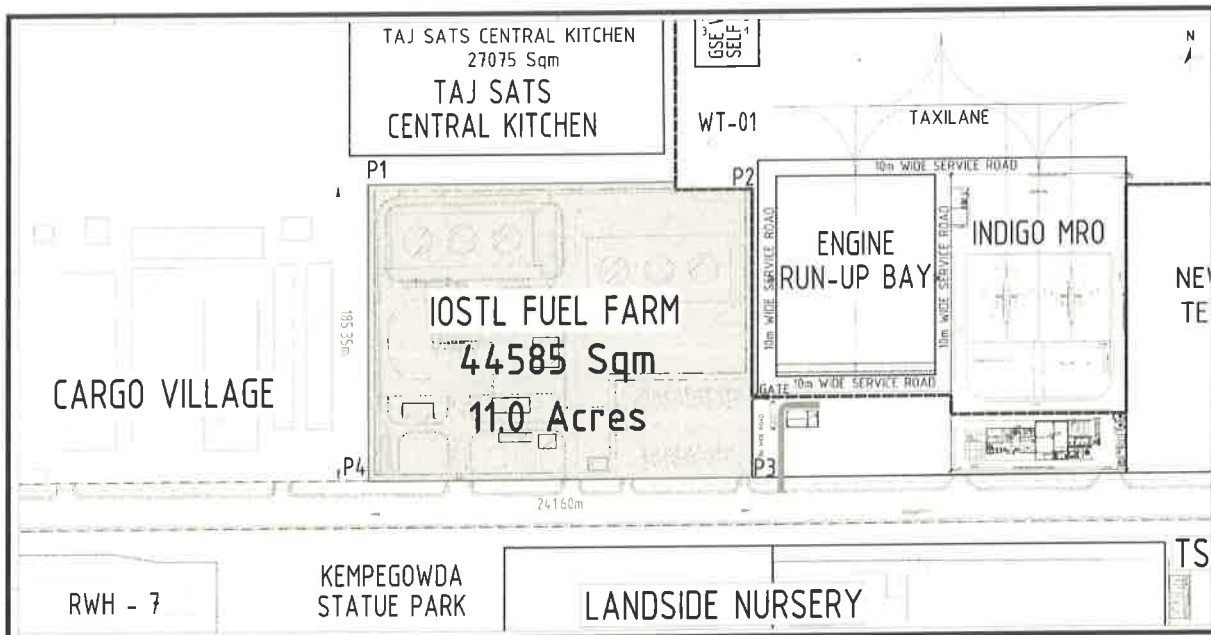
All that piece and parcel of immovable property being land measuring an extent of 44585 Sq. Mts comprised in Survey No. 55 of Yarthiganahalli Village Devanahalli Taluk, Bengaluru Rural District, Karnataka - 560300 and bound on;

North by: Sy No # 55
South by: Sy No # 55
West by: Sy No # 55
East by: Sy No # 55

And within the airport campus

North side - Taj SATS Central Kitchen (Future) / Part of Airside
East side - Engine Run-up Bay
South side - North Cargo Road & KG Statue Park
West side - Cargo Village

A sketch of the Schedule Property is annexed hereto.





C8 - IOSTL FUEL FARM PLOT COORDINATES

POINT ID	Easting BLR-GROUND	Northing BLR-GROUND	Easting UTM43-GRID	Northing UTM43-GRID	Latitude Degrees	Longitude Degrees	FGL AMSL
P1	18126.0270	30208.1780	790787.6597	1460971.6250	13°12'5.302"N	77°40'58.1"E	909.00
P2	18367.6020	30203.9790	791029.3652	1460967.4237	13°12'5.081"N	77°41'6.16"E	911.75
P3	18367.6610	30023.5470	791029.4242	1460786.8943	13°11'59.21"N	77°41'6.09"E	910.75
P4	18126.4830	30022.8420	790788.1160	1460786.1889	13°11'59.27"N	77°40'58.0"E	907.00

SCHEDULE B

PERMITTED USE

- to carry out the design, construction and testing of the Works, to finance and commission the Facility and remedy any defects in respect thereof, in accordance with SPRH Agreement.
- to function as the Operator of the Facility in accordance with the Operating Agreement.



