



DELHI INDIRA GANDHI
INTERNATIONAL AIRPORT

Delhi International Airport Limited
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Letter No. - DIAL/2017-18/CR/949

Date – 9th Oct'2017

Secretary

Airport Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi – 110003

Subject: In the matter of Determination of Fuel Infrastructure charges in respect of Delhi Aviation Fuel Facility Private Limited (DAFFPL), New Delhi

Reference: Consultation Paper no. 27/ 2017-18 dtd. 20th Sept'2017

Dear Madam,

We write with reference to the abovementioned consultation paper. We DIAL as Airport Operator have following comment:

1. **Tariff approach:**

As per clause 3.2 (iii) of the tariff guidelines issued for Independent Service Providers (ISP) dtd. 10th January'2017, in case of the service provided is material and not competitive, if the service provider has entered in to user agreements on prices as well as service level then such agreement should be respected by the Authority and a light touch approach should be adopted. Following is the extract of the provision:

"'material and not competitive' but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period, according to the, provisions of Chapter V;"

Further, under clause 6 of the same guidelines Authority has further explained the reasonableness of the User Agreements. According to this provision, the test of reasonableness is positive, if the user agreement clearly indicates the tariff agreed between the service provider and the users and the users have not raised any reasonable objection or concern over user agreements which are not addressed by the service provider.

Authority in it's consultation paper no. 27/ 2017-18 dtd. 20th Sept'2017 proposed to adopt price cap approach on the basis that the DAFFPL is the only infrastructure provider at Airport and hence enjoy monopoly.

In this regard we would like to submit that in order to maintain safety standard, quality and operational efficiency it is always recommended to have single infrastructure provider for fuel supply. Also, it won't



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be economical to have multiple infrastructure providers since they won't be able to attain economy of scale.

Further we would also like to submit that DAFFPL has complied with the requirement of reasonableness of user agreement as per applicable tariff guidelines and hence it should be allowed light touch approach.

2. Security Deposit

As per the concession agreement, DAFFPL has to maintain security deposit. It is a commercial agreement between two contracting parties and hence same should be honored. Security deposit in this case is a concession pre-requisite, hence form a part of acquisition cost for the business. These costs are therefore considered part of project cost.

The security deposit has been funded either by debt or equity and Authority's proposal of providing 5% inflationary return on such deposits is not reasonable. Hence, we request authority to consider means of finance of security deposit and allow return equivalent to source of finance.

Further, in order to operate the concession it is mandatory for DAFFPL to maintain security deposit and hence it is a mandatory investment for DAFFPL for providing regulatory service. Hence, this should be considered as part of Regulatory Asset Base.

3. Return on Equity

MoCA has conducted study on Return on Equity in airport sector. According to the same study the equity return should be within range of 18.5% to 20.5%. As this report is airport sector the same should be made applicable to DAFFPL.

4. Deadstock has been considered as non-depreciable asset:

As per DAFFPL concession agreement DAFFPL is not eligible for any residual value for the deadstock. As this is a sunk cost for DAFFPL same should be considered by Authority in RAB. As this is the only way by which DAFFPL would able to recover its investment.

We request you to consider above comments while finalizing second control period tariff order for DAFFPL.

Thanking you.

For Delhi International Airport Ltd.

K Narayana Rao
Director