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File No. AERA/20010/MYTP/IOSPL/FF/BANGLORE/CP-IV/2026-31

आदेश संख्या 21/2026-27
Order No. 21/2026-27

सत्यमेव जयते

Airports Economic Regulatory Authority of India
भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

इंडियन ऑयल स्काईटैंकिंग प्राइवेट लिमिटेड (आईओएसपीएल) के लिए कैंपेगौड़ा अंतर्राष्ट्रीय हवाईअड्डा (केआईए), बैंगलोर में चतुर्थ नियंत्रण अवधि (1 अप्रैल 2026 - 31 मार्च 2031) के लिए ईंधन अवसंरचना प्रभार (एफआईसी) निर्धारित करने के मामले में।

IN THE MATTER OF DETERMINATION OF FUEL INFRASTRUCTURE CHARGES (FIC) FOR INDIAN OIL SKYTANKING PRIVATE LIMITED (IOSPL) AT KEMPEGOWDA INTERNATIONAL AIRPORT (KIA), BANGALORE FOR THE FOURTH CONTROL PERIOD (1st April 2026 – 31st March 2031)

जारी करने की तारीख : 09 अक्टूबर, 2026
Date of Issue: 09th October, 2026

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AERA

List of Abbreviations

Abbreviations	Expansion
ACS	Annual Compliance Statement
AERA / Authority	Airports Economic Regulatory Authority of India
AO	Airport Operator
ARR	Aggregate Revenue Requirement
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BCAS	Bureau of Civil Aviation Security
BIAL	Bangalore International Airport Limited
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
FAR	Fixed Assets Register
FIC	Fuel Infrastructure Charges
FoCP	Fourth Control Period
FRoR	Fair Rate of Return
FY	Financial Year
GOI	Government of India
HAZID	Hazard Identification Study
HAZOP	Hazard and Operability Study
IATA	International Air Transport Association
INR or ₹	Indian Rupees
IOCL	Indian Oil Corporation Limited
IOSPL	Indian Oil Skytanking Private Limited
ISP	Independent Service Provider
JV	Joint Venture
KIA	Kempegowda International Airport
KL	Kilo Litre
MoM	Minutes of Meeting
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
O&M	Operation & Maintenance
OMC	Oil Marketing Companies
OPEX	Operating Expenditure
P.A.	Per Annum
PAX	Passenger(s)
RAB	Regulatory Asset Base
SPRH	Service Provider Right Holder
Sq.m.	Square Meter
TCP	Third Control Period

1. BACKGROUND

1.1 Introduction

1.1.1 Indian Oil Skytanking Private Limited (IOSPL) is a Joint Venture Company (JVC) floated by Indian Oil Corporation Limited (IOCL) and Skytanking Holdings GmbH, Germany with equal equity shareholding. M/s IOSPL was incorporated for the purpose of taking over and managing the aviation fuel facilities at the Airports on an "open access" model, wherein airlines may source fuel from any oil company as per the user agreement between Airlines & Oil Companies and use the common fuel storage facility at an agreed price.

1.1.2 M/s IOSPL was awarded Concession by Bangalore International Airport Limited (BIAL), the airport operator of Kempegowda International Airport (KIA), Bangalore, on 24.05.2008 for providing Fuel Farm Services at Kempegowda International Airport (KIA), Bangalore, on Build, Own, Operate and Transfer (BOOT) basis, for a period of 20 years and concession period was scheduled to terminate on 24th May, 2028.

1.1.3 Considering the increasing traffic volume at Bengaluru airport, IOSPL and BIAL carried out the review of the existing fuel storage & distribution infrastructure vis-à-vis the projected traffic. The review exercise concluded that the existing fuel storage and distribution infrastructure would be inadequate to meet the projected traffic demand in a safe, reliable, and non-discriminatory manner. Accordingly, in order to enable timely execution of the expansion of essential fuel farm infrastructure to cater to rising traffic demand at the airport, BIAL and IOSPL mutually agreed to realign their existing contractual framework. Both the parties executed a fresh Memorandum of Understanding (MoU) dated 07th March 2025, whereby it was agreed to terminate the Original Service Provider Right Holder (SRPH) Agreement, the Supplementary Agreement(s), and the Original Operating Agreement on 31st March 2025, and to replace the same with a New Operating Agreement effective 01st April 2025.

Table 1: Contractual Milestones between IOSPL and BIAL

Date	Agreement	Purpose
1st March 2006	Original SPRH Agreement	IOSPL as SPRH for development, operation and maintenance of Fuel Farm services at BIAL for a period of 20 years (valid till May 24, 2028)
03rd December 2024	Supplementary Agreement	Execution of 'East Apron – 13 Additional Stands' Fuel Hydrant system expansion
7th March 2025	Memorandum of Understanding	Realignment of contractual framework to include Satellite Fuel Farm under the expanded scope and establishment of revised operating scope, rights and obligations for the expanded Facility for the balance concession period
30th June 2025	Amendment Agreement	Establishment of revised scope, rights and obligations for the expanded Facility effective 1st April 2025.

1.1.4 The Brief on the proposed Satellite Fuel Farm facility is presented below:

- ATF above ground storage tanks (6500 KL x 3 nos)
- Hydrant Pumps (5 x 250 KL) & Unloading Pumps (4 x 60 KL)
- Filter water Separator Vessels
- Unloading Gantry (3 Bays)
- Fire Protection System with Fire water storage Tanks
- commissions & puts to use – Admin, Substation, security, stores, etc. Civil works like Dyke wall roads, foundations etc.
- Electrical and Instrumentation works.

1.2 Tariff Determination History

1.2.1 The Authority, through its various Tariff Orders had determined the tariff in respect of Fuel Farm Services undertaken by IOSPL at Bengaluru airport, Bengaluru.

(i) The Authority, vide Order No. 05/2013-14 dated 04th April 2013 determined the tariff for the First Control Period (FY 2011-12 to FY 2015-16) for IOSPL, based on the light touch regulatory approach.

(ii) The tariff for the Second Control Period (FY 2016-17 to FY 2020-21) was determined by the Authority on the Cost-Plus Approach, vide Order No. 29/2017-18 dated 18th December 2017.

(iii) Further, vide interim Order No. 67/2020-21 dated 25th March 2021, the Authority extended the validity of tariff prevailing on 31st March 2021 up to 30th September 2021. Thereafter, vide Order No. 18/2021-22 dated 15th September 2021, the Authority extended the tariff applicable as on 30th September 2021 up to 31st March 2022, or, till the determination of tariff for the Third Control Period, whichever is earlier.

(iv) Subsequently, vide Order No. 30/2021-22 dated 07th December 2021, the Authority determined tariff for the Third Control Period (FY 2021-22 to FY 2025-26), along with the true up of the Second Control Period (FY 2016-17 to FY 2020-21).

1.3 Submission of Multi Year Tariff Proposal (MYTP) for the Fourth Control Period (FoCP)

1.3.1 IOSPL, vide letter dated 16.12.2025 submitted the MYTP pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31) for the determination of regular tariff in respect of its Fuel Farm Services at the Kempegowda International Airport, Bangalore.

1.3.2 The preliminary analysis by the Authority observed various shortcomings/ information gaps in the MYTP submission. Also, the true-up of the Third Control Period was missing in the Financial Model submitted by the ISP. Pursuant to AERA observations, ISP carried out revisions in MYTP model from time to time. The Authority, for formulation of Consultation Paper, inter-alia, considered revised MYTP model submitted by IOSPL dated 28.02.2026 & Depreciation summary sheet submitted by the ISP on 06.03.2026.

1.3.3 The Authority, as part of its tariff determination process, obtained the requisite clarifications & additional details from IOSPL, from time to time, pertaining to various aspects of tariff determination, including true up of regulatory building blocks, such as, Capex, Operation & Maintenance expenditure etc., in respect of the Third Control Period. The Authority also reviewed the various projections and cost estimates for the Fourth Control Period, so as to assess the essentiality & reasonableness of the proposed Capex, Opex etc., before finalizing this Consultation Paper.

The sequential timeline of the events starting with submission of MYTP up to finalization of Consultation Paper is presented in the following table below:

Table 2: Timelines for submission of MYTP and other information by IOSPL

Event	Date
MYTP submitted by IOSPL for the Fourth Control Period along with true up of Third Control Period	16.12.2025
First set of queries raised w.r.t. information gaps	19.12.2025
Revised MYTP shared by IOSPL	14.01.2026
Second Set of queries raised by the Authority	13.02.2026
Response to queries received by Authority	16.02.2026
Third Set of queries raised w.r.t. CAPEX, OPEX, etc.	23.02.2026
Partial response received	24.02.2026
Justification regarding CAPEX for FY 2025-26 received	26.02.2026
Revised Model received incorporating CAPEX for FY 2025-26	27.02.2026
Query sent regarding depreciation for the True up period	27.02.2026
Revised Model incorporating response to AERA query	28.02.2026
Query raised regarding Depreciation calculation	02.03.2026
Submission of updated RAB & Depreciation Summary sheet	06.03.2026
Copy of Award Letters sought from the ISP	28.04.2026
Partial Award Letters submitted by the ISP	04.05.2026
Query raised regarding Cost estimates, Work orders etc	07.05.2026
Partial response received by Authority	12.05.2026
Query raised regarding quantity of Deadstock	09.06.2026
Quantity of Deadstock and length of Hydrant lines received	12.06.2026

1.3.4 IOSPL (ISP), as part of its MYTP submission, submitted the audited financial statements for a company as a whole, in respect of FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25.

1.3.5 IOSPL, in its MYTP for the Fourth Control Period proposed a Fuel Infrastructure Charge (FIC) of ₹ 1127.23 /KL.

1.3.6 The Authority noted that IOSPL conducted the Users Consultation Meeting on 05.03.2026 in respect of its Fuel Farm Services being provided at Kempegowda International Airport, Bangalore and submitted the Minutes of Meeting (MoM) to AERA. As per the minutes of the said meeting, representatives of Oil companies including Shell MRPL, IOCL, along with

airlines i.e. Viet jet air and International Air Transport Association (IATA) attended the meeting.

1.3.7 From the MoM submitted by IOSPL, the Authority observed that the ISP has shared key aspects of its Tariff proposal, including the features of the existing fuel farm facility at the Airport and the need to expand aviation fuel infrastructure at Bangalore International Airport in order to align with the airport's long-term development plans. The ISP also presented the current status of the Satellite Fuel Farm, along with the associated financial implications of the project and the proposed rate per KL.

1.3.8 Mr. Amit Gupta, representing Indian Oil, agreed on storage capacity augmentation considering projected demand in the 4th Control Period. However, he enquired on whether similar expansion is planned for hydrant system and the number of hydrant pits envisaged.

1.3.9 Mr. Ujjwal Bakshi, IATA expressed concerns on the large CAPEX proposed and also suggested that the investment should be trigger based and implemented in a phased manner. He also stressed on necessity, timing of investment, and whether it should occur at the beginning or middle of the control period.

1.3.10 IOSPL, in its response to Mr. Amit's query stated that the Hydrant Refueling System (HRS) will be expanded to cover the new terminal and currently hydrant pits are 220 in number which, post expansion is anticipated to rise to 450. In response to Mr. Ujjwal's query, the ISP clarified that decisions on augmentation were jointly taken with BIAL based on the forecasted future demand and the CAPEX cannot be deferred given the projected ATM and passenger growth by 2031.

1.3.11 The Authority reviewed the MYTP submission of M/s IOSPL including the true-up for the Third Control Period in context of AERA's CGF Guidelines, 2011 and after carrying out due-diligence and prudence checks with respect to various regulatory building blocks and issued CP No. 03/2026-27 dated 17.07.2026, invited suggestions/ comments from the Stakeholders on various proposals contained in the CP with the following timelines:

- Date for submission of written comments by Stakeholders: 06.08.2026
- Date for submission of Counter comments by ISP: 13.08.2026

1.3.12 The Authority received comments from stakeholders namely, M/s IOSPL i.e. ISP itself, Airport Operator i.e., BIAL, M/s IOCL, M/s Shell MRPL Aviation, M/s DAFFPL, M/s BPCL, Heeva Engineering Designs, Adani Airports & Auxesia Consulting and the same were uploaded on the AERA website vide Public Notice No. 11/2026-27 dated 07.08.2026.

1.3.13 The Authority after examining the comments of the Stakeholders on the above referred CP and after considering all the relevant aspects of the case, has finalized this Tariff Order.

2. METHODOLOGY FOR TARIFF DETERMINATION

2.1 Principles for Determination of Tariff for the "Aeronautical Services"

2.1.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF Services) at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 ("the CGF Guidelines") vide Direction No. 04/2010-11 dated 10.01.2011.

2.1.2 The Tariff for CGF Services is determined by the Authority in accordance with CGF Guidelines, 2011, either under the 'Light Touch' or 'Cost Plus' regulatory approach. The regulatory approach for the determination of tariff for the Independent Service Provider (ISP) is adopted by the Authority, inter-alia, based on the assessment of the materiality, competition etc. pertaining to the regulated service(s) provided by the ISP at a major airport.

2.1.3 In accordance with the above mentioned CGF Guidelines (clause 4.3.), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

Materiality Assessment (MI_F):

$$= \frac{Fuel\ Throughput\ in\ Kilolitres\ at\ Kempegowda\ International\ Airport}{Total\ Fuel\ Throughput\ in\ Kilolitres\ at\ all\ Major\ Airports} \times 100$$

The Materiality Index in respect of service relating to supply of fuel to the aircrafts at Kempegowda International Airport (based on the fuel throughput data for FY 2024-25) is as under:

MI_F = (11,73,773 / 97,84,340) X 100 = ***12.00 %***

2.1.4 The percentage share of Fuel Throughput at Kempegowda International Airport, Bangalore in respect of the FY 2024-25 is **12.00 %**, which is higher than Materiality Index (MI_F) of **5%** for the regulated service (Fuel Farm Services). Hence, the regulated service is deemed "Material" at Kempegowda International Airport, for the Fourth Control Period.

Competition Assessment:

2.1.5 The CGF Guidelines provides that where a regulated service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Providers, it shall be deemed "not competitive".

The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the

determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.

2.1.6 As the Fuel Farm services at Kempegowda International Airport, Bangalore is being provided solely by IOSPL, hence, the regulated service (Fuel Farm Services) is deemed as "not competitive" for the Fourth Control Period. IOSPL as the sole operator of the Fuel Farm Services at Kempegowda International Airport is operating in monopolistic market conditions.

Reasonability of User Agreement:

2.1.7 As regards 'Reasonableness of User Agreement(s)', the CGF Guidelines provide that the Authority shall consider the existing User Agreement(s) as reasonable provided that:

(i) The service provider submits existing User Agreement(s) between the Service Provider and all the User(s) of the Regulatory Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulatory Service(s), and

(ii) The User(s) of the Regulatory Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s), which have not been appropriately addressed.

Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of User Agreement(s), as it may deem fit."

2.1.8 The Authority noted that IOSPL in its MYTP submission has not submitted any user agreement with its client oil companies/ Airlines.

2.1.9 It was noted that ISP itself had submitted its MYTP for the Fourth Control Period under the Cost-Plus Regulatory Approach. Further, the Authority had determined the regular tariff for the Third Control Period (FY 2021-22 to FY 2025-26) in respect of Fuel Farm services provided by the ISP at Bengaluru Airport under the Cost-Plus regulatory approach.

2.1.10 Therefore, the Authority, based on the above considering the materiality index, non-competitiveness of the regulated service, etc., in accordance with the provisions of CGF Guidelines, 2011, proposed to consider the tariff determination in respect of IOSPL for its Fuel Farm Services at Bengaluru airport, for the Fourth Control Period, under the **Cost-Plus regulatory approach**.

2.1.11 The formula for determining the Aggregate Revenue Requirement (ARR) for the Control Period under the Cost-Plus approach is as follows:

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - NAR_t$$

where:

't' is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year 't';

FRoR is the Fair Rate of Return for the Control Period;

RAB_t is the Regulatory Asset Base for the year 't';

D_t is the Depreciation corresponding to the RAB for the year 't';

O_t is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred by the Fuel Farm Service Provider including expenditure incurred on statutory operating costs and other mandate operating costs;

T_t is the corporate tax for the year 't' paid by the Fuel Farm Service Provider on the aeronautical profits; and NAR_t is the revenue from services other than aeronautical services for the year 't'.

2.1.12 All the figures presented in this Tariff Order Paper have been rounded off up to two decimal places.

2.1.13 All Cash flows have been assumed on last day of the Financial Year for the purpose of computing Present Value (PV) in the computation of Aggregate Revenue Requirement (ARR).

2.2 Authority's Decision regarding Methodology for the Determination of Tariff in respect of Fuel Farm Services at Kempegowda International Airport for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Methodology for the Determination of Aeronautical Tariff in respect of IOSPL's operations at Kempegowda International Airport for the Fourth Control Period:

2.2.1 To adopt "Cost Plus Approach" on Single Till basis, in respect of IOSPL's Fuel Farm Services pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31).

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3. TRUE UP FOR THE THIRD CONTROL PERIOD

3.1 IOSPL's submission in respect of True up for the Third Control Period (FY 2021-22 to FY 2025-26)

3.1.1 M/s IOSPL, as a part of its MYTP submission for the Fourth Control Period, also submitted the True-up of the ARR for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 260.55 crores (NPV ₹ 387. 25 crores) with net over-recovery of ₹ 0.74 crore.

IOSPL's submission regarding True up for the Third Control Period (FY 2021-22 to FY 2025-26) has been examined regulatory building block-wise by the Authority as under:

3.2 True up of Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26)

3.2.1 The ISP submitted the true up of Fuel Throughput volume for the Third Control Period (FY 2021-22 to FY 2025-26) which includes projection for FY 2025-26 as per table given below:

Table 3: True up of the Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(in KL)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel Throughput	5,15,575	8,23,539	9,34,179	11,73,773	12,08,417	**46,55,483**
Growth (%)		*60%*	*13%*	*26%*	*3%*	

3.2.2 The Authority vide Order No. 30/2021-22 dated 07.12.2021 had considered the total Fuel Throughput Volume of 41,58,000 KL for the Third Control Period (FY 2021-22 to FY 2025-26).

3.2.3 From the true up submission, it was noted that the fuel throughput volume proposed by the ISP for the Third Control Period is 12% more than the fuel throughput projected by the Authority in its Tariff Order for the Third Control Period.

3.2.4 The Authority sought the details regarding the actual fuel throughput achieved in FY 2025-26. In response, the ISP vide email dated 03.05.2026 submitted the details of actual Fuel Throughput for FY 2025-26 totaling to 12,50,512 KL.

Considering the actual Fuel Throughput Volume reported by the ISP for FY 2025-26, the Authority proposed to consider the revised fuel throughput for the Third Control Period based on the actuals for the FY 2021-22 to FY 2025-26 as presented in the table below:

Table 4: True up of the Fuel Throughput for the Third Control Period proposed by the Authority at Consultation Stage

(in KL)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Fuel Throughput	5,15,575	8,23,539	9,34,179	11,73,773	12,50,512	**46,97,578**
Growth (%)		*60%*	*13%*	*26%*	*7%*	

3.3 Stakeholders' Comments and Authority's Analysis regarding true up of the Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26)

3.3.1 The Authority received no comments from the stakeholders regarding true up of the Fuel Throughput for the Third Control Period (FY 2021-22 to FY 2025-26). Hence, the Authority decides to consider Fuel Throughput Volume for the Third Control Period as proposed at the Consultation Stage, as per Table 4.

3.4 True up of Capital Expenditure for the Third Control Period (FY 2021-22 to FY 2025-26)

3.4.1 The ISP in its MYTP submission has submitted the actual CAPEX incurred by it in the Third Control Period (FY 2021-22 to FY 2025-26). The details of the same are presented in the table below:

Table 5: True up of CAPEX submitted by the ISP for the Third Control Period

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	-	-	-	-	0.32	**0.32**
2.	Computer	0.02	0.03	0.10	0.15	0.07	**0.37**
3.	Computer Software	0.12	-	-	-	-	**0.12**
4.	Furniture and Fixtures	-	-	0.01	0.01	0.19	**0.21**
5.	Office Equipment	-	0.00	0.00	-	0.01	**0.01**
6.	Plant & Machinery	-	24.77	0.03	0.00	0.63	**25.44**
7.	Vehicles	-	-	0.72	-	0.23	**0.95**
Total		**0.13**	**24.80**	**0.87**	**0.16**	**1.46**	**27.42**

3.4.2 Details of item-wise actual Capex incurred and Asset-wise Capitalization done by IOSPL for the Third Control Period amounting to ₹ 27.42 crores was given in the Annexure III of the CP No. 03/ 2026-27 dated 17.07.2026.

3.4.3 The CAPEX approved by the Authority vide Order No.30/2021-22 for the Third Control Period (FY 2021-22 to FY 2025-26) is given in the table below:

Table 6: CAPEX approved by the Authority for the Third Control Period

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Plant & Machinery	4.22	67.37	4.51	0.32	-	**76.42**
2.	Deadstock	-	5.64	-	-	-	**5.64**
Total		**4.22**	**73.01**	**4.51**	**0.32**	-	**82.06**

3.5 Authority's Examination regarding the True up of Capital Expenditure (CAPEX) for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.5.1 The Authority had approved a total CAPEX amounting to ₹ 82.06 crores for the Third Control Period vide Order No.30/2021-22. In its submission for the true up of the Third Control Period, the ISP submitted a total CAPEX of only ₹ 27.42 crores, which is 66.59% less than the CAPEX approved by the Authority for the Third Control Period. Further, the actual CAPEX executed by the ISP includes some unplanned capital projects.

3.5.2 The Authority sought detailed justifications for execution of lower CAPEX vis-à-vis the approved CAPEX, including the unplanned CAPEX executed during the Third Control Period. The reason for variance in the actual Capex vis-à-vis the approved CAPEX for the Third Control Period as submitted by the ISP is presented in the table given below:

Sl. No.	*Particulars (Rs. Lacs)*	*FY 22*	*FY 23*	*FY 24*	*FY 25*	*FY 26*	*Total*	*Remarks*
1	*T2 IC Hydrant Expansion Project*		*6,133.92*				*6,133.92*	*Project completed in FY 23 (Capex of Rs 2420.28 lacs incurred)*
2	*Backup DG Upgrade with new Transformer*		*525.00*				*525.00*	*Work Order will be placed in March 2026 and expected to capitalize by June 26*
3	*Shifting Electrical Cables to outside dyke*	*265.00*					*265.00*	*The Project was deferred due to Covid. Also, it requires mandatory partial shutdown of the Plant, which will be feasible only after commissioning of Satellite Fuel Farm. Hence, rescheduled to March 2028.*
4	*Replacement of 7* Hydrant Pumps*		*96.00*	*96.00*	*32.00*		*224.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of Hydrant pumps has been done partially for 3 numbers only. The other 4 Hydrant Pumps have been serviced and made it operational. The replacement*

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								of 4 new Hydrant Pumps is now scheduled in Mar 28
5	Valve Chambers Covers replacement		109.00	109.00			218.00	Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of Valve chamber covers was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Sep 27
6	Flushing Trucks		140.05				140.05	Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the procurement of Flushing Trucks was carried out partially for 1 number only. The procurement of pit flusher (INR 70 Lakhs) is now re-scheduled in Jan 2026 and expected to receive the delivery by Jan 27 due to long lead item.
7	MOV Replacement in VC001			122.00			122.00	Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the MOV was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Jan 27
8	ROSOV for 04 Tanks		52.12	52.12			104.24	Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the replacement of ROSOV was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Dec-27
9	Dyke Walk Area Modification for Tanks T11, T12 and T13 in line with Tank T21	84.00					84.00	It has been decided that this capex would be taken up during the 5th Control Period.
10	Khume Flow Control Valves Replacement Receipt Line 4 No		62.00				62.00	Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are

								essential from the safety point of view. Therefore, the Khume Flow Control Valves Replacement Receipt Line 4 No was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Mar-28
11	*MOV Actuator Replacement in Fuel Farm for Tank 12*		*55.00*				*55.00*	*Due to Covid, it was a strategic decision to restrict the capex program and carry out only that capex which are essential from the safety point of view. Therefore, the MOV Actuator Replacement in Fuel Farm for Tank 12 was deferred due to its servicing and made it operational. The same is now re-scheduled for replacement in Mar-28*
12	*TT Receipt Batch Controller and PD Meter replacement*			*55.00*			*55.00*	*It has been decided that this capex would be taken up during the 5the Control Period.*
13	*Hydrocarbon Detectors in FF*	*480.00*					*480.00*	*Due to Covid, the requirement of Hydrocarbon Detectors in FF was deferred and is now rescheduled by Sep 26 (WO) and procurement expected by Jun 27*
14	*Modification of Entry and Exit passages for T11, T12, T13 in line with tank T21*	*4.00*					*4.00*	*The Job will be carried out by Feb 27*
15	*Hydrant Pit valve Assembly 10 Nos*		*32.00*				*32.00*	*The Job will be carried out by Dec 26*
16	*Security Equipment-As per recommendation by State Security*	*32.00*					*32.00*	*Expected to Complete by Feb 27*
17	*Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21*	*29.00*					*29.00*	*The Job will be carried out by Dec 26*
18	*Khume Flow Control Valves Replacement Return Line 1 No.*			*17.00*			*17.00*	*The activity was deferred due to servicing and made it operational. However, replacement is scheduled in Mar 28*
19	*Battery Bank Revamping for Inverters in Control Room*		*12.00*				*12.00*	*Completed*

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3.5.3 The Authority further sought the details regarding the actual capitalization done in respect of FY 2025-26 (last tariff year of the Third Control Period). In response, the ISP clarified that the CAPEX figures earlier submitted for FY 2025-26 covered expenditure only up to September 2025 and the revised CAPEX for FY 2025-26 amounts to ₹ 1.46 crores.

3.5.4 It was noted that out of the total CAPEX executed by the ISP during the Third Control Period amounting to ₹ 27.42 crores, unplanned CAPEX amounts to ₹ 3.22 crores. The details of actual CAPEX executed during the Third Control Period including unplanned CAPEX was placed at Annexure - III of the CP. From the review of unplanned CAPEX executed by the ISP, it was noted that the unplanned CAPEX had majorly been executed on Plant & Equipment including new Pit Flusher, Computers, Printers, Vehicles, Admin Building (Installation of Elevator) etc., which are considered essential for undertaking smooth Fuel Farm operations to support aircraft operations at the Bengaluru International Airport. Accordingly, taking note of the essentiality of the unplanned CAPEX executed, the Authority proposed to consider unplanned CAPEX amounting to ₹ 3.22 crores as part of true-up of the capitalization for the Third Control Period.

3.5.5 The Authority in its Order No. 30/2021-22 for the Third Control Period provided that in order to ensure that IOSPL adheres to the Capital Expenditure plan, there would be readjustment (reduction) of 1% of the non-capitalized CAPEX from ARR/Target Revenue, as re-adjustment at the time of True-up exercise for the 3rd Control Period during determination of tariff for the Next Control Period, in case any particular CAPEX is not executed as per the Capitalization Schedule. The Tariff Order further provided that in case there is a delay in commissioning/capitalizing of the assets proposed for the 3rd Control Period due to any reason beyond the control of IOSPL, and, is properly justified, same would be considered by the Authority while truing up the actual cost at the time of Tariff determination exercise for the next control period.

3.5.6 In this regard, the justification/ reasons furnished by IOSPL towards the non-execution/ deferment/ delays in execution of Capex approved for the Third Control Period is as under:

The ISP stated that Capex proposed for the Third Control Period was based on the prevailing airport development plans, traffic projections and infrastructure expansion. As per the ISP, the non-execution of aforesaid Capex was not due to deferment of essential investments, but due to exogenous developments and efficiency-driven measures. Certain airport-side projects, including apron and stand expansions were revised and deferred, and IOSPL accordingly realigned its fuel infrastructure investments to avoid premature asset creation and under-utilization. In parallel, detailed engineering, value optimization, phased execution, and competitive procurement resulted in scope rationalization and cost efficiencies without compromising safety, reliability, or regulatory compliance. The resulting capex savings have directly benefited airport users through lower capitalization into the Regulated Asset Base, reduced depreciation and return on capital, and lower financing costs, thereby moderating tariff impacts. Importantly, there has been no adverse impact on fuel availability, system redundancy, service quality, or non-discriminatory access at the Airport. IOSPL further submitted that execution of all essential, capacity - driven investments planned for the Fourth Control Period is in line with airport expansion

and traffic growth. Accordingly, the capex variance reflects prudent financial management and efficiency gains, fully aligned with AERA's regulatory objectives.

3.5.7 Considering the justifications submitted by the ISP for the deferment/ non-execution of the approved Capex for the Third Control Period, including impact of Covid-19 pandemic on the execution of approved Capex (refer para 3.5.6), the Authority proposed not to consider readjustment (reduction) of 1% of non-executed approved CAPEX in the ARR (true up) for the Third Control Period.

3.5.8 The Authority also enquired about the tendering mechanism followed in IOSPL, the ISP in its response stated that it has an approved procurement and tendering policy in which all procurements worth more than ₹5 lakhs are being done through public tender on two bid basis (Technical and Commercial bid). ISP further submitted that they follow very fair and transparent tendering process with an objective to secure the lowest price amongst the bidders.

3.5.9 The Authority, considering that Fuel Farm services are integral to the airport operations and also taking into account the essentiality of the CAPEX incurred by the IOSPL for the Third Control Period for supporting the aeronautical operations at the Kempegowda International Airport, Bangalore, proposed to consider the Capital Expenditure for the Third Control Period, as submitted by the ISP at Table 5.

3.6 Stakeholders' Comments and Authority's Analysis on Stakeholders' comments regarding true up of the Capital Expenditure for the Third Control Period (FY 2021-22 to FY 2025-26)

3.6.1 The Authority received no comments from stakeholders regarding true-up of the Capital Expenditure for the Third Control Period (FY 2021-22 to FY 2025-26). Hence, the Authority decides to consider Capital Expenditure for the Third Control Period as proposed at the Consultation Stage, as per Table 5.

3.7 True up of the Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.7.1 IOSPL submitted the true up of the Depreciation of Assets relating to Fuel Farm Facilities at Kempegowda International Airport, Bangalore pertaining to the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 7: True up of the Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26) proposed by IOSPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	0.11	0.11	0.11	0.11	0.12	**0.57**
2.	Computer	0.03	0.03	0.04	0.06	0.11	**0.27**
3.	Computer Software	0.22	0.23	0.23	0.02	0.00	**0.71**

4.	Furniture & Fixtures	0.02	0.02	0.01	0.01	0.02	**0.09**
5.	Office Equipment	0.02	0.02	0.02	0.00	0.00	**0.06**
6.	Plant & Machinery	14.91	15.29	9.49	8.84	8.86	**57.40**
7.	Vehicles	0.03	0.03	0.05	0.11	0.10	**0.33**
Total		**15.36**	**15.74**	**9.96**	**9.16**	**9.21**	**59.43**

3.7.2 The Depreciation approved by the Authority vide Order No. 30/2021-22 for the Third Control Period (FY 2021-22 to FY 2025-26) is presented in the table below:

Table 8: Depreciation approved in the Order for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Approved in the Order for Third Control Period	12.57	15.54	17.83	17.82	13.43	**77.19**
2.	Proposed by the ISP for True up of Third Control Period	15.36	15.74	9.96	9.16	9.21	**59.43**

3.8 Authority's Examination on True up of Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.8.1 The ISP, in its initial submission, proposed depreciation amounting to ₹ 74.96 crores for the true-up of the Third Control Period. During the review, the Authority observed certain gaps in the depreciation calculations, which were subsequently communicated to the ISP. In response, the ISP submitted a revised depreciation summary vide email dated 06.03.2026 and the same has been presented in Table 7. However, it was noted that the depreciation computed by the ISP in its updated submission dated 06.03.2026 for the FY 2021-22 and FY 2022-23 is more than the depreciation approved by the Authority for these years (as can be seen from the Table 8 above), though the actual capitalization done by ISP for FY 2021-22 and FY 2022-23 vis-à-vis the approved CAPEX for these years is significantly lower (Refer Table 5 & Table 6) . Thus, there seemed little correlation between the depreciation and capital additions.

3.8.2 Therefore, the Authority, considering the AERA's Order No. 35/2017-18 (read with amendment no.1 therein) regarding useful life of assets has recalculated the depreciation proposed to be considered for the true up of the Third Control Period and the same is presented below:

Table 9: Depreciation proposed by the Authority for the true up of the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Building	0.16	0.16	0.16	0.16	0.16	**0.80**
2.	Computer	0.02	0.01	0.03	0.05	0.10	**0.22**
3.	Computer Software	0.22	0.23	0.14	0.02	0.00	**0.61**
4.	Furniture & Fixtures	0.02	0.02	0.02	0.01	0.03	**0.10**
5.	Office Equipment	0.02	0.02	0.01	0.00	0.00	**0.05**
6.	Plant & Machinery	11.58	11.58	11.90	13.19	8.80	**57.03**
7.	Vehicles	0.09	0.09	0.11	0.17	0.16	**0.62**
Total		**12.11**	**12.11**	**12.37**	**13.60**	**9.24**	**59.43**

3.9 Stakeholders' Comments and Authority's Analysis on Stakeholders' comments regarding true up of the Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.9.1 The Authority received no comments from stakeholders with respect to true up of Depreciation for the Third Control Period (FY 2021-22 to FY 2025-26). Therefore, the Authority decides to consider true up of Depreciation for the Third Control Period as proposed at Consultation Stage, as per Table 9.

3.10 True up of Regulatory Asset Base (RAB) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.10.1 The Regulatory Asset Base (RAB) based on the revised RAB and Depreciation sheet shared by the ISP (on 06.03.2026) for the true up of the Third Control Period (FY 2021-22 to FY 2025-26) is given below:

Table 10: True up of RAB for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Opening RAB	122.92	107.69	116.75	107.64	98.65	
2.	Additions	0.13	24.80	0.87	0.16	1.46	**27.42**
3.	Deletions	0.00	0.00	0.02	0.00	0.00	**0.02**

4.	Depreciation	15.36	15.74	9.96	9.16	9.21	**59.43**
5.	**Closing RAB**	**107.69**	**116.75**	**107.64**	**98.65**	**90.89**	
6.	**Average RAB**	**115.31**	**112.22**	**112.20**	**103.14**	**94.77**	

3.11 Authority's Examination of the True up of Regulatory Asset Base (RAB) for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.11.1 As discussed above (refer para 3.8.1), the Depreciation computed by the ISP for true up of the Third Control Period was not in sync with Capital Additions during the Third Control Period, the Authority, therefore proposed to consider the Depreciation recomputed by AERA (refer Table 9) for the True up of the RAB for the Third Control Period.

3.11.2 The True up of the RAB for the Third Control Period proposed to be considered by the Authority is presented in the following table:

Table 11: True up of the RAB for the Third Control Period (FY 2021-22 to FY 2025-26) proposed by the Authority at Consultation Stage

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1.	Opening RAB	122.95	110.97	123.66	112.16	98.72	
2.	Additions	0.13	24.80	0.87	0.16	1.46	**27.42**
3.	Deletions	-	-	-	-	-	-
4.	Depreciation	12.11	12.11	12.37	13.60	9.24	**59.43**
5.	**Closing RAB**	**110.97**	**123.66**	**112.16**	**98.72**	**90.94**	
6.	**Average RAB**	**116.96**	**117.31**	**117.91**	**105.44**	**94.83**	

3.12 Stakeholders' Comments and Authority's Analysis on Stakeholders' comments regarding true up of the RAB for the Third Control Period (FY 2021-22 to FY 2025-26)

3.12.1 The Authority received no comments from stakeholders with respect to true up of RAB for the Third Control Period (FY 2021-22 to FY 2025-26). Therefore, the Authority decides to consider true up of RAB for the Third Control Period as proposed at Consultation Stage, as per Table 11.

