

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