Schedule C

RENT AND ESCALATION OF RENT

Fiscal Year	Year of Operation	Monthly Rent (in INR)	Period	Annual Rent (in INR)
FY 21-22	1	1,80,56,925/-	1-10-2021 to 31-03-2022	10,83,41,550
FY 22-23	2	1,89,59,771/-	1-04-2022 to 31-03-2023	22,75,17,255/-
FY 23-24	3	1,99,07,760/-	1-04-2023 to 31-03-2024	23,88,93,118/-
FY 24-25	4	2,09,03,148/-	1-04-2024 to 31-03-2025	25,08,37,774/-
FY 25-26	5	2,19,48,305/-	1-04-2025 to 31-03-2026	26,33,79,662/-
FY 26-27	6	2,30,45,720/-	1-04-2026 to 31-03-2027	27,65,48,645/-
FY 27-28	7	2,41,98,006/-	1-04-2027 to 31-03-2028	29,03,76,078/-
FY 28-29	8	2,54,07,907/-	1-04-2028 to 31-03-2029	30,48,94,882/-
FY 29-30	9	2,66,78,302/-	1-04-2029 to 31-03-2030	32,01,39,626/-
FY 30-31	10	2,80,12,217/-	1-04-2030 to 31-03-2031	33,61,46,607/-
FY 31-32	11	2,94,12,828/-	1-04-2031 to 31-03-2032	35,29,53,937/-
FY 32-33	12	3,08,83,470/-	1-04-2032 to 31-03-2032	37,06,01,634/-
FY 33-34	13	3,24,27,642/-	1-04-2033 to 23-05-2033	5,64,86,862/-





Federation of Indian Airlines

E-166, Upper Ground Floor,
Kalkaji,
New Delhi - 110019.

Website: www.fiaindia.in

MOST URGENT

20 September 2021

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi – 110003.

Kind Attention: Shri. B.S. Bhullar, IAS

Sub: Response to Consultation Paper No. 13/2021-22 on determination of Fuel Infrastructure Charges in respect of Indian Oil Skytanking Private Limited (IOSPL) at Kempegowda International Airport (KIA), Bangalore, for the Third Control Period (01.04.2021 – 31.03.2026) ('Consultation Paper/CP')

Dear Sir,

At the outset, we would like to express our sincere gratitude to the Airports Economic Regulatory Authority of India (**Authority**) for acknowledging the impact of COVID-19 on the aviation sector.

Sir, you will appreciate that airlines which are the 'catalyst' for the global economy including the aviation sector, have been hit the hardest by COVID-19. Since February/March 2020, due to restrictions on the scheduled international and domestic air travel issued by the Ministry of Civil Aviation and Directorate General of Civil Aviation and other restrictions on inter/intra state travel ('collectively **Government Restrictions**'), airlines' cash flows have been adversely impacted.

While the airline operations showed an upward trend from December 2020, however the brutal second wave of COVID-19 in March 2021 has again impacted the operations and resultantly prolonged the process of financial recovery. At present, the airlines' operations are barely at 60 - 65% (approx.) of the pre COVID-19 capacity and the passenger traffic at around to 50 - 60% (approx.) of pre COVID-19 levels. As per industry estimates issued by IATA and CAPA, it will take almost two (2)- three (3) years for airline operations to reach pre Covid-19 level, in terms of number of flights and passengers.

You will further appreciate that, while the low passenger demand for air travel/ load coupled with Government Restrictions including on fare and operational capacity, prevents airlines from generating adequate passenger revenue, airlines continue to incur high operational cost, including on account of high airport charges and taxes.

In the current situation, airlines in India are staring at a loss of USD 8.0 billion for the FY 2020-21 and 2021-22. With limited financial support from the Government, Airlines are constrained to implement severe cost control measures to sustain its operations.

In view of the above, our comments on the Consultation Paper are as follows:

1. Optimum Utilization of existing fuel infrastructure & deferment of non- essential capital expenditure

As mentioned above it will take around two (2) -three (3) years for the flight operations to reach to its pre COVID-19 peak levels. Accordingly, Authority and IOSPL need to review the optimum usage of existing 'Aviation Fuel Farm facilities' at KIA Airport, Bangalore to cater to the proposed traffic levels, without any new or additional investments, at the present stage.