3.13 True up of Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.13.1 The Authority noted that IOSPL, as part of the true up of the Third Control Period in its MYTP submission, claimed a Fair Rate of Return (FRoR) on RAB @14.45%. IOSPL considered Cost of Debt @8.50% from FY 2021-22 to FY 2023-24, 8.38% for the FY 2024-25 and 7.22% for the FY 2025-26. The ISP had considered Cost of Equity for the Third Control Period @15.05%. The true-up of FRoR for the Third Control Period submitted by the IOSPL is given in the table below:

Table 12: True up of FRoR for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by IOSPL

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1.	Debt	8.87	4.43	1.11	0.00	47.16
2.	Equity	78.81	80.76	99.82	125.50	146.94
3.	Debt + Equity	87.67	85.20	100.92	125.50	194.11
4.	Cost of Debt	8.50%	8.50%	8.50%	8.38%	7.22%
5.	Cost of Equity	15.05%	15.05%	15.05%	15.05%	15.05%
6.	Gearing	10.11%	5.20%	1.10%	0.00%	24.30%
7.	**FRoR**	**14.39%**	**14.71%**	**14.98%**	**15.05%**	**13.15%**
8.	**Average FRoR**	**14.45%**				

3.14 Authority's Examination regarding the True up of Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.14.1 The Authority noted from IOSPL's submission that CAPEX on Fuel Farm Facility at Kempegowda International Airport has been funded through a mix of Debt and Equity.

3.14.2 As regards Cost of Equity, the Authority proposed to consider the Cost of Equity @14%, for true up, as decided by the Authority in the Tariff Order No. 30/2021-22 for the Third Control Period.

3.14.3 The Authority proposed to consider the actual Cost of Debt for True up of the Third Control Period (FY 2021-22 to FY 2025-26) as submitted by the ISP. It was noted that the Cost of Debt submitted by the ISP for true-up ranges between 7.22% to 8.50% (weighted average Cost of Debt - 7.54%) is lower than the SBI's average MCLR prevailing during the period from FY 2021-22 to FY 2025-26.

3.14.4 Based on the above, Authority proposed to consider true up of FRoR in respect of IOSPL for the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 13: True up of FRoR proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

(₹ in crores)

Sl. No.	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1.	Debt	8.87	4.43	1.11	0.00	44.45
2.	Equity	84.12	96.58	116.39	142.11	164.04
3.	Debt + Equity	**92.99**	**101.01**	**117.50**	**142.11**	**208.49**
4.	Cost of Debt	8.50%	8.50%	8.50%	8.38%	7.22%
5.	Weighted Average Cost of Debt	**7.54%**				
6.	Cost of Equity	**14.00%**				
7.	Gearing	9.36%	4.18%	0.88%	0.00%	20.10%
8.	Weighted Average Gearing	**8.89%**				
9.	**FRoR**	**13.43%**				

3.15 Stakeholders' Comments regarding true up of the Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.15.1 IOSPL's comment regarding Cost of Equity is as under:

"In the CP of IOSPL for the Fourth CP, the Authority recognized the cost of Equity as 14% approving 15.05% cost of equity to the Airport Operator. In previous control periods, the Authority approved a Cost of Equity of 14.00% for IOSPL, while approving 15.05% for the Airport Operator, Bangalore International Airport Limited (BIAL). IOSPL submits that maintaining this disparity in the Third and Fourth Control Period creates an unwarranted economic imbalance.

IOSPL submits the Authority to approve a Cost of Equity of 15.05% for IOSPL, establishing parity with BIAL based on the risk profile, concession constraints, capital investment obligations, and non-discriminatory regulatory principles outlined below.

1. *Unlike traditional multi-location utility providers, IOSPL's fuel farm operations at BLR depend entirely on the traffic, airline movements, and overall throughput of Kempegowda International Airport. Any macroeconomic shock, passenger drop, or operational disruption affecting BIAL impacts fuel demand to an equal or greater degree.*
2. *While BIAL derives revenues from diverse non-aeronautical streams (retail, real estate, parking, concessions), IOSPL's revenues are strictly pegged to aviation fuel infrastructure usage. Consequently, IOSPL faces higher revenue concentration risk relative to its total asset base.*
3. *IOSPL operates under a Build, Own, Operate, and Transfer (BOOT) concession agreement. At the end of the concession term, all fuel farm infrastructure assets must be handed over to BIAL at zero cost / nil residual value. Because the asset lifecycle for*

IOSPL is bound by the concession end-date rather than the physical life of the equipment, equity investors bear accelerated asset decay and re-investment risks. A Cost of Equity of 15.05% adequately reflects this finite recovery window and compensates equity holders for the capital locked in BOOT assets.

4. *Aviation fuel infrastructure operates in the same macroeconomic environment as the airport itself. Given the high fixed cost capital structure required for automated fuel storage, hydrant systems, quality control laboratories, and statutory safety compliance, IOSPL's operational leverage must be aligned with that of the main airport operator. Applying an arbitrary FRoR understates the systematic risk borne by aviation fuel infrastructure providers.*

5. *To support BIAL's expanding terminal infrastructure and growing air traffic, IOSPL is executing significant capital expenditure for capacity expansion, statutory upgrades, and reliability enhancements. Debt-financing for specialized airport infrastructure requires robust equity backing. Providing a fair rate of return on equity equal to the main airport operator (15.05%) ensures IOSPL can continue to raise and commit equity capital without diluting returns for its shareholders*

6. *Regulatory precedents across infrastructure sectors establish that entities operating under the same umbrella project risk environment should be evaluated under consistent risk-return parameters*

7. *Denying rate parity to essential aviation support infrastructure operators creates tariff distortion. Aligning asset owners at the same airport fosters regulatory predictability and stability.*

Request:

In light of the facts and detailed justification presented above, IndianOil Skytanking Limited (IOSPL) respectfully submits that the Authority may be pleased to:

1. *Approve a Cost of Equity of 15.05% for IOSPL for the determination of Fair Rate of Return (FROR) and Aggregate Revenue Requirement (ARR) for the Fourth Control Period at Kempegowda International Airport, Bengaluru.*

2. *Grant Parity between the Fuel Farm Operator (IOSPL) and the Airport Operator (BIAL) in respect of the return on equity, recognizing the shared risk profile and BOOT concession realities."*

3.16 Authority's Analysis on Stakeholders' comments regarding true up of the Fair Rate of Return (FRoR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.16.1 The Authority in its tariff order for Third Control Period had approved a Fair Rate of Return for IOSPL Bangalore @ 13.50% (weighted average Cost of Debt @8.50%, Cost of Equity @ 14% and weighted average gearing @ 9%). Against this, the ISP in its true-up submission has proposed average FRoR @ 14.45% (Cost of Debt ranging between 7.22% to 8.50%, Cost of Equity @ 15.05% and yearly gearing ranging between 0 to 24.30%).

From the above, it can be clearly seen that the capital structure of the ISP is inefficient with, predominance of equity funding and average gearing of only around 9%. Therefore, the ISPs' claim for higher Cost of Equity @15.05% (true-up of 3rd CP) is not justified, as claim for higher Cost of Equity can be considered in cases where the service provider in its capital structure maintains optimum gearing ratio, (similar to normative debt equity gearing ratio of 48:52) which is generally considered for Airport Operators.

3.16.2 As a regulator, the Authority has to balance the interests of all stakeholders including facility users since the FRoR on RAB is a significant factor in overall computation of tariff rates, the Authority is inclined to consider reasonable interest of users in form of fair and reasonable tariff. The Authority expects the ISP to adopt efficient capital structure with higher proportion of debt financing in the CAPEX projects.

3.16.3 Considering that the Authority had already approved a Cost of Equity @14% for the Third Control Period, accordingly, the Authority decides to maintain Cost of Equity as per Tariff Order for the Third Control Period (14%). However, Authority decides to consider Cost of Debt as proposed by the ISP in its true-up submission (weighted average Cost of Debt @ 7.54%) and Weighted average gearing @ 8.89% and overall FRoR @ 13.43%, same as was proposed at CP stage, as per Table 13.

3.17 True up of Operation & Maintenance Expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.17.1 IOSPL submitted the true up of the Operation & Maintenance expenses for the Third Control Period (FY 2021-22 to FY 2025-26) as per table given below:

Table 14: Operation and Maintenance Expenses submitted by IOSPL for the True up of the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.87	4.99	4.41	5.17	6.49	**25.92**
Administrative and General Costs	2.05	3.63	3.79	3.00	6.04	**18.51**
Repairs and Maintenance Costs	1.40	2.22	1.28	2.07	1.46	**8.42**
Utility Costs	1.27	1.46	1.56	1.74	1.95	**7.99**
Airport Operator Fees/Rent/License Fee	-	-	-	-	28.09	**28.09**
Operating Fee/ Margin	-	-	-	-	1.59	**1.59**
Total	**9.59**	**12.30**	**11.04**	**11.98**	**45.63**	**90.53**

3.17.2 The Operation & Maintenance Expenses approved by the Authority for the Third Control Period is presented in the Table below:

Table 15: Operation and Maintenance Expenses approved by the Authority in the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.70	5.08	5.49	5.93	6.40	**27.60**
Administrative and General Costs	1.79	1.87	1.95	2.04	2.14	**9.79**
Repairs and Maintenance Costs	0.98	1.03	1.08	1.12	1.18	**5.39**
Utility Costs	1.40	1.46	1.53	1.60	1.67	**7.65**
Airport Operator Fees/Rent/License Fee	0.01	0.01	0.01	0.01	0.01	**0.05**
Total	**8.88**	**9.45**	**10.05**	**10.70**	**11.39**	**50.47**

3.18 Authority's Examination on true up of Operation & Maintenance expenses for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.18.1 The Authority vide Order No.30/2021-22 approved projection related to the Operation & Maintenance Expenses for the Third Control Period amounting to ₹ 50.47 crores. Whereas, the true up of O&M Expenses for the Third Control Period submitted by the ISP amounts to ₹ 90.53 crores. It was observed that out of total O&M expenses of ₹ 90.53 crores submitted by IOSPL for true up, a major portion i.e. ₹ 28.09 crores (31.03%) of O&M expenses pertain to Land Rental as per the new Service Provider Right Holder (SPRH) Agreement executed on 30.06.2025 (effective from 01.04.2025), ₹ 25.92 crores (28.63%) is related to Payroll Costs and ₹ 18.51 crores (20.45%) towards Administrative and General Expenses. The Authority's examination of the various components of Operation & Maintenance Expenses is given below:

a) Payroll Costs:

The Authority noted that total payroll expenses i.e. ₹ 25.92 crores proposed for the True up by the ISP is within the total payroll expenses approved by the Authority for the Third Control Period i.e. ₹ 27.60 crores. The Authority observed that the ISP proposed a Y-o-Y increase of 8% in payroll costs and a 26% increase had been proposed in FY 2025-26 over FY 2024-25. Regarding significant increase of 26% in payroll expenses, the ISP clarified that the increase was mainly on account of the annual increment, gratuity/ leave encashment, addition of 5 employees and estimated one-time cost due to new wage code bill.

The Authority, proposed to consider the one-time increase in payroll expenses for FY 2025-26 on account of the reasons cited above and rationalize the Y-o-Y increase to 6%.

b) Administrative & General Expenses:

It was observed that there is a 77% increase in Administrative & General Expenses in FY 2022-23 over the FY 2021-22 figures. In this regard, the ISP vide email dated 16.02.2026

submitted that this increase is primarily due to easing of restrictions post Covid and one-time expense relating to Land & Buildings regularization fee (₹ 33.88 lakhs).

It was further observed that there is a 100% increase in expenses during FY 2025-26 as compared to FY 2024-25. The detailed examination showed that the increase in the expenses is mainly due to payment of stamp duty charges amounting to ₹ 2.29 crores on registration of the sub-lease deed for the existing Fuel Farm and new Satellite Fuel Farm.

The Authority proposed to consider the one-time expense considered by the ISP in FY 2022-23 and the stamp duty charges for FY 2025-26 as per the ISP. However, the Y-o-Y increase in Administrative & General Expenses was proposed to be rationalized @5%.

c) Repairs & Maintenance Expenses:

The Authority noted that ISP submitted the true up of R&M Expenses for the Third Control Period related to the Fuel Farm facility, including expenses related to Office, Vehicles, Plant & Machineries etc., amounting to ₹ 8.42 crores.

It was noted that the ISP considered a one-time increase of 58.57% in Repairs & Maintenance in FY 2022-23. In this regard, the ISP vide email dated 16.02.2026 clarified that the increase is mainly on account of one-time expense related to tank painting amounting to ₹ 102.89 lakhs in FY 2022-23.

Further, it was observed that the Repair & Maintenance Expenses in FY 2024-25 have increased by 61.72%. In this regard, the ISP clarified that there was one-time Repair work related to internal road to enhance vehicle access, safety, and operational efficiency, amounting to ₹ 63.66 lakhs.

The Authority, considering the clarifications submitted by the ISP, proposed to consider the various one-time expenses; however, limit the Y-o-Y increase to 6%.

d) Utility Costs:

The Authority noted that Utility and Outsourcing Expenses comprise of costs related to consumption of Electricity, Water, Fuel etc.

It was observed that Y-o-Y increase in Utility & Outsourcing expenses ranges between 7% to 15% and total Utility & Outsourcing expenses submitted for true up was marginally higher (4%) than the total expenses approved in the Tariff Order for the Third Control Period. The Authority proposed to consider true up of the Utility & Outsourcing expenses for the Third Control Period as submitted by the ISP, however, limit the Y-o-Y increase to 5% for the FY 2025-26.

e) Operating Fee/ Margin:

It was noted that the ISP claimed an amount of ₹ 1.59 crores as Operator Fee/ Margin in FY 2025-26, though IOSPL itself is functioning both as the Fuel Farm facility owner and facility operator, for which ISP is being compensated in the form of O&M Expenses in ARR calculation. Thus, there is no justification to claim Operator Fee/ Margin, over and above the O&M Expenses. Therefore, the Authority proposed not to consider Operator fee/ Margin for the true up of the Third Control Period.

f) Airport Operator Fees/ Rent/ License Fee:

It was noted that the ISP executed a new SPRH agreement with the Airport Operator (BIAL), whereby land rental @ 525 per sq.m. per month (with 5% annual escalation) on land allotted for fuel farm is payable by the IOSPL to Airport Operator w.e.f. 01.04.2025. The annual land rent in respect of existing Fuel Farm facility for FY 2025-26 amounts to ₹ 28.09 crores as per the ISP.

As per the Authority, steep increase in the land rental introduced by the Airport Operator (AO) in its new agreement with IOSPL (effective from 01.04.2025), whereby the ISP is required to pay land rental in respect of existing fuel farm facility 525 times more than the nominal land rental that was being paid by the ISP as per its original agreement with the AO. Clearly, it is a case of display of monopolistic tendency and exploitation of dominant market position by the AO. The sudden steep increase in the land rental rate may result in a tariff shock to the facility users. As a regulator, AERA is inclined to protect the reasonable interests of facility users. In light of the above, the Authority proposed to rationalize the Land Lease Rental to the tune of 25% in FY 2025-26 (from ₹525/ sqm/ month as per the ISP to ₹ 395/ sqm/ month with 5% Y-o-Y increase therein. AERA advised the ISP to take up the issue of steep increase in land rental rate with the Airport Operator.

3.18.2 The true-up of O&M expenses for the Third Control Period (FY 2021-22 to FY 2025-26) proposed to be considered by the Authority is presented in the table given below:

Table 16: True up of the Operation and Maintenance Expenses proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.87	4.99	4.41	4.32	5.17	**23.76**
Administrative and General Costs	2.05	3.63	3.79	3.00	5.45	**17.92**
Repairs and Maintenance Costs	1.40	2.22	1.25	1.94	1.37	**8.18**
Utility Costs	1.27	1.46	1.56	1.74	1.82	**7.85**
Airport Operator Fees/Rent/License Fee	-	-	-	-	21.13	**21.13**
Total	**9.59**	**12.30**	**11.01**	**11.01**	**34.94**	**78.84**

3.18.3 Considering that the true-up of Opex for the Third Control Period (FY 2021-22 to FY 2025-26) includes projections by the ISP for FY 2025-26, accordingly, the Authority, would further review the OPEX submitted for true-up in respect of FY 2025-26 at the Order Stage, based on the actual financials.

3.19 Stakeholders' Comments regarding true up of the Operation & Maintenance Expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.19.1 BIAL's comment regarding lease rent is as follows:

"Recognition of Lease rent payable by IOSPL to BIAL

We humbly disagree with the statement made by the Authority in para 3.12.1 (f) wherein it has commented that the lease rent charged by BIAL is a case of display of monopolistic tendency and exploitation of dominant market position by BIAL. We submit that the Authority must view the contractual arrangement between BIAL and IOSPL in light of the inputs below:

a) Comparison with earlier contractual arrangement

The Authority is comparing the current lease rental of Rs 525 per m2 vis-à-vis Rs 1 per year in the earlier contract.

We wish to bring out the below mentioned facts to show that this comparison needs to be extended to the original terms of the contract between BIAL and IOSPL:

The previous contractual arrangement between BIAL and IOSPL entered into in 2008 was not solely based on lease rent basis. Rather, it was a bundled commercial framework comprising of:

- *Airport Operator Fee and Fuel Infrastructure Charge payable by the fuel farm operator to BIAL, which is essentially the revenue share payable by IOSPL*
- *Nominal lease rent of Rs 1 per year*

AERA during its assessment for tariff of IOSPL in 2017-18 had compared the fuel related charges borne by oil companies across DIAL, MIAL and BIAL and had determined that the rates are comparable as other airports charged license fee/ land rental whereas BIAL was not charging license fee/land rental. (Refer extract of Order no 29/2017-18)

Table 16: Comparison of fuel related charges borne by oil companies at major airports during FY 2015-16 (in ₹ / KL)

Airport	Airport operator fee (AOF)	Fuel infrastructure charge (FIC)	Total (AOF + FIC)	ITP fee for aircraft fuelling (ITP)	Total (AOF + FIC + ITP)
New Delhi	688	755	1,443	190	1,633
Mumbai	804	710	1,514	198	1,712
Bengaluru	1,067	433	1,500	268	1,768

8.2 The Authority noted that no license fee/ land lease rental is payable by the fuel farm operator to the airport operator at Bengaluru Airport. Further, FIC at New Delhi and Mumbai airports are higher as compared to FIC at Bengaluru airport because it includes license fee/ land lease rental payable by the fuel farm operator to the airport operator in the respective airports.

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Through the airport operator fee mechanism, BIAL's earning from the fuel farm concessionaire was in the range of Rs 62 to 72 crores/ per annum. (Refer extract below Order No 29/2017-18). As can be seen, the annual concession fee that BIAL was earning from IOSPL was significantly higher than the rentals that BIAL has proposed to charge in the new contractual arrangement.

Table 12: Operation and Maintenance Expenditure as per the Authority (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Payroll Costs	253	273	295	318	344
Administrative and General Costs	833	405	433	463	495
Utilities and Outsourcing costs	140	151	164	178	192
Concession Fee & Airport Operator Fees	6,230	6,542	6,869	7,212	7,573
Repair and Maintenance Costs	293	360	392	433	477
Total	7,748	7,731	8,152	8,603	9,081

6.8 The Authority has proposed to true up the Operating and Maintenance expenditure in the third control period based on the actual expenditure during the second control period.

Subsequently, MoCA vide letter NO.AV.13030/216/2016-ER (Pt.2) dated 8th January 2020 had directed the discontinuation the levy of FTC/Airport operator fee in any manifestation at all airports. Considering the above policy decision of MoCA, the Authority vide letter No. AERA20015/ FT/2010-11Vol.II dated 15th January 2020 advised all Major Airport Operators to implement the above said MoCA letter with immediate effect.

Following the abolition of FTC/Airport Operator Fee, BIAL was able to collect only Rs 1 / year rental. Hence, the comparison with Rs 1/year rental ignores the material change in circumstances and results in a distorted assessment of the consideration payable for the land.

b) Current Lease rentals are comparable to Peer Airports

The current lease rentals levied by BIAL are reasonable when benchmarked against peer airports. BIAL has reviewed comparable arrangements across major Indian airports and is satisfied that the overall consideration payable by IOSPL is reasonable and competitive.

Airport	*Land Licence Fee (₹/sq. m./month)*
Kolkata	*767*
Chennai	*767*
Pune	*560*
KIA (BIAL)	*525*

Hence, when assessed on a holistic basis and compared with charges applicable at other major airports, the current lease rentals are comparable to, and in several cases lower than, the aggregate charges payable by fuel farm operators elsewhere.

c) Lease rentals payable to BIAL has been recognized by AERA as aeronautical revenues of BIAL

It is important to note that the land lease rentals being paid by IOSPL has already been considered by AERA as part of BIAL's aeronautical revenues in its tariff determination process for the 4th control period.

Accordingly:

- *Lease rental revenues are fully captured within the existing airport regulatory framework;*
- *Airlines and Passengers derive the benefit of such revenues through the tariff-setting mechanism; and*
- *there is no justification for AERA to allow a lower lease rental which is against valid contractual terms of conditions which have been approved by the Board of BIAL & IOSPL.*

In effect, any downward revision of the contractual lease rentals would create an unwarranted transfer of value away from the airport despite the fact that the contractual rental revenues have already being accounted for as a part of aeronautical revenues of BIAL in the 4th control period.

d) BIAL has complied with regulatory guidance and existing contractual arrangements

In the 3rd control period Tariff order for IOSPL, AERA had emphasized adherence to contractual arrangements between IOSPL & BIAL. The present lease rentals are being charged strictly in accordance with the currently effective SPRH & Operating Agreements executed between the parties. BIAL is therefore fully adhering to the applicable contractual framework and there is no deviation whatsoever from the governing agreement. Accordingly, the Authority cannot revise a valid commercial agreement executed between independent parties.

e) No discrimination or unequal treatment has been adopted by BIAL

The methodology and rates adopted for land lease rentals are consistent with the approach followed for other aeronautical infrastructure and service providers operating at the Airport. IOSPL has not been subjected to any differential treatment from similarly placed airport service providers like Cargo operators. Accordingly, the lease rentals applicable to IOSPL is fully aligned with BIAL's broader land monetisation and airport asset management framework and reflects the principle of equitable treatment across all airport operators.

In light of the above reasons, we request the Authority to consider the entire land lease rentals payable as per the agreed contractual terms and conditions as a part of the operating costs of IOSPL."

3.19.2 Auxesia Consulting Firm's comment regarding land rental is as follows:

"Under the new Sub-Lease Deed executed between IOSPL and BIAL on 30.06.2025 (effective 01.04.2025), IOSPL is contractually required to pay land rental at ₹525/sqm/month (with 5% annual escalation) for the existing Fuel Farm and ₹579/sqm/month for the new Satellite Fuel Farm land — a very substantial increase from the nominal ₹1/sqm/month rental payable under the original 2006 SPRH Agreement (Para 7.2.14). The Authority characterises this increase as reflecting "exploitation of the dominant market position by the Airport Operator" and, on that basis, proposes to allow only 75% of the contracted rate as a pass-through cost (₹395/sqm/month in place of ₹525/sqm/month, with 5% escalation), for both the Third Control Period true-up (Para3.12.1(f)) and the Fourth Control Period (Para 7.2.15, Table 43), resulting in a reduction of ₹57.48 crore over the FoCP alone (Table 43).

a. ***Guideline basis and its limits**: Clause 9.4.4 of the CGF Guidelines does empower the Authority to "consider any payments made by the Service Provider(s) to the Airport Operator(s) with reference to the accounting treatment given to such payments... and as reviewed by the Authority" — so the Authority is not acting entirely outside its remit in scrutinising this cost. However, the Guidelines do not prescribe, and CP-03 does not disclose, any benchmark, comparator, or valuation methodology (such as an independent land-rate assessment, a DPE/State-Government circle-rate reference, or a comparison against rentals charged for equivalent land parcels at other airports) by which the specific figure of 75% (or ₹395/sqm/month) was derived. As drafted, the reduction reads as a round-number policy adjustment rather than a cost-based determination, which is a different exercise from the "accounting treatment" review contemplated by Clause 9.4.4.*

b. ***The land rental is a genuine, unavoidable, third-party cost that IOSPL does not control**: the land rental is a contractual liability owed to BIAL, a party independent of and not controlled by IOSPL (IOSPL being jointly owned by IOCL and Skytanking, with BIAL as an unrelated Airport Operator/lessor). IOSPL has no practical means of negotiating this rate downward, and a 25% disallowance in the ARR does not reduce IOSPL's actual cash outflow to BIAL by a single rupee — it simply transfers a permanent revenue shortfall onto IOSPL, which must nonetheless pay BIAL the full contracted rent. This is economically different from disallowing an internally-controlled and discretionary cost.*

c. ***Disparity with Delhi and Mumbai**: We understand that at both Delhi and Mumbai, land rentals charged by the respective Airport Operators to DAFFFL/MAFFFPL for the fuel farm land are, in substance, recognised and passed through in the tariff determination for those entities, without an equivalent ad-hoc percentage haircut of the kind proposed here. If land rental treatment differs materially between Bengaluru on the one hand and Delhi/Mumbai on the other — despite all three being open-access fuel-farm structures regulated by the same Authority under the same CGF Guidelines — this creates an unexplained*

disparity in regulatory treatment across airports, and could be seen as inconsistent application of Clause 9.4.4.

d. ***Previous year Tariffs**: In the previous tariff years, the FIC determined in respect to IOSPL's operations at KIA was without any land rental charges and hence the FIC determined was lower in comparison to Delhi and Mumbai, where it was included.*

e. ***The more appropriate regulatory lever may lie elsewhere**: If the Authority's underlying concern is that BIAL, as a monopoly landlord, has used its market position to impose a supra-competitive land rent, the more direct and legally coherent remedy would be for the Authority to examine the reasonableness of BIAL's land-rent-setting practice within BIAL's own aeronautical tariff determination (over which the Authority has direct jurisdiction as economic regulator of BIAL), rather than achieving an equivalent economic outcome indirectly by disallowing a portion of IOSPL's pass-through cost. The latter approach leaves BIAL's rental income intact while making IOSPL — a different regulated entity that had no part in setting the rent — absorb the shortfall.*

Feedback: The Authority must allow full pass-through of the contracted land rental as an unavoidable third-party O&M cost under Clause 9.4.1, while separately examining the reasonableness of BIAL's rent-setting through BIAL's own tariff proceedings; or, at minimum."

3.19.3 IOSPL's comment regarding Land license fee is as under:

"The Authority has proposed to rationalise the land lease rental payable by IOSPL to BIAL in both the Third Control Period (TCP) True-up and Fourth Control Period (FoCP) Projection. This covers the FY 2025-26 annual rent of Rs.28.09 crores for the existing Fuel Farm, and rentals for the existing Fuel Farm (FY 2026-27 to FY 2030-31) and Satellite Fuel Farm (FY 2027-28 to FY 2029-30), as set out in paragraph 3.12.1 (f) and 7.2.13 respectively of the CP. Under the SPRH Agreement dated 30.06.2025, the base rate is Rs.525 per sq.m. per month w.e.f. 01.04.2025, with 5% annual escalation. The Authority proposes to reduce the applicable rate by about 25%, from Rs.525 to Rs.395 per sq.m. per month, citing the steep increase from the historical nominal rent of Rs.1 per sq.m. per month, BIAL's dominant market position and potential tariff shock.

IOSPL's Submission

1. *IOSPL respectfully submits that the proposal under Clause 3.12.1(f) of the Consultation Paper to restrict the admissible land licence fee from the contractual rate of ₹525 per sq. m. per month to ₹395 per sq. m. per month does not adequately reflect the regulatory and commercial realities governing the operation of the Common User Fuel Farm at Kempegowda International Airport, Bengaluru ("KIA").*

2. *IOSPL therefore requests the Authority to recognize the land licence fee at the actual contractual rate specified under the Operating Agreement executed with Bangalore International Airport Limited ("BIAL").*

   The land licence fee arises from the Operating Agreement effective 1 April 2025 and represents a binding contractual obligation payable to BIAL for the use of airport land essential for providing regulated fuel farm services. The expenditure is neither discretionary nor controllable by IOSPL and cannot be modified, negotiated, or avoided unilaterally once contractually agreed. As such, it constitutes a genuine and unavoidable operating cost directly attributable to the provision of regulated services.

3. *The Fuel Farm is a critical airport infrastructure facility established as part of the airport's planning and operational framework for the storage, handling, and distribution of Aviation Turbine Fuel catering to all Oil Marketing Companies and airline operators at the airport. Given the nature of the facility, IOSPL has no flexibility to source alternative land or relocate operations outside the airport premises. Consequently, the land licence fee is an unavoidable cost of providing the regulated service.*

4. *The revised licence fee has been determined by BIAL in accordance with its prevailing commercial policy applicable to airport land and is consistent with the approach adopted for other airport concessionaires. The licence fee is the outcome of an arm's length contractual arrangement between independent parties and represents the value assigned by the airport operator to the land required for the fuel farm facility.*

   Under established cost-plus regulatory principles, efficiently incurred and verifiable costs that are necessary for providing regulated services are ordinarily allowed for recovery. The land licence fee satisfies all relevant criteria, being:

   a. *Contractually payable and fully verifiable;*
   b. *Prudently incurred;*
   c. *Directly attributable to regulated fuel farm operations; and*
   d. *Unavoidable in nature.*

5. *Accordingly, restricting the admissible amount to ₹395 per sq. m. per month, as against the contracted rate of ₹525 per sq. m. per month, would result in approximately 25% of the actual land licence cost remaining unrecovered. Since IOSPL has no alternative mechanism for recovery of this cost, such disallowance would directly impact the Aggregate Revenue Requirement and the financial sustainability of the regulated service.*

6. *IOSPL further submits that the proposed disallowance creates a regulatory inconsistency. The land licence fee paid by IOSPL is recognized by BIAL as revenue, and the Authority has already considered such receipts as part of BIAL's aeronautical revenue framework. Since the same amount has been recognized on the revenue side of the regulatory framework and contributes to the determination of airport tariffs, it would be appropriate to allow corresponding recognition of the expense in IOSPL's*

ARR. Disallowance of a portion of the expenditure would result in inconsistent regulatory treatment of the same transaction.

7. *It is also relevant to note that land lease or licence charges are commonly levied on fuel farm operators across other AAI, JV, and private airports. In several instances, airport operators additionally levy revenue share obligations, substantial security deposits, and annual escalations. Such arrangements have generally been acknowledged within the applicable regulatory framework. Against this backdrop, the contractual rate applicable at KIA is not excessive and compares reasonably with rates prevailing at other airports, as appended below:*

Airport	*Land Licence Fee (₹/ sq. m./ month)*
Kolkata	*767*
Chennai	*767*
Pune	*560*
KIA (BIAL)	*525*

The above comparison demonstrates that the contractual rate of ₹525 per sq. m. per month is within the range of prevailing airport land charges and cannot be regarded as unreasonable or excessive.

8. *The Authority has, in the past, accorded similar treatment to land licence rentals for other concessionaires at Kempegowda International Airport (KIA), based on the respective bilateral agreements executed with BIAL. A few relevant precedents are set out below:*

a) *CP No. 01/2023-24 - Tariff Determination for WFSBPL for Cargo Handling (1st Control Period)*

   i. *The Authority approved a land licence fee of ₹468 per sq. m. per month for FY 2023-24, with an annual escalation of 5% (reaching ₹542 per sq. m. per month in FY 2026-27), which is comparable to the rates applicable in IOSPL's case.*

   ii. *While approving the same, the Authority took cognizance of the Service Provider Right Holder Agreement (SPRH) executed between the parties.*

b) *CP No. 06/2023-24 - Tariff Determination for Menzies Aviation for Cargo Handling (1st Control Period)*

   i. *The Authority similarly approved a land licence fee of ₹468 per sq. m. per month for FY 2023-24, with an annual escalation of 5% (reaching ₹542 per sq. m. per month in FY 2026-27), comparable to the rates applicable to IOSPL.*

   ii. *In doing so, the Authority considered the provisions of the Service Provider Right Holder Agreement (SPRH) and observed as follows:*

"Considering that the lease rental is part of the SPRHA, the Authority proposes to consider lease rental for the First Control Period as proposed by the ISP."

The above decisions clearly establish a precedent at KIA whereby the Authority has recognized and accepted land licence fees agreed contractually between BIAL and its concessionaires under their respective bilateral agreements. The same principle and approach ought to be applied consistently in the case of IOSPL.

Request:

In light of the facts and regulatory grounds outlined above, IOSPL respectfully prays that the Hon'ble Authority may be pleased to:

i. *For Third Control Period (TCP) True-Up: Allow the full actual expenditure of Rs.28.09 Crores paid towards land lease rental in FY 2025-26 based on audited accounts.*

ii. *For Fourth Control Period (FoCP) Projections: Accept the contractual base rate of Rs.525 per sq.m. per month (with 5% annual escalation) for both the existing Fuel Farm and Satellite Fuel Farm as a legitimate pass-through O&M expense, ensuring complete regulatory parity with the revenue treatment applied in BIAL's Tariff Determination."*

3.19.4 Adani Airports' comment with respect of Land license fee is as follows:

"At the outset, Adani Airport Holdings Limited (AAHL) appreciates the Authority's comprehensive Consultation Paper and the opportunity provided to stakeholders to submit their views.

We would like to submit our observations regarding the regulatory treatment of operating expenditures, specifically the land license fees referenced in Paragraph 7.2.14 of the Consultation Paper.

It is our respectful submission that financial obligations arising from mutually agreed, binding contractual arrangements between Infrastructure Service Providers (ISPs) and Airport Operators should be fully adhered to and recognized during tariff determination. The levy of land license fees on Fuel Farm and Into-Plane (ITP) service providers is an established and widely adopted practice across Indian airports, reflecting prevailing industry norms.

Any deviation from recognizing these agreed contractual amounts as legitimate operating expenditures could create regulatory uncertainty and set an undesirable precedent for future tariff determinations. Such an approach risks undermining the sanctity of commercial contracts, which may have broader implications for infrastructure service providers and airport operators.

In light of the above, we respectfully request the Authority to kindly ensure that mutually agreed contractual amounts are fully considered and upheld while finalizing its decision. We trust that due consideration will be given to the wider industry implications of this matter."

3.19.5 IOSPL's comment regarding rationalization of OPEX is as under:

"IOSPL respectfully submits that the determination of Aggregate Revenue Requirement (ARR) under AERA's regulatory framework rests upon the fundamental principle of a cost-plus / cost-reflective tariff determination base. While normative escalation factors serve as useful benchmarks for forward-looking projections, they ought not to supersede or override actual, audited, and prudent expenditure already incurred by a regulated entity.

In the Consultation Paper (CP), the Authority has proposed:

- *Application of a normative annual escalation (6% for Payroll & R&M; 5% for A&G and Utility costs) for FY 2025-26.*
- *Disallowance of specific audited actuals: Rs 85 lakhs in Payroll Cost (FY 2024-25), and Rs3 lakhs & Rs13 lakhs in R&M Costs (FY 2023-24 and FY 2024-25, respectively) without citing specific reasons or regulatory grounds.*

The cumulative proposed disallowance of Rs3.14 Crores artificially deflates the actual cost base, resulting in an unjust under-recovery for IOSPL and distorting the true-up process for the Third Control Period.

IOSPL's Submission:

a. *The Authority has accepted actuals for other critical ARR components, such as CAPEX and fuel throughput for FY 2025-26. Selective application of normative caps solely to Opex, where actual audited figures are available, creates an internal inconsistency within the regulatory model.*

b. *Fuel Farm (FF) and Into-Plane (ITP) aviation fuelling services require specialized, highly trained technical personnel subject to strict safety mandates. Capping payroll growth at a rigid 6% does not reflect industry market dynamics, inflation, or competitive retention pressures, creating a severe risk of high attrition and operational risk.*

c. *Key components within Administrative & General (A&G) costs such as Rates & Taxes, Insurance, and Minimum Wages for Security Personnel, are statutory obligations paid at actuals. They are non-negotiable and cannot be constrained by arbitrary inflation caps without forcing the service provider into unrecoverable losses.*

d. *Audited financial statements and statutory Auditor's Certificates have been submitted for all relevant financial years. Regulatory precedent dictates that audited costs are presumed prudent unless explicitly challenged with factual or analytical justification. Disallowing verified costs without providing clear reasons deprives IOSPL of a fair opportunity to respond, contrary to the principles of natural justice.*

e. *The authority in it's Tariff order vide no Order No. 30/ 2021-22 has reckoned the annual inflation on payroll cost @ 8% YoY.*

Financial summary of Opex disallowances:

The impact of the proposed normative rationalization and unreasoned disallowances is summarized below:

OPEX Head	***IOSPL Proposed (Rs. in Cr)***	***Approved by AERA (Rs. in Cr)***	***Proposed Disallowance/ Variance (Rs. in Cr)***
Payroll Cost	*25.93*	*23.76*	*2.17*
Administrative & General Costs	*18.51*	*17.92*	*0.59*
Repairs & Maintenance (R&M) Cost	*8.43*	*8.18*	*0.25*
Utility Cost	*7.98*	*7.85*	*0.13*
Total Opex Impact	***60.85***	***57.71***	***3.14***

The total variance includes the specific true-up disallowances of Rs. 0.85 Cr in Payroll (FY 24-25) and Rs. 0.16 Cr in R&M (FY 23-25 combined), as well as the normative cuts for FY 25-26.

Request:

In light of the statutory framework and regulatory principles governing AERA, IOSPL respectfully requests the Hon'ble Authority to:

a. *Allow Payroll, Administrative & General, Repairs & Maintenance, and Utility & Outsourcing costs based on audited financial actuals rather than applying normative Y-o-Y escalation caps (6% and 5%), ensuring full cost recovery under the cost-plus framework.*

b. *Fully reinstate and approve the audited Opex at actuals for the third control period true up.*

c. *In the event the Authority considers maintaining any disallowance, communicate the specific grounds or prudence checks applied, affording IOSPL a fair opportunity to furnish further clarifications prior to final order issuance."*

3.19.6 Auxesia Consultancy's comments with regard to Y-o-Y rationalization is as follows:

"The Authority has accepted several one-time cost items claimed by IOSPL (stamp duty on sub-lease registration, tank painting, internal road repair, wage-code-related payroll increase) but has, in each case, additionally capped the underlying Y-o-Y escalation at a lower rate than claimed by IOSPL (Payroll: 6% vs IOSPL's implicit rate; Administrative & General: 5%; Repairs & Maintenance: 6%; Utility: 5%) — refer Table 16. Clause 9.4.2 of the CGF Guidelines permits the Authority to assess "efficiency improvement" based on "trends in operating costs, productivity improvements, cost drivers as may be identified, and other factors as may be considered appropriate", but does not itself prescribe a specific percentage cap methodology.

The Authority is entitled to apply an efficiency/prudency filter under Clause 9.4.2. However, for a stakeholder to meaningfully test the reasonableness of a specific numerical cap (6% vs 8%, 5% vs 8%, etc.), the underlying benchmark — whether it is a wage inflation index, a Consumer Price Index-linked escalation, a peer-airport comparator, or an internal efficiency target — should be disclosed in the Consultation Paper or the eventual Order.

Feedback: The Authority should publish the empirical basis for each escalation rate used in Table 16, both in fairness to IOSPL and to allow consistent application to other ISPs in future proceedings."

3.20 IOSPL's response to other Stakeholders' comments regarding true up of the Operation & Maintenance Expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.20.1 IOSPL's response to Auxesia Consulting's comment regarding Y-o-Y escalation caps is as follows:

"Auxesia has observed that although AERA has discretion under Clause 9.4.2 of the CGF Guidelines to assess efficiency and prudence, the Guidelines do not prescribe specific percentage caps and the empirical basis for the 5-6% caps should therefore be disclosed.

IOSPL Comment: IOSPL concurs to reconsider the caps where they do not reflect actual aviation-fuel industry cost drivers."

3.20.2 IOSPL's response to BIAL's comment in respect of Land license fee is as under:

"BIAL has explained that the earlier arrangement cannot be compared directly with the present Rs 525/sqm/month lease rental because the earlier commercial framework comprised both a nominal Rs 1 per annum lease rent and an Airport Operator Fee/revenue-sharing mechanism payable to BIAL.

Importantly, BIAL has pointed out that AERA itself had recognised this distinction in its earlier Order No. 29/2017-18, wherein the Authority noted that no land licence fee was payable at Bengaluru because the economic consideration was being recovered through the Airport Operator Fee. Following the subsequent abolition of the Fuel Throughput Charge (payable to airport operator) pursuant to the Ministry of Civil Aviation's policy direction, the commercial structure necessarily changed. BIAL therefore submits that comparing the present contractual lease rental with the historical Rs 1 per annum rental is not an appropriate comparison.

BIAL has further demonstrated that the current Bengaluru lease rental of Rs 525/sqm/month is comparable with peer airports, citing Rs 767 at Kolkata and Chennai and Rs 560 at Pune. BIAL has also confirmed that the lease rental is being charged strictly in accordance with the currently effective agreements executed with IOSPL and that no discriminatory treatment has been adopted.

Particularly significant is BIAL's confirmation that the lease rental payable by IOSPL has already been recognised by AERA as part of BIAL's aeronautical revenues for the Fourth Control Period. Consequently, reducing the lease rental for IOSPL while recognising the

corresponding revenue for BIAL would create an inconsistency within the regulatory framework.

IOSPL therefore respectfully submits that BIAL's response provides independent confirmation of IOSPL's position that the full contractual land licence fee should be considered."

3.20.3 IOSPL's counter comment on Auxesia Consulting's comment regarding Land license fee is as follows:

"Auxesia has identified the proposed 25% reduction in land rental as one of the most consequential O&M issues. It notes that AERA has not disclosed any benchmark, comparator or valuation methodology supporting the reduction from Rs 525/sqm/month to Rs 395/sqm/month. It has further observed that the land rental is an unavoidable third-party contractual liability, and that disallowance does not reduce IOSPL's actual payment obligation to BIAL. Auxesia has also raised concerns regarding consistency with treatment at Delhi and Mumbai.

IOSPL concurs and requests recognition of the full contractual land licence fee."

3.20.4 IOSPL's counter comment on Adani airports' comment regarding land license fees is as follows:

"IOSPL welcomes the observations made by Adani Airport Holdings Limited (AAHL) in its submission to AERA on Consultation Paper No. 03/2026-27, particularly regarding the regulatory treatment of contractual obligations between Airport Operators and Infrastructure Service Providers (ISPs).

AAHL has independently highlighted the importance of recognising mutually agreed and binding contractual arrangements between Airport Operators and ISPs in tariff determination. AAHL has also submitted that land licence fees payable by Fuel Farm and Into-Plane service providers are an established practice across Indian airports and that non-recognition of agreed contractual amounts could undermine the sanctity of commercial contracts and create regulatory uncertainty.

IOSPL respectfully submits that this principle is directly relevant to the Bengaluru Fuel Farm and reinforces IOSPL's submission regarding the land licence fee payable to Bangalore International Airport Limited (BIAL). The land licence fee arises from a duly executed contractual arrangement and is a necessary cost for continued use and operation of the regulated Fuel Farm infrastructure. IOSPL therefore requests that the full contractual amount be recognised in the Aggregate Revenue Requirement."

3.21 Authority's Analysis on Stakeholders' comments regarding true up of the Operation & Maintenance Expenses for the Third Control Period (FY 2021-22 to FY 2025-26)

3.21.1 The Authority has examined the submission of M/s IOSPL and other stakeholders regarding the rationalization of the Land License Fee rates as proposed by AERA in the Consultation Paper.

3.21.2 The Authority, in the Consultation Paper noted that the ISP had executed a new Service Provider Right Holder (SPRH) agreement dated 30.06.2025 with the Airport Operator (BIAL), whereby land rental has been increased from ₹ 1 per annum to **₹ 525 per sq.m. per month** (with 5% annual escalation) for the land allotted for the fuel farm facility which becomes payable by the IOSPL to Airport Operator, w.e.f. 01.04.2025. The annual financial implication of revised land rental in respect of existing Fuel Farm facility for FY 2025-26 amounts to ₹ 28.09 crores as per the ISP. Thus, it is very evident that the Airport Operator has imposed a mid-term very steep increase over the prevailing nominal land rental for the IOSPL and has made it effective from 01.04.2025, which on an annualized basis would result in **6300 times** increase in Land Rental rates as compared to the nominal Land Rental of **₹ 1/- per annum** that was earlier being paid by the ISP as per the earlier agreement with the AO.

The Authority further notes that such substantial revision in land rental was effected during the currency of the 3rd Control Period and the same was not at all indicated or contemplated in the MYTP submitted by the ISP for the 3rd Control Period which that actually considered for the determination of tariff for the 3rd Control Period

3.21.3 In this regard, the Authority noted the comments of IOSPL, stating that the revised Land Rental pertaining to its Fuel Farm facility (applicable w.e.f. 01.04.2025) at Bengaluru airport is comparable to land rental applicable to Cargo concessionaires operating at the same airport namely, WFS Bengaluru Pvt Ltd [WFSBPL] & and Menzies Aviation Bengaluru Pvt. Ltd. [MABPL], for their 1st Control Period i.e., Rs 468/- per sqm. per month for FY 2023-24 (first tariff year) and with 5% annual escalation therein this land rental is reaching to ₹ 542 per sqm. per month in FY 2026-27.

However, the Authority is of the view that the above two cases pertaining to Cargo concessionaires and IOSPL's case are completely on a different footing. In the case of above-mentioned Cargo Concessionaires (M/s WFSBPL & M/s MABPL) at Bengaluru airport, the respective ISPs and other stakeholders were well aware about the financial implication of applicable Land Rentals to be charged by the airport operator to respective ISPs during the term of Cargo Concessions, including its consequential impact on the tariffs. Whereas, in the case of IOSPL, the original Concession Agreement (SPRH agreement dated 01.03.2006) clearly provided for levy of nominal land rental @ Rs 1/- per annum throughout the concession period of 20 years and there was no provision for mid-term escalation in the rate of land rental. Accordingly, unlike the Cargo Concessionaires, in the case of IOSPL such substantial land rental and its consequential tariff impact did not form part of the cost and tariff framework nor went through the stakeholder consultative process for the relevant Control Period and hence was not considered by the Authority during the respective MYTPs submitted by IOSPL for different Control periods including the previous Control Period falling within the overall duration of the existing and ongoing Concession Agreement.

3.21.4 It is noted that IOSPL & BIAL in their stakeholder comments have also referred to the land rentals applicable at Kolkata, Chennai & Pune airports operated by AAI to draw inference that revised land rentals in respect of Fuel Farm facility at Bengaluru airport are comparable

with land rentals prevailing at other airports operated by AAI. However, as per the Authority, the land rentals at AAI-operated airports are not directly comparable with the land rental applicable to the Fuel Farm Facility at Bengaluru Airport airport for fuel farm facility, considering that AAI airports operate on a different business model, and presently, there is no fuel farm facility functioning on open access basis at any of the AAI operated airports. Thus, the Fuel Farm functioning at Bengaluru airport on the open access basis operates in a different financial and operational dynamics which is not comparable to License granted by AAI for supply of ATF by respective oil marketing companies at airports operated by AAI.

3.21.5 The Authority, further notes the comments of BIAL regarding revised Land Rental applicable to IOSPL (refer Para 3.19.1 of this tariff order) wherein the Airport Operator, inter-alia, contended that as per its original concession agreement with the IOSPL, it was getting combined Revenue from the ISP comprising of Concession Fee & Airport Operator Fees (Fuel Throughput Charges) and was getting annual revenue share from the ISP in the range of ₹ 62 crores to ₹ 76 crores (2nd Control Period).

As per the BIAL, subsequent to policy decision of the Govt. and resultant MoCA directives issued vide letter No. AV.13030/216/2016-ER (Pt.2) dated 8th January 2020, the AERA vide letter No. AERA20015/ FT/2010-11Vol.II dated 15th January 2020 advised all Major Airport Operators to implement the above said MoCA letter with immediate effect for the discontinuation of the levy of FTC/Airport operator charge in any manifestation at all airports.

Airport operator (BIAL) further submitted that following the abolition of FTC/Airport Operator Fee, BIAL was thereafter able to collect only ₹ 1 / year rental. However, it is pertinent to note that abovesaid policy directive of MoCA (letter dated 8th January, 2020), provided that in order to compensate Airport Operator in lieu of FTC/Airport Operator Charges, suitable re-calibration of other tariffs can be done during the determination of airport tariff. Accordingly, AERA had adequately compensated the airport operators at major airports through appropriate increase in the rates of UDF & Landing charges. Thus, the comments of the airport operator (BIAL), in context of abolishment of Fuel Throughput Charges (FTC) by MoCA, as ground for implementing huge spike in the land rental is misleading and not tenable, as the Authority through its regulatory intervention protected the legitimate revenues of the airport operators through suitable adjustment in the rates of landing charges & UDF.

As regards BIAL's contention that AERA has already recognized Land Rental payable by the ISP to the Airport Operator in Tariff Order No. 14/2026-27 dated 20.08.2026 for BIAL, the Authority notes that the tariff order for BIAL was issued prior to the present tariff determination for IOSPL. As per the extant regulatory framework of AERA, the Airport Operator has the complete option of trueing up the revenues of the ongoing Control Period at the time of the next Control Period and therefore BIAL if considers necessary, may make appropriate submission regarding adjustment of revenue pertaining to land rentals payable by IOSPL at Bengaluru airport, at the time of true-up of its Fourth Control Period.

3.21.6 The Authority, after examining the comments of the stakeholders and the counter comments of the ISP thereof, regarding the revised land rentals payable by the ISP to the Airport Operator, still maintains its earlier stand on this matter as articulated in the Consultation Paper. The sudden steep increase from the then prevailing nominal Land Rentals for the IOSPL from Rs 1/- per annum to ₹ 525/- per sqm. per month during the currency of the Tariff Order of the prevailing Control Period (2021-26) i.e. with effect from 01.04.2025, **which on an annualized basis is translating to an increase of the land rental by 6300 times (from ₹ 1/- per annum to ₹ 525 per sq.m. per month resulting in ₹ 6300/- per sqm. per annum)**. The Authority is of the view that such unilateral huge increase in the land rental during the prevailing Control Period when the concerned Tariff Order was already applicable, only indicates that the Airport Operator & ISP have assumed that since true-up mechanism is available in the regulatory framework any such huge & steep increase would automatically get considered irrespective of the fact that such a steep increase in land rental was not envisaged as part of the MYTP for the 3rd Control Period of IOSPL and, consequently, its substantial financial implication and consequential impact on the tariffs payable by the users were not subjected to stakeholder consultation as part of the tariff determination process for the said Control Period. In the Authority's considered view, such introduction of a cost increase of such magnitude midway through a Control Period, with a direct consequential impact on regulated tariffs, does not align with the underlying principles of a predictable and consultative regulatory framework.

The Authority recognizes that actual costs may vary from the projections considered at the time of tariff determination and reasonable variations supported by adequate justifications may arise during the course of a Control Period. Such variations within a reasonable range, can appropriately be scrutinised and examined by the Authority at the time of true-up, based on adequate and legitimate justification and prudence checks. However, an increase of the present magnitude, i.e. about **6,300 times** the erstwhile land rental, cannot be regarded as a normal/reasonable variation in cost which may simply be passed as a fait accompli on the users just because the regulatory framework has a provision of true-up mechanism.

The Authority is also conscious that commercial arrangements between the Airport Operator and the ISP may require revision from time to time. However, where such revision has a material bearing on the cost base of a regulated service and consequently on tariffs payable by users, the regulatory impact of such revision cannot be viewed in isolation from the principles of predictability, stakeholder consultation, reasonableness and protection of user interest.

Accordingly, even if commercial considerations warrant revision of the land rental, the Authority is of the view that an increase of such magnitude ought not to be effected in one go. Any migration from the erstwhile nominal rental towards a substantially higher commercial rental should appropriately be undertaken in a **reasonable and graded manner**, so that the resulting regulatory cost is progressively absorbed and an abrupt tariff shock to the users is avoided.

As an economic regulator, the Authority is required to balance the interests of the Airport Operator and the ISP with the reasonable interests of the users of the regulated facility. The

Authority is, therefore, not inclined to allow the entire steep increase in land rental imposed by the Airport Operator to be passed through to the users during the 3rd Control Period. Accordingly, after balancing the interests of all stakeholders, the Authority decides to maintain its proposal on the Land Rental for the 3rd Control true-up i.e Rs.395 per sq.m. per month for the FY 2025-26.

The Authority's view with regard to comments of stakeholders regarding Rationalization of Opex:

3.21.7 The Authority has carefully considered the submissions made by IOSPL and Auxesia Consultancy regarding the rationalization of Operating Expenditure (OPEX), including Payroll Cost, Administrative & General (A&G) Cost, Repairs & Maintenance (R&M) Cost and Utility/Outsourcing Cost.

3.21.8 In the Consultation Paper, OPEX for FY 2025-26 had been considered based on the projected figures, after applying Y-o-Y escalation to the respective expenditure heads. IOSPL has submitted that actual expenditure for FY 2025-26 is now available and has requested that the same be considered in place of the normative projections.

3.21.9 As the actual OPEX for FY 2025-26 has subsequently become available, the Authority has considered the actual expenditure for FY 2025-26.

3.21.10 However, the Authority clarifies that consideration of actual expenditure does not imply automatic pass-through of all expenditure merely on the basis of its having been incurred or audited. Audited financial statements and Auditor's Certificates provide assurance regarding the recording and incurrence of expenditure; however, the Authority, from regulatory perspective is also required to assess whether such expenditure is reasonable, prudent, efficient and attributable to the provision of regulated aeronautical services.

3.21.11 Further, BPCL has appreciated the efforts put in by AERA with regards the rationalization of cost elements "The Consultation paper has appropriately rationalized various cost elements, including CAPEX, operating expenditure, lease rentals, and return-related claims. The resulting efficiency gains should translate into moderation of user charges".

3.21.12 Accordingly, while determining the admissible OPEX for FY 2025-26, the Authority has examined the actual expenditure under the relevant heads with reference to the nature of expenditure, historical trends, underlying cost drivers, statutory requirements, exceptional or one-time items and the supporting information furnished by IOSPL.

3.21.13 The Authority has also taken note of IOSPL's submission regarding specialized manpower requirements for Fuel Farm and Into-Plane operations and the impact of statutory obligations such as minimum wages, rates and taxes and insurance. To the extent such expenditure is supported by appropriate documentary evidence and is considered reasonable and attributable to the regulated service, the same has been appropriately factored into the OPEX considered by the Authority.

3.21.14 As regards, Auxesia Consultancy's comments regarding disclosure of the empirical basis for the escalation rates proposed in the Consultation Paper, the Authority for true-up, has considered actual OPEX for the relevant year, inter-alia, based on the assessment of the

nature of expense, supporting documents, reasonability of rates etc., rather than determining admissible expenditure solely on the basis of the proposed normative escalation rates. The Authority has undertaken necessary prudence checks, before deciding the admissibility of expenses for true-up.

3.21.15 With regard to the specific true-up adjustments pertaining to earlier years, including the variations identified by IOSPL under Payroll and R&M expenditure, the Authority has examined the same separately based on the supporting information, historical trend and prudence considerations.

3.21.16 In view of the above, the True-up of the Operation and Maintenance Expense decided by the Authority for the Third Control Period is as under:

Table 17: True up of the Operation and Maintenance Expenses decided by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll costs	4.87	4.99	4.41	5.17	6.14	**25.58**
Administrative and General Costs	2.05	3.63	3.78	3.00	3.40	**15.87**
Repairs and Maintenance Costs	1.40	2.22	1.28	2.07	1.37	**8.33**
Utility Costs	1.27	1.46	1.57	1.74	1.59	**7.62**
Airport Operator Fees/Rent/License Fee	-	-	-	-	21.13	**21.13**
Total	**9.59**	**12.30**	**11.04**	**11.98**	**33.63**	**78.53**

3.22 True up of Taxation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.22.1 Based on the IOSPL's submission for the Third Control Period (FY 2021-22 to FY 2025-26), the true up of Aeronautical Taxation as per the ISP is as under:

Table 18: True up of taxation for the Third Control Period (FY 2021-22 to FY 2025-26) based on the submission of IOSPL

(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue	A	32.16	47.52	51.75	62.33	73.46	**267.23**
Operating Expenditure *(Refer Table 14)*	B	9.59	12.30	11.04	11.98	45.63	**90.53**
Depreciation	C	15.36	15.74	9.96	9.16	9.21	**59.43**
Interest (Finance Charges)	D	0.80	0.42	0.07	0.00	-	**1.30**
Profit/ (Loss) Before Tax	**E = A-(B+C+D)**	6.41	19.06	30.68	41.19	18.62	**115.96**
Tax Rate	**F**	34.94%	34.94%	29.12%	25.17%	25.17%	
Tax as per IT Act	**G = E*F**	**2.24**	**6.66**	**8.93**	**10.37**	**4.69**	**32.89**

3.23 Authority's Examination on true up of Taxation for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.23.1 The Authority noted that as per the ISP's submission, the Income Tax liability of IOSPL in respect of its fuel farm services for the Third Control Period (FY 2021-22 to FY 2025-26) amounts to ₹ 32.89 crores. Based on the review of the regulatory building blocks, as part of due-diligence of ISP's true up submission, the Authority had recomputed the Taxation for the Third Control Period (FY 2021-22 to FY 2025-26) as given in the table below:

Table 19: True up of Aeronautical Taxation proposed to be considered by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue	A	32.59	48.04	53.19	63.62	63.78	**261.21**
Operating Expenditure *(Refer Table 16)*	B	9.59	12.30	11.01	11.01	34.94	**78.84**
Depreciation	C	12.11	12.11	12.37	13.60	9.24	**59.43**
Interest (Finance Charges)	D	0.80	0.42	0.07	0.00	-	**1.30**
Profit/ (Loss) Before Tax	**E = A-(B+C+D)**	**10.09**	**23.21**	**29.75**	**39.01**	**19.59**	**121.64**
Set off of Prior Period Losses	**F**	-	-	-	-	-	-
Taxable Income	**G = E+F**	**10.09**	**23.21**	**29.75**	**39.01**	**19.59**	**121.64**
Tax as per IT Act	**H = G*25.17%**	**2.54**	**5.84**	**7.49**	**9.82**	**4.93**	**30.62**

3.23.2 As per the above table, True up of the Tax liability of IOSPL in respect of its Fuel Farm services at Kempegowda International Airport, Bangalore for the Third Control Period (FY 2021-22 to FY 2025-26) amounts to ₹ 30.62 crores. Accordingly, the Authority proposed to consider the true-up of Aeronautical Tax for the Third Control Period as per Table 19.

3.24 Stakeholders' Comments and Authority's Analysis on Stakeholders' comments regarding true up of the Taxation for the Third Control Period (FY 2021-22 to FY 2025-26)

3.24.1 The Authority received no comments from the stakeholders regarding true-up of taxation for the Third Control Period. However, based on the revised Operation & Maintenance Expenses decided by the Authority at Order Stage, the Aeronautical Taxation re-computed by the Authority for true-up of the Third Control Period is presented in the table below:

Table 20: True up of Aeronautical Taxation decided by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Ref.	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Aeronautical Revenue	A	32.59	48.04	53.19	63.62	63.78	**261.21**
Operating Expenditure *(Refer Table 17)*	B	9.59	12.30	11.04	11.98	33.63	**78.53**
Depreciation	C	12.11	12.11	12.37	13.60	9.24	**59.43**
Interest (Finance Charges)	D	0.80	0.42	0.07	0.00	-	**1.30**
Profit/ (Loss) Before Tax	**E = A-(B+C+D)**	**10.09**	**23.21**	**29.71**	**38.04**	**20.91**	**121.96**
Set off of Prior Period Losses	F	-	-	-	-	-	-
Taxable Income	**G = E+F**	**10.09**	**23.21**	**29.71**	**38.04**	**20.91**	**121.96**
Tax as per IT Act	**H = G*25.17%**	**2.54**	**5.84**	**7.48**	**9.57**	**5.26**	**30.69**

3.24.2 The Authority decides to True up Taxation for the Third Control Period, as per Table 20.

3.25 True up of Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.25.1 IOSPL submitted the True up of the ARR for the Third Control Period (FY 2021-22 to FY 2025-26) as per the table given below:

Table 21: True up of Aggregate Revenue Requirement submitted by IOSPL for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	A	122.92	107.69	116.75	107.64	98.65	
Closing RAB	B	107.69	116.75	107.64	98.65	90.89	
Average RAB *(refer Table 10)*	C	**115.31**	**112.22**	**112.20**	**103.14**	**94.77**	
Fair Rate of Return (FRoR) *(refer Table 12)*	D	14.45%	14.45%	14.45%	14.45%	14.45%	
Return on RAB	E = C * D	**16.66**	**16.22**	**16.21**	**14.90**	**13.69**	**77.69**
Depreciation *(refer Table 7)*	F	15.36	15.74	9.96	9.16	9.21	**59.43**
O&M Expenses *(refer Table 14)*	G	9.59	12.30	11.04	11.98	45.63	**90.53**
Taxation *(refer Table 18)*	H	2.24	6.66	8.93	10.37	4.69	**32.89**
Less: Other Income	I	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	J = Sum (E:H) - I	**43.85**	**50.92**	**46.14**	**46.41**	**73.22**	**260.55**

Actual Aero Revenue	K	32.16	47.52	51.75	62.33	73.46	**267.23**
Under/ (Over) Recovery	L= J-K	**11.69**	**3.40**	**(5.61)**	**(15.92)**	**(0.24)**	**(6.67)**
FRoR	M	14.45%	14.45%	14.45%	14.45%	14.45%	
PV Factor	N	1.96	1.72	1.50	1.31	1.14	
Compounding of ARR	O = J * N	**86.11**	**87.36**	**69.17**	**60.80**	**83.81**	**387.25**
Compounding of Aero Revenue	P = K * N	63.15	81.53	77.58	81.64	84.07	**387.99**
Under/ (Over) Recovery in PV Terms	Q = O-P	22.96	5.83	(8.41)	(20.85)	(0.27)	**(0.74)**

Note: RAB & Depreciation as per ISP's submission dated 06.03.2026

3.25.2 IOSPL proposed to carry forward the over recovery of ARR pertaining to the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 0.74 crore to the Fourth Control Period.

3.26 Authority's examination of True up of Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

3.26.1 The Authority observed that IOSPL while truing up of ARR for the Third Control Period and working out the resultant over-recovery had not considered the Revenue from 'Other Income/ Non-Aeronautical Income':

Other Income for the Third Control Period submitted by the IOSPL

Particulars (₹ in Lacs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Interest Income	42.13	51.74	143.73	129.04	-	**366.64**

The IOSPL, in its MYTP submission, though furnished the details of year-wise 'Other Income' during the Third Control Period, however the same was not considered by the ISP in its true-up for the Third Control Period, citing the judgements of Hon'ble TDSAT. The ISP's submission regarding exclusion of 'Other Income' from the tariff determination process is reproduced below:

"Hon'ble TDSAT, in multiple judgements including those relating to DIAL, HIAL, MIAL and Mopa Goa, has consistently held that Interest Income cannot be treated as revenue for cross-subsidization, since such income is not related to the provision of any aeronautical or non-aeronautical service by the airport operator. The relevant extracts are presented below:

AERA Appeal No.1 of 2016 and AERA Appeal No.1 of 2021 vide detailed judgment and order dated 21st July 2023 in the case of DIAL Vs. AERA & Ors.

"88. The contention raised for the counsel for Respondent No.1 to the effect that the income of "dividend" and "interest" are in fact from the income derived by the respondent by performing aeronautical and non-aeronautical services and, therefore, "other income" has rightly been treated as part of revenue, from "Revenue Share Assets". It is also contended by the counsels for respondents that the "dividend income" as a part of other income is a part of Third Control Period

because dividend income is earned by DIAL through joint ventures set up with other group entities of DIAL who are carrying aeronautical related services and other non-aeronautical services provided in OMDA which if carried out by DIAL itself, would have earned surplus non-aeronautical income. These contentions are not accepted by this Tribunal mainly for the reason that "other income" is not relatable to and generated from the provision of any service by this Appellant and, therefore, it cannot be considered for cross-subsidization of aeronautical charges (i.e. as a part of revenue from Revenue Share Assets).

90. Such type of addition by AERA of "other income" as part of revenue from revenue share assets is beyond bargain (i.e. beyond the terms of contract)."

AERA Appeal No.4 of 2021 vide detailed judgment and order dated 14th February 2024 in the case of GHIAL Vs. AERA

"346. The impugned decision of AERA treating income of dividend and interest income from Cargo Subsidiary as aeronautical revenue and from duty free subsidiary as non-aeronautical revenue is not tenable in law mainly for the reason that the interest income and interest from treasury (e.g. income from fixed deposit/mutual fund etc.) in general, accruing to HIAL is not relatable to and generated from the provision of any service being provided by HIAL. This aspect of the matter has not been appreciated by AERA while passing the impugned order and hence, the same deserves to be quashed and set aside for the aforesaid point.

347. In the present case, AERA's decision to treat dividend and interest income received by HIAL from investments made in HMACPL (providing cargo service) as aeronautical revenue is based on a misconceived premise that because AERA has decided to treat cargo services as aeronautical in nature any income incidental therefrom is also to be treated as aeronautical. Similarly, for investment made by HIAL in other entity which provides duty free services, AERA has proceeded to treat such income as non-aeronautical in nature and consider it for cross subsidization. HIAL itself does not provide these services and the interest income received by HIAL does not correspond to any services rendered by HIAL and as such, it is beyond the regulatory ambit of AERA.

359. In view of the aforesaid facts and reasons, the decision of AERA to bring "Other Income" within its regulatory purview is incorrect, improper and unjustified. We hereby hold that Income from interest and dividend earned by this appellant is because of Cash Management Process (CMP). In fact, there is no legal base, to treat "Other Income" as a part of revenue for calculation of cross-subsidization."

3.26.2 The views of the Authority regarding treatment of 'Other Income' in the Tariff Determination exercise are as under:

i. The Authority has challenged the decisions of Hon'ble TDSAT by filing the Civil Appeals in the Hon'ble Supreme Court under Section 31 of AERA Act, 2008 and Hon'ble Supreme Court is presently hearing the matter. Thus, the issues raised in the

Civil Appeals filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized of the matter.

ii. Considering the above and in public interest, the Authority proposed to continue the tariff determination exercise of the ISP consistent with the past practices, particularly regarding the treatment of Other Income in the Tariff Determination process.

Accordingly, the Authority proposed to consider 'Other Income' while truing up of ARR for the Third Control Period.

3.26.3 Based on the review of regulatory building blocks for truing-up, considering the actual financials submitted by the ISP for the FY 2021-22 to FY 2024-25 and updated projections for the FY 2025-26 (wherever applicable), as discussed in the previous sections, the Authority re-computed the ARR in respect of the Third Control Period (FY 2021-22 to FY 2025-26), as shown in the table given below:

Table 22: True up of Aggregate Revenue Requirement proposed by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26) at Consultation Stage

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	A	122.95	110.97	123.66	112.16	98.72	
Closing RAB	B	110.97	123.66	112.16	98.72	90.94	
Average RAB *(refer Table 11)*	C	**116.96**	**117.31**	**117.91**	**105.44**	**94.83**	
Fair Rate of Return (FRoR) *(refer Table 13)*	D	13.43%	13.43%	13.43%	13.43%	13.43%	
Return on RAB	E = C * D	**15.70**	**15.75**	**15.83**	**14.16**	**12.73**	**74.17**
Depreciation *(refer Table 9)*	F	12.11	12.11	12.37	13.60	9.24	**59.43**
O&M Expenses *(refer Table 16)*	G	9.59	12.30	11.01	11.01	34.94	**78.84**
Taxation *(refer Table 19)*	H	2.54	5.84	7.49	9.82	4.93	**30.62**
Less: Other Income (NAR)	I	0.42	0.52	1.44	1.29	-	**3.67**
Aggregate Revenue Requirement (ARR)	J = Sum (E:H) - I	**39.52**	**45.48**	**45.25**	**47.29**	**61.85**	**239.39**
Actual Aero Revenue	K	32.16	47.52	51.75	62.33	63.78*	**257.54**
Under/ (Over) Recovery	L= J-K	7.35	(2.04)	(6.50)	(15.03)	(1.93)	**(18.15)**
FRoR	M	13.43%	13.43%	13.43%	13.43%	13.43%	
PV Factor	N	1.88	1.66	1.46	1.29	1.13	
Compounding of ARR	O = J * N	**74.19**	**75.27**	**66.03**	**60.84**	**70.15**	**346.49**
Compounding of Aero Revenue	P = K * N	**60.39**	**78.65**	**75.52**	**80.19**	**72.34**	**367.08**

Under/ (Over) Recovery in PV Terms	Q = O-P	**13.80**	**(3.38)**	**(9.49)**	**(19.34)**	**(2.19)**	**(20.59)**

** Authority has worked out the revised revenue for FY 2025-26 based on the actual traffic.*

3.26.4 The Authority determined the PV of Over-Recovery, for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 20.59 crores (as on 31.03.2027), as against PV of Over Recovery claimed by the IOSPL amounting to ₹ 0.74 crore. The major reasons of variance in the Over Recovery for the Third Control Period, as proposed by the Authority vis-à-vis the claim of IOSPL, are as under:

i. FRoR proposed by the Authority @ 13.43% as against 14.45% claimed by IOSPL, resulting in reduction of Return on RAB amounting to ₹ 3.52 crores.
ii. Rationalization of O&M Expenses amounting to ₹ 11.69 crores.
iii. Consideration of Other Income by Authority for working out ARR for truing up of Third Control Period.
iv. Revision of Aeronautical Revenue for FY 2025-26 based on actual traffic for the FY 2025-26.

3.26.5 Based on the calculations as per the above table, the Authority proposed to consider true-up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26) amounting to ₹ 239.39 crores (NPV ₹ 346.49 crores as on 31.03.2027); whereas, the actual revenue accrued from Fuel Farm Services to ISP during the same period amounted to ₹ 257.54 crores (NPV ₹ 367.39 crores), thus resulting in an over recovery of ₹ 18.15 crores (₹ 20.59 crores in PV terms).

3.27 Stakeholders' Comments regarding True up of the Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.27.1 IOSPL's comment regarding inclusion of Other Income in the Aggregate Revenue Requirement (ARR) is as under:

"The Authority's proposal in the Consultation Paper ("CP") to include "Other Income" (comprising interest, dividend, and treasury income) in the Aggregate Revenue Requirement ("ARR") true-up for the Third Control Period solely on the ground that appeals against Hon'ble TDSAT judgments are pending before the Hon'ble Supreme Court, is legally unsustainable, contrary to established judicial discipline, and places an unwarranted financial burden on the Independent Service Provider ("ISP").

IOSPL's Submission:

IOSPL would like to submit the Authority respectfully as under:

The Hon'ble TDSAT has repeatedly held including in DIAL vs. AERA (Appeal Nos. 1 of 2016 & 1 of 2021, Order dated 21.07.2023) and GHIAL vs. AERA (Appeal No. 4 of 2021, Order dated 14.02.2024) that interest, dividend, and treasury earnings arising from Cash Management Processes (CMP) do not originate from aeronautical or non-aeronautical airport services. Consequently, such income falls strictly outside the regulatory revenue base and cannot be used for cross-subsidization or included in the ARR.

While the Authority has filed Civil Appeals under Section 31 of the AERA Act, 2008, the Hon'ble Supreme Court has granted no stay on the operation or enforcement of these TDSAT rulings. Under settled administrative and constitutional law, the mere pendency of an appeal before a higher forum does not stay, dilute, or suspend the binding nature of a competent tribunal's judgment.

The Hon'ble TDSAT has expressly reprimanded the Authority for this approach, observing:

"AERA should have followed the earlier decisions pronounced by this Hon'ble Tribunal in more than one AERA Appeals especially when no stay has been granted by Hon'ble the Supreme Court of India. Merely because Appeal is pending, no stay could have been presumed by AERA otherwise it will tantamount to a situation that 'though stay has not been granted by Hon'ble the Supreme Court of India, AERA has granted stay on their own upon the decision of TDSAT'..."

By continuing to include "Other Income" under the guise of "past practice" or "public interest," the Authority is effectively granting itself an impermissible stay against binding judicial precedents. Administrative continuity cannot override active, operative judgments of an appellate authority.