In view of the above, to support the airlines to continue and sustain its operations, all non-essential capital expenditure proposed by IOSPL, should be put on hold/ deferred, unless deemed critical from a safety compliance perspective. Further, in case IOSPL wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines.

In particular, the Authority has taken a view that some of the CAPEX items for up-gradation & replacement can be deferred to the next years or even the next control period. However, in the CP, it is neither mentioned what could be deferred to the next control period, and nor is there any proposal for deferment of CAPEX to the next control period (Refer Table Nos. 5.5 and 26 of CP). Authority is requested to kindly clarify the same and reconsider CAPEX items that can be deferred to the next control period.

2. Review in Fuel Infrastructure Charges (FIC) & Into Plane Charges (ITP)

Airlines are now paying separately for FIC and ITP which was earlier part of ATF pricing. Such FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines.

We would also like to urge the Authority to pass an order stating that FIC and ITP should be directly invoiced by IOSPL or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses' and 'Transparency'. This will also help in avoiding unnecessary tax on tax to the tune of sixty-four (64) % - seventy (70) % sixty-seven (67) % to Airlines.

We strongly urge the Authority to undertake a thorough investigation retrospectively to determine the actual cost of efficient operations and revenues collected by IOSPL till date. All excess recoveries to be passed on to the airlines and future tariff to be determined based on actual cost of efficient operations.

3. Review of Operational Expenditure

FIA is unaware as to whether IOSPL has taken cost cutting measures including re-negotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by IOSPL impacts the airlines, as such cost is passed through or borne by the airlines.



Federation of Indian Airlines

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Further, in view of industry reports from IATA and CAPA, which foresee a minimum period of two (2)-three (3) years for air traffic and flight operations to reach pre COVID-19 levels, we request Authority should:

- (a) Put on hold any increase in operational expenditure by IOSPL;
- (b) Advise IOSPL to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner and address any increase in fees sought by IOSPL. It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. Accordingly, IOSPL needs to significantly reduce all such costs in a very aggressive manner. IOSPL may be advised to reduce its cost by at least 35% and no escalation should be permitted; and
- (c) In view of the above, IOSPL should be directed to pass on cost benefits to the airlines.
- (d) In particular, FIA submits that:
 - (i) The O&M CAGR proposed by IOSPL is between 5 - 10% (in para 9.5 of the CP). Instead of a significant reduction in cost items of operating expenses, Authority has considered (as per Table No. 39 of the CP) a percentage increase in OPEX between 4.6 - 8%. Such an increase in the name of escalation, in a highly uncertain environment, where airlines are operating under curtailed operations (60-65%), appears without any rationale and should be avoided.
 - (ii) Payroll Cost (Refer 9.8.1 and Table No. 40):

Although the activity level has gone down drastically, rather than significant reduction in the cost, the employee expenses have gone up for IOSPL, between 8% to 36% as compared to base year of 2021-over five (5) year control period. Employee Benefit/ Expenses as proposed by the Authority for Third Control Period (Ref Extract of Table No. 40 of CP):

(In Rs. Lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26
Payroll Cost	470.44	508.07	548.72	592.62	640.02
YOY % Increase		8%	8%	8%	8%
Increase On base year 2021-22		8%	16.6%	25.9%	36%

FIA submits that while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, and are not able to pay even to the support staff, on the other hand IOSPL seems to have paid/will pay incremental salaries which may not appear prudent considering the significant losses incurred by the aviation sector. It appears that IOSPL wants to recover its full employee cost from the airlines, which are facing significant challenges to meet its operating expenses.

FIA submits that there should not be any increase in manpower till the existing manpower is effectively utilised as it will take another two (2)- three (3) years to recover. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced. It is also pertinent to note that due to high VAT on ATF in Karnataka, and much lower VAT at neighboring states the Fuel Offtake will be lower and hence manpower resizing and other related costs needs to be reviewed and optimized.