Request:

In light of binding TDSAT rulings and the absence of any judicial stay, the Authority is respectfully requested to:

1. *Exclude "Other Income": Remove Interest Income / Other Income totaling Rs. 366.64 Lacs from the true-up computation of the ARR for the Third Control Period (FY 2021–22 to FY 2025–26) and cross-subsidization unless explicitly directed otherwise by an order of the Hon'ble Supreme Court*
2. *Recompute the final ARR and the resultant over/under-recovery for the Third Control Period after fully aligning the calculations with the principles laid down by the Hon'ble TDSAT."*

3.27.2 DAFFPL's comments with regard to Other/ Interest Income is as follows:

"Without prejudice to the fact that the Authority has challenged the decision of the Hon'ble TDSAT by filing Civil Appeals before the Hon'ble Supreme Court, we submit that the treatment of interest income earned on surplus funds warrants reconsideration. Had IOSPL distributed the surplus as dividend, the income accruing to shareholders would not have been treated as revenue for ARR cross-subsidization. In such a scenario, IOSPL would also have been entitle to additional interest cost on working capital as a pass-through, since external borrowing would have been required to meet operational needs. The decision to retain surplus funds and utilise them for day-today operations reflects a financially prudent approach and therefore should not result in penalization by treating interest income as revenue ford ARR cross-subsidization.

View above, we request the Authority to kindly reconsider the treatment of interest income while arriving at the ARR."

3.27.3 Auxesia Consulting's comments with regard to Other Income is as follows:

"CP-03 records that IOSPL excluded Interest Income (₹3.67 crore over FY 2021-22 to FY 2024-25) from its true-up computation, relying on the TDSAT rulings in DIAL v. AERA (21.07.2023) and GHIAL v. AERA (14.02.2024), both of which held that interest/dividend income unrelated to the regulated service cannot be treated as revenue for cross-subsidisation. The Authority, noting that it has appealed these rulings to the Supreme Court under Section 31 of the AERA Act and that the matter is sub judice, has nonetheless proposed to continue including Other Income in the true-up ARR "consistent with past practice" (Para 3.16.2), resulting in a ₹0.42-1.44 crore per annum reduction in allowed ARR and contributing to the increase in computed over-recovery from ₹0.74crore(IOSPL's figure) to ₹20.59crore (PV terms, Authority's figure) — refer Table 19 versus Table 20.

This as a material point of legal and financial uncertainty for IOSPL rather than a settled matter, because the tribunal of first appellate jurisdiction (TDSAT) has twice ruled against the Authority's position on materially identical facts, and reversal is only pending before the Supreme Court.

Feedback: The Authority should

a) *explicitly record in the eventual Tariff Order that the treatment of Other Income for the Third Control Period true-up is subject to the outcome of the pending Civil Appeals, and*

b) *commit to a corresponding adjustment (refund/true-up) to IOSPL at the time of tariff determination for the Fifth Control Period, or earlier, should the Supreme Court affirm the TDSAT position.*

c) *silence on this contingency in the final Order would leave IOSPL bearing the entire downside of an unresolved legal question without a corresponding upside contingency being documented."*

3.28 IOSPL's response to Stakeholders' comments regarding true up of the Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.28.1 IOSPL's comment with regard to DAFFPL's comment is as under:

"DAFFPL has also supported reconsideration of AERA's proposal to treat interest earned on surplus funds as revenue for ARR cross-subsidisation. It has highlighted that retaining surplus funds for operational requirements is a prudent financial decision and should not result in penalization through reduction of ARR.

IOSPL concurs with the principle that legitimate interest income arising from prudent treasury management should not automatically be treated as revenue from the regulated Fuel Farm activity, particularly where the funds are retained to support operational requirements. IOSPL requests AERA to reconsider this treatment in light of the applicable judicial and regulatory position."

3.28.2 IOSPL's comment with regard to Auxesia Consulting's comment is as under:

"Auxesia has highlighted the relevance of the TDSAT decisions in DIAL vs AERA and GHIAL vs AERA, which held that unrelated interest/ dividend income cannot necessarily be treated as revenue from regulated services, while noting that the matter is pending before the Supreme Court.

IOSPL requests that AERA expressly recognise the pending legal position and provide an appropriate true-up mechanism in the event of a final judicial determination favourable to the ISP."

3.29 Authority's Analysis on Stakeholders' comments regarding true up of the Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26)

3.29.1 The Authority notes the comments of M/s IOSPL, DAFFPL and Auxesia Consulting Firm regarding the inclusion of Other Income in computation of the Aggregate Revenue Requirement ("ARR").

3.29.2 Some of the stakeholders have raised this matter based on the judgements given by Hon'ble TDSAT, in the appeals of Airport Operators i.e., DIAL vs. AERA (Appeal Nos. 1 of 2016 & 1 of 2021, Order dated 21.07.2023) and GHIAL vs. AERA (Appeal No. 4 of 2021, Order dated 14.02.2024).

3.29.3 In this regard, the aforementioned TDSAT judgements have to be seen in proper context, as the aforesaid judgments of appellate authority were given with respect to specific airports, in context of specific concession agreements governing these airports, and above judgements have not been pronounced in any case related to Independent Service Providers.

3.29.4 Further, the tariff determination of Airport Operators is undertaken by the Authority, inter-alia, considering its Guidelines applicable to Airport Operators issued by the Authority on 28.02.2011 (as per AERA Direction No. 05/ 2010-11). Whereas, the Tariff determination for the Independent Service Providers (ISPs) is being undertaken in accordance with AERA's regulatory framework, inter-alia, considering its Guidelines issued on 10.01.2011 [Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011].

3.29.5 It is pertinent to mention that under the CGF Guidelines, 2011, the regulatory formula for computation of ARR considers 100% NAR for cross-subsidization of Aeronautical Charges which is akin to Single-till mechanism, as reproduced below:

"The Aggregate Revenue Requirement for the Control Period (ARR) shall be expressed as under:

$ARR = \sum t_1^5 = (ARR_t)$; and

$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - NAR_t$

Where t is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year t;

FRoR is the Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);

O is the Operation and Maintenance Expenditure;

D is the Depreciation;

T is the Taxation;

NAR is the Revenues from services other than Regulated Service(s)

3.29.6 Accordingly, the Authority for tariff determination in case of ISPs considers 100% NAR (Non-Regulated Revenue) in the computation of ARR.

3.29.7 As already indicated in the Consultation Paper (para no. 3.16.2), AERA has filed an appeal against aforesaid TDSAT orders and final outcome in the matter is yet to come.

3.29.8 In view of the above, the Authority has decided to continue with the existing approach of considering entire NAR (including other misc. /interest income etc.) in public interest. Once the Hon'ble Supreme Court of India gives its verdict in the AERA's subject appeal, the Authority will take appropriate action as per the verdict.

3.29.9 The Aggregate Revenue Requirement decided by the Authority for the true-up of the Third Control Period (FY 2021-22 to FY 2025-26) is presented in the table below:

Table 23: True up of Aggregate Revenue Requirement decided by the Authority for the Third Control Period (FY 2021-22 to FY 2025-26)

(₹ in crores)

Particulars	Reference	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	A	122.95	110.97	123.66	112.16	98.72	
Closing RAB	B	110.97	123.66	112.16	98.72	90.94	
Average RAB *(refer Table 11)*	C	**116.96**	**117.31**	**117.91**	**105.44**	**94.83**	
Fair Rate of Return (FRoR) *(refer Table 13)*	D	13.43%	13.43%	13.43%	13.43%	13.43%	
Return on RAB	E = C * D	**15.71**	**15.75**	**15.84**	**14.16**	**12.74**	**74.20**
Depreciation *(refer Table 9)*	F	12.11	12.11	12.37	13.60	9.24	**59.43**
O&M Expenses *(refer Table 17)*	G	9.59	12.30	11.04	11.98	33.63	**78.53**
Taxation *(refer Table 20)*	H	2.54	5.84	7.48	9.57	5.26	**30.69**
Less: Other Income (NAR)	I	0.42	0.52	1.44	1.29	-	**3.67**
Aggregate Revenue Requirement (ARR)	J = Sum (E:H) - I	**39.53**	**45.48**	**45.29**	**48.02**	**60.87**	**239.19**
Actual Aero Revenue	K	32.16	47.52	51.75	62.33	63.78	**257.54**

Under/ (Over) Recovery	L= J-K	**7.37**	**(2.04)**	**(6.46)**	**(14.31)**	**(2.91)**	**(18.35)**
FRoR	M	13.43%	13.43%	13.43%	13.43%	13.43%	
PV Factor	N	1.88	1.66	1.46	1.29	1.13	
Compounding of ARR	O = J * N	**74.18**	**75.27**	**66.07**	**61.78**	**69.04**	**346.34**
Compounding of Aero Revenue	P = K * N	**60.38**	**78.65**	**75.52**	**80.19**	**72.34**	**367.08**
Under/ (Over) Recovery in PV Terms	Q = O-P	**13.80**	**(3.38)**	**(9.45)**	**(18.41)**	**(3.30)**	**(20.74)**

3.29.10 Based on the trued-up Aggregate Revenue Requirement (ARR) for the Third Control Period (FY 2021-22 to FY 2025-26), the Authority decides the Over Recovery for the Third Control Period at ₹ 20.74 crores (NPV as on 31.03.2026) as shown in Table 23, as against an Over Recovery of ₹ 20.59 crores (NPV as on 31.03.2026) proposed at Consultation Stage.

3.30 Authority's Decisions regarding True up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26)

Based on the material before it and its analysis, the Authority with respect to true up of ARR for the Third Control Period (FY 2021-22 to FY 2025-26) decides:

3.30.1 To consider Capital Additions as per Table 5.

3.30.2 To consider Aeronautical Depreciation as per Table 9.

3.30.3 To consider RAB as per Table 11.

3.30.4 To consider FRoR as per Table 13.

3.30.5 To consider the O&M Expenses as detailed in Table 17.

3.30.6 To consider Taxation as per Table 20.

3.30.7 To consider ARR and Over-Recovery as per Table 23 and to adjust this over-recovery in the ARR of the Fourth Control Period.

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Fourth Control Period

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4 FUEL THROUGHPUT (VOLUME) FOR THE FOURTH CONTROL PERIOD

4.1 IOSPL's submission regarding the projection of Fuel throughput for the Fourth Control Period (FY 2026-27 to FY 2030-31) for Kempegowda International Airport, Bangalore.

4.1.1 IOSPL submitted the fuel throughput projections for the Fourth Control Period (FoCP) along with growth rates assumed in fuel throughput on Y-o-Y basis, as shown in the table below:

Table 24: Fuel Throughput Projections submitted by IOSPL for the Fourth Control Period

Year	ATM – Traffic (in Nos)			Fuel Throughput Volume (in KL)		
	Domestic	International	Total ATMs	Domestic	International	Combined
FY 2026-27	2,92,814	48,308	**3,41,122**	7,53,996	6,86,457	**14,40,453**
FY 2027-28	3,13,039	54,498	**3,67,537**	8,06,075	7,74,417	**15,80,492**
FY 2028-29	3,33,151	58,696	**3,91,847**	8,57,864	8,34,070	**16,91,934**
FY 2029-30	3,54,768	60,642	**4,15,410**	9,13,528	8,61,723	**17,75,250**
FY 2030-31	3,69,840	72,200	**4,42,040**	9,52,338	10,25,962	**19,78,300**
Total	**16,63,612**	**2,94,344**	**19,57,956**	**42,83,801**	**41,82,629**	**84,66,429**

Year	ATM – Traffic Percentage Increase			Percentage Increase in Fuel Throughput		
	Domestic	International	Total ATMs	Domestic	International	Combined
FY 2026-27	-	-	-	-	-	-
FY 2027-28	6.91%	12.81%	7.74%	6.91%	12.81%	9.72%
FY 2028-29	6.42%	7.70%	6.61%	6.42%	7.70%	7.05%
FY 2029-30	6.49%	3.32%	6.01%	6.49%	3.32%	4.92%
FY 2030-31	4.25%	19.06%	6.41%	4.25%	19.06%	11.44%

4.2 Authority's Examination regarding Fuel Throughput Projections for the Fourth Control Period at Consultation Stage

4.2.1 The Authority noted the submission of IOSPL regarding Fuel Throughput projections, wherein the ISP stated that Kempegowda International Airport had handled the passenger throughput in the range of 41-42 million during FY 2024-25, recording 10-11% Year-on-

Year growth, driven by expanding domestic and international traffic. ISP further submitted that Passenger volumes are expected to reach to 60 million by 2028, significantly increasing aircraft movements, cargo operations and fuel upliftment requirements. To meet this growing demand, the construction of satellite Fuel Farm has been proposed to service the projected aviation fuel requirement in the range of 6,200 KL/per day by March 2030, ensuring adequate capacity, reduced turnaround time and seamless support for KIA's infrastructure expansion.

4.2.2 The ISP projected Fuel Throughput for FoCP considering Y-o-Y growth in the range of 4% to 11% during Fourth Control Period (FY 2026-27 to FY 2030-31).

4.2.3 The IOSPL's assumptions are based on a combination of factors like increase in the Passengers and Cargo traffic, expected decrease in the turnaround time. The Fuel Throughput Volumes are directly proportional to the demand of Pax/Cargo traffic, which require more aircraft movements, leading to higher demand of ATF.

4.2.4 Considering that Bengaluru Airport is expanding its Pax Handling Capacity as part of its T-2 Phase-II expansion plan, the Authority for projecting Fuel Throughput Volume for the FoCP considered Fuel Throughput Volume of FY 2025-26 as a base and applied Y-o-Y growth rates as proposed by the ISP. The Fuel Throughput Volume proposed by the Authority for Fourth Control Period is as under:

Table 25: Fuel Throughput proposed by the Authority for the Fourth Control Period at Consultation Stage

(in KL)

Particulars	FY 2025-26 (Base year)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total (FoCP)
Fuel Throughput	12,50,512	14,90,631	16,35,548	17,50,872	18,37,090	20,47,214	**87,61,355**
Growth (%)		*19%*	*10%*	*7%*	*5%*	*11%*	

4.3 Stakeholders' comments regarding Fuel Throughput for the Fourth Control Period

4.3.1 IOSPL's comment with regards Fuel Throughput Projections for the Fourth Control Period is as under:

"The authority has projected the unrealistic 19% growth in volume for the Year 2026-27 against the baseline year (actual) 2025-26 resulting in artificial inflation of project volume for the 4th CP.

IOSPL 's Submission:

IOSPL appreciates the Authority's efforts in determining fuel throughput projections based on the information available during the tariff determination process. However, IOSPL

respectfully submits that the throughput forecast warrants reconsideration in light of prevailing market conditions and recent developments affecting aviation fuel demand.

Over recent months, the aviation sector has been impacted by geopolitical uncertainties, including disruptions to international air corridors, flight diversions, volatility in crude oil and Aviation Turbine Fuel (ATF) prices, and changes in airline network planning. These factors have adversely affected international operations and moderated fuel demand across several airports, including Kempegowda International Airport ("KIA").

The impact of these developments is already reflected in actual fuel throughput trends at KIA. Based on actual throughput for the initial 4 months (total -4,17,922 KL) of the year and by extrapolation of same, the expected throughput for FY 2026-27 is estimated at 12,53,766 KL.

Accordingly, IOSPL submits that the FY 2026-27 throughput may be considered at 12,53,766 KL, representing a modest growth of 0.26% over FY 2025-26 estimate. This approach more appropriately reflects current operating conditions while remaining prudent and realistic.

The above argument can also be substantiated with the air traffic trend at KIA in Q126 vis-à-vis Q125, as illustrated below: -

	DOMESTIC			INTERNATIONAL			TOTAL		
MONTH	CY	PY	%	CY	PY	%	CY	PY	%
APRIL	20,718	20,405	1.5%	2,950	3,438	-14.2%	23,668	23,843	-0.7%
MAY	21,770	21,072	3.3%	3,371	3,630	-7.1%	25,141	24,702	1.8%
JUNE	18,488	20,119	-8.1%	3,658	3,508	4.3%	22,146	23,627	-6.3%
TOTAL	60,976	61,596	-1.0%	9,979	10,576	-5.6%	70,955	72,172	-1.7%

As evident, at KIA in Q1 this year there is decline in both domestic and international traffic which also reflects in the ATF throughput in Q126-27 as illustrated above.

IOSPL further submits that the projected fuel throughput growth should be viewed in conjunction with the Air Traffic Movement ("ATM") growth assumptions already recognised by the Authority in BIAL's Control Period determination. For FY 2026-27, the Authority has considered ATM growth of approximately:

- *5% for domestic ATMs; and*
- *11.12% for international ATMs.*

Even this ATM projection is on higher side given the trend this year (as shown in the table above), but the projected fuel throughput growth of approximately 19% appears extremely on the higher side and does merit reconsideration and major correction.

It is also relevant to note that airlines continue to induct newer-generation aircraft with improved fuel efficiency. As fleet efficiency improves over time, growth in fuel consumption is expected to be lower than growth in aircraft movements, particularly in the near term.

Accordingly, fuel throughput growth may not necessarily move in direct proportion to ATM growth.

While IOSPL seeks a revision of the FY 2026-27 throughput forecast to reflect current market realities, it agrees with the annual growth rates adopted by the Authority for the subsequent years of the Fourth Control Period, considering the expected recovery and long-term growth of the aviation sector.

Accordingly, IOSPL proposes the following throughput projections:

Particulars	FY26 (Base)	FY27	FY28	FY29	FY30	FY31	Total Throughput
Fuel Throughput (KL)	12,50,512 (Actual Volume)	12,53,766	13,79,143	14,75,683	15,49,467	17,19,909	73,77,968
Growth (%)	-	0.33%	10%	7%	5%	11%	

The above projections strike a balanced and prudent approach by recognising the short-term impact of prevailing market conditions while retaining the Authority's growth assumptions for the balance period.

Request:

In view of the above, IOSPL respectfully requests the Authority to:

1. *Revise the fuel throughput projection for FY 2026-27 in line with the above proposal and*
2. *Retain the existing growth assumptions for the remaining years of the Fourth Control Period."*

4.3.2 Shell MRPL's comments regarding the Fuel Throughput for the Fourth Control Period are as under:

"It is noted that the Authority has considered a throughput for the control period, which is seemingly much on the higher side, particularly for the year FY 26-27. For Instance, the Authority has considered a volume escalation of around 19.2% over FY 25-26. However as one of the Jet Fuel suppliers in the country, we would like to state affirmatively that this year (FY27) there is particularly nil growth and the demand/consumption remains flat.

For subsequent years as well, although growth will be good, but the outlook is that Jet Fuel consumption CAGR growth, overall will not go beyond 7%."

4.3.3 Auxesia Consulting's comments with regard to Fuel Throughput Volume is as under:

1. "Actual AAI Traffic Data for KIA, Bengaluru

AAI statistics for KIA for FY 2025-26 (April 2025–March 2026) recorded 4,44,70,035 total passengers (+6.2% YoY), including 72,27,399 international passengers (+23.9% YoY), and 2,79,971 Aircraft Traffic Movements (ATMs) (+4.5% YoY). Since both IOSPL's and the Authority's Fuel Throughput projections for the Fourth Control Period are based on projected ATM growth (Tables 21 and 22), this ATM figure provides the appropriate benchmark for assessing the CP-03 volume assumptions.

More recent monthly AAI data indicate a slowdown in traffic growth. Bengaluru's domestic passenger traffic in April 2026 was 31.79 lakh, reflecting a marginal 0.2% YoY decline. Although Bengaluru surpassed Mumbai in domestic passenger volumes, this was largely due to Mumbai's sharper 12.1% decline rather than Bengaluru's growth. This marks a significant moderation from the 6.2% full-year growth recorded in FY 2025-26 and is consistent with the broader national trend discussed below.

2. The Middle East Crisis and Its Demonstrated Impact on Indian Air Traffic

CP-03 was issued on 17.07.2026, by which time the Iran-Israel conflict (which escalated sharply in June 2025 and again from late February 2026) had already caused significant disruption to Indian and regional aviation, including:

a) Suspension and rerouting of flights by Indian and international carriers around conflict-zone airspace, increasing flight time, fuel burn and crew costs.

b) From 28 February 2026, Air India suspended 50 flights to the US, UK and Frankfurt, while 1,035 Mumbai-Gulf flights were cancelled between 28 February and 11 March 2026.

c) AAI data for March 2026 showed declines at major Indian airports: Mumbai recorded a 6.2% fall in total passengers, a 9.6% fall in international passengers and a 16.9% fall in international ATMs, while Delhi, Hyderabad, Chennai, Kochi and Goa also reported lower international traffic. GMR Airports reported an 8.9% YoY decline in international traffic in April 2026.

d) By May 2026, Air India had cancelled 27% of its international flights, Middle East carriers reported a 28.4% fall in RPK and a 23.9% reduction in capacity, and global air passenger demand declined by 2.2% YoY. Higher Indian ATF prices and longer rerouted sectors further affected route viability.

e) Domestically, rising ATF prices and a weakening rupee led Air India, Air India Express and IndiGo to withdraw a combined 250 daily flights over three months in 2026. ICRA projected sector-wide losses of ₹2,000-3,000 crore in FY 2025-26, prompting Government approval of budgetary support of up to ₹10,000 crore for ATF price stabilisation.

Taken together, these developments indicate that the growth assumptions underlying CP-03 for the first year of the Fourth Control Period are being tested by an ongoing geopolitical crisis. At the time of issuance, comparable Indian airports were recording declines in passenger traffic and ATMs, rather than the double-digit growth projected for KIA by IOSPL and the Authority.

3. Volume assumptions by IOSPL, AERA and level of independent testing

Table 21 (IOSPL) projects Total ATMs at KIA at 3,41,122 and Fuel Throughput at 14,40,453 KL in FY 2026-27, with annual growth of 9.72%, 7.05%, 4.92% and 11.44% over the succeeding four years. Table 22 (the Authority) projects higher Fuel Throughput volumes in every year; however, Para 4.2.4 of CP-03 confirms that the Authority has merely adopted IOSPL's proposed YoY growth rates and applied them to the actual FY 2025-26 throughput of 12,50,512 KL.

The Authority's projections are consistently 3.5% higher than IOSPL's across all years, solely because of the higher base-year throughput and not due to any independent assessment of the projected growth rates.

Particulars	FY -27	FY -28	FY 29	FY 30	FY -31	Total
IOSPL(Table 21)	14,40,453	15,80,492	16,91,934	17,75,250	19,78,300	84,66,429
Y-o-Y growth	-	9.72%	7.05%	4.92%	11.44%	-

AERA (Table 22)	14,90,631	16,35,548	17,50,872	18,37,090	20,47,214	87,61,355
Y-o-Y growth	19%*	10%	7%	5%	11%	-

Particulars	FY -27	FY -28	FY 29	FY 30	FY -31	Total
AERA vs IOSPL (KL)	+50,178	+55,056	+58,938	+61,840	+68,914	+2,94,926
AERA vs IOSPL (%)	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%	+3.5%

This is a materially different posture from the rigour the Authority has applied elsewhere in CP-03. The Authority has prudently revised downward IOSPL's escalation assumptions for Payroll, Administrative & General, Repairs & Maintenance and Utility costs under Chapter 7 in accordance with Clause 9.4.2 of the CGF Guidelines.

Fuel Throughput—being the key tariff determinant as the denominator for converting Aggregate Revenue Requirement into per-KL Yield—has, however, been accepted without any prudency check despite CP-03 being issued on 17th July 2026, after the Middle East crisis had already caused documented declines in international passenger traffic and ATMs at comparable Indian airports

Further, KIA's actual ATM growth for FY 2025-26 was only 4.5%, moderating to near-flat domestic passenger growth by April 2026, significantly below the 19%/15-16% first-year Fuel Throughput growth assumed for FY 2026-27—the period when the geopolitical disruptions were most severe.

4. Sensitivity of the Proposed Tariff (FIC) to the Volume Assumption

Under the CGF Guidelines, Yield is determined by dividing the Present Value of the Aggregate Revenue Requirement (ARR) by the total Fuel Throughput for the Control Period. Based on Table 48, the Authority has computed a Yield of ₹542.33/KL, which translates to a first-year ceiling FIC of ₹691/KL after accounting for the delayed effective date (01.09.2026). Since most ARR components are fixed costs, any shortfall in actual throughput does not reduce IOSPL's cost recovery entitlement under the Cost-Plus framework; it merely results in a higher per-KL tariff or a deferred under-recovery (with FRoR-based compounding) to be recovered in the Fifth Control Period.

The Sensitivity analysis below illustrates the impact of lower throughput assumptions:

Throughput Shortfall	Resulting Total FoCP Volume (KL)	Implied Yield (₹/KL)	Implied Ceiling FIC Rate (₹/KL)	Increase over Table 53 rate (₹691/KL)
Nil (AERA's assumption)	87,61,355	542.33	691	-
5% shortfall	83,23,287	570.90	~727	+5.3%
10% shortfall	78,85,220	602.60	~768	+11.1%
15% shortfall	74,47,152	638.00	~813	+17.6%
20% shortfall	70,09,084	677.90	~864	+25.0%

Even a 5-10% shortfall in actual throughput would increase the ceiling FIC to approximately ₹727-768/KL to recover the same ARR, while larger shortfalls comparable to those observed at Indian airports during the Middle East crisis would require materially higher tariffs.

This demonstrates that the proposed Yield and FIC are highly sensitive to the Fuel Throughput assumption, making it essential that the adopted volume projections are tested against contemporaneous traffic and geopolitical developments before the Tariff Order is finalized.

If the Middle East crisis continues to suppress KIA's traffic growth, the outcome under the Cost-Plus model will not be a lower FIC for users. Instead, it will either result in

(i) a higher FIC if the Authority revises the volume assumptions before issuing the Tariff Order, or

(j) a revenue shortfall for IOSPL that will be recovered from users, with FRoR-based compounding, during the Fifth Control Period. An overstated throughput assumption therefore does not shield users from future costs— it merely defers and potentially increases them.

More broadly, this highlights a structural feature of India's Cost-Plus tariff regime. Unlike market-driven pricing, where demand shocks reduce the operator's revenue, the guaranteed cost-recovery model effectively converts demand-side shocks into future tariff increases or deferred liabilities for airlines and OMCs. Accurate Fuel Throughput assumptions at the outset are therefore critical not only for tariff determination but also for protecting users from avoidable future cost burdens and preserving KIA's competitiveness.

Feedback:

a) Authority should apply the same prudency-check methodology to Fuel Throughput projections as it has applied to O&M cost escalations, rather than adopting IOSPL's growth assumptions without independent scrutiny.

b) In view of the unusual volatility in the operating environment at the time of this tariff determination, build in an interim, light-touch review of the Fuel Throughput assumption (for instance, after FY 2027-28) rather than waiting until the Fifth Control Period true-up, so that any material divergence between assumed and actual volume is corrected within the Fourth Control Period itself rather than being allowed to compound over a full five-year cycle."

4.4 IOSPL's response to Stakeholder's comments regarding Fuel Throughput for the Fourth Control Period

4.4.1 IOSPL's counter comment to comment of Shell MRPL regarding Fuel Throughput Projections is as under:

"SMAFSL has also raised a separate and important concern regarding AERA's proposed Fuel Throughput assumptions under Para 4.2.4. SMAFSL has stated that the Authority's projected approximately 19.2% increase in FY 2026-27 appears substantially high and based on its position as a major Jet Fuel supplier, has observed that FY 2026-27 is currently experiencing practically nil growth/ flat demand.

IOSPL welcomes this independent confirmation from a major Jet Fuel supplier operating at Bengaluru Airport. This observation is particularly significant because SMAFSL is a major participant in the aviation fuel market and therefore has direct visibility of actual demand, airline requirements and fuel consumption trends. The observation materially supports IOSPL's submission that AERA's throughput assumptions for the first year of the Fourth Control Period should be reconsidered in light of the prevailing market and geopolitical circumstances."

4.4.2 IOSPL's counter comment to Auxesia Consulting's comment regarding Fuel Throughput Projections is as under:

"Auxesia has independently examined AAI traffic data and the impact of the continuing Middle East geopolitical crisis. It has observed that AERA's throughput projections are approximately 3.5% higher than IOSPL's projections in every year, primarily because AERA has applied IOSPL's growth rates to a higher base. It further notes that actual FY 2025-26 ATM growth at Bengaluru was on lower side while the first-year throughput assumption implies substantially higher growth despite the prevailing geopolitical disruptions.

IOSPL concurs that throughput assumptions require an independent prudence assessment and should reflect current traffic and geopolitical realities. IOSPL requests adoption of more realistic and conservative throughput projections considering the actual volumes for 2026-27 (till July 2026) and arrive at future trends."

4.5 Authority's analysis on Stakeholders' comments regarding Fuel Throughput Projections for the Fourth Control Period (FoCP)

4.5.1 The Authority notes the comments of stakeholders i.e. M/s IOSPL, Shell MRPL and Auxesia Consultancy Firm regarding the Fuel Throughput projections for the Fourth Control Period.

In this regard, it is pertinent to mention that unlike PAX, ATM and Cargo traffic statistics which are publicly available (AAI website etc.), the Fuel Throughput Volumes are not available in public domain (AAI website etc). Accordingly, the Authority, in case of fuel throughput statistics mainly relies on the submission of concerned service provider & Airport Operator.

4.5.2 It is noted that in its initial MYTP submission dated 16th December 2025, the ISP had projected a growth rate of 19.20% in fuel throughput projection for the FY 2026-27 over FY 2025-26. Subsequently, the ISP submitted an updated MYTP submission on 28.02.2026, even in this submission the ISP had maintained an earlier growth rate for the fuel throughput projection in respect of the FY 2026-27 i.e., 19.20%. Subsequently, the Authority sought the actual fuel throughput volume for the FY 2025-26 from the ISP, which was furnished by the ISP vide its email dated 03.05.2026 (refer para no. 3.2.4 of the Consultation Paper). Even at that time, ISP had not requested for revision in the fuel throughput projection for the FY 2026-27. Thus, in the matter of projecting fuel throughput volume for FY 2026-27, the Authority, mainly relied on the submission of the ISP in this regard. The Authority has updated the fuel throughput volume for the FY 2025-26 based on actual throughput volume submitted by the ISP in May 2026 and has applied the same growth rates as proposed by the ISP in its MYTP submission, for projecting Fuel Throughput Volumes for the Fourth Control Period.

4.5.3 It is noted that both, the Airport Operator and the ISP are very optimistic about the long-term traffic growth of the Bangalore Airport, accordingly, have planned massive capital investments to cater to the expected traffic growth in mid to long-term.

The geopolitical issues referred in the stakeholders' submission are uncertain and reflect as temporary fluctuation in long-term traffic demand.

4.5.4 The Authority noted that the ISP in its fuel throughput projections for the FoCP has considered a lower growth rate of 5% in FY 2029-30, as against the growth rate of 11% considered by the ISP for the succeeding tariff year i.e. FY 2030-31. In this regard, the Authority had sought a clarification from the ISP for assuming a meagre growth of 5% in Fuel Throughput. ISP in Fuel Throughput, in its clarification dated 21.08.2026 submitted that fuel throughput volumes were based on the BIAL's forecast for the ATM numbers. The Authority in its recent tariff order (Order No. 14/ 2026-27 dated 20.08.2026) has considered the ATM traffic for the Fourth Control Period in respect of BIAL as shown in the table below:

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
Air Traffic Movements (000' Nos)					
Total ATM as per AO	289.75	327.11	360.44	390.18	425.81
Total ATM as per Authority	289.75	327.11	360.44	390.18	425.81
Total ATM YoY Growth as per AO	***3.49%***	***12.89%***	***10.19%***	***8.25%***	***9.13%***
Total ATM YoY Growth as per the Authority	***3.49%***	***12.89%***	***10.19%***	***8.25%***	***9.13%***

4.5.5 The Authority observes that the demand for aviation fuel and, consequently, the fuel throughput handled by the ISP is intrinsically linked to the level of aeronautical activity at the airport, particularly the number of aircraft movements. Further, the operations, capacity augmentation and capital expenditure plan of the Fuel Farm Operator cannot be viewed in isolation from the overall development and expansion of the airport undertaken by the Airport Operator. The requirement for augmentation of fuel storage, hydrant lines and associated infrastructure is, inter alia, driven by the expansion of airport capacity, commissioning of additional terminal and airside infrastructure, increase in aircraft movements and the consequent growth in demand for aviation fuel.

4.5.6 In this context, the Authority notes that the traffic projections and the associated airport development programme considered for BIAL form an important underlying basis for assessing the reasonable requirement of facilities and capital expenditure of the ISP during the Fourth Control Period. Any projection of fuel throughput which is not aligned with the traffic growth and capacity expansion envisaged at the airport may result in an inconsistency between the projected utilisation of the fuel infrastructure and the infrastructure proposed to be created/augmented by the ISP. Therefore, the Authority considers it appropriate that the fuel throughput projections, as well as the consequential assessment of capacity requirements and associated capital expenditure, should be viewed in conjunction with the traffic projections and expansion plans of BIAL.

4.5.7 The Authority, vide Order No. 14/2026-27 dated 20.08.2026, has considered the year-on-year growth in ATMs for BIAL for the Fourth Control Period at 3.49%, 12.89%, 10.19%, 8.25% and 9.13% for FY 2026-27, FY 2027-28, FY 2028-29, FY 2029-30 and FY 2030-31, respectively. Since the ISP itself has stated that its fuel throughput projections are based on BIAL's forecast of ATMs, the Authority finds it reasonable and consistent to align the growth in fuel throughput with the corresponding growth in ATMs considered by the Authority for BIAL.

4.5.8 Accordingly, for the purpose of determination of tariff for the Fourth Control Period, the Authority decides to consider the year-on-year growth in fuel throughput as per Table 26. The resultant fuel throughput projections shall also form the relevant basis, wherever applicable, for assessing the reasonableness, timing and utilization of the capacity augmentation and capital expenditure proposed by the ISP, keeping in view the corresponding airport expansion and traffic growth envisaged by BIAL.

Table 26: Fuel Throughput decided by the Authority for the Fourth Control Period

(in KL)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Fuel Throughput Volume	12,94,155	14,60,971	16,09,844	17,42,656	19,01,761	**80,09,388**
Growth (%)	*3.49%*	*12.89%*	*10.19%*	*8.25%*	*9.13%*	

4.5.9 The Authority decides to consider the Fuel Throughput Volume for the Fourth Control Period as per Table 26. Further, the Fuel Throughput Volume for the Fourth Control Period would be trued up on the basis of actual throughput volume at the time of Tariff Determination for the Fifth Control Period.

4.6 Authority's decisions regarding Fuel Throughput for the Fourth Control Period

Based on the material before it and its analysis, the Authority with regard to the Fuel Throughput forecast for the Fourth Control Period decides:

4.6.1 To consider the Fuel Throughput Forecast for the Fourth Control Period in respect of IOSPL, at Bangalore International Airport, Bangalore as per Table 26.

4.6.2 To true up the Fuel Throughput in respect of the Fourth Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Fifth Control Period.

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5. CAPITAL EXPENDITURE, DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

As per clause 9.2 of the CGF Guidelines, Regulatory Asset Base (RAB) shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority. The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.

5.1 IOSPL's submission regarding CAPEX for the Fourth Control Period (FoCP)

IOSPL, in line with expansion of Terminal-2 and to service the projected increase in aircraft traffic at Bengaluru International Airport proposed major CAPEX on construction of new Satellite Fuel Farm facility along with associated expansion of fuel hydrant network.