Without prejudice to the above, IOSPL needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) years.

4. Review of Tendering Process

Authority should ensure that in the tendering process adopted by IOSPL, the tenders are awarded to only those parties which provide the competitive costs with best-in-class services. Any attempt to award the contracts on the highest revenue share basis to IOSPL should be discouraged as it leads to increasing the royalty for the airport operator and additional cost to Airlines. It is general perception that IOSPL has no incentive to reduce their expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings which in turn can be passed on to Airlines.

5. Review of Abolishment of Royalty Charges

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at some of the airports are as high as forty-six (46) %. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we urge Authority to abolish such royalty which may be included in any of the cost items.

6. Review of Fair Rate of Return

Presently, the Authority provides a Fair Rate of Return (**FRoR**) to IOSPL towards their investment. While such fixed/ assured return favours the service provider, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. However, due to such fixed/assured returns, service providers like IOSPL have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns.

Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. In the present scenario any assured return on investment to any services providers like IOSPL, in excess of three (3) % (including those on past orders), i.e. being at par with bank fixed deposits, will be onerous for the airlines (Refer 8.5 of the CP).

Without prejudice to the above, in case the Authority is unable to accept FIA's recommendation mentioned above, the Authority is requested to conduct an independent study for determination of FRoR to be provided in favour of IOSPL. Such independent study can be exercised by the Authority in terms of powers conferred under the Airports Economic Regulatory Authority of India Act, 2008, as amended, and in line with studies being conducted by Authority in case of certain major airport operators.

7. Other comments on the Consultation Paper/CP are as under:

(i) Review of Concession Agreements

Length of Concession Agreements (Refer 1.1 of the CP)

Authority should ensure that instead of the Concession agreements being for a period of 20 years, the same should not exceed five (5) years such that there is no monopolistic situation, and in a fair and transparent manner, with the agreement awarded to only those parties which provide the competitive costs with best-in-class services, from at least three to four parties, based on cost of efficient operations.

(ii) Penalty – Second Control Period (Refer 3.13 of CP):

It is noted that capex projects of Rs. 2917.00 lakhs were cancelled in the second control period. We would request the Authority to apply a penalty of 1% on the projects not undertaken, as reasonable.

(iii) Over Recovery – Second Control Period (Refer 3.7 and 3.29 of CP):

IOSPL has calculated an over recovery of Rs. 1034.69 Lakhs during the Second Control Period. Authority has proposed an excess recovery (claw back) amounting to Rs. 2683.60 Lakhs of the Second control period to be adjusted out of the Third control period. The Authority and IOSPL should undertake a detailed scrutiny (including independent studies/audits) and other appropriate measures to ensure that there are no cases of over recovery, which will assist in lowering the burden of tariff on airlines/ passengers. It appears that the costs are exaggerated/inflated, and revenues suppressed in the projections, which leads to over recoveries.

Not only the above measures, the interest due to over recoveries should also be clawed back, as over a period of five (5) years, the interest earned on monies received but not spent are significant amounts.



Federation of Indian Airlines

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New Delhi - 110019.**

Website: www.faiindia.in

(iv) Fuel Throughput Forecast – Third Control Period (Refer 4.5 of the CP)

The Authority has sought to take into consideration stakeholder's view on the proposed Fuel Throughput Forecast. FIA is in agreement with the Authorities' view in reference to Table No. 23 of the CP.

(v) Penalty – Third Control Period (Refer 5.8.2 of CP):

While the airline industry has been cutting down the capital expenditure to mere bones in the face of current extra ordinary situations, we suggest that that the Authority may consider more stringent penalties in excess of 1% in the event of any delay or significant reduction in the execution of capital expenditure as finally approved for the third control period such that efficiencies in the system are encouraged and inefficiencies discarded.

While we appreciate the reduction in rates of FIC by Authority in the present CP (Refer 13. 4, Table No. 48 of CP), Authority may review further reduction in FIC, in view of above recommendations.

We hope that your good self will positively consider the above recommendations/ comments as it will help in achieving the affordability and sustainability of the aviation sector including the airline, which is also outlined as a key objective in the National Civil Aviation Policy, 2016. Needless to state that sustainability of airlines will be key for continuity of IOSPL and other service providers in the aviation sector.