The CAPEX projected for the Fourth Control Period (FY 2026-27 to FY 2030-31) by IOSPL is tabulated below:

Table 27: Capital Expenditure (Capitalization) submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	1.77	1.77	-	-	-	**3.54**
Plant & Machinery	358.92	211.80	1.18	5.90	-	**577.80**
Vehicles	0.40	-	-	-	-	**0.40**
Plant & Machinery (C/F from 3rd CP)	7.15	14.56	-	-	-	**21.71**
Vehicles (C/F from 3rd CP)	0.70	-	-	-	-	**0.70**
Total	**368.94**	**228.13**	**1.18**	**5.90**	**0.00**	**604.16**

5.1.1 The project/scheme wise breakup of the projected Capital Expenditure for the Fourth Control Period is given below:

Table 28: Detailed CAPEX break-up for the Fourth Control Period (FY 2026-27 to FY 2030-31) submitted by the IOSPL

(₹ in crores)

Sl.	Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
	New Capital Expenditure Projects (A)						
1	13 Stands Hydrant Extension	35.61					**35.61**

2	Concreting TT Parking aera RCC	1.18					**1.18**
3	EV Vehicle 1 No. with Charging Station	0.40					**0.40**
4	Fuel Farm Solar Plant		1.77				**1.77**
5	HRS Extension across WCT		4.18				**4.18**
6	Modification of SCADA for 2nd PLT Line			1.18			**1.18**
7	Motorized Fire Monitors		0.32				**0.32**
8	Renovation of Ground & First Floor	0.59					**0.59**
9	Replacement of Sprinklers and Piping for tanks T11, 12 & 13	0.47					**0.47**
10	Satellite Fuel Farm	318.16					**318.16**
11	Store + Canteen (G+1)- IOT Building		1.77				**1.77**
12	T2 Phase 2 40 Stands HRS Extension		153.47				**153.47**
13	Taxi Way P&Q Hydrant Extension	4.68					**4.68**
14	TCS Modifications				5.90		**5.90**
15	West Cargo Hydrant Extension		52.06				**52.06**
	Total (A)	**361.09**	**213.57**	**1.18**	**5.90**	**0**	**581.74**
Capex carried forward from Third Control Period (B)							
1	Backup DG Upgrade with new Transformer	5.25					**5.25**
2	Flushing Trucks	0.70					**0.70**
3	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	0.35					**0.35**
4	Hydrant Pit Valve Assembly - 10 Nos	0.70					**0.70**
5	Hydrocarbon Detectors in FF		4.80				**4.80**
6	Khume Flow Control Valves Replacement Receipt Line 4 No		0.62				**0.62**
7	Khume Flow Control Valves Replacement Return Line 1 No		0.50				**0.50**
8	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	0.50					**0.50**

9	MOV Actuator Replacement in Fuel Farm for Tank 12		0.55				**0.55**
10	MOV Replacement in VC001		1.22				**1.22**
11	Replacement of 7x Hydrant Pumps		1.00				**1.00**
12	ROSOV for 04 Tanks		1.04				**1.04**
13	Security Equipment- As per recommendation by State Security	0.35					**0.35**
14	Shifting Electrical Cables to outside dyke		2.65				**2.65**
15	Valve Chambers Covers replacement		2.18				**2.18**
	Total (B)	**7.85**	**14.56**	**0**	**0**	**0**	**22.41**
	Total CAPEX (A+B)	**368.94**	**228.14**	**1.18**	**5.90**	**0.00**	**604.16**

5.2 Authority's Examination regarding CAPEX projection for the Fourth Control Period (FY 2026-27 to FY 2030-31) at Consultation Stage

5.2.1 The Authority noted that IOSPL submitted a total CAPEX of ₹ 604.16 crores for the Fourth Control Period, which includes an amount of ₹ 22.41 crores towards CAPEX carried forward from the Third Control Period (Part of approved Capex but not executed in the Third Control Period).

5.2.2 It was noted that the CAPEX proposed for the Fourth Control Period by the ISP is majorly under three broad heads, namely, Plant & Machinery, Buildings and Vehicles, amounting to ₹ 599.51 crores, ₹ 3.54 crores and ₹ 1.10 crores respectively. The Capex projected by the ISP for the FoCP as indicated above also includes IDC amounting to ₹ 22.78 crores.

5.2.3 The Authority sought the basis of cost estimates considered by IOSPL for projecting Capex for the FoCP. The ISP vide email dated 12.05.2026 submitted that the cost estimates for Capex projection for the FoCP are based on detailed engineering assessments incorporating validated Bill of Quantities (BOQ), project drawings, technical specifications, and site-specific conditions. Further, the ISP has stated that the rates considered are aligned with prevailing market prices for specialized airport fuel infrastructure equipment, materials, and construction services, with adjustments for applicable foreign exchange variations. The ISP further submitted that the cost-estimates factors-in the compliance requirements under applicable PESO (Petroleum and Explosives Safety Organization), DGCA (Directorate General of Civil Aviation), and JIG (Joint Inspection Group) standards and suitable escalation provisions and historical price trends have been considered while arriving at the cost estimates.

ISP also stated that the proposed costs have been benchmarked with the recently executed Fuel Farm and Hydrant Refuelling System project at Noida International Airport, which,

reflects recent competitive market-discovered rates for similar aviation fueling infrastructure projects.

It was submitted that the proposed projects are being executed under the Engineering, Procurement and Construction Management (EPCM) model instead of the Lump Sum Turnkey (LSTK) model, with the objective of optimizing project costs through elimination of contractor risk premiums and profit margins. M/s IOSPL further conveyed that the works are proposed to be segregated into specialized packages, namely Civil, Mechanical, and Electrical/Instrumentation, to facilitate competitive procurement from specialized agencies and enable better cost control through direct project supervision.

5.2.4 As regards tendering & procurement mechanism, M/s IOSPL stated that they have robust procurement & transparency controls to safeguard the interest of stakeholders. M/s IOSPL employs a multi-tiered validation process and vendors are selected through a transparent, competitive process, including utilization of Reverse Auction Mechanism, working out internally justified price assessment based on historical data and prevailing market indices, and negotiations with L1 bidders to achieve the lowest justifiable price. M/s IOSPL submitted that it is committed to the prudent deployment of capital. As per the ISP, the EPCM model, combined with rigorous benchmarking against similar facility at the Noida International Airport project, ensures that the proposed CAPEX is optimized, transparent, and reflects the true cost of delivering world-class aviation fuelling infrastructure.

The major Capex Projects projected by M/s IOSPL for the FoCP had been examined by the Authority as under:

5.2.5 **Satellite Fuel Farm:**

(i) The Authority noted that the major capital expenditure for the FoCP is related to construction of a new Satellite Fuel Farm facility at Bengaluru Airport at an estimated cost of ₹ 318.16 crores. M/s IOSPL submitted that the existing fuel farm operated by it at Bengaluru airport has a tankage capacity of 19,800 KL and serves 182 aircraft stand through its Hydrant Network. As per the ISP, aviation fuel demand is projected to rise significantly in line with increased passenger and aircraft movements, the overall tankage requirement is estimated to double to 40,000 KL approx. In order to meet the projected demand, a new Satellite Fuel Farm (in addition to existing fuel farm) had been proposed by IOSPL with the ATF storage capacity of 19,620 KL along with expansion of associated Fuel Hydrant Infrastructure at the airport. The new Satellite Fuel Farm has been proposed over a land area of 23,100 Sqm, with operations scheduled to commence by March 2027 (as per the ISP). The facility is designed to have a total storage capacity of 19,620 KL, through three storage tanks of 6,540 KL capacity each.

(ii) Subsequently, the ISP vide email dated 28.02.2026 submitted a revised Financial Model and estimated Cost Summary in respect of new Satellite Fuel Farm facility (03 storage tanks and 02 Nos. Fire Water Tanks etc.) amounting to ₹ 287.66 crores (excluding IDC). The Authority, based on the revised Cost Summary (submitted by the ISP vide email dated

28.02.2026) recomputed the IDC for FY 2025-26 & FY 2026-27 amounting to ₹ 11.52 crores on the base cost of ₹ 287.66 crores. Presently, the ISP has issued work orders amounting to around ₹ 60 crores w.r.t. Satellite Fuel Farm project. Cost break-up of Satellite Fuel Farm Project as submitted by ISP was placed at Annexure-II of the Consultation Paper.

(iii) The Authority agrees with the ISPs' submission that aviation fuel demand is projected to rise significantly in line with the projected increase in passenger and aircraft traffic at Bengaluru airport, which requires fuel storage capacity enhancement to ensure seamless aircraft operations. However, from a regulatory perspective, the Authority holds the view that the scheduling of Capex & Capitalization of Fuel Storage Tanks should be done with a modular fashion during the Fourth Control Period, in sync with the projected aircraft traffic at the Airport.

(iv) The Authority noted that as per the ISP's submission, the existing fuel storage capacity of 19,800 KL is expected to cater to current ATF demand of the airport 14,40,453 KL approx. (FY 2026-27). By the end of FoCP, the projected ATF demand at Bengaluru airport is expected to reach to 20,47,214 KL (FY 2030-31).

Considering that existing fuel farm facility at the airport only has a storage capacity of 19,800 KL, therefore, in order to meet the future projected ATF demand of 20,47,214 KL by FY 2030-31, an additional fuel storage capacity of around 8,340 KL [(19800/1440453) *2047214 = 28140 KL – 19800 KL] is required, which is around 42% of the existing fuel storage capacity of 19800 KL. It is clear from the above, the current fuel storage capacity at the airport is required to be augmented by 40% during the FoCP. This additional requirement for fuel storage capacity can be met out by two storage tanks (6540 KL capacity each), out of the three new fuel storage tanks (6540 KL capacity each) planned by the ISP as part of the Satellite Fuel Farm facility (commissioning in FY 2026-27).

(v) The Authority noted that after the planned commissioning of the Satellite Fuel Farm, the storage capacity is expected to increase to approximately 40,000 KL, which as per the Authority is not in sync with the fuel storage capacity utilization expected in the Fourth Control Period.

Further, as regards proposed expansion of fuel storage capacity at Kempegowda International Airport, Bangalore, the Authority noted that stakeholders like IATA, during the Users Consultation Meeting held on 05.03.2026 expressed concerns on the large CAPEX proposed and also suggested that the investment should be trigger based and implemented in a phased manner. The representative of IATA stressed on necessity, timing of investment, and whether it should occur at the beginning or middle of the control period.

The Authority is of the view that creating excess capacity and not utilizing the same puts an undue burden on the facility users in form of higher user charges. The Authority expects the service provider to create required additional capacity in modular fashion and in sync with projected increase in traffic volume (fuel throughput) during the control period.

(vi) In view of the above and taking into consideration the concerns raised by the stakeholder regarding the excess capacity creation (Satellite Fuel Farm) vis-à-vis the expected capacity utilization in the Fourth Control Period, the Authority, at this stage, proposed not to consider the financial implication (i.e., Depreciation & Return on the expected Capitalized value) of commissioning of one-third of additional fuel storage capacity (i.e., implication of 3rd fuel storage tank with 6540 KL) of the Satellite Fuel Farm, which is unlikely to be utilized during the Fourth Control Period. However, in case the airport witnesses exceptional spike in aircraft traffic during the current Control Period, requiring full capacity utilization of all three storage tanks of the Satellite Fuel Farm at the airport, the Authority would then consider the financial implication of 3rd storage tank, as part of the true up exercise for the Fourth Control Period, at the time of tariff determination for the Fifth Control Period.

Table 29: Capital Expenditure proposed to be considered by the Authority for Satellite Fuel Farm facility in the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	4th Control Period	
	FY 2026-27	FY 2027-28
Total Capex proposed by the IOSPL for 03 Storage Tanks and Allied Equipment etc.	318.16	-
Capex proposed by the Authority for 02 Storage Tanks with Allied Equipment, infrastructure etc.	199.45*	-

** Revised cost of Satellite Fuel Farm (03 storage tanks and 02 Nos. Fire Water Tanks etc.) based on Estimated Cost Summary received from the ISP on 11.03.2026 i.e., ₹ 287.66 Crores (excluding IDC).*

5.2.6 **Expansion of 13 Stands:**

The ISP submitted that the expansion of 13 stands (9+4) related to the T-2 is an ongoing project at an estimated cost of ₹ 35.61 Crores and the same has been undertaken, inter-alia, based on the request letter dated 10.09.2024 received from the Airport Operator. The scope of work includes Fuel Pipeline, Pits, Valve Chambers, ESD (Emergency Shutdown) and commissioning works. As per the ISP, the project is 60% complete (as on December, 2025). However, in response to the queries raised regarding the work order, the ISP vide email dated 20.05.2026 submitted that out of total estimated cost of ₹ 35.61 crores, work orders amounting to ₹ 22.62 crores had been issued so far. Cost breakup of 13 Stands HRS Ext. Project was placed at Annexure-II of the Consultation Paper.

The ISP vide email dated 04.05.2026 further submitted that CAPEX amounting to ₹ 35.61 crores includes GST of ₹ 4.05 crores and IDC of ₹ 1.47 crores.

Considering that the fuel hydrant network is as an essential facility for the seamless aircraft refueling at aircraft parking stands in a safe & efficient manner, and the hydrant network is being expanded by the ISP in line with airport's capacity expansion (aircraft and passenger handling) connected with T-2 terminal undertaken by the Airport Operator, the Authority

proposed to consider CAPEX of ₹ 35.61 crores (including IDC) relating to Hydrant Extension for 13 Stands with capitalization in FY 2026-27.

5.2.7 **West Crossfield Taxiway Hydrant Refueling System (HRS) Pipeline Extension:**

IOSPL submitted that the expansion of Hydrant Refueling System (HRS) across West Crossfield Taxiway (WCT) is an ongoing project with an estimated cost of ₹ 4.18 crores and scope of work includes fuel pipeline installation across WCT at south side and north side, filling with Nitrogen and CP system. As per the ISP, the estimated cost in respect of this project is in line with approval conveyed by the airport operator vide its email dated 03.04.2025 and the project is expected to complete by FY 2027-28.

It was noted that the ISP proposed capital expenditure towards the extension of the Fuel Hydrant System across West Crossfield Taxiway (WCT) with the objective of enhancing operational efficiency, ensuring safe and uninterrupted aircraft fueling operations, and catering to the projected increase in aircraft movements at the airport.

The Authority further noted that the proposed works are intended to facilitate operational redundancy, improve fuel handling efficiency, reduce turnaround time, and support future traffic growth. It had also been submitted that the extension of the Hydrant System would also reduce dependence on transportation of ATF through Bowsers, thereby improving operational efficiency and safety at Apron area. Considering the above, the Authority proposed to consider this Capex on this project at an estimated cost of ₹ 4.18 crores (including IDC) with capitalization in FY 2027-28.

5.2.8 **West Cargo Hydrant Extension:**

IOSPL submitted that the Airport Operator (BIAL) is expanding the West Cargo Terminal on the west side of the existing T1 Terminal and has requested IOSPL to execute the West Cargo Apron Hydrant Extension. Accordingly, the ISP proposed hydrant extension for West Cargo Apron Stands at an estimated cost of ₹ 52.06 Crores. As per the ISP, the expansion of West Cargo Hydrant Extension is expected to be complete by FY 2027-28.

The Authority noted that the ISP has proposed capital expenditure towards the development and extension of the Fuel Hydrant System for the West Cargo Apron Area, in line with airport's capacity expansion plan of the Airport Operator to cater to the projected increase in aircraft movements at the airport.

The proposed scope of work broadly includes civil works, mechanical works, engineering and design activities, electrical and SCADA (Supervisory Control and Data Acquisition) integration works, along with pre-commissioning and commissioning activities associated with the extension of the hydrant network. The project also encompasses statutory approvals, hydraulic studies, surge analysis, HAZOP (Hazard and Operability study) /HAZID (Hazard Identification study) studies, testing, flushing operations, and integration with the existing Fuel Hydrant System infrastructure. The ISP submitted the cost break up

of West Cargo Hydrant Extension Project amounting to ₹ 49.81 crores, excluding IDC and same is placed at Annexure-II of the Consultation Paper.

It was noted that the proposed work is intended to facilitate operational redundancy, improve fuel handling efficiency, reduce turnaround time, and support future traffic growth. The ISP submitted that the extension of the hydrant system would help in reducing dependence on fuel transportation by tank trucks, thereby improving operational safety and environmental efficiency within the airside area. Considering the above, the Authority proposed to consider CAPEX on this project at an estimated cost of ₹ 51.87 crores (including IDC) with capitalization in FY 2027-28.

5.2.9 **Hydrant Refueling System (HRS) Pipeline Extension across Taxiway P&Q:**

IOSPL submitted that Taxiway P&Q Hydrant Extension is a part of Project related to 13 Stands Hydrant Extension. The ISP, in its projected CAPEX for FoCP considered Hydrant Refueling System (HRS) Extension across Taxiway P&Q as an enabling works to support Hydrant Extension of 13 Stands HRS project.

The proposed scope of work of this project broadly includes:

- Civil works relating to excavation, trenching, PCC works, sand bedding, backfilling, valve chambers and associated infrastructure;
- Mechanical works involving supply, fabrication, installation and testing of hydrant pipelines, valves, fittings and associated accessories;
- Engineering and technical studies including hydraulic analysis, surge studies, HAZOP and HAZID assessments and detailed engineering activities;
- Electrical and SCADA-related integration works including modifications to PLC logic, emergency shutdown systems and cathodic protection arrangements; and
- Pre-commissioning and commissioning activities such as flushing operations, soak testing, statutory approvals and operational integration with the existing hydrant network.

The estimated cost of the proposed project regarding Taxiway P&Q HRS Extension amounts to ₹ 4.69 crores, excluding GST. The above project is expected to be complete by FY 2026-27 as per the ISP's submission.

The Authority noted that the ISP proposed capex on the HRS Extension across Taxiway P & Q to connect the Proposed 13 Stands with HRS network. The proposed project forms part of the ISP's larger plan to augment fuel storage and expansion of Hydrant Refueling System (HRS) to support the augmentation of aircraft handling capacity planned by the airport operator to cater the projected aircraft traffic growth at the Bengaluru airport.

Considering that above project will support the aircraft refueling through Hydrant Refueling System at ongoing project of Apron Expansion for 13 Stands (part of T-2 Phase 2 Project of the Airport Operator) in a safe, efficient manner by connecting 13 stands with new

Satellite Fuel Farm, the Authority proposed to consider this project on operational requirement and air-side safety perspective at an estimated cost of ₹ 4.69 crores with capitalization in FY 2026-27.

5.2.10 **Capital Expenditure Carried forward from Third Control Period (Capex approved for Third Control Period but not executed) to Fourth Control Period:**

IOSPL submitted the following break-up of the Capex amounting to ₹ 22.41 crores, which had been carried forward from the Third Control Period and which will be executed in the Fourth Control Period:

Table 30: Capital Expenditure carried forward from Third Control Period to Fourth Control Period

(₹ in crores)

Sl.	Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total	Proposed Capitalization as per 3rd CP
1)	Backup DG Upgrade with new Transformer	5.25	-	-	-	-	5.25	2022-23
2)	Flushing Trucks	0.70	-	-	-	-	0.70	2022-23
3)	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	0.35	-	-	-	-	0.35	2021-22
4)	Hydrant Pit valve Assembly – 10 Nos	0.70	-	-	-	-	0.70	2022-23
5)	Hydrocarbon Detectors in FF	-	4.80	-	-	-	4.80	2021-22
6)	Khume Flow Control Valves Replacement Receipt Line 4 No	-	0.62	-	-	-	0.62	2022-23
7)	Khume Flow Control Valves Replacement Return Line 1 No	-	0.50	-	-	-	0.50	2023-24
8)	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	0.50	-	-	-	-	0.50	2021-22
9)	MOV Actuator Replacement in Fuel Farm for Tank 12	-	0.55	-	-	-	0.55	2022-23
10)	MOV Replacement in VC001	-	1.22	-	-	-	1.22	2023-24
11)	Replacement of 7x Hydrant Pumps	-	1.00	-	-	-	1.00	2022-23,2023-24 & 2024-25
12)	ROSOV for 04 Tanks		1.04	-	-	-	1.04	2022-23 & 2023-24

13)	Security Equipment – As per recommendation by State Security	0.35	-	-	-	-	0.35	2021-22
14)	Shifting Electrical Cables	-	2.65	-	-	-	2.65	2021-22
15)	Valve Chambers Covers replacement	-	2.18	-	-	-	2.18	2022-23 & 2023-24
	Total CAPEX	**7.85**	**14.56**	-	-	-	**22.41**	

5.2.11 The ISP submitted detailed justifications/ reasons for deferment of some of the capital projects approved by the Authority for the Third Control Period (refer para 3.5.6).

The Authority, considering the justifications furnished by the ISP towards deferment/shifting of approved Capex pertaining to the Third Control Period to Fourth Control Period, and taking into account the essentiality of proposed Capex from operational requirements for smooth Fuel Farm operations, proposed to consider the CAPEX carry forwarded from the Third Control Period amounting to ₹ 22.41 crores, with capitalization in FY 2026-27 (₹ 7.85 crores) & FY 2027-28 (₹ 14.56 crores), as per the above table.

Consideration of Capital Expenditure Projects on "Incremental ARR approach"

5.2.12 The Authority is statutorily mandated to determine aeronautical tariffs for ISPs in a manner that ensures a fair balance between the legitimate cost recovery requirements of ISPs and the interests of users, namely passengers and airlines. In discharging this mandate, the Authority is required to ensure that tariffs remain reasonable, transparent, and reflective of the services and facilities actually made available to users, while at the same time providing ISPs with a reasonable opportunity to recover efficiently incurred costs and earn an appropriate return on investments.

5.2.13 Under the prevailing regulatory framework, aeronautical tariffs are determined at the commencement of a Control Period based on the projected Aggregate Revenue Requirement (ARR) of the ISP. The ARR, inter alia, incorporates projected additions to the Regulated Asset Base (RAB), depreciation thereon, return on RAB, and associated operating expenditure expected to arise from existing and proposed capital expenditure. Such an approach provides certainty to the ISP regarding the recovery of investments planned during the Control Period and facilitates long-term financial planning.

5.2.14 However, experience from past tariff determination exercises indicate that the conventional approach might result in certain unintended consequences. Since tariff determination is based on forecast capitalization of assets, users may be required to bear higher aeronautical charges from the beginning of the Control Period even though the underlying assets are yet to be commissioned and the associated benefits are not immediately available to users. Consequently, some portion of tariff increases might precede the actual availability of infrastructure and service enhancements for which such charges are being levied.

5.2.15 The Authority further observed that, in several cases, major capital expenditure projects projected for commissioning within a Control Period are subsequently delayed, rescheduled, phased differently, or, in certain instances, not executed at all. Such deviations between projected and actual capitalisation could lead to a mismatch between tariff recovery and asset availability for users. As a result, users may bear charges based on investments that have not yet materialised, while the ISP may receive revenue recovery in advance of the corresponding asset being put into use.

5.2.16 The Authority is also of the view that a regulatory framework that allows recovery of return on RAB, depreciation, and associated costs based solely on projected capitalization may not sufficiently incentivize timely execution and commissioning of capital projects. Where tariff recovery is substantially assured irrespective of actual project completion timelines, there may be limited regulatory impetus for ensuring adherence to committed implementation schedules. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

5.2.17 In light of the foregoing considerations, the Authority is of the view that an alternative regulatory mechanism may be warranted for certain large-scale capital expenditure projects proposed to be commissioned & capitalized during later part of the Control Period (last two tariff years) and which have a significant impact on user charges. Such projects are typically characterized by substantial investment outlays, and a material effect on the ARR and Yield.

5.2.18 Accordingly, the Authority proposed to adopt, on a project-specific basis, an Incremental ARR Approach for identified High Capex Projects. Under this approach, the base ARR and corresponding aeronautical tariffs for a Control Period shall be determined excluding the impact of specified future capital projects. Simultaneously, the Authority shall determine, ex ante, the incremental ARR and Yield impact of each identified project based on prudently assessed project costs and financing assumptions.

5.2.19 The Authority considers that such an approach would provide multiple regulatory benefits. First, it would ensure closer alignment between tariff recovery and the actual availability of airport infrastructure and services. Second, it would protect users from premature tariff burdens arising from assets that are yet to be commissioned. Third, it would strengthen incentives for timely execution and commissioning of capital projects by linking revenue recovery more directly to project delivery. Fourth, it would reduce the risk of over-recovery associated with delays, deferments, or non-execution of forecast capital expenditure. Finally, it would continue to preserve the ISP's legitimate right to recover prudently incurred investment costs and earn a reasonable return on capital once the relevant assets are brought into service.

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Regulatory treatment of Capex and other associated Building Blocks under the "Incremental ARR approach"

5.2.20 Under the aforesaid concept of "Incremental ARR approach", the major capital projects (which have significant impact on ARR and user charges) which are agreed in-principle by the Authority for execution by the ISP, based on the essentiality of project(s) on the grounds, such as, operational requirements/ aviation safety/ passenger security / airport capacity expansion etc., and which are scheduled to be completed & commissioned during the last two tariff years of the Control Period, their financial implication in the tariff determination shall be considered only after such Capex Project(s) are actually completed, commissioned and put to use. The above approach would help in furtherance of greater transparency & cost-based tariff determination. It would also help in ensuring that charges levied by the service providers remain fair, equitable, and proportionate to the services provided to users.

The Authority, in line with the above approach, would calculate the baseline normal ARR for the Control Period after excluding the impact of such major Capex Project(s) on ARR which are scheduled to be capitalized during the later part of the Control Period, along with its consequential impact on other associated building blocks like Depreciation, Opex, Taxation, while determining the Tariff for the Regulated Service(s) in respect of the service provider for a given Control Period.

In addition to normal baseline ARR for a given Control Period, AERA would also indicate in the Tariff Order the tentative incremental financial impact of specified Capex proposal(s) on the RAB, along with its consequential impact on other associated regulatory building blocks in the ARR computation, under "Incremental ARR approach". (Refer para 9.3)

Further, the likely incremental increase in Tariff Rates of regulated service(s) after the subject Capex Project(s) are actually commissioned & put to use by the ISP, will also be indicated in the Tariff Order.

Once the specified capex proposal(s) considered under the "Incremental ARR approach" are executed and commissioned, the Authority would make an appropriate revision (amendment) in the Tariff Rates approved in the Tariff Order for a given control period.

For the purpose of revision (amendment) in the approved tariff, after the specified Capex Projects (considered on "Incremental ARR approach") are actually commissioned & put to use by the ISP, the service provider would approach AERA and submit the requisite documents certifying the commissioning & put to use of specified capex project(s), including Auditor's certificate certifying the completion costs, date of capitalization etc.

Based on the ISP's submission and taking into considering other relevant factors, the Authority would appropriately revise/ amend the tariff rates earlier approved for a given control period by the Authority (as per the baseline ARR).

Capex Project considered on "Incremental ARR approach" for the Fourth Control Period

5.2.21 **Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits):**

IOSPL, in its submission stated that BIAL is expanding the airside aircraft handling capacity at Terminal 2 (as part of T2 Phase 2 Project) and planned construction of new 40 Aircraft Parking Stands and requested IOSPL to execute the HRS Extension Works pertaining to proposed new 40 Stands (having 51 hydrant pits). Accordingly, the ISP proposed Hydrant System Extension for 40 Stands in sync with proposed construction of new Apron with 40 stands planned by the Airport Operator, at an estimated cost of **₹ 153.47 Crores** (including IDC).

The proposed Scope of Work for the aforesaid project as submitted by the ISP broadly comprises of:

- Civil works relating to geotechnical investigations, excavation, trenching, valve chambers, PCC works, backfilling and associated infrastructure works;
- Mechanical works involving supply, fabrication, installation and testing of hydrant pipelines, valves, drains, fittings and associated mechanical components;
- Engineering and design activities including hydraulic modelling, surge analysis, pump capacity assessment, HAZOP and HAZID studies, detailed engineering and preparation of technical specifications;
- Electrical and SCADA integration works including modifications to PLC logic, emergency shutdown systems, monitoring and control systems, cathodic protection systems and associated cabling/integration works; and
- Pre-commissioning and commissioning activities including flushing operations, soak testing, pressure testing, statutory approvals and operational integration with the existing fuel hydrant infrastructure.

The Authority, considered the proposed HRS Extension as an essential complementary facility for the proposed new Apron, supporting seamless aircraft refuelling operations, in line with projected traffic growth and future airside infrastructure requirements. Further, as per the ISP, the proposed extension of the hydrant infrastructure would help in reducing operational dependence on fuel bowsers/tankers, thereby improving operational safety at Apron area.

The Authority observed that the ISP had estimated the total capital expenditure for the proposed HRS Extension Project at ₹ 145.32 crores approx. (excluding GST, IDC and other applicable taxes).

It was noted that the proposed capital expenditure towards Extension of Hydrant Refuelling System (HRS) complements the T2 Phase 2 Project of the Airport Operator regarding the augmentation of airside infrastructure including development of additional aircraft parking stands. However, it was noted that the Airport Operator (BIAL) projected the

commissioning of 40 Stands (part of T-2 Phase-2 project) in FY 2029-30, whereas, the ISP had proposed commissioning of the Hydrant System Extension Project for 40 Stands (51 pits) in FY 2027-28. In this regard, the Authority is of the view that mere completion of the project does not qualify an asset to be included in RAB. For inclusion of an asset in the RAB, it has to be to put to use also.

Considering the above, the Authority agrees in-principle with the requirement of Extension of Hydrant Refueling System Project (with 51 Hydrant Pits) to cover proposed 40 new Aircraft Parking Stands planned by the BIAL. However, the Authority, proposed to consider the Capex on the above project and its consequential impact on other building blocks on the "Incremental ARR approach" with tentative capitalization in FY 2030-31. However, the financial implication of above project in ARR & resultant Tariff Rates for the Fourth Control Period will be appropriately considered only after the above project is actually executed, commissioned and put to use by the ISP.

5.2.22 The Authority, as regards the Capex projected for the Fourth Control Period, sought clarification regarding inclusion of GST in the proposed Capex. In response thereto, the ISP vide email dated 16.02.2026 confirmed that the CAPEX incurred and proposed has been considered net of taxes, excluding the cases where ITC is blocked as per Section 17(5) of CGST Act. Accordingly, Input Tax Credit (ITC), wherever applicable, has been duly factored in, and only the net CAPEX has been considered for tariff determination.

5.2.23 The Authority considers Fuel Farm Services integral to the airport operations and taking note of the essentiality of the Capex incurred/ proposed by the IOSPL for supporting the aeronautical operations at the Bengaluru International Airport for the Fourth Control Period (including Capex carried forward from the Third Control Period) proposed to consider total Capex in respect of following capital works with estimated cost of ₹ 331.79 crores (excluding CAPEX on 40 stands considered on "Incremental ARR approach" & non-consideration of financial implication of one-third capacity of storage tanks in respect of Satellite Fuel Farm amounting to ₹ 99.73 crores) as given in the Table below:

Table 31: Project-wise CAPEX for the Fourth Control Period (FY 2026-27 to FY 2030-31) proposed to be considered by the Authority at Consultation Stage

(₹ in crores)

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
1	13 Stands Hydrant Extension	Plant & Machinery	35.61	-	-	-	-	**35.61**	**35.61**	-
2	Concreting TT Parking area RCC	Building	1.18	-	-	-	-	**1.18**	**1.18**	-
3	EV Vehicle 1 No. with Charging Station	Vehicles	0.4	-	-	-	-	**0.4**	**0.4**	-

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
4	Fuel Farm Solar Plant	Plant & Machinery	-	1.77	-	-	-	**1.77**	**1.77**	-
5	HRS Extension across WCT	Plant & Machinery	-	4.18	-	-	-	**4.18**	**4.18**	-
6	Modification of SCADA for 2nd PLT Line	Building	-	-	1.18	-	-	**1.18**	**1.18**	-
7	Motorised Fire /Monitors	Plant & Machinery	-	0.32	-	-	-	**0.32**	**0.32**	-
8	Renovation of Ground & First Floor	Building	0.59	-	-	-	-	**0.59**	**0.59**	-
9	Replacement of Sprinklers and Piping for tanks T11, 12 & 13	Plant & Machinery	0.47	-	-	-	-	**0.47**	**0.47**	-
10	Satellite Fuel Farm	Plant & Machinery	199.45	-	-	-	-	**199.45**	**318.16**	**118.71**
11	Store + Canteen (G+1)- IOT Building	Building	-	1.77	-	-	-	**1.77**	**1.77**	-
13	Taxi Way P&Q Hydrant Extension	Plant & Machinery	4.68	-	-	-	-	**4.68**	**4.68**	-
14	TCS Modifications	Plant & Machinery	-	-	-	5.9	-	**5.9**	**5.9**	-
15	West Cargo Hydrant Extension	Plant & Machinery	-	51.87	-	-	-	**51.87**	**52.06**	**0.19**
16	Backup DG Upgrade with new Transformer	Plant & Machinery	5.25	-	-	-	-	**5.25**	**5.25**	-
17	Flushing Trucks	Vehicles	0.7	-	-	-	-	**0.7**	**0.7**	-
18	Foam Pourer work Area modification for Tanks T11, T12, T13 in line with tank T21	Plant & Machinery	0.35	-	-	-	-	**0.35**	**0.35**	-

Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
19	Hydrant Pit Valve Assembly - 10 Nos	Plant & Machinery	0.7	-	-	-	-	**0.7**	**0.7**	-
20	Hydrocarbon Detectors in FF	Plant & Machinery	-	4.8	-	-	-	**4.8**	**4.8**	-
21	Khume Flow Control Valves Replacement Receipt Line 4 No	Plant & Machinery	-	0.62	-	-	-	**0.62**	**0.62**	-
22	Khume Flow Control Valves Replacement Return Line 1 No	Plant & Machinery	-	0.5	-	-	-	**0.5**	**0.5**	-
23	Modification of Entry and Exit passages for Tanks T11, T12, T13 in line with tank T21	Plant & Machinery	0.5	-	-	-	-	**0.5**	**0.5**	-
24	MOV Actuator Replacement in Fuel Farm for Tank 12	Plant & Machinery	-	0.55	-	-	-	**0.55**	**0.55**	-
25	MOV Replacement in VC001	Plant & Machinery	-	1.22	-	-	-	**1.22**	**1.22**	-
26	Replacement of 7x Hydrant Pumps	Plant & Machinery	-	1.00	-	-	-	**1.00**	**1.00**	-
27	ROSOV for 04 Tanks	Plant & Machinery	-	1.04	-	-	-	**1.04**	**1.04**	-
28	Security Equipment- As per recommendation by State Security	Plant & Machinery	0.35	-	-	-	-	**0.35**	**0.35**	-
29	Shifting Electrical Cables to outside dyke	Plant & Machinery	-	2.65	-	-	-	**2.65**	**2.65**	-

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Sl No.	Particulars	Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total as per AERA	As per IOSPL Submission	Variance
30	Valve Chambers Covers replacement	Plant & Machinery	-	2.18	-	-	-	**2.18**	**2.18**	-
	Grand Total		**250.23**	**74.48**	**1.18**	**5.90**	**0.00**	**331.79**	**450.68**	**118.9**

Note: Capex proposed to be considered for the Fourth Control Period excludes Capex on project related to Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits) which is considered on "Incremental ARR approach"

5.2.24 The asset category-wise summary and year-wise capitalization proposed by the Authority for the Fourth Control Period (based on the above table) is given in the table below:

Table 32: Capitalization Schedule proposed to be considered by the Authority for the Fourth Control Period (FY 2026-27 to FY 2030-31) at Consultation Stage

(₹ in crores)

Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Plant & Machinery	247.37	72.71	1.18	5.90	-	**327.15**
Building	1.77	1.77	-	-	-	**3.54**
Vehicles	1.10	-	-	-	-	**1.10**
Total	**250.23**	**74.48**	**1.18**	**5.90**	**0.00**	**331.79**

5.2.25 The Authority proposed to readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order and if the delay in completion of the project/ non-execution of project, vis-à-vis the capitalization schedule considered in the Tariff Order, is beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately by the Authority at the time of determination of tariff for the next Control Period.

The Authority expects the ISP to do the required planning and due diligence, while proposing the Capex & Capitalization Schedule in their MYTPs, considering all the relevant factors, upon which tariffs are determined.

5.3 Stakeholders' comments regarding Capital Expenditure for the Fourth Control Period

5.3.1 IOSPL's comment with respect to exclusion of financial impact of third storage tank is as under:

"The Authority, while otherwise recognising the need for the Satellite Fuel Farm project and relying upon IOSPL's Cost Summary of Rs.287.66 crores (excluding IDC) submitted vide email dated 28.02.2026, has proposed, at paragraph 5.2.5 (vi) of the relevant extract, to exclude from the Fourth Control Period the financial implication (Depreciation and

Return on the capitalised value) of one of the three proposed fuel storage tanks (6,462 KL capacity), on the ground that the projected ATF demand growth during the Control Period would require only an additional capacity of approximately 8,340 KL (i.e., broadly two tanks), rendering the third tank's capacity surplus to requirement during the Fourth Control Period. The Authority proposes to reconsider the financial impact of the third tank only as part of the true-up exercise for the Fifth Control Period, and only in the event of an exceptional spike in traffic. The final MYTP for 4th CP submitted vide email dated 28.02.2026 (Annexure 4) may kindly be reckoned depicting the correct project cost for Satellite Fuel Farm including IDC.

IOSPL's Submission:

We have noted that the Capital Expenditure proposed by the Authority for 02 storage tanks with allied equipment and infrastructure is Rs 199.45 Crores as against the total capex proposed by IOSPL – Rs 318.16 Crores for 3 tanks.