We look forward to your continued support in these challenging times.

Thanking you,

Yours faithfully,

For and on behalf of Federation of Indian Airlines

**UJJWAL DEY
Associate Director**

Copy to:

Director (P&S Tariff), Airports Economic Regulatory Authority of India (**AERA**)

Reference No: IOSL/AERA CP/ BLR FF

Date: 16th September 2021

The Chairman,
Airports Economic Regulatory Authority (AERA),
AERA Building,
Administrative Complex.
Safdarjung Airport, New Delhi-110003

Subject: Stakeholder Comments In the matter of determination of Fuel Infrastructure Charges for IndianOil Skytanking Private Limited (IOSPL) at Kempegowda International Airport (KIA), Bangalore for the third control period (01.04.2021 – 31.03.2026)

Dear Sir,

Reference to the Consultation paper 13/2021-22 dated 13th August 2021, we would like to submit our comments as stated below:

1) Chapter 4: Fuel Throughput Forecast – Table 23

IOSL's response: In Order 16 / 2021-22 and In Order 15 /2021-22, the authority has determined the Into Plane Volumes for both IOSL and BSSPL respectively. There are two Into Plane Agents at Bangalore Airport and the aggregate of the volumes of the two Into Plane Agents always equals to the fuel farm volumes. However, the authority has incorrectly determined the volumes for Bangalore Fuel Farm in CP 13/2021. This error can be seen as total of IOSL+ BSSPL volumes for FY22 is 4,13,011 KL, whereas the Fuel Farm Volume forecast for FY22 is 6,05,502 KL which is 47% higher than the sum total of ITP Volumes for both IOSL and BSSPL. Overall, for the 3rd control period, the volumes considered by the authority for Bangalore Fuel Farm are therefore erroneously 26% higher than the sum total of ITP Volumes for IOSL and BSSPL. This error in calculation by the authority is shown in the table below.

Since logically, fuel farm volumes cannot be higher than the sum total of volumes for the two ITP Operators, we request the authority to rectify this error and consider volumes for Bangalore Fuel Farm as per the highlighted portion of the table below. (i.e., 3rd row, 413011 KL in FY22, 682842 KL in FY23 and vice versa)

Volumes (In KL)	FY22	FY23	FY24	FY25	FY26
Volume for BLR ITP IOSL as per Order 16 /2021-22	2,81,000	4,14,000	5,15,000	5,58,000	5,95,000
Volume for BLR ITP BSSPL as per Order 15/2021-22	1,32,011	2,68,842	3,14,453	3,53,276	3,88,959
Total Airport / Fuel Farm Volume (Derived from IOSL + BSSPL ITP Volume)	4,13,011	6,82,842	8,29,453	9,11,276	9,83,959
BLR FF Volume Forecast as per AERA, CP13/2021-22	6,05,502	8,60,952	9,73,144	11,02,774	12,53,650
Difference	1,92,491	1,78,110	1,43,691	1,91,498	2,69,691

In case the summation of IOSL's and BSSPL's volume as per the final tariff orders is used as the implied fuel farm volume in Table 44 as per the CP, keeping all other values unchanged, then the revised tariff works out to **INR 598.23 / KL** for each year of the entire control period. Since the Impact of volumes is significant in nature and as a principle

of logic, we request the authority to use Bangalore Fuel Farm's volumes derived from the ITP Volumes of the two service providers at Bangalore Airport and not as per the authority's determination as made in CP 13 /2021-22.

2) Chapter 05: Capital Expenditure

IOSL's response:

As per Table 25, the cost of T2-1C hydrant expansion project is shown as INR 6133.92 Lakhs. This includes a deadstock of INR 564.30 Lakhs (Table 29). However, in Table 26, against the line-item Deadstock, no value has been shown. In FY2022-23, under deadstock, INR 564.30 Lakhs should be shown and the same should be subtracted from INR 7301.10 Lakhs (Under Plant and Machinery).