We had submitted the justification for the necessity of minimum 3 tanks at the facility vide our email dated 20th April 2026 (Annexure-1). Further a letter from international experts from Skytanking is attached for your ready reference (Annexure-2)

AERA's guidelines accept that fuel storage cannot be calculated purely on average daily throughput; it must account for demand volatility, surge capacity, and supply disruption buffers. To take care of any exigencies like prevailing war like situation, higher inventories at the Airport Storage facilities are recommended.

Without the 3rd tank, stock storage would not be adequate as per the demand, putting KIA at acute risk of dry-outs during supply chain bottlenecks or pipeline disruptions.

The Authority has concluded that a storage configuration comprising two tanks of 6,540 KL each would be adequate to meet the forecast fuel throughput and has, on that basis, reduced the admissible project cost from Rs 318.16 crore to Rs 199.45 crore.

With utmost respect, IOSPL submits that this conclusion is based solely on storage capacity calculations and does not adequately consider the internationally recognised operational, safety and fuel quality requirements governing aviation fuel storage facilities. The provision of three storage tanks is not intended to create surplus storage capacity or facilitate future expansion; rather, it is the minimum configuration required to ensure safe, continuous and compliant operation of the Satellite Fuel Farm in accordance with internationally accepted aviation fuel standards.

The Consultation Paper appears to equate storage capacity with operational adequacy. While two tanks may theoretically provide the required aggregate storage volume, the design of an aviation fuel depot cannot be determined solely by volumetric capacity.

The Rationale for three tanks theory is summarized below:

a) Engineering & Compliance First:

Tank count is driven by IATA/JIG standards, safety, and operational continuity and not simple mathematical volume formulas.

b) *Flaws of a 2-Tank Model:*

A two-tank system forces a single tank to simultaneously receive and supply fuel whenever the other undergoes mandatory maintenance, cleaning, or inspection. This practice violates DGCA/international guidelines, bypasses required settling periods, and risks fuel quality.

c) *The 3-Tank Requirement (Minimum Redundancy):*

- *Tank 1: Fuel Receipt*
- *Tank 2: Hydrant Supply / Delivery*
- *Tank 3: Settling, Maintenance, Inspection, or Emergency Standby*

d) *Hydrant System Reliance:*

Unlike mobile bowsers, dedicated underground hydrant stands depend entirely on continuous, uninterrupted storage infrastructure.

e) *Cost Efficiency (CAPEX):*

Tanks represent a small fraction of overall Fuel Farm CAPEX. Major supporting infrastructure (firefighting, dykes, pipelines, common infrastructure etc) is built upfront for ultimate capacity regardless of initial tank count.

Consequently, a reduction in storage capacity does not result in a proportionate reduction in the overall Fuel Farm CAPEX. The facility-wise CAPEX breakup is attached as Annexure 3.

It is pertinent to highlight that omission of one storage tank would only eliminate the cost of the tank itself. Almost all other facilities would still need to be developed during the first phase, as they are planned based on ultimate operational requirements and regulatory obligations. Accordingly, the reduction in overall project CAPEX would be limited. The key reasons are summarized below:

a. *Dyke System: The dyke capacity and configuration are governed by the largest tank within the dyke area. Removal of one tank does not materially alter the dyke design or its construction requirements.*

b. *Firefighting Infrastructure: In accordance with OISD-235 requirements, the firefighting system, including fire-water tanks, hydrant network, fire pumps, and fire tenders, has been designed considering emergency response requirements for the facility. Therefore, the firefighting infrastructure remains substantially unchanged even if one storage tank is omitted.*

c. *Fuel Receipt and Pumping Facilities: The TT receipt gantry, receipt pumps, and hydrant pumps are designed based on the projected throughput of the facility and are largely independent of the storage capacity installed.*

d. *Common Infrastructure: Facilities such as the administrative building, perimeter wall, security systems, electrical infrastructure, access roads, and other supporting utilities are required from the outset and are not directly linked to the number of jet fuel storage tanks.*

Accordingly, while reducing the number of tanks lowers the storage capacity, the corresponding saving in overall Fuel Farm CAPEX is limited because the majority of the common and statutory infrastructure must still be established during the initial phase itself.

In view of the above submissions, IOSPL respectfully requests the Authority to:

1. *Recognise that the provision of three storage tanks is a minimum operational requirement arising from internationally accepted aviation fuel quality, safety and operational standards rather than a provision for future capacity expansion;*
2. *Admit the full estimated capital cost of ₹318.16 crore, subject to the Authority's normal prudence review of actual expenditure."*

5.3.2 IOCL's comment with regard to Capital Expenditure related to Storage Tanks is as follows:

"It is noted that the Authority has considered only two storage tanks form IOSPL's proposal of three tanks at the proposed Satellite Fuel Farm.

In this regard, the proposed configuration of all three tanks may be considered, based on the following considerations:

- *As per established aviation fuel handling and quality control practices, simultaneous receipt and delivery operations from the same tank are not permitted. Further, adequate setting time is required before a tank can be put into delivery service. Accordingly, a minimum of three tanks is essential for the efficient and safe operation of a storage terminal, with the following functional requirement:*
  - *One tank for receipt operations*
  - *One tank for delivery operations*
  - *One tank for setting*
- *In addition, storage tanks are periodically taken out of service for mandatory inspection, maintenance, VVIP Refuelling and cleaning activities. Provisioning of three tanks therefore provides the necessary operational flexibility while ensuring compliance with quality and safety standards.*
- *From both safety and operational perspectives, it would be prudent to execute the complete project scope, including all three tanks, in a single phase rather than undertake future expansion within a live facility.*
- *IOCL, being the market leader in aviation fuel at Bengaluru Airport, recommends maintaining a 7-8 days' storage cover at the satellite Fuel Farm. This is essential for Industry to ensure resilience against supply chain disruptions or contingencies. This provision will also comply with the DGCA and other international norms.*

It is therefore requested that the authority may consider the above submission and approve the provision of all three storage tanks at the proposed Satellite Fuel Farm."

5.3.3 BIAL's comment with regard to Capital Expenditure regarding Storage Tanks is as under:

"The proposed tank configuration is based on internationally recognised IATA and JIG standards, which require airport fuel facilities to provide adequate operational flexibility, redundancy, maintenance capability, and an uninterrupted fuel supply. Consequently, it is not technically feasible to develop fewer than three tanks, as the requirement is driven not only by overall storage capacity but also by the need to safely receive, settle, quality-check, isolate for maintenance, and continuously deliver aviation fuel without disrupting operations. Furthermore, maintaining sufficient fuel reserves is increasingly important given the current geopolitical uncertainties in the Middle East, ensuring resilience against potential supply disruptions and safeguarding continuity of airport operations. From a capital investment perspective, constructing the new tanks at the proposed location represents the most efficient long-term CAPEX solution. The additional capacity is also expected to be effectively utilised, with tank occupancy projected to reach nearly 80% by the fourth year of the concession period, coinciding with the commissioning of the new apron and the associated increase in fuel demand."

5.3.4 Heeva Engineering Designs' comment regarding storage tanks is as under:

"The Authority has proposed:

1. *Deferring/deleting one 6640KL storage tank, reducing the initial installation form 3 tanks to 2 tanks.*
2. *Scaling down the allowed Capital Expenditure (Capex) proportionally by roughly 31% (reducing the project base cost from ₹ 287.66 Cr to ₹ 199.45 Cr).*

As the specialized engineering design firm for fuel infrastructure, Heeva Engineering Designs respectfully submits that reducing the facility to 2 tanks violates strict Aviation Quality Control (QC) operational mandates and that a pro-rata 33% Capex reduction is technically and financially invalid due to non-scalable common infrastructure costs.

1. *TECHNICAL & QUALITY CONTROL JUSTIFICATION (THE 3-TANK MANDATE)*

The Authority's recommendation to reduce storage capacity to 2 assumes fuel storage operates on a continuous, static volumetric basis. However, in Aviation Turbine Fuel (ATF) handling, tankage cannot be treated as a single continuous volume due to strict international quality control and safety standards (e.g., Joint Inspection Group – JIG ½, API/IP, and DGCA guidelines).

A minimum 3 tank- configuration per grade/farm is mandatory to achieve the "3 – Tank Operational Cycle":

TANK 1: RECEIVING □ TANK 2: SETTLING □ TANK 3: DELIVERING

Why a 2 – Tank System Fails Operational & Mandatory Standards:

- *Quality Control & Settling Time: ATF delivered to a storage tank requires a mandatory minimum settling time to allow free water and particulate matter to settle out before testing and certification.*
- *Contamination Risk (Simultaneous Operations): If only 2 tanks are installed:*

- *Tank 1 is I Delivery to aircraft.*
- *Tank 2 Receiving fresh batch fuel.*
- *Vulnerability: There is no tank available for Setting & Quality Testing. If Tank 1 empties before Tank 2 completes receiving and mandatory setting/testing, fuel transfer to the airport hydrant system must cease entirely, creating an unacceptable risk of operational shutdown at a major international airport.*

- *Redundancy & Maintenance: In a 2-tank setup, routine maintenance, internal tank inspections, cleaning, or emergency isolation leaves the entire fuel farm operating on a single tank, making compliant operations impossible.*

Conclusion on Operating Philosophy: The 3-tank design is not an issue of "creating excess volumetric capacity"; it is a functional process requirement to ensure safe, un-contaminated, and uninterrupted supply to aircraft.

2. FINANCIAL & COST DYNAMICS (NON-LINEAR CAPEX SCALING)

The Authority has reduced the allowable base capital cost from ₹ 287.66 crores to ₹ 199.45 Crores, a direct over 33.33% reduction. This assumes that Capex scales linearly with the number of storage tanks (i.e., removing 1 of 3 tanks removes 2/3rd of the total cost).

From an engineering design and cost-estimation standpoint, this assumption is incorrect.

Breakdown of Fixed vs. Variable Capital Expenditure:

The cost of a Satellite Fuel Farm comprises wo major components:

1. *Common/ Civil/ Utility Infrastructure (Fixed Costs): These costs are required on Day – 1 regardless of whether there are 2 tanks or 3 tanks.*
2. *Tank Shell, bottom and roof and other associated facilities on the tank & Dedicated piping (Variable Costs): Only the direct plate materials, dedicated tank valves, and foundation slab for the 3rd tank scale down.*

SATELLITE FUEL FARM TOTAL CAPEX STRUCTURAL BREAKDOWN

A) FIXED/COMMON INFRASTRUCTURE,

Land Development, Grading, Admin, Sub-station buildings, Boundary Walls, Roads, & Drainage, Firewater Tanks (2 Nos.), Fire pumping Station, Offloading/ Receiving Pumps, Filtration Units (Filter Water Separators), Truck unloading gantry and pump house, Hydrant Main pumping Station, workshop, Variable Frequency Drives (VFDs), Electrical Substation, Transformers, DG Sets, & HT/LT Distribution, PLC/SCADA Automation, Control Room, Terminal Management System, Slop Tanks, Oily Water Separators, & Environmental Systems, leak detection system, emergency shutdown system, etc.

B) VARIABLE TANK COST

Tank Fabrication, Steel Plates for the construction of this tank, Tank Foundation, Direct Inlet/Outlet Tank Valves & Gauging instruments and other appurtenances.

Financial Impact of Removing 1 Tank:

- *The 3rd storage tank shell, internal floating roof, foundation, and other appurtenances represent only small portion of 31% of overall Satellite Fuel Farm Project Capex.*
- *The common facilities listed above must be 100% built upfront to support the operational design flow of the Satellite Fuel Farm.*

Therefore, removing the 3rd tank does not reduce the overall project cost by 31%. Reducing the budget to ₹ 199.45 Crores severely underfunds the critical, non-scalable utility and safety infrastructure required to operate even a 2-tank facility.

3. PROPOSED REVISED SUBMISSION & RECOMMENDATION

In light of the technical and financial facts, Heeva Engineering Designs recommends the following to the Regulatory Authority:

1. *Reinstatement of the 3-Tank configuration on Technical Grounds: 3-tank configuration is mandated by Aviation Fuel Quality & Operations Standards (JIG/DGCA) to maintain the Receive-settle-Deliver cycle. Deferring the 3rd tank jeopardizes fuel certification compliance and airport operational resilience. Hence 3 tanks are required.*
2. *Submission of a Detailed Asset-Wise Cost Breakdown (if Phased Capex is Enforced): If the Authority maintains its decision to phase the 3rd storage tank despite its operational and quality control necessity, deduction of one tank cost be Limited to Specific to the one tank alone based on actuals as there are fixed cost (irrespective of tanks)."*

5.3.5 Auxesia Consultancy's comment with regard CAPEX related to Storage Tanks is as under:

"CP-03 proposes to exclude from RAB the financial implication (Depreciation and Return) of one of the three 6,540 KL storage tanks comprising the new Satellite Fuel Farm, valuing the excluded capacity at approximately ₹99.73 crore of Capex (derived from the difference between IOSPL's ₹318.16 crore submission and the Authority's ₹199.45 crore allowance in Table 25), on the ground that projected fuel throughput growth to FY 2030-31 requires only a 42% capacity augmentation (i.e., roughly two of the three new tanks), and citing IATA's concern (raised in the Users' Consultation Meeting of 05.03.2026) about the pace and phasing of the investment (Paras 1.3.9, 5.2.5(v)).

Our observations on this proposal are as under:

a. *The underlying capacity calculation in Para 5.2.5(iv) is a linear extrapolation of the ratio between existing storage capacity and current-year throughput, projected onto FY 2030-31 throughput. This is a reasonable approximation but does not account for peak-day/peak-hour storage requirements, minimum safety/dead-stock buffers, or thelead time needed to procure and construct additional tankage once utilisation approaches capacity — all of which are relevant to prudent capacity planning for a safety-critical hazardous-material facility.*

b. *From a regulatory-principle standpoint, the CGF Guidelines do not contain a provision permitting the Authority to exclude a substantially complete, commissioned, and prudently-committed asset from RAB purely on a utilisation forecast. Clause 9.2.6(c)*

of the Guidelines provides for "Incentive Adjustments" only to encourage timely investment (e.g., rewarding early commissioning), not to penalise investment that the Authority itself agrees is directionally necessary (Para 5.2.5(iii): "the Authority agrees with the ISPs' submission that aviation fuel demand is projected to rise significantly"). The Work-in-Progress mechanism at Clause 9.2.7 governs assets "not commissioned" during a Tariff Year; it does not contemplate excluding a commissioned, in-service asset from RAB on a prospective utilisation test.

c. *The proposed remedy — reconsideration only "in case the airport witnesses exceptional spike in aircraft traffic" at the time of the Fifth Control Period true-up (Para 5.2.5(vi)) — places the entire burden of demonstrating a contingency on IOSPL, with no defined threshold, timeline, or process for that reconsideration. This creates open-ended regulatory uncertainty for a capital-intensive, long-lived, safety-critical asset.*

Feedback: The Authority should adopt a more structured and transparent capacity-phasing methodology going forward — for instance, defining upfront (in the Tariff Order rather than at a later, unspecified true-up) an explicit throughput or capacity-utilisation trigger at which the third tank enters RAB, together with a pre-agreed truing-up mechanism (including recognition of the carrying cost on the excluded capacity, see Section 4.2 below) rather than an open-ended "exceptional spike" standard. This would materially reduce IOSPL's compliance and investment-planning risk while retaining the Authority's stated objective of protecting users from premature tariff burden for under capacity-utilised assets."

5.3.6 Shell MRPL's comment regarding limiting the storage facility to two tanks instead of three tanks is as under:

"AERA has proposed, under para 5.2.5(vi) of the Consultation Paper, limiting the storage facility to two tanks instead of the three tanks originally proposed, resulting in a reduction of approximately 6,500 KL in storage capacity.

We respectfully request AERA to reconsider this recommendation and permit the construction of all three tanks as originally envisaged. The satellite tan farm has to be viewed in terms of an independent location in terms of aviation fuel farm operations to cater to the quality requirements of the aviation fuel farm operations to cater to the quality requirements of the aviation fuel handling with separate manpower and concomitant infrastructure. Restricting the facility to only two tanks may inadvertently result in operational constraints not only for Shell MRPL but also for other suppliers who would be required to defer product positioning into the fuel farm whenever one tank is occupied by continuous pipeline receipt and the remaining tank is engaged in aircraft supply or quality assurance activities. Our considerations for the three tank configuration for the satellite farm are given as follows:

- *Aviation fuel is non-replaceable entity:*
  - *Aviation fuel is a non-refundable entity as compared to other elements and the entire redundancy in terms of quality and quantity needs to be built-up on the ground*

whereas all other elements in terms of manpower and equipment have design redundancy

- *In the foreseeable future, there is no drop-in replacement for the aviation fuel & hence all the infrastructure design does not have an expiry life in terms of non-usage or planned obsolescence*
- *The proposed three-tank configuration is not intended merely to enhance storage capacity but is a fundamental operational requirement for ensuring the safe, efficient, and reliable functioning of the fuel farm.*
- *As per established aviation fuel quality control practices and industry standards, tank truck receipts and pipeline receipts cannot be undertaken simultaneously into the same storage tank. Each receipt mode is subject to independent sampling, testing, setting and quality assurance procedures before the product can be released for into-plane operations. These requirements are critical to maintaining the integrity of ATF and ensuring compliance with stringent aviation fuel quality standards.*
- *Further, maintaining dedicated storage flexibility is an important safeguard against product contamination and adulteration risks. Aviation fuel specifications demand the highest standards of product integrity, and any inadvertent mixing of batches, incomplete settling, or operational compulsion arising from inadequate storage capacity can increase the risk of off-specification product entering the supply chain.*

- *EI 1540 recommendations on tankage:*
  - *EI 1540 (Design, construction, commissioning, maintenance and testing of aviation fuelling facilities, section 3.3- design for the tankage & number of tanks) recommends consideration for the peak demand, tank major integrity testing future development of the airport & other factors while deciding on the tankage.*
  - *While permitting the third tank may entail a marginal increase in capital expenditure, such an increase must be viewed in the context of the critical safety, operational, and quality assurance functions that the additional tank serves.*

- *BIAL aspiring to becoming second largest airport of the country after Delhi:*
  - *https://www.google.com/amp/s/www.thehindu.com/news/national/karnataka/bangalore-international-airport-limited-confidentthat-bengaluru-airport-will-be-secondlargest-in-india/article71222027.ece/amp/*
  - *BIAL aspires to become second largest airport of the country needs to have adequate infrastructure which is comparable to that of DAFFPL at New Delhi.*
  - *The proposed fuel infrastructure which is comparable to that of DAFFPL fuel fuel infrastructure which has 51,000 KL fuel storage capacity.*
  - *Three storage tankage enables safe isolation of tanks for inspection, maintenance, or emergency response without compromising continuity of fuel supply. The additional*

tank therefore strengthens the facility's ability to comply with internationally accepts HSSE practices and supports a safer operating environment.

- *DAFFPL fuel farm configuration:*

Tank details	*Capacity (KL)*
VF-201	*6000*
VF-202	*6000*
VF-203	*6000*
VF-204	*6000*
VF-205	*9000*
VF-206	*9000*
VF-207	*9000*
Total	***51000***

  - *As can be seen DAFFPL storage tank capacity is much higher than the BIAL tank capacity and hence the proposed three tankage configuration is line with the BIAL to become the second largest airport of the country.*

- *Upcoming new pipeline connectivity to the satellite farm tankage:*
  - *The requirement becomes even more critical in light of the authorization already granted by PNGRB for a dedicated pipeline connecting the supply source to the airport fuel facility vide order No. PNGRB/Auth/3-PPPL(11)/2024(E-5237) dated 19th May 2026 to MRPL*
  - *The infrastructure has been planned considering future pipeline operations, and reducing the number of tanks would significantly constrain the operational flexibility required for efficient receipt, storage, and dispatch of aviation fuel.*
  - *The pipeline systems are designed to maximise throughput by minimising interruptions to receipt operations. Adequate receiving tankage is therefore an integral part of pipeline design. Reducing the receiving tankage from three tanks to two would diminish the operational flexibility expected from the dedicated pipeline investment and could lead to avoidable stoppages of receipt operations, thereby reducing the overall efficiency of the integrated airport fuel supply system.*
  - *Pipeline receipt operations fundamentally differ from tank truck receipts, as pipeline transfers are generally undertaken in long batches and require uninterrupted receipt capability. Any interruption in receipt operations results in reduced pipeline utilization, increased operational inefficiencies, and avoidable logistics costs.*
  - *The proposed third tank in the satellite fuel farm provides critical contingency capability during periods of peak demand, supply disruptions, maintenance shutdowns, or emergency, or emergency situations. Such redundancy is a globally accepted design practice for critical aviation fuel infrastructure, where uninterrupted*

fuel availability is essential for maintaining airport operations and ensuring aviation safety.

- *Other operational & quality considerations:*
  - *With only two storage tanks, the facility would face considerable operational limitations. At any given point, one tank may be engaged in pipeline receipt while the second tank may be required for tank truck receipt, quality setting, maintenance activity, or unexpected operational contingency could directly affect fuel availability and airport operations.*
  - *An additional storage tank facilities proper segregation of product batches, complete quality verification before release, and traceability throughput the receipt and delivery cycle, thereby reinforcing product assurance and minimizing the possibility of contamination or adulteration.*

The proposed investment for 3 storage tanks should be assessed on a whole-of-life basis rather than solely on the incremental capital cost of one additional storage tank. While the omission of the third tank may result in a marginal reduction in initial expenditure, it is likely to increase operational constraints, reduce pipeline utilization, necessitate future capacity augmentation, and increase lifecycle costs for the common-user infrastructure. Conversely, providing the third tank at the construction stage represents the most prudent engineering solution, avoids future disruption to airport operations arising from brownfield expansion, and ensures that the infrastructure remains adequate throughput the regulatory control period and beyond.

In view of the above pipeline operations, operational safety and quality assurance, we respectfully submit that the provision of three storage tanks is technically justified, operationally necessary, and consistent with prudent engineering and HSSE practices. We therefore request AERA to reconsider its proposal under para 5.2.5(vi) and allow the construction of all three stage storage tanks as originally proposed."

5.3.7 IOSPL's comment with regard to "Incremental ARR Approach" is as follows:

"The Authority, at paragraphs 5.2.12 to 5.2.20 of the CP, has proposed to introduce an "Incremental ARR Approach" for identified High Capex Projects that are scheduled to be commissioned and capitalised during the last two tariff years of the Control Period, and which have a material impact on the ARR and Yield. Under this framework, the baseline ARR and tariffs for the Control Period would be determined by excluding the impact of such capital projects (and the consequential impact on Depreciation, Opex and Taxation), with recognition of the associated financial impact to be considered only after the project is actually completed, commissioned and put to use, supported by an Auditor's Certificate, followed by a mid-period revision of the approved tariff. The Authority has proposed to apply this approach to the "T2 Phase 2 — 51 Stands HRS Extension" project, which is proposed to be capitalised on (as per BIAL's CP for fourth control period, this date is 30th June 2029. Accordingly, revise the submissions).

IOSPL's Submission:

IOSPL respectfully submits its objections to the Authority's proposal (Paragraphs 5.2.12 to 5.2.20 of the Consultation Paper) to apply the "Incremental ARR Approach" to the T2 Phase 2 — 51 Stands Hydrant Refuelling System (HRS) Extension project.

Even upon evaluating the revised project completion/commissioning date as per Bangalore International Airport Limited's (BIAL) submission i.e., 30 June 2029 (FY 2029–30), the application of the Incremental ARR Approach remains regulatory-inconsistent, financially burdensome, and unnecessary.

IOSPL requests the Authority to include the project's capital expenditure and its consequential impact (Depreciation, Return on RAB, Opex, and Taxation) directly in the baseline Aggregate Revenue Requirement (ARR) for the Fourth Control Period (FY 2026–27 to FY 2030–31), subject to standard true-up.

1. *The Authority's stated intent in Paragraph 5.2.17 of the Consultation Paper is to apply the Incremental ARR Approach exclusively to projects commissioned in the last two tariff years of the Control Period (i.e., FY 2029–30 and FY 2030–31).*

2. *As per BIAL's submission to the Authority, the project is scheduled for completion/ capitalisation on 30 June 2029.*

3. *Impact on RAB and FroR: Commissioning on 30 June 2029 falls in the first quarter of FY 2029–30. This means the asset will be fully operational, put to use, and generating service utility for nearly the entire financial year (9 out of 12 months in FY 2029–30), as well as the full year of FY 2030–31.*

4. *Treating a project that is active for almost two full tariff years as a "late-stage" asset severely distorts the Regulatory Asset Base (RAB) and deprives IOSPL of a Fair Rate of Return (FroR) during its active operations.*

5. *Deferring Depreciation, return on RAB, and Opex until post-commissioning, followed by a mid-period tariff adjustment, creates a sudden spike in tariffs for airlines and airport users.*

6. *Incorporating the project into the baseline ARR build-up using the standard forecast method ensures a smooth, predictable, and phased tariff trajectory across the Fourth Control Period, eliminating artificial pricing volatility.*

7. *The existing regulatory mechanism inherently protects user interests against capitalisation delays, cost variations, or non-execution by truing up ARR against audited actuals at the commencement of the Fifth Control Period.*

8. *Introducing a parallel, project-specific "Incremental" framework duplicates existing safeguards without adding regulatory value.*

9. *The HRS Extension is integral to Kempegowda International Airport's (KIA) capacity expansion. To fund and execute infrastructure of this scale, IOSPL requires regulatory certainty and timely cash-flow visibility rather than a bifurcated baseline/incremental structure.*

10. *Subjecting this asset to a separate mid-term tariff filing, Auditor's Certification, and interim tariff determination over and above annual tariff approvals and end-of-period true-ups places an unnecessary administrative burden on both the Authority and the operator.*

Request:

In light of the above submissions, IOSPL respectfully prays that the Authority:

1. *Do not apply the principle of the Incremental ARR Approach to the T2 Phase 2 — 51 Stands HRS Extension project.*

2. *Include the full capital expenditure of the project, along with its consequential impact on Depreciation, Return on RAB. Opex, and Taxation, within the Baseline ARR for the Fourth Control Period.*

3. *Subject the project to the standard true-up mechanism based on audited actuals at the commencement of the Fifth Control Period."*

5.3.8 Auxesia Consultancy's comment with regard to Incremental ARR approach is as under:

"CP-03 introduces, for the first time in this proceeding, an ***"Incremental ARR Approach"*** *(Paras 5.2.12 onward), under which the Capex, RAB, Depreciation, Return and Taxation impact of the 40-Stands Hydrant Refuelling System (HRS) Extension project (estimated cost ₹153.47 crore including IDC. ₹153.96 crore as used in Table 49) is entirely excluded from the Baseline ARR for the Fourth Control Period (Table 48) and instead recognised only from the year of the project's tentative commissioning (FY 2030-31, per Table 49), with tariffs to be revised at that time based on the incremental Yield impact.*

This is a materially significant new regulatory construct, and we set out below why we believe it warrants closer scrutiny before being adopted as a general mechanism:

a) Absence in the CGF Guidelines, 2011:

The Incremental ARR Approach, in this specific form, does not appear anywhere in the CGF Guidelines, 2011, nor has it previously been applied by the Authority in any tariff determinations. The Authority's own reasoning in Paras 5.2.12-5.2.19 is framed as new policy rationale rather than an application of an existing Guideline clause. Section 13(1)(a) read with Section 15 of the AERA Act gives the Authority broad power to determine tariff methodology. However, a mechanism of this consequence (it defers recognition of roughly 25% of total FoCP Capex) ought, in fairness to all ISPs

regulated by the Authority, to be consulted upon as a standalone cross-airport policy paper, rather than introduced project-specifically within a single ISP's tariff order, so that its parameters (which projects qualify, what "later part of the Control Period" means, how carrying costs are treated) are settled once, transparently, and applied consistently.

b) No Financing Allowance during the deferral period:

The CGF Guidelines already contain a mechanism — the Work-in-Progress Assets (WIPA) methodology at Clause 9.2.7 — designed precisely for the situation where an asset is under construction but not yet commissioned: the Guidelines compensate the Service Provider for the cost of funds locked up in construction through a "Financing Allowance" (calculated at the cost of debt on the average WIP balance), which then rolls into RAB once the asset is commissioned. CP-03's Incremental ARR computation in Table 49, however, shows Opening RAB, Additions and Average RAB as "0.00" for FY 2026-27 through FY 2029-30, with the entire ₹153.96 crore appearing only in FY 2030-31 — i.e., no Financing Allowance (or economically equivalent carrying-cost compensation) is recognised for the capital IOSPL will in fact deploy from the point work orders are issued through to commissioning. Under the Authority's own stated reasoning, IOSPL has already agreed "in-principle" to this project's necessity (Para 5.2.21). If IOSPL is nonetheless required to fund its construction (whether through debt or equity) for several years before receiving any return or depreciation recognition, this amounts to an uncompensated cost of capital that would not arise if the project were treated instead under the existing WIPA/Financing Allowance mechanism. This is the most consequential gap.

c) Indicative revenue impact: *Applying the Authority's own FRoR of 11.33% (Table 35) to the average capital deployed over an assumed 3-4-year construction period preceding FY 2030-31 commissioning suggests a foregone/uncompensated return in the broad range of ₹40-60 crore over the FoCP — a materially larger sum than the ₹10.67 crore PV of incremental ARR shown for FY 2030-31 alone in Table 49. The Authority must quantify this gap explicitly and either –*

i. apply the existing Clause 9.2.7 Financing Allowance to the WIP balance of the 40-Stands project throughout its construction period (consistent with the Guidelines), while still deferring the RAB/Depreciation/O&M recognition to the commissioning date, or

ii. if the Authority wishes to retain a wholly deferred-recognition model, explicitly gross up the eventual Incremental ARR to compensate for the time value of capital foregone during construction.

d) Interaction with the Satellite Fuel Farm exclusion:

Authority has, within the same Consultation Paper, applied two different treatments to prudently-committed, Authority-endorsed capacity wherein the Satellite Fuel Farm's third tank is excluded from RAB indefinitely and without any carrying-cost recognition (Section 4.1 above), while the 40-Stands HRS project is deferred but with an explicit (if unfunded) date of eventual recognition. We recommend the Authority adopt one consistent framework — ideally the existing WIPA/Financing Allowance mechanism under Clause 9.2.7 — for all cases where committed capacity outpaces near-term utilisation, rather than applying two different bespoke treatments within a single Tariff Order.

Feedback: A standalone cross-airport policy may be introduced consequent to the outcome through a consultative process, so that its parameters (which projects qualify, what "later part of the Control Period" means, how carrying costs are treated) are settled once, transparently, and applied consistently. This concept and its consequential impact should not be applied in this CP for tariff determination."

5.4 IOSPL's response to other Stakeholders' comments regarding Capital Expenditure for the Fourth Control Period

5.4.1 IOSPL's comment on IOCL's comment with regard to Exclusion of financial implication of one storage tank is as under:

"IOSPL has reviewed the comments submitted by Indian Oil Corporation Limited (IOCL) on Consultation Paper No. 03/2026-27. IOSPL respectfully submits that IOCL's independent observations strongly corroborate IOSPL's submissions, particularly regarding the three-tank configuration and storage capacity of the Satellite Fuel Farm at Bengaluru Airport.

IOSPL respectfully submits that IOCL's comments provide independent confirmation from the largest aviation fuel supplier at Bengaluru Airport that the proposed three-tank configuration is operationally and technically justified."

5.4.2 IOSPL's comment on BIAL's comment regarding storage tanks is as under:

"BIAL has also expressly supported the proposed three-tank configuration for the Satellite Fuel Farm. This directly supports IOSPL's submission that AERA's approach of determining tank requirements solely based on volumetric storage capacity is not appropriate for a safety-critical aviation fuel facility. BIAL has additionally highlighted the importance of maintaining adequate fuel reserves in view of current geopolitical uncertainties in the Middle East and the need to safeguard continuity of airport operations against potential supply disruptions. BIAL has also confirmed that the proposed additional tank capacity is expected to be effectively utilised, with tank occupancy projected to reach approximately 80% by the fourth year of the concession period, coinciding with commissioning of the new apron and associated growth in fuel demand.

IOSPL respectfully submits that this confirmation by the Airport Operator materially strengthens IOSPL's case for approval of the full Satellite Fuel Farm CAPEX of Rs 318.16 crore and the proposed three-tank configuration.

IOSPL therefore respectfully requests the Authority to take due cognisance of BIAL's submission while finalising the tariff and reconsider its proposals relating to the land licence fee and Satellite Fuel Farm CAPEX.

IOSPL submits that recognition of the full contractual land licence fee and approval of the three-tank configuration would not confer any preferential treatment on IOSPL; rather, it would ensure consistency with the Airport Operator's contractual position, internationally recognised aviation fuel standards, and the Authority's own earlier regulatory treatment."

5.4.3 IOSPL's comment with regard to Heeva Engineering Designs comment on Storage tanks is as under:

"IOSPL respectfully submits that HED's observations, being made by an independent multidisciplinary engineering design consultant specialising in aviation fuel farms, hydrant systems, petroleum storage facilities and associated infrastructure, provide important independent technical corroboration of IOSPL's submissions. HED has stated that its assessment is based on established engineering principles, international standards and recognised aviation fuel practices.

IOSPL concurs that such a configuration provides the need for third tank which provides the minimum operational flexibility necessary to maintain continuous fuel supply while allowing individual tanks to be taken out of service when required."

5.4.4 IOSPL's comment regarding Auxesia Consulting's comment with respect to exclusion of financial implication of one storage tank is presented below:

"Auxesia has specifically questioned AERA's exclusion of one of the three Satellite Fuel Farm tanks, observing that the capacity calculation does not adequately consider peak demand, redundancy, fuel quality, maintenance and safety/dead-stock buffers, maintenance requirements or the lead time for additional tank construction. It has also noted that the CGF Guidelines do not provide for exclusion of a commissioned asset merely on the basis of projected utilisation.

IOSPL concurs. The requirement for three tanks is driven by operational redundancy, fuel quality, maintenance and safety requirements and cannot be determined solely by a linear throughput-to-capacity calculation. IOSPL therefore requests approval of the full three-tank configuration and associated CAPEX."

5.4.5 With regard to the comment of Shell MRPL relating to Storage tanks, comment of the ISP is as under:

"SMAFSL has expressly requested AERA to reconsider its proposal to restrict the Satellite Fuel Farm to two tanks instead of the three tanks proposed by IOSPL. Importantly, SMAFSL's justification is based on actual aviation fuel supply and operational requirements and is not merely a capital expenditure consideration.

SMAFSL has therefore independently concluded that the three-tank configuration is technically justified, operationally necessary and consistent with prudent engineering and HSSE practices.

IOSPL fully concurs with SMAFSL's assessment. The independent endorsement by a major aviation fuel supplier substantially reinforces IOSPL's position that the third tank is not surplus capacity but an essential component of a safe and reliable aviation fuel system. The requirement should therefore be assessed on the basis of operational redundancy, fuel quality, pipeline receipt requirements, maintenance and airport continuity, and not merely on a mathematical comparison of aggregate storage capacity with projected throughput."

5.4.6 IOSPL's counter comment on Auxesia Consulting Firm's comment regarding Incremental ARR approach is as under:

"Auxesia has independently observed that the proposed Incremental ARR Approach is not contained in the CGF Guidelines and has not previously been applied by AERA, and that its introduction in a single tariff proceeding raises concerns of regulatory consistency and transparency. It has further highlighted that the proposed approach provides no Financing Allowance during the construction period, potentially leaving the ISP without compensation for the cost of capital deployed during construction.

IOSPL fully concurs and requests that the proposed Incremental ARR methodology not be applied in the present tariff determination. If AERA considers such a framework necessary for future cases, it should first be developed through a transparent, consultative process and aligned with the existing WIP/Financing Allowance provisions."

5.5 Authority's analysis on Stakeholders' comments regarding Capital Expenditure for the Fourth Control Period

Authority's views on Stakeholder comments regarding CAPEX related to Satellite Fuel Farm (Storage Tanks):

5.5.1 The Authority notes the comments of stakeholders namely IOSPL, IOCL, BIAL, Heeva Engineering Designs, Auxesia Consulting, Shell MRPL regarding the exclusion of financial implication of 3rd Storage tank in the tariff determination. At the outset, the Authority would like to clarify that in the Consultation Paper, the Authority has not disallowed the construction of the 3rd storage tank (Satellite Fuel Farm project) and has not commented on the technical, operational, safety aspects, including three tanks configuration of the Fuel Storage Facility at the Bangalore Airport.

5.5.2 The Authority, merely from the regulatory perspective questioned the capacity utilization of SFF storage tanks during the Fourth Control Period, in line with the ICAO's principle of

Cost-Relatedness which, inter-alia, stipulates that Charges should reflect the cost of facilities and services provided to the users and no user pays for services or facilities which they do not use. It is explicit in this cost-relatedness principle that users should be charged only for the facilities/ services (infrastructure capacity) actually availed by them.

5.5.3 Accordingly, AERA examined the aspect of fuel storage capacity of new Satellite Fuel Farm expected to be utilized during the Fourth Control Period, and has not commented upon the technical / operational aspects like the actual fuel storage configuration (no of storage tanks to be built etc.). AERA, as an economic regulator of airports is well within its rights, and in fact is mandated to consider the only efficient Capex on Infrastructure, inter-alia, considering the present and expected future traffic demand, so as to ensure that users pay only for the infrastructure & facilities actually utilized by them.

5.5.4 The Authority, in the Consultation Paper proposed not to consider the financial impact (i.e., Return on associated RAB and Depreciation) pertaining to the 3rd Fuel Storage Tank, as its storage capacity is not likely to be utilized during the Fourth Control Period.

As per the Authority, the users should not be made to bear the cost of over-designed infrastructure capacity, which they are not expected to utilize during the FoCP.

5.5.5 As regard to the view of the ISP that "AERA's guidelines accept that fuel storage cannot be calculated purely on average daily throughput; it must account for demand volatility, surge capacity, and supply disruption buffers". However, AERA's CGF Guidelines, 2011 do not contain any such reference with regard to projected capital expenditure. On the contrary, Appendix to CGF Guidelines (AI.5.3.5. & AI.5.3.6), inter-alia, mandate the service provider(s) to submit a 10-year capital expenditure plan along with justifications for project(s), including targeted improvement in context of improving quality of service and enhancing customer satisfaction, creating additional capacity for providing efficient service. The CGF Guidelines, clearly lay emphasis on enhancing customer satisfaction and providing efficient service.

5.5.6 These objectives can be better achieved if users views & suggestions are duly considered by the service providers while planning capacity expansion etc., as part of consultation with stakeholders, in line with the CGF Guidelines (Appendix Clause AI.8.1.1), which inter-alia requires the service provider to address the concerns raised by the stakeholders.

5.5.7 In this regard, it is pertinent to mention that stakeholders like IATA (International body representing international airlines, which are main consumers of ATF at the Bangalore airport) during the user consultation meeting held on 05.03.2026 raised concerns relating to the large Capex proposed and the manner in which fuel farm storage capacity being expanded. The views of IATA Representative in this regard were indicated in the para 1.3.9 of the Consultation Paper and are reproduced here: "Mr. Ujjwal Bakshi, IATA expressed concerns on the large CAPEX proposed and also suggested that the investment should be trigger based and implemented in a phased manner. He also stressed on necessity, timing of investment, and whether it should occur at the beginning or middle of the control period."

5.5.8 Accordingly, it is incumbent upon the service providers to consider the views/ suggestions regarding capital expenditure so as to ensure that only the efficient capex is considered for provision of regulated services.

5.5.9 As regards the comments of BIAL that maintaining sufficient fuel reserves is increasingly important given the current geopolitical uncertainties in the Middle-East ensuring resilience against potential supply disruptions and safeguarding continuity of Airport operations. In this regard, it is clarified that the strategic storage of crude oil as part of national energy security is undertaken by Indian Strategic Petroleum Reserves Limited (ISPRL), a SPV formed by Oil Industry Development Board (IODB), under Ministry of Petroleum and Natural Gas. Whereas, at the Airport level common fuel storage tanks are designed for storing commercial quantity of ATF by the fuel suppliers (Oil marketing Companies) for day-to-day demand of their client airlines.

5.5.10 Based on the comments of the ISP and other stakeholders, the Authority has revised the Fuel Throughput Volume Projection for the Fourth Control Period at 80,09,388 KL (refer Table 26). The Authority has assessed the additional fuel storage capacity required during the Fourth Control Period, at 6341 KL only, worked out as under:

Current Storage Tank Capacity: 19,800 KL - sufficient to cater to 14,40,453 KL Fuel Throughput for FY 2026-27 (as per the ISP's submission)

Considering the same storage capacity utilization, Total Fuel Storage Capacity required for the Fourth Control Period:

*[Current Storage Capacity/ Fuel Throughput (FY 2026-27)] * Fuel Throughput (FY 2030-31)*

i.e., **(19800/ 1440453) * 1901761 = 26141 KL**

Accordingly, additional fuel storage capacity required is 6341 KL [26141 KL - 19800 KL (existing capacity)] or 32% (6341/ 19620).

5.5.11 BPCL has supported AERA with regard to the rationalization of various cost elements and BPCL has commended the rationalization undertaken by AERA and stated that *"The Consultation paper has appropriately rationalized various cost elements, including CAPEX, operating expenditure, lease rentals, and return-related claims. The resulting efficiency gains should translate into moderation of user charges"*.

In view of the above analysis, the Authority, from a regulatory perspective, decides to consider the Capex on Fuel Storage Tanks (Shell Structure) based on the expected capacity utilization during the Fourth Control Period. Accordingly, based on the projected ATF throughput and the corresponding additional storage capacity requirement, only 40% (32% + 8% buffer margin) of the aggregate cost of the three fuel storage tanks is considered for regulatory purposes during the Fourth Control Period, while the financial implication (Return on RAB and Depreciation) pertaining to the balance 60% of the aggregate cost of

the three storage tanks, has not been considered during the Fourth Control Period, as 60% fuel storage (3 tanks) capacity is not expected to be utilized during the current Control Period.

5.5.12 The aforesaid regulatory treatment is linked to the extent and timing of utilisation of the storage capacity and should not be construed as a disallowance of the storage tanks as assets or of their construction. The regulatory consideration of the presently excluded portion may be reviewed in a subsequent Control Period, having regard to the actual / projected throughput, capacity utilization. As per the Authority, any capacity creation should be planned considering the expected demand, as any excess capacity leads to higher tariffs for users.

5.5.13 However, from regulatory perspective, based on the detailed breakup of the cost of fuel storage tanks and the allied common infrastructure, such as fire tanks, fire pump house, electrical substation, gantry, operations building, roads, drainage, boundary wall works, etc., furnished by the ISP in its stakeholder comments, the Authority observes that the cost attributable specifically to the three fuel storage tanks (storage shell) is ₹ 45.18 crores (₹15.06 crores per tank), whereas the balance project cost relates to common and allied infrastructure required for operation of the Satellite Fuel Farm.

5.5.14 The Authority considers it appropriate to link the regulatory exclusion of the Capex to the unutilized portion of the total fuel storage capacity being added. On the basis of the capacity non-utilization assessed for the Fourth Control Period, 60% of the aggregate cost of all three storage tanks, amounting to ₹ 27.11 crores (₹ 15.06 crores × 3 × 60%), is excluded from the RAB for the Fourth Control Period. The corresponding 40% of the aggregate tank cost, together with the cost of the eligible common and allied infrastructure, is considered for capitalisation, subject to other regulatory adjustments.

5.5.15 Accordingly, against the total Satellite Fuel Farm cost of ₹ 299.18 crores, the capital expenditure considered by the Authority for the Fourth Control Period is ₹ 272.07 crores, after exclusion of ₹ 27.11 crores representing 60% of the aggregate cost of the three storage tanks (shell structure only). This results in an increase of ₹ 72.62 crores over the amount of ₹ 199.45 crores proposed at the Consultation Paper stage.

5.5.16 The revised capital expenditure decided by the Authority for Satellite Fuel Farm (SFF) is as under:

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AERA

(₹ in crs.)

Particulars	Capitalization Year 2026-27
Total Capex proposed by the Authority in respect of SFF at CP stage. [Cost of SFF with 3 storage tanks = ₹ 299.18 crs. (Base cost ₹ 287.66 crs. + IDC - ₹ 11.52 crs. = ₹ 299.18 crs.] Cost of SFF with 2 storage tanks = ₹ 299.18 crs./3*2 =199.45 crs.	199.45 (A)
Capex decided by the Authority for SFF: Common Infrastructure of SFF (fire tanks, fire pump house, electrical substation etc.) = **₹ 254 crores** Cost of one Storage Tank as per ISP- ₹ 15.06 crores Cost of Three Storage Tanks- ₹ 45.18 crores Capex considered by the Authority for Fuel Storage Tanks: ₹ 45.18*40% = **Rs. 18.07 crores** (Capex relating to Fuel Storage Tanks considered based on capacity utilization expected during the Fourth Control Period i.e. 40%)	254.00 (i) 18.07 (ii) Total Capex decided in respect of SFF: **₹ 272.07 crores (B)= (i+ii)**
Variation in cost at Order Stage (C) = (B-A)	₹ 72.62 crores (C)

5.5.17 The cost of the Satellite Fuel Farm decided above shall be trued up at the time of determination of tariff for the Fifth Control Period, taking into consideration all the relevant factors including actual capacity utilization.

Authority's views with regard to Incremental ARR Approach is as under:

5.5.18 The Authority has carefully considered the comments of all the stakeholders regarding the Incremental ARR Approach. At the outset, the Authority considers it necessary to reiterate the precise regulatory issue that the Incremental ARR framework seeks to address.

5.5.19 It may be noted that Authority's proposed Incremental ARR Approach does not seek to deny recovery of approved asset additions, depreciation, return on capital or any other admissible regulatory building block. Rather, the question is whether users should begin bearing the associated tariff impact from year 1 of the 5-year tariff cycle for such major aeronautical infrastructure particularly large capital projects expected to be capitalized in the last 2 tariff years of the Control Period. As per the Authority, the tariff impact of such large infrastructure projects should only be considered after the facility is completed, commissioned and made available to users.

5.5.20 The Authority is of the view that the exclusion of projects from the baseline ARR would not result in an adverse regulatory outcome for the ISP. It is pertinent to note that the Incremental ARR framework does not alter the ISP's entitlement to recover its investment or change the overall recovery profile over the useful life of the asset.

5.5.21 The Incremental ARR approach does not compromise tariff predictability also, as Authority in its Tariff Order upfront indicates the incremental increase in Tariff subsequently that would become applicable after the subject project(s) is completed, commissioned and put to use. Thus, even in the Incremental ARR approach there is predictability, transparency and regulatory certainty in tariff setting just like conventional approach.

5.5.22 The framework by design aligns the commencement of tariff recovery with capitalization, commissioning and operational availability of the relevant infrastructure. The Authority considers this approach to be consistent with the User Pays principle, the ICAO principle of cost-relatedness, and the factors specified under Section 13(1)(a) of the AERA Act, 2008. The Authority notes that that the existing true up mechanism and Incremental ARR approach are two different approaches and the latter addresses the timing and tariff impact of a major project that is expected to become operational during the latter part of the Control Period.

5.5.23 Also, it has been observed that in many cases, service providers do not execute the approved CAPEX though based on the higher proposed CAPEX, ISPs get higher tariff approved which the users start paying even before the proposed CAPEX is actually executed, commissioned and put to use. In the case of IOSPL Bangalore, it has been observed from the tariff determination of the past control periods that the execution of approved CAPEX is significantly lower than the CAPEX approved in the respective tariff orders, as can be seen from the view of the above analysis, the Authority, from regulatory perspective, decides given below:

(₹ in crs.)

Control Period	Capex Approved	Capex Executed	Percentage of Capex not executed
2nd	170.49	88.37	48.17%
3rd	82.06	27.42	66.58%

5.5.24 It is pertinent to mention that the Authority, in its Tariff Order No. 14/ 2026-27 dated 20.08.2026 in respect of Bengaluru International Airport for the Fourth Control Period has considered the CAPEX on project relating to "Construction of T2 Phase 2 Apron – 40 Stands" on Incremental ARR Approach. Since, the ISP's above-mentioned project i.e., Hydrant Refueling System (HRS) Extension for 40 Stands (51 Hydrant pits) is a part of the main project (referred above) which is being executed by the Airport Operator, accordingly, the Authority, in order to maintain consistency in the treatment of the CAPEX on the above-mentioned project, has considered ISP's project on Hydrant Refueling System (HRS) Extension for 40 Stands (51 Hydrant pits) under the Incremental ARR Approach.

5.5.25 The Authority has recently issued tariff orders for Hyderabad and Bangalore Airports for their Fourth Control Period, wherein, the Authority has considered Incremental ARR approach in respect of high value CAPEX projects proposed in the last two years of the Control Period, considering impact of only two building blocks i.e., Return on RAB and Depreciation. In order to maintain the regulatory consistency in respect of Incremental ARR approach, the Authority decides to consider the financial implication of Return on RAB & Depreciation only for the projects considered under the Incremental ARR approach for IOSPL Bangalore in respect of its Fourth Control Period (impact of taxation is removed from the Incremental ARR calculation).

5.5.26 Therefore, AERA, as a regulator has to balance the interests of all the users and the Incremental ARR approach is more transparent and fair to both, users and the service providers. Further, stakeholders like BPCL, who is not only a fuel farm operator but also a client to M/s IOSPL at BIAL, has also supported AERA's approach of considering Incremental ARR approach for high value CAPEX projects scheduled for capitalization in later part of the Control Period *"We support AERA's approach of deferring certain capital projects under the incremental ARR mechanism and considering tariff adjustments only upon actual implementation. This protects users from bearing costs ahead of asset creation and utilization."*

5.5.27 Accordingly, AERA decides to follow the Incremental ARR approach in respect of high impact CAPEX projects slated for capitalization in the later part (last two tariff years) of the Control Period.

5.5.28 Based on the above, the Authority decides to consider the Capitalization for the Fourth Control Period, as per table given below:

Table 33: Capitalization Schedule decided by the Authority for the Fourth Control Period (FY 2026-27 to FY 2030-31)

(₹ in crores)

Asset Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Plant & Machinery	319.98	72.71	1.18	5.90	0.00	**399.77**
Building	1.77	1.77	-	-	-	**3.54**
Vehicles	1.10	-	-	-	-	**1.10**
Total	**322.85**	**74.48**	**1.18**	**5.90**	**0.00**	**404.41**

5.6 Depreciation for the Fourth Control Period

5.6.1 IOSPL submitted the Useful Life of Assets for the Fourth Control Period as per the table below:

Table 34: Useful Life of Assets submitted by IOSPL for the Fourth Control Period

Particulars	Useful life	Depreciation %
Buildings	60 years	3.33%
Office Equipment	5 years	20%
Computers & Peripherals	3 years	33.33%
Computers & Software	3 years	33.33%
Dead Stock	15 years	6.67%
Vehicles	8 years	12.50%
Furniture & Fixtures	7 years	14.29%
Plant & Machinery	15 years	6.67%

5.6.2 The depreciation projected by the IOSPL for the Fourth Control Period is presented in the table given below:

Table 35: Depreciation for the Fourth Control Period as per IOSPL

(₹ in crores)

Particular	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	0.13	0.15	0.18	0.18	0.18	**0.81**
Computer	0.09	0.06	0.01	-	-	**0.16**
Computer Software	-	-	-	-	-	**0.00**
Furniture & Fixtures	0.03	0.03	0.03	0.03	0.03	**0.15**
Office Equipment	0.00	0.00	0.00	0.00	0.00	**0.01**
Plant & Machinery	12.93	35.14	43.83	43.25	43.41	**178.56**
Vehicles	0.23	0.26	0.26	0.26	0.26	**1.26**
Total	**13.42**	**35.64**	**44.31**	**43.71**	**43.87**	**180.95**

Note: Depreciation summary as per revised Depreciation Calculation sheet received from ISP on 06.03.2026

5.7 Authority's Examination on Depreciation for the Fourth Control Period at Consultation Stage

5.7.1 The Authority noted that the ISP in its MYTP submission considered Useful Life of Assets as per the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18, regarding the 'Useful Life of Airport Assets' for computing the depreciation, except for Computers-Server & Networks, for which useful life (3 years) and depreciation rate as applicable to Computers-End User Devices (33.33%) had been considered by the ISP; whereas, there is a separate category for Computers-Server & Networks in the AERA Order No. 35/2017-18 dated 12th January 2018, (read with Amendment No. 01), having useful life (06 years) and depreciation rate (16.67%). It was

noted that ISP had considered depreciation rate of 33.33% instead of 16.67% in respect of HP Servers (BLRFF-COM-SERV-3) capitalized on 01.03.2025 (FY 2024-25). However, the Authority proposed to consider depreciation on Computer- Server @ 16.67% as specified in the above mentioned in the AERA orders on Useful Life of Airport Assets.

5.7.2 The Authority, in accordance with the useful life of assets and depreciation rates of assets as provided in the AERA Order No. 35/2017-18, read with Amendment no.1, computed the Depreciation for Fourth Control Period.

5.7.3 Depreciation proposed to be considered by the Authority for the Fourth Control Period, after exclusion of Depreciation related to Capex proposed under incremental ARR approach (in respect of project relating to Hydrant Extension for 40 Stands (refer para 5.2.21)) & non-consideration of financial implication of one-third capacity of storage tanks (i.e., exclusion of implication of 1 No of Fuel Storage Tank i.e., 6,540 KL) in respect of Satellite Fuel Farm, amounting to ₹ 99.73 crores) is presented in the table given below:

Table 36: Depreciation proposed to be considered by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	0.18	0.21	0.22	0.22	0.22	**1.06**
Computer	0.08	0.05	0.02	0.01	0.01	**0.18**
Computer Software	0.00	0.00	0.00	0.00	0.00	**0.00**
Furniture & Fixtures	0.03	0.03	0.03	0.03	0.00	**0.13**
Office Equipment	0.00	0.00	0.00	0.00	0.00	**0.01**
Plant & Machinery	16.76	27.37	28.65	28.50	28.68	**129.97**
Vehicles	0.19	0.26	0.26	0.26	0.26	**1.21**
Total	**17.24**	**27.92**	**29.19**	**29.02**	**29.18**	**132.55**

Note: Above depreciation excludes depreciation on project related to Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits) amounting to ₹ 5.13 Crores proposed to be considered on "Incremental ARR approach".

5.8 Stakeholders' comments and Authority's analysis on Stakeholders' comments regarding Depreciation for the Fourth Control Period

5.8.1 The Authority received no comments from stakeholders regarding Depreciation for the Fourth Control Period. However, based on the Capital Expenditure decided by the Authority at Order Stage, the Depreciation for the Fourth Control Period has been recomputed and the same is presented in the table below:

Table 37: Depreciation decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Building	0.18	0.21	0.22	0.22	0.22	**1.06**
Computer	0.08	0.05	0.02	0.01	0.01	**0.18**
Computer Software	0.00	0.00	0.00	0.00	0.00	**0.00**
Furniture & Fixtures	0.03	0.03	0.03	0.03	0.00	**0.13**
Office Equipment	0.00	0.00	0.00	0.00	0.00	**0.01**
Plant & Machinery	19.18	32.21	33.49	33.34	33.53	**151.75**
Vehicles	0.19	0.26	0.26	0.26	0.26	**1.21**
Total	**19.66**	**32.77**	**34.03**	**33.86**	**34.02**	**154.34**

Note: Increase in Depreciation at Order Stage is on account of increase in the Capital Expenditure considered by the Authority for the Fourth Control Period.

5.9 Regulatory Asset Base (RAB)

5.9.1 The RAB submitted by M/s IOSPL for the Fourth Control Period is presented in the table below:

Table 38: Regulatory Asset Base (RAB) submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	90.89	446.42	638.92	595.79	557.98	
Additions	368.94	228.14	1.18	5.90	0.00	**604.16**
Deletions	0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	13.42	35.64	44.31	43.71	43.87	**180.95**
Closing RAB	446.42	638.92	595.79	557.98	514.10	
Average RAB	**268.65**	**542.67**	**617.35**	**576.88**	**536.04**	

Note: Depreciation summary as per revised Depreciation Calculation sheet received from ISP on 06.03.2026

5.10 Authority's Examination on Regulatory Asset Base (RAB) for the Fourth Control Period at Consultation Stage

5.10.1 Considering the Capex Additions and Depreciation proposed by AERA for the Fourth Control Period as per Table 32 & Table 36 respectively, the Authority proposed to consider RAB & Average RAB for IOSPL in respect of its Fourth Control Period as shown in the table given below:

Table 39: Regulatory Asset Base (RAB) proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	*Table 11*	73.68*	306.68	353.23	325.22	302.10	
Additions	*Table 32*	250.23	74.48	1.18	5.90	0.00	**331.79**
Deletions		0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	*Table 36*	17.24	27.92	29.19	29.02	29.18	**132.55**
Closing RAB		306.68	353.23	325.22	302.10	272.92	
Average RAB		**190.18**	**329.95**	**339.22**	**313.66**	**287.51**	

** Excludes Deadstock amounting to ₹ 17.26 crores*

5.10.2 The Regulatory treatment regarding Dead Stock is discussed in the para no. 9.2.1(a).

5.11 Stakeholders' comments and Authority's analysis regarding Regulatory Asset Base (RAB) for the Fourth Control Period

5.11.1 The Authority received no comments from the stakeholders regarding Regulatory Asset Base (RAB) for the Fourth Control Period. However, based on the revised Capital Expenditure and Depreciation considered by the Authority, the Regulatory Asset Base (RAB) decided by the Authority for the Fourth Control Period is presented in the table below:

Table 40: Regulatory Asset Base decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	*Table 11*	73.68*	376.88	418.59	385.74	357.77	
Additions	*Table 33*	322.85	74.48	1.18	5.90	0.00	**404.41**
Deletions		0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	*Table 37*	19.66	32.77	34.03	33.86	34.02	**154.34**
Closing RAB		376.88	418.59	385.74	357.77	323.75	
Average RAB		225.28	397.73	402.16	371.76	340.76	

** Excludes Deadstock amounting to ₹ 17.26 crores*

5.12 Authority's Decisions regarding CAPEX, Depreciation and RAB for the Fourth Control Period

Based on the material before it and its analysis, the Authority with respect to Capex, Depreciation and RAB for the Fourth Control Period decides:

5.12.1 To consider Capital Additions to RAB as per Table 33.

5.12.2 To consider Depreciation as per Table 37.

5.12.3 To consider Average RAB as per Table 40.

5.12.4 To readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order due to reasons beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately.

5.12.5 To True up the Capital Expenditure, RAB based on actuals, at the time of determination of tariff for Fifth Control Period, subject to cost efficiency and reasonableness of Capex incurred.

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6. FAIR RATE OF RETURN (FRoR) FOR THE FOURTH CONTROL PERIOD

6.1 IOSPL's Submission on Fair Rate of Return (FRoR) for the Fourth Control Period

6.1.1 As per the ISP's submission in respect of the FRoR for the Fourth Control Period, yearly FRoR ranges between 10.78% to 12.18% and an average FRoR for the Fourth Control Period (FoCP) computed by the ISP is 11.32%. ISP, in its computation for FRoR considered Cost of Equity (CoE) as 15.05% and the Cost of Debt (CoD) in the range of 7.43% to 7.68%. The computation of FRoR based on the ISP's submission for the Fourth Control Period is presented in the table below:

Table 41: FRoR submitted by IOSPL for the Fourth Control Period

(₹ in Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Equity	A	191.74	247.34	279.02	311.02	353.74	**1,382.87**
Avg. Debt	B	199.38	339.94	343.96	280.97	219.56	**1,383.80**
Total	**C=(A+B)**	391.12	587.28	622.97	591.99	573.31	**2,766.67**
Gearing (%)	D =B/C	50.98%	57.88%	55.21%	47.46%	38.30%	
Cost of Debt (%)	E	7.43%	7.68%	7.65%	7.62%	7.56%	
Cost of Equity (%)	F	15.05%	15.05%	15.05%	15.05%	15.05%	
FRoR (%)	**G= E*D+F*(1-D)**	11.17%	10.78%	10.97%	11.52%	12.18%	
Average FRoR (%)	**H**	**11.32%**					

6.2 Authority's Examination of Fair Rate of Return (FRoR) for the Fourth Control Period at Consultation Stage

6.2.1 The Authority noted that IOSPL proposed a combination of Debt and Equity for financing the Capital Expenditure of the Fourth Control Period and had considered gearing ratio ranging between 38.30% to 57.88% for the FoCP.

6.2.2 IOSPL proposed Cost of Debt for the FoCP ranging between 7.43% to 7.68%, and considering the prevailing rate of SBI's MCLR for Loan tenure of 1 Year the Cost of Debt proposed by the ISP appeared reasonable. The ISP had submitted the relevant supporting documents towards the debt proposed to be availed during the FoCP.

6.2.3 It was observed that IOSPL has considered Cost of Equity @ 15.05%, which is close to the Cost of Equity generally considered by the Authority for Airport Operators and ISPs.

6.2.4 The ISP, in its FRoR calculation has considered yearly gearing and yearly FRoR which is not in line with method for FRoR calculation provided in the CGF Guidelines, 2011, wherein, FRoR for the given Control Period is computed considering Weighted Average

Gearing and Weighted Average Cost of Debt for the Control Period. Therefore, the Authority had recomputed the FRoR in respect of IOSPL for the FoCP considering Weighted Average CoD and Weighted Average Gearing.

The FRoR proposed by the Authority for the Fourth Control Period is presented in the table below:

Table 42: FRoR proposed by the Authority in respect of IOSPL for the Fourth Control Period at Consultation Stage

(₹ in Crores)

Particulars	Reference	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Equity	A	191.74	247.34	279.02	311.02	353.74	**1382.87**
Debt	B	199.38	339.94	343.96	280.97	219.56	**1383.80**
Total	**C=(A+B)**	**391.12**	**587.28**	**622.97**	**591.99**	**573.31**	**2766.67**
Gearing (%)	D =B/C	50.98%	57.88%	55.21%	47.46%	38.30%	
Weighted Avg. Gearing	E	**50.02%**					
Cost of Debt (%)	F	7.43%	7.68%	7.65%	7.62%	7.56%	
Weighted Avg. CoD	G	7.61%					
Cost of Equity (%)	H	15.05%					
FRoR	**I= E*G+(1-E)*H**	**11.33%**					

6.3 Stakeholders' comments regarding FRoR for the Fourth Control Period

6.3.1 IOSPL's comment with regard to Cost of Equity is as under:

"The Authority has approved Cost of Equity for both Third & Fourth Control Period as 14% while approving 15.05% cost of equity to the Airport Operator:

IOSPL's Submission:

In the CP of IOSPL for the Fourth CP, the Authority recognized the cost of Equity as 14% approving 15.05% cost of equity to the Airport Operator. In previous control periods, the Authority approved a Cost of Equity of 14.00% for IOSPL, while approving 15.05% for the Airport Operator, Bangalore International Airport Limited (BIAL). IOSPL submits that maintaining this disparity in the Third and Fourth Control Period creates an unwarranted economic imbalance.

IOSPL submits the Authority to approve a Cost of Equity of 15.05% for IOSPL, establishing parity with BIAL based on the risk profile, concession constraints, capital investment obligations, and non-discriminatory regulatory principles outlined below.

1. *Unlike traditional multi-location utility providers, IOSPL's fuel farm operations at BLR depend entirely on the traffic, airline movements, and overall throughput of Kempegowda International Airport. Any macroeconomic shock, passenger drop, or operational disruption affecting BIAL impacts fuel demand to an equal or greater degree.*
2. *While BIAL derives revenues from diverse non-aeronautical streams (retail, real estate, parking, concessions), IOSPL's revenues are strictly pegged to aviation fuel infrastructure usage. Consequently, IOSPL faces higher revenue concentration risk relative to its total asset base.*
3. *IOSPL operates under a Build, Own, Operate, and Transfer (BOOT) concession agreement. At the end of the concession term, all fuel farm infrastructure assets must be handed over to BIAL at zero cost / nil residual value. Because the asset lifecycle for IOSPL is bound by the concession end-date rather than the physical life of the equipment, equity investors bear accelerated asset decay and re-investment risks. A Cost of Equity of 15.05% adequately reflects this finite recovery window and compensates equity holders for the capital locked in BOOT assets.*
4. *Aviation fuel infrastructure operates in the same macroeconomic environment as the airport itself. Given the high fixed cost capital structure required for automated fuel storage, hydrant systems, quality control laboratories, and statutory safety compliance, IOSPL's operational leverage must be aligned with that of the main airport operator. Applying an arbitrary FRoR understates the systematic risk borne by aviation fuel infrastructure providers.*
5. *To support BIAL's expanding terminal infrastructure and growing air traffic, IOSPL is executing significant capital expenditure for capacity expansion, statutory upgrades, and reliability enhancements. Debt-financing for specialized airport infrastructure requires robust equity backing. Providing a fair rate of return on equity equal to the main airport operator (15.05%) ensures IOSPL can continue to raise and commit equity capital without diluting returns for its shareholders*
6. *Regulatory precedents across infrastructure sectors establish that entities operating under the same umbrella project risk environment should be evaluated under consistent risk-return parameters*
7. *Denying rate parity to essential aviation support infrastructure operators creates tariff distortion. Aligning asset owners at the same airport fosters regulatory predictability and stability.*

Request:

In light of the facts and detailed justification presented above, IndianOil Skytanking Limited (IOSPL) respectfully submits that the Authority may be pleased to:

1. *Approve a Cost of Equity of 15.05% for IOSPL for the determination of Fair Rate of Return (FROR) and Aggregate Revenue Requirement (ARR) for the Fourth Control Period at Kempegowda International Airport, Bengaluru.*

2. *Grant Parity between the Fuel Farm Operator (IOSPL) and the Airport Operator (BIAL) in respect of the return on equity, recognizing the shared risk profile and BOOT concession realities."*

6.3.2 Auxesia Consulting's comment regarding FRoR is as under:

"The Authority's re-computation of FRoR using weighted-average gearing and weighted-average cost of debt (Table 35), correcting IOSPL's submission of yearly gearing and yearly FRoR (Table 34), is, a correct and Guideline-consistent application of Clause 9.1.7, which explicitly requires a weighted-average approach for the Control Period rather than a year-by-year calculation.

However, it is noted that Clause 9.1.3 of the CGF Guidelines requires the Authority to estimate Cost of Equity "by using the Capital Asset Pricing Model (CAPM)", subject to such other factors as the Authority may deem fit. CP-03 (Table 35) simply carries forward a Cost of Equity of 15.05%, without setting out the risk-free rate, equity beta, or equity risk premium used to arrive at this figure, either for the true-up of the Third Control Period (where a reduced Cost of Equity of 14% is applied instead, Para 3.10.2) or for the Fourth Control Period.

Feedback: The Tariff Order disclose the CAPM inputs and computation underlying the Cost of Equity figure(s) used, both for transparency and to allow stakeholders to verify consistency with the treatment applied to other regulated entities."

6.4 IOSPL's response to Stakeholder comments regarding FRoR for the Fourth Control Period

6.4.1 The Authority received no counter comment from the ISP with respect to stakeholder's comments regarding FRoR for the Fourth Control Period.

6.5 Authority's analysis on Stakeholder comments regarding FRoR for the Fourth Control Period

6.5.1 In line with the tariff determination of Airport Operators, off-late, the Authority has started considering normative gearing ratio of 48:52 (debt: equity) for ISPs also (as considered in recent tariff orders for ISPs in respect of fuel fam and cargo handling services at Mopa, Goa Airport and fuel farm services at Kannur Airport) in cases where ISPs for their CAPEX funding rely mainly on equity or where proportion of debt is very minimal.

6.5.2 For the Fourth Control Period, based on the weighted average gearing of 50.02%, the Authority decides to adopt Cost of Equity @ 15.05% as proposed by the ISP, which is comparable to the Cost of Equity generally given to the Airport Operators based on the normative gearing ratio of 48:52 (Debt: Equity). The Authority decides to consider weighted average Cost of Debt @7.61% based on the yearly Cost of Debt proposed by the ISP. Based on the above, considering the ISPs submission for the Fourth Control Period, the Authority decides to consider FRoR for the Fourth Control Period @11.32% as proposed by the ISP.

6.6 Authority's Decisions regarding FRoR for the Fourth Control Period

Based on the material before it and its analysis, the Authority with respect to FRoR for the Fourth Control Period decides:

6.6.1 To consider FRoR @11.32%, as proposed by the ISP.

6.6.2 To True-up FRoR for the Fourth Control Period, at the time of tariff determination of Fifth Control Period.

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7. OPERATION AND MAINTENANCE (O&M) EXPENDITURE FOR THE FOURTH CONTROL PERIOD

7.1 IOSPL's submission regarding Operation and Maintenance (O&M) Expenditure for the Fourth Control Period

7.1.1 As provided in Clause 9.4 of the Guidelines mentioned in Direction No. 04/ 2010-11, Operation and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service Provider(s) including expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.

7.1.2 Operation and Maintenance (O&M) Expenditure submitted by IOSPL for the Fourth Control Period is broadly grouped into the following heads:

- Payroll Cost
- Administrative & General Cost
- Repairs and Maintenance Cost
- Utility and Outsourcing Cost
- Airport License Fee
- Operating Fees

7.1.3 The Operation & Maintenance Expenditure projected by IOSPL for its fuel farm services at Bengaluru International Airport, in respect of the Fourth Control Period, is presented below:

Table 43: Operation and Maintenance Expenses projected by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Payroll Costs	7.17	14.25	15.75	17.40	19.23	**73.81**
Administrative and General Costs	4.05	7.88	8.51	9.19	9.92	**39.54**
Repairs & Maintenance Costs	1.58	3.07	3.31	3.58	3.86	**15.38**
Utilities and Outsourcing Costs	2.11	4.10	4.43	4.79	5.17	**20.60**
Airport License Fees including Operating Fees	29.49	47.01	49.36	51.83	54.42	**232.12**
Operating Fee Margin	1.49	2.93	3.20	3.50	3.85	**14.97**
Total O&M Expenditure	**45.89**	**79.24**	**84.55**	**90.28**	**96.43**	**396.39**

7.1.4 The ISP projected O&M Expenditure for the Fourth Control Period based on the following key assumptions:

Sl. No.	Particulars	Basis for Projection
1	Payroll costs	Projections include 10.5% growth and an 80% cost increase due to the introduction of the Satellite Fuel Farm.
2	Administrative and General costs	Projections include 8% growth and an 80% cost increase due to the introduction of the Satellite Fuel Farm.
3	Repairs and Maintenance costs	
4	Utility Costs	
5	Airport License Fees	5% escalation cost YoY as detailed in **Table 10**
6	Operator's Fee @ 10%	IOSPL is entitled to recover an Operating Fee in accordance with the Operating Agreement executed between BIAL and IOSPL. As stipulated in Clause 12.3 of the Agreement: *"...12.3 the Operator shall be entitled to recover the Operating Fee for providing Services, along with the Facility Charge as given in Schedule I. The Operating Fee shall be calculated as **10% (ten percent) of the Operating Costs.*** *"..The Facility charges are calculated as follows:* *Facility Charge = (Facility Payment + Operating Cost + Operating Fees)"*

7.1.5 The Y-o-Y increase considered by IOSPL for projecting the Operation and Maintenance expenditure for the Fourth Control Period is given in the Table below:

Table 44: Growth Rates in O&M as per IOSPL, Bangalore for Fourth Control Period

Particulars of Expenses	CAGR
Payroll costs	10%
Administrative and General Costs	8%
Repairs and Maintenance Costs	8%
Utility and Outsourcing Costs	8%
Airport license fees	5%

7.2 Authority's Examination regarding Operating & Maintenance (O&M) Expenditure projected by the ISP for the Fourth Control Period at Consultation Stage

7.2.1 The Authority had examined the Operating & Maintenance Expenditure projected by the IOSPL and noted that the ISP had proposed annual increase in various components of O&M Expenditure for the Fourth Control Period in the range of 5% to 10%. In addition, the ISP had also considered a one-time increase in expenses due to commissioning of new satellite fuel farm facility (w.e.f. 01.04.2027). The Authority had considered O&M Expenses for FY 2025-26 as a base for projecting O&M Expenditure for the Fourth Control Period.