Accordingly, Table 30 (Depreciation) needs to be re-worked to account for a reduction of deadstock from the Plant & Machinery Component of INR 7301.10 Lakhs. We request the authority to amend this error and compute the tariff accordingly

3) Chapter 9: Operations & Maintenance Expenditure, Item 9.8.4: The Authority noted that BIAL proposed to charge lease rental for the land provided to IOSPL for fuel farm operation @ 405 sq./mtr for 44515.40 sq mtr effective from 1st April 2021. However, as per the lease agreement submitted, IOSPL have to pay @ Rs 1 per annum. Further, BIAL submitted that after discontinuation of Airport operator fee from 15th Jan 2020, IOSPL is only paying Rs. 1/- per month as lease rental for 44515.40 sq mtr. of land, whereas other ISP's are paying lease rental @ Rs. 405/sq.mtr. /Month. Therefore, BIAL proposes to charge lease rental to ensure equal treatment to all ISPs within the KIA Bangalore. In this regard, the Authority is of the view that presently, IOSPL have to pay lease rent @ Rs 1/- per annum till 31st March 2028 as per the existing lease agreement. Therefore, the Authority proposes not to consider the increased lease rental @ 405 sq/mtr. for 44515.40 sq. mtr. as proposed by IOSPL in its revised tariff proposal which is deviation from existing lease agreement submitted by IOSPL

IOSL's response:

Reference is made to Agreement between BIAL and IOSL through User License Amendment dated 09th September 2021 wherein BIAL and IOSL have agreed to IOSL paying BIAL a monthly rent of INR 18,056,925 subject to escalations, with effect from 01st October 2021. With this amendment the existing user license agreement stands amended and therefore we request the authority to consider land rentals as part of Operating and Maintenance expenditure as per Schedule C of Attached **Annexure I-User License Amendment Agreement**.

4) Chapter 11: Aggregate Revenue Requirement (ARR)- Table 44

IOSL's response:

In computing the Aggregate Revenue Requirement (ARR) the authority has used a discount factor of 1.00 for FY22. This application of discount factor would have been correct if the tariff order had been issued on 01st April 2021 (i.e., at the beginning of the financial year). However, the present month is September 2021, and the tariff order is likely to be issued at a later stage. Considering this delay in the issuance of the tariff order by the authority, we request for the application of the appropriate discount factor (higher than 1.00), to account for the delay in the issuance of the tariff order. A similar precedent of

the application of the discount factor as suggested by IOSL was established in Tariff Order Number 29 / 2017-18 for Bangalore Fuel Farm Services.

A summary of key issues addressed in our response to CP 13/2021-22 are listed below: -

- Fuel Throughput Forecast to be considered based on the addition of volumes for both Into Plane Service Providers as per Order 15 / 2021-22 and Order 16 / 2021-22 instead of the forecast considered by the authority in CP 13 / 2021-22
- Deadstock to be accounted correctly in the capital expenditure
- Incorporation of lease rental payments in the Operations & Maintenance Expenditure to arrive at the Aggregate Revenue Requirement (ARR)
- Correct application of discount factor for FY22 in Table number 44.

Submitted for the consideration of the Authority.

Thanking You.

For IndianOil Skytanking Private Limited.


(Bipin Wankhede)
Chief Financial Officer

Enclosures:

1. **Annexure I** – Amendment Agreement to User License Agreement dated 09th September 2021



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड

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Date : September 20th, 2021

The Secretary
Airports Economic Regulatory Authority (AERA)
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi - 110003.

Sub: Stakeholder Comments to Consultation Paper 13/2021-22 dated 13th August 2021 in the matter of determination of Fuel Infrastructure charges for Indian Oil Sky tanking Private Limited (IOSPL), at Kempegowda International airport (KIA) for the Third Control Period (01.04.2021 - 30.03.2026)

Dear Sir,

With reference to the consultation paper 13/2021-22, we would like to submit our comments as stated below:

FIC tariffs are a "Pass Through" in the pricing mechanism for us.

Since FIC tariff is one of the component in the pricing mechanism, kindly make the new tariff applicable on prospective base.

Best Regards,

Rajesh Jaiprakash Kadu
DGM - Aviation
Hindustan Petroleum Corpn. Ltd.



HP Aviation