The Authority's examination of the various components of OPEX is as under:

(A) Payroll Cost:

7.2.2 The Authority noted that payroll costs comprise of Salary & Wages, Allowances, Perks, PF etc. IOSPL submitted payroll cost for the first tariff year (FY 2026-27) of the Fourth Control

Period amounting to ₹ 7.17 crores and had considered a 10.50% Y-o-Y increase in employee expenses for the Fourth Control Period, except Second tariff year (FY 2027-28), wherein the ISP proposed 98.90% increase in payroll cost over FY 2026-27, considering the projected increase in manpower numbers from 36 to 66 due to operationalization of new satellite fuel farm facility.

7.2.3 As per the Authority, payroll expenses are directly linked to the growth in the level of operations and to cater to this anticipated growth, the number of employees is proposed to increase from 36 to 66. Considering the essentiality of augmenting the number of employees to cater to the level of operations, the Authority rationalized the payroll cost for the Fourth Control Period by factoring the one-time increase in the payroll cost due to induction of additional 30 employees in FY 2027-28 and normal annual increase of 6% in respect of existing 36 employees in FY 2027-28. Thereafter, the Authority proposed 6% annual increase in payroll expenditure for the remaining tariff years of the Fourth Control Period.

7.2.4 The payroll cost proposed by the Authority for the Fourth Control Period are as under:

Table 45: Payroll cost proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	7.17	14.25	15.75	17.40	19.23	**73.81**
As proposed by the Authority (B)	5.48	10.65	11.29	11.96	12.68	**52.06**
Variance (A-B)	**1.69**	**3.60**	**4.46**	**5.44**	**6.55**	**21.75**

(B) Administration & General Expenses:

7.2.5 It was noted that the Administrative & General Expenses proposed by the IOSPL for the Fourth Control Period mainly comprise of expenses related to Rate & Taxes, Insurance, Vehicle Hiring Charges, and Travelling Expenses etc. The breakup of Administrative & General Expenses projected by the ISP for the Fourth Control Period is given in table below:

Table 46: Administrative and General Expenses projected by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Rent & Taxes	0.44	0.86	0.93	1.00	1.08	**3.67**
Insurance	0.45	0.88	0.95	1.02	1.11	**3.75**
Legal and professional expenses	0.35	0.69	0.74	0.80	0.87	**2.93**
Office Expenses	0.47	0.90	0.98	1.05	1.14	**3.87**
Consumables	0.22	0.43	0.46	0.50	0.54	**1.83**
Safety and security Expenses	0.81	1.57	1.70	1.84	1.98	**6.73**

Travelling Expenses	0.30	0.59	0.64	0.69	0.75	**2.52**
Audit Fees & Out of Pocket Expense	0.21	0.41	0.44	0.47	0.51	**1.74**
Communication Expenses	0.44	0.85	0.92	1.00	1.08	**3.65**
Printing & Stationery	0.15	0.29	0.32	0.34	0.37	**1.25**
Postage & Courier	0.02	0.04	0.05	0.05	0.06	**0.18**
Other Miscellaneous	0.15	0.29	0.31	0.33	0.36	**1.23**
Bank Charges	0.03	0.06	0.07	0.08	0.08	**0.27**
Total	**4.05**	**7.88**	**8.51**	**9.19**	**9.92**	**39.55**

7.2.6 The Authority noted that IOSPL proposed Admin. & General Expenses amounting to ₹ 39.55 crores for the Fourth Control Period and has considered 8% Y-o-Y increase for all the tariff years of the control period, except second tariff year (FY 2027-28) wherein the ISP has considered 94.40% increase over FY 2026-27. It was noted that Admin & General expenditure is projected to decrease by 28% in FY 2026-27 due to exclusion of onetime registration fee (stamp duty charges) of ₹ 2.29 crores considered by the ISP in FY 2025-26.

7.2.7 As per the Authority, the Administrative and General Expenses are not directly proportional to increase in storage capacity/ level of operations; unlike pay-roll expenses of operational staff, which are directly linked to and increases with the increase in the level of operations. Considering the above, the Authority proposed to rationalize the Administrative and General Expenses for the Fourth Control Period by considering 5% Y-o-Y increase and additional one-time increase of 50% in FY 2027-28 (total 55% increase).

The Administrative and General expenses proposed by the Authority for the Fourth Control Period are as under:

Table 47: Administrative and General Expenditure proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Admin. and General Expenses as per IOSPL (A)	4.05	7.88	8.51	9.19	9.92	**39.55**
Admin. and General Expenses proposed by the Authority (B)	3.31	5.13	5.39	5.66	5.94	**25.44**
Variance (A-B)	**0.74**	**2.75**	**3.12**	**3.53**	**3.98**	**14.11**

(C) Repairs & Maintenance Expenses:

7.2.8 The Authority noted that ISP projected total R&M Expenses for the Fourth Control Period related to the Fuel Farm facility, including expenses related to Office, Vehicles, Plant & Machineries etc., amounting to ₹ 15.39 crores.

7.2.9 ISP proposed 8% Y-o-Y increase in Repair & Maintenance Expenses for the FoCP, except second tariff year (FY 2027-28), wherein the ISP had considered 94.40% increase over FY 2026-27.

7.2.10 As per the Authority, the R&M expenses considered by the ISP on account of commissioning of new satellite fuel farm and allied facilities appeared to be on the higher side, especially considering that the new facilities during their initial years require little repairs, and are generally under free warranty/ guarantee. Thus, there are minimal expenses on repairs and maintenance of facility during their initial few years.

Considering the above, the Authority proposed to rationalize the R&M Expenses for the FoCP by factoring 5% Y-o-Y increase and additional one-time increase of 20% in FY 2030-31 (total 25% increase) and expected higher repair & maintenance after the free guarantee/ warranty period ends. The R&M expenses proposed by the Authority for the Fourth Control Period are as under:

Table 48: Repair & Maintenance Expenses proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Repair & Maintenance Expenses submitted by IOSPL (A)	1.58	3.07	3.31	3.58	3.86	**15.38**
Repair & Maintenance Expenses proposed by the Authority (B)	1.44	1.51	1.59	1.67	2.09	**8.30**
Variance (A-B)	**0.14**	**1.56**	**1.72**	**1.91**	**1.77**	**7.08**

(D) Utility and Outsourcing Expenses:

7.2.11 The Authority noted that Utility and Outsourcing Expenses comprise of costs related to consumption of Electricity, Water, Fuel etc.

IOSPL submitted utility and outsourcing expenses for the first tariff year (FY 2026-27) of the Fourth Control Period amounting to ₹ 2.11 crores and has considered 8% Y-o-Y increase in these expenses for remaining tariff years of the FoCP, except second tariff year (FY 2027-28), wherein the ISP has considered 94.40% increase over FY 2026-27 due to operationalization of new satellite fuel farm facility.

However, as regards additional one-time increase in Utility & Outsourcing Expenses, the Authority proposed to consider one-time increase of 50% considering that new Satellite Fuel Farm has only an area of 23,100 Sq.m. (i.e. 48.17% lower area) as against the area of existing Fuel Farm having an area of 44,565 Sq.m. Further, the new Satellite Fuel Farm will have graded utilization of capacity as against near full capacity utilization of existing Fuel Farm facility. The Authority proposed to consider Y-o-Y increase in Utility & Outsourcing expenses @5%.

7.2.12 The utility and outsourcing expenses proposed by the Authority for the Fourth Control Period are as under:

Table 49: Utility and Outsourcing Expenses proposed to be considered by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	2.11	4.10	4.43	4.79	5.17	**20.60**
As proposed by the Authority (B)	1.91	3.00	3.15	3.31	3.47	**14.85**
Variance (A-B)	**0.20**	**1.10**	**1.28**	**1.48**	**1.70**	**5.75**

(E) Airport License Fees:

7.2.13 The Authority noted that as per the clause 3.1 & 3.2 of the Sub Lease Deed, executed between IOSPL & the Airport Operator (AO), Sub-Lessee (ISP) shall pay Sub Lessor (AO) the monthly Rent @ ₹ 525/- per sqm per month for a land area of 44,585 sqm in respect of existing fuel farm facility (effective from the first year of the Sub-Lease Term i.e. w.e.f. 01.04.2025). Further, the sub-lessee (ISP) is also required to pay additional lease rent to AO in respect of new satellite fuel farm facility having an area of 23,100 sq mtr. @ of ₹ 579/- per sq mtr. per month with annual escalation @5%. The license fee payable by the ISP to AO during the Fourth Control Period is as given in the table below:

Period	Monthly Rent Per Square Meter (In Rupees with 5% Annual Escalation)	Area (Square Meters)	Monthly Rent payable (Rs. in Crores)	Annual rent payable (Rs. in Crores)
(A) Existing Fuel Farm Facility				
2026-27	551	44,585	2.46	**29.49**
2027-28	579	44,585	2.58	**30.97**
2028-29	608	44,585	2.70	**32.52**
2029-30	638	44,585	2.85	**34.14**
2030-31	670	44,585	2.99	**35.85**
Total (A)				**162.97**
(B) New Satellite Fuel Farm Facility				
2027-28	579	23,100	1.34	**16.04**
2028-29	608	23,100	1.40	**16.85**
2029-30	638	23,100	1.47	**17.69**

2030-31	670	23,100	1.54	**18.57**
Total (B)				**69.15**
Grand Total (A+B)				**232.12**

7.2.14 It was noted that the Land Rental alone accounts for around 60% of the total Opex projected by the ISP for the Fourth Control Period. It was further noted that the original lease agreement between the ISP and the Airport Operator had validity till 24th May 2028, whereby the ISP was paying nominal Land Rental of ₹1/- to the Airport Operator, was terminated (effective from 31.03.2025) as per the MOU on 07.03.2025 executed between the Airport Operator and the ISP. Based on the new MOU, a new Service Provider Right Holder (SPRH) Agreement has been executed between IOSPL and the AO on 30.06.2025. This new agreement provides for payment of monthly land rent at the revised rates by the ISP to AO, in respect of land allotted by airport operator in respect of existing Fuel Farm Facility and new Satellite Fuel Farm facility, as depicted in the table above.

As per new SPRH, the Land Rental applicable to existing fuel farm facility & satellite fuel farm have been increased exponentially, from ₹ 1/- per annum to ₹ 525/ Sqm./ Month, with a provision of annual escalation in rate @ 5 %. As per the Authority, such sudden and huge increase in land rental may result in a tariff shock, having a detrimental impact on the facility users. As per the Authority, this clearly reflects exploitation of the dominant market position by the Airport Operator. It is worthwhile to mention that as an economic regulator, AERA has to balance the interests of all stakeholders, including facility users.

In light of the above, the Authority proposed to rationalize the Land Lease Rental in respect of IOSPL for the Fourth Control Period to the tune of 25% of the applicable rates [i.e., from the land rental rate (as on 01.04.2025) of ₹ 525/Sqm/Month to ₹ 395/Sqm/Month], with a 5% annual increase therein.

7.2.15 The Airport License Fees (Land Rental) in respect of Fuel Farm facilities proposed by the Authority for the Fourth Control Period is as under:

Table 50: Airport License Fee proposed to be considered by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
As submitted by IOSPL (A)	29.49	47.01	49.36	51.83	54.42	**232.12**
As proposed by the Authority (B)	22.19	35.37	37.14	39.00	40.95	**174.64**
Variance (A-B)	**7.30**	**11.64**	**12.22**	**12.83**	**13.47**	**57.48**

(F) Operating Fee/ Margin:

7.2.16 The Authority noted that IOSPL in its MYTP considered 10% Operating Fees/ Margin, citing clause no. 12.3 of the Operating Agreement executed between BIAL and IOSPL on 30.06.2025. However, the Authority observed that IOSPL itself is operating the Fuel Farm facilities at BIAL and no third-party agency has been engaged for Fuel Farm operations. Moreover, the Authority had already considered the Operation and Maintenance Expenditure projected by the ISP pertaining to Fuel Farm Services at Bengaluru airport for the FoCP. Therefore, there is no ground for claiming the additional 10% Operating Fees/ Margin, over and above, the O&M Expenses considered by the Authority. Accordingly, the Authority proposed not consider the 10% Operating Fees/ Margin proposed by the ISP in its MYTP submission.

7.2.17 Based on the analysis and rationalization of various components of Operation & Maintenance Expenditure as discussed above, the total Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Fourth Control Period is detailed in the table given below:

Table 51: Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Payroll Cost	5.48	10.65	11.29	11.96	12.68	**52.06**
Administrative & General Expenses	3.31	5.13	5.39	5.66	5.94	**25.44**
Repairs & Maintenance Expenses	1.44	1.51	1.59	1.67	2.09	**8.30**
Utility and Outsourcing Expenses	1.91	3.00	3.15	3.31	3.47	**14.85**
Airport License Fees	22.19	35.37	37.14	39.00	40.95	**174.64**
Total Operation & Maintenance Expenses	**34.34**	**55.67**	**58.56**	**61.60**	**65.13**	**275.29**

7.2.18 The major reasons for variance of ₹ 121.10 Crores in the O&M Expenditure proposed by the Authority (**₹ 275.29 Crores**) and as considered by the IOSPL (**₹ 396.39 Crores**) for the Fourth Control Period are as under:

i. AERA proposed yearly increase in Payroll Cost @ 6% in place of 10.5% Y-o-Y increase as per the IOSPL, resulting in reduction of the associated expenses by ₹ 21.75 crores.

ii. AERA proposed yearly increase in Administrative & General Expenses @ 5% in place of 8% Y-o-Y increase considered by the IOSPL, resulting in rationalization of Admin. & General Expenses by ₹ 14.11 crores.

iii. AERA proposed yearly increase of 5% associated with Repair & Maintenance Expenses in place of 8% increase considered by the IOSPL, resulting in reduction of R& M Expenses by ₹ 7.08 crores.

iv. AERA proposed yearly increase of 5% in Utility Expenses in place of 8% increase considered by the IOSPL, resulting in rationalization of Utility Expenses by ₹ 5.75 crores.

v. AERA proposed Airport License Fees (Land Rental) @ 395/ sqm/ month in place of 525/ sqm/ month by the ISP for the FY 2025-26, resulting in reduction in the same by ₹ 57.48 crores.

vi. Non-consideration of Operating Fees/ Margin, resulting in rationalization of ₹ 14.97 crores.

7.3 Stakeholders' comments regarding Operation & Maintenance Expenditure for the Fourth Control Period

7.3.1 IOSPL's comment with respect to disallowance of Opex is as under:

"The Authority has rationalised the projected Operation & Maintenance (O&M) expenses for the Fourth Control Period.

IOSPL's Submission:

Indian Oil Skytanking Limited (IOSPL) respectfully submits its objections to the proposed 31% reduction (Rs.121.02 Crore) in Operational Expenditure (Opex) for the 4th Control Period at Bengaluru Fuel Farm. Further would like to submit that the O&M expenses for the 4th CP are necessarily based on projections. The actual expenditure incurred during the control period may vary from the projected expenditure on account of changes in employee costs, maintenance requirements, statutory and regulatory obligations, utility costs, insurance, inflation and other operating factors that are beyond the control of IOSPL.

Disallowing nearly a one-third of prudent operational expenses directly undermines the financial viability of the Fuel Farm, jeopardizes debt servicing capabilities for ongoing Capital Expenditure (Capex).

In order to ensure that IOSPL neither over-recovers nor under-recovers its prudent operating expenditure, the projected O&M expenses incurred during the 4th CP. Such an approach is consistent with the principle of cost reflective tariff determination and ensures that only prudent and efficient operating costs are ultimately recovered through tariffs.

Summary of Opex Disallowance is given below:

(All figures Rs. in Crore)

Particulars	Opex Proposed by IOSL	Opex Considered by Authority	Amount Disallowed	% Disallowance
Payroll Cost	73.80	52.18	21.62	29%
Administrative & General Cost	39.55	25.43	14.12	36%
Repairs & Maintenance Cost	15.40	8.30	7.10	46%
Utilities & Outsourcing Costs	20.59	14.84	5.75	28%
Airport License Fees	232.11	174.65	57.46	25%
Operating Fee Margin	14.97	0.00	14.97	100%
Total Opex	396.42	275.40	121.02	31%

Further justification for re-instating the Opex for the fourth control period:

a. *Under the Building Block Approach laid down in AERA Guidelines, regulated entities are entitled to recover efficiently incurred operational expenditure to maintain a fair rate of return. A blanket disallowance of 31% without establishing inefficiency or non-prudence violates the principle of full cost recovery for essential services.*

b. *Disallowing Repairs & Maintenance by 46% and Payroll by 29% directly impacts civil aviation safety and international quality standards (JIG/ICAO):*

i. *R&M Costs: Aviation fuel infrastructure requires non-negotiable preventive maintenance, integrity testing, and mandatory technical upgrades. Cutting R&M by nearly half compromises operational safety and system reliability.*

ii. *Payroll & Outsourced Manpower: Maintaining round-the-clock fuel farm operations, stringent quality control, and fire safety requires skilled aviation fuel specialists.*

c. *IOSPL is undertaking substantial ongoing Capex during the 4th Control Period to augment refueling infrastructure at Bengaluru Airport. This may impact on debt financing. The lenders would certainly evaluate the cash flow adequacy of regulated infrastructure assets based on tariff revenue projections. A 31% Opex cut drastically erodes EBITDA and debt service coverage ratios (DSCR).*

d. *Financial institutions will perceive higher credit risk, leading to elevated interest margins or reluctance to disburse sanctioned debt facilities, stalling crucial airport infrastructure development.*

e. *Disallowing the entire Operating Fee Margin (Rs.14.97 Crore) ignores the legitimate operational risk borne by the service provider. Depriving the operator of a reasonable margin discourages private sector investment and violates AERA's mandate to encourage economic, efficient, and viable airport services.*

Request:

In light of the above statutory principles, operational realities, and contractual obligations, IOSPL respectfully prays that the Hon'ble Authority:

1. *Reconsider and allow the projected Opex of Rs.396.42 Crore in full for the 4th Control Period to ensure safe, uninterrupted, and financially viable operations.*
2. *Alternatively, pass-through actual incurred costs subject to a mid-term or end-of-period truing up based on audited financials.*
3. *Recognize mandatory contractual outflows (such as Airport License Fees) as unavoidable pass-through operational costs."*

7.3.2 Auxesia Consulting's comment with regard to Y-o-Y escalation caps is as under:

"As with the Third Control Period true-up (Section 3.2 above), the Authority has capped Payroll growth at 6% (against IOSPL's 10%), Administrative & General at 5% (against 8%), Repairs & Maintenance at 5% (against 8%), and Utility & Outsourcing at 5% (against 8%) — Tables 38, 40, 41, 42.

Feedback: The empirical basis for these specific caps be disclosed."

7.3.3 IOSPL's comment with regard to disallowance of Operator's Margin is as under:

"Disallowance of Operator's Margin for 3rd and 4th CP on the premise that because IOSPL functions as both the Facility Owner and Facility Operator, the Operator Margin is non-admissible above O&M Expenses.

IOSPL submits that the Authority's proposal to disallow the Operator's Margin (claimed at ₹1.59 Crores for FY 2025–26 and ₹14.97 Crores for the 4th Control Period) contradict the Capital Investment Risk with Operational & Service Performance Risk.

Section 13(1)(a)(iv) of the AERA Act, 2008 obligates the Authority to give due consideration to concession agreements and contractual arrangements entered into by airport stakeholders. Unilaterally disallowing a contractually stipulated margin disrupts the economic equilibrium of the project.

Separation of Risk Profiles (Capital Return vs. Operational Compensation):

i. *FRoR on RAB compensates the owner for capital deployment and asset depreciation.*
ii. *O&M Recovery only covers direct pass-through operating expenses.*
iii. *Operator's Margin compensates for operational risk, performance guarantees, liability exposures, and specialized expertise required to maintain stringent aviation safety standards.*

IOSPL further submits that the Authority's proposal to disallow the Operator's Fee under Clause 7.2.16 is based on an incorrect interpretation of the nature and purpose of the Operator's Fee under the Operating Agreement.

1. *Operator's Fee is not dependent on engagement of a Third Party Operator:*

   The Consultation Paper observes that since IOSPL itself is operating the Fuel Farm and no third-party operator has been engaged, the Operator's Fee is not admissible. With respect to this conclusion is not supported either by the contractual framework or by established regulatory principles.

The Operator's Fee is not a reimbursement payable only when services are outsourced to a third party. It is the contractual consideration payable for carrying out the specialised operation, maintenance and management of the Common User Fuel Farm in accordance with the Operating Agreement executed with Bangalore International Airport Limited (BIAL).

Whether these specialised services are performed directly by IOSPL or through an independent contractor does not alter the nature of the obligation or the cost incurred in providing the regulated service.

2. *Operator's Fee Represents Contractual Consideration for Services Rendered: Under the Operating Agreement, IOSPL has accepted comprehensive responsibilities for:*

   a. *Operation of the Fuel Farm and Hydrant Refuelling System;*

   b. *Maintenance of critical fuel infrastructure;*

   c. *Compliance with IATA and Joint Inspection Group (JIG) standards;*

   d. *Fuel quality assurance and product traceability;*

   e. *Health, safety and environmental compliance;*

   f. *Emergency preparedness and response;*

   g. *Regulatory compliance;*

   h. *Operation of specialised aviation fuel handling facilities*

   i. *Uninterrupted supply of aviation fuel to all airline customers.*

   The Operator's Fee represents the agreed contractual consideration for discharging the above specialised services.

   It is therefore an integral component of the cost of providing the regulated service and not a payment contingent upon the engagement of an external operator.

3. *Regulatory treatment should be independent of the Operating Model:*

   The admissibility of the Operator's Fee (Margin) should not be determined by whether the Fuel Farm operations are performed directly by IOSPL or through a third-party contractor. Rather, the regulatory consideration should be whether the Operator's Fee:

   a) *Is provided for under a valid and legally binding Operating Agreement;*

   b) *Represents contractual consideration for the specialised operation, management and maintenance of the Fuel Farm;*

   c) *Is directly attributable to the regulated aviation fuel infrastructure services; and*

   d) *Is reasonable and prudently incurred in accordance with the contractual framework governing the regulated business.*

   The method adopted by the Infrastructure Service Provider to discharge its contractual obligations, whether through its own personnel or by engaging an external contractor,

is merely a delivery model and does not alter the nature of the contractual entitlement. The Operator's Fee is the agreed consideration for performing the obligations entrusted to IOSPL under the Operating Agreement and is not contingent upon the engagement of a third-party operator.

A regulatory approach that allows recovery of an Operator's Fee only when services are outsourced, while denying recovery where the same specialised services are performed directly by the Infrastructure Service Provider, would create an artificial distinction that has no basis in the Operating Agreement or the AERA regulations guidelines. Such an approach would inadvertently discourage operational efficiency and penalise an operator for delivering the regulated service through its own organisation rather than through an external agency.

4. *Contractual obligations cannot be ignored for Tariff Determination*

The Operating Agreement executed between BIAL and IOSPL expressly recognises the Operator's Fee as part of the commercial framework governing operation of the Fuel Farm. The Agreement has been negotiated between independent commercial entities and defines the consideration payable for the specialised services undertaken by IOSPL.

The Consultation Paper does not record any finding that:

a. *Operating Agreement is unreasonable;*

b. *Operator's Fee is excessive;*

c. *Operator's Fee is unrelated to the regulated activity; or*

In the absence of any such finding, complete disallowance of the Operator's Fee is inconsistent with the principles of prudence review.

5. *Denial of recovery defeats the Cost-Plus Regulatory Framework:*

The Common User Fuel Farm operates under a cost-plus regulatory model intended to permit recovery of prudently incurred costs necessary for providing regulated services. The Operator's Fee constitutes an unavoidable contractual cost directly attributable to operation and maintenance of the regulated infrastructure. If IOSPL remains contractually obligated to perform these services while the associated contractual consideration is excluded from the Aggregate Revenue Requirement, the Company is compelled to absorb an unrecovered cost that is essential for providing the regulated service.

6. *Financial and Regulatory implications: Disallowance of the Operator's Fee results in:*

a) *Reduction of the Aggregate Revenue Requirement;*

b) *Reduction of the Fuel Infrastructure Charge;*

c) *Non-recovery of a legitimate contractual operating cost, and*

d) *Creation of an artificial distinction between self-operated and outsourced operating models without any regulatory or economic justification.*

Request:

In view of the above, IOSPL respectfully requests the Authority to:

1. *Recognise that the Operator's Fee is a contractual consideration for specialised operation and maintenance services and is not contingent upon engagement of a third-party operator*
2. *Reconsider the proposal to disallow the Operator's Margin for the True-up of the Third Control Period (Rs. 1.59 Crores).*
3. *Approve and allow the Operator's Margin of Rs. 14.97 Crores in the Aggregate Revenue Requirement (ARR) for the 4th Control Period.*
4. *Determine the yield per unit / Fuel Infrastructure Charges (FIC) after fully incorporating the Operator's Margin to ensure financial equilibrium and sustained operational excellence."*

7.3.4 Auxesia Consulting's comment regarding Operating Fee/ Margin is as under:

"CP-03 rejects IOSPL's claim to a 10% Operating Fee/Margin on Operating Costs (claimed under Clause 12.3 of the Operating Agreement between BIAL and IOSPL dated 30.06.2025), on the ground that IOSPL is itself both the owner and the operator of the Fuel Farm facility, and that no third-party operator has been engaged, such that the O&M expenditure already fully compensates IOSPL for its operating role (Para 7.2.16). This differs materially from the ownership/operating structures at Delhi and Mumbai, where the fuel farm infrastructure is held by dedicated special-purpose companies (DIAL Aviation Fuel Facility Private Limited-type structures at Delhi, and the Mumbai Aviation Fuel Farm Facility Private Limited at Mumbai) that engage a distinct operating entity: at Delhi, the operator earns a management fee reported to be of the order of 16% of operating cost; at Mumbai, the operator's compensation is embedded within a unit operating charge per KL rather than levied as a percentage margin.

There is a reasoned case for IOSPL's claim, for the Authority's consideration:

a) *IOSPL's entitlement to an Operating Fee arises from a specific, negotiated contractual clause (Clause 12.3 of the Operating Agreement dated 30.06.2025) between IOSPL and BIAL, and is not a unilateral claim invented for this tariff proceeding.*

b) *Functionally, IOSPL performs two distinct roles at KIA — that of a capital-asset owner/concessionaire (BOOT structure under the 2008 Concession, now under the revised 2025 SPRH arrangement) and that of a round-the-clock operator of a hazardous, safety- and security-critical facility subject to PESO, DGCA and JIG standards, bearing operational and liability risk that is analogous to the risk a genuinely third-party operator would price into a management fee at Delhi or a unit-rate margin at Mumbai.*

c) *Denying any operator-risk compensation purely because IOSPL happens to be vertically integrated (rather than structured as an asset-owning SPV with a separately contracted operator, as at Delhi and Mumbai) could be seen as penalising a corporate-structure choice rather than assessing the economic substance of the operating function performed, and creates an inconsistency in regulatory treatment of functionally similar fuel-farm operations across major airports.*

At the same time, the force of the Authority's counter-position: because IOSPL's shareholders already earn the full FRoR on RAB in their capacity as owner, and because IOSPL's O&M expenditure is considered fully as pass through cost, an additional percentage margin over and above fully-reimbursed costs — where owner and operator are the same legal person and no arm's-length, competitively-tested operating contract exists — risks compensating the same capital twice for the same activity, which is a legitimate regulatory concern not present at Delhi/Mumbai, where the operating fee is paid to a genuinely distinct counterparty.

Feedback: On a balanced approach, the Authority may consider a modest, cost-justified risk/complexity allowance — quantified by reference to demonstrable costs of operational risk-bearing (e.g., statutory liability insurance premia, third-party risk cover, safety-system redundancy costs specific to hazardous-material handling) rather than an unexplained 10% margin — should be recognised within O&M, to avoid an unexplained disparity in regulatory treatment between vertically-integrated ISPs (Bengaluru) and SPV-plus-contracted-operator structures (Delhi, Mumbai) performing functionally equivalent services."

7.3.5 IOSPL's comment with respect to Land Lease Rental is as follows:

"The Authority has proposed to rationalise the land lease rental payable by IOSPL to BIAL in both the Third Control Period (TCP) True-up and Fourth Control Period (FoCP) Projection. This covers the FY 2025-26 annual rent of Rs.28.09 crores for the existing Fuel Farm, and rentals for the existing Fuel Farm (FY 2026-27 to FY 2030-31) and Satellite Fuel Farm (FY 2027-28 to FY 2029-30), as set out in paragraph 3.12.1 (f) and 7.2.13 respectively of the CP. Under the SPRH Agreement dated 30.06.2025, the base rate is Rs.525 per sq.m. per month w.e.f. 01.04.2025, with 5% annual escalation. The Authority proposes to reduce the applicable rate by about 25%, from Rs.525 to Rs.395 per sq.m. per month, citing the steep increase from the historical nominal rent of Rs.1 per sq.m. per month, BIAL's dominant market position and potential tariff shock.

IOSPL's Submission

1. *IOSPL respectfully submits that the proposal under Clause 3.12.1(f) of the Consultation Paper to restrict the admissible land licence fee from the contractual rate of ₹525 per sq. m. per month to ₹395 per sq. m. per month does not adequately reflect the regulatory and commercial realities governing the operation of the Common User Fuel Farm at Kempegowda International Airport, Bengaluru ("KIA").*

2. *IOSPL therefore requests the Authority to recognize the land licence fee at the actual contractual rate specified under the Operating Agreement executed with Bangalore International Airport Limited ("BIAL").*

   The land licence fee arises from the Operating Agreement effective 1 April 2025 and represents a binding contractual obligation payable to BIAL for the use of airport land essential for providing regulated fuel farm services. The expenditure is neither discretionary nor controllable by IOSPL and cannot be modified, negotiated, or avoided unilaterally once contractually agreed. As such, it constitutes a genuine and unavoidable operating cost directly attributable to the provision of regulated services.

3. *The Fuel Farm is a critical airport infrastructure facility established as part of the airport's planning and operational framework for the storage, handling, and distribution of Aviation Turbine Fuel catering to all Oil Marketing Companies and airline operators at the airport. Given the nature of the facility, IOSPL has no flexibility to source alternative land or relocate operations outside the airport premises. Consequently, the land licence fee is an unavoidable cost of providing the regulated service.*

4. *The revised licence fee has been determined by BIAL in accordance with its prevailing commercial policy applicable to airport land and is consistent with the approach adopted for other airport concessionaires. The licence fee is the outcome of an arm's length contractual arrangement between independent parties and represents the value assigned by the airport operator to the land required for the fuel farm facility.*

   Under established cost-plus regulatory principles, efficiently incurred and verifiable costs that are necessary for providing regulated services are ordinarily allowed for recovery. The land licence fee satisfies all relevant criteria, being:

   e. *Contractually payable and fully verifiable;*

   f. *Prudently incurred;*

   g. *Directly attributable to regulated fuel farm operations; and*

   h. *Unavoidable in nature.*

5. *Accordingly, restricting the admissible amount to ₹395 per sq. m. per month, as against the contracted rate of ₹525 per sq. m. per month, would result in approximately 25% of the actual land licence cost remaining unrecovered. Since IOSPL has no alternative mechanism for recovery of this cost, such disallowance would directly impact the Aggregate Revenue Requirement and the financial sustainability of the regulated service.*

6. *IOSPL further submits that the proposed disallowance creates a regulatory inconsistency. The land licence fee paid by IOSPL is recognized by BIAL as revenue, and the Authority has already considered such receipts as part of BIAL's aeronautical revenue framework. Since the same amount has been recognized on the revenue side of the regulatory framework and contributes to the determination of airport tariffs, it would be appropriate to allow corresponding recognition of the expense in IOSPL's*

ARR. Disallowance of a portion of the expenditure would result in inconsistent regulatory treatment of the same transaction.

7. *It is also relevant to note that land lease or licence charges are commonly levied on fuel farm operators across other AAI, JV, and private airports. In several instances, airport operators additionally levy revenue share obligations, substantial security deposits, and annual escalations. Such arrangements have generally been acknowledged within the applicable regulatory framework. Against this backdrop, the contractual rate applicable at KIA is not excessive and compares reasonably with rates prevailing at other airports, as appended below:*

Airport	*Land Licence Fee (₹/ sq. m./ month)*
Kolkata	*767*
Chennai	*767*
Pune	*560*
KIA (BIAL)	*525*

The above comparison demonstrates that the contractual rate of ₹525 per sq. m. per month is within the range of prevailing airport land charges and cannot be regarded as unreasonable or excessive.

8. *The Authority has, in the past, accorded similar treatment to land licence rentals for other concessionaires at Kempegowda International Airport (KIA), based on the respective bilateral agreements executed with BIAL. A few relevant precedents are set out below:*

c) *CP No. 01/2023-24 - Tariff Determination for WFSBPL for Cargo Handling (1st Control Period)*

   i. *The Authority approved a land licence fee of ₹468 per sq. m. per month for FY 2023-24, with an annual escalation of 5% (reaching ₹542 per sq. m. per month in FY 2026-27), which is comparable to the rates applicable in IOSPL's case.*

   ii. *While approving the same, the Authority took cognizance of the Service Provider Right Holder Agreement (SPRH) executed between the parties.*

d) *CP No. 06/2023-24 - Tariff Determination for Menzies Aviation for Cargo Handling (1st Control Period)*

   i. *The Authority similarly approved a land licence fee of ₹468 per sq. m. per month for FY 2023-24, with an annual escalation of 5% (reaching ₹542 per sq. m. per month in FY 2026-27), comparable to the rates applicable to IOSPL.*

   ii. *In doing so, the Authority considered the provisions of the Service Provider Right Holder Agreement (SPRH) and observed as follows:*

"Considering that the lease rental is part of the SPRHA, the Authority proposes to consider lease rental for the First Control Period as proposed by the ISP."

The above decisions clearly establish a precedent at KIA whereby the Authority has recognized and accepted land licence fees agreed contractually between BIAL and its concessionaires under their respective bilateral agreements. The same principle and approach ought to be applied consistently in the case of IOSPL.

Request:

In light of the facts and regulatory grounds outlined above, IOSPL respectfully prays that the Hon'ble Authority may be pleased to:

i. *For Third Control Period (TCP) True-Up: Allow the full actual expenditure of Rs.28.09 Crores paid towards land lease rental in FY 2025-26 based on audited accounts.*

ii. *For Fourth Control Period (FoCP) Projections: Accept the contractual base rate of Rs.525 per sq.m. per month (with 5% annual escalation) for both the existing Fuel Farm and Satellite Fuel Farm as a legitimate pass-through O&M expense, ensuring complete regulatory parity with the revenue treatment applied in BIAL's Tariff Determination."*

Table 16: Comparison of fuel related charges borne by oil companies at major airports during FY 2015-16 (in ₹ / KL)

Airport	Airport operator fee (AOF)	Fuel infrastructure charge (FIC)	Total (AOF + FIC)	ITP fee for aircraft fuelling (ITP)	Total (AOF + FIC + ITP)
New Delhi	688	755	1,443	190	1,633
Mumbai	804	710	1,514	198	1,712
Bengaluru	1,067	433	1,500	268	1,768

8.2 The Authority noted that no license fee/ land lease rental is payable by the fuel farm operator to the airport operator at Bengaluru Airport. Further, FIC at New Delhi and Mumbai airports are higher as compared to FIC at Bengaluru airport because it includes license fee/ land lease rental payable by the fuel farm operator to the airport operator in the respective airports.

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7.3.6 BIAL's comment regarding land rentals is as under:

"Recognition of Lease rent payable by IOSPL to BIAL

We humbly disagree with the statement made by the Authority in para 3.12.1 (f) wherein it has commented that the lease rent charged by BIAL is a case of display of monopolistic tendency and exploitation of dominant market position by BIAL. We submit that the Authority must view the contractual arrangement between BIAL and IOSPL in light of the inputs below:

a) Comparison with earlier contractual arrangement

The Authority is comparing the current lease rental of Rs 525 per m2 vis-à-vis Rs 1 per year in the earlier contract.

We wish to bring out the below mentioned facts to show that this comparison needs to be extended to the original terms of the contract between BIAL and IOSPL:

The previous contractual arrangement between BIAL and IOSPL entered into in 2008 was not solely based on lease rent basis. Rather, it was a bundled commercial framework comprising of:

- *Airport Operator Fee and Fuel Infrastructure Charge payable by the fuel farm operator to BIAL, which is essentially the revenue share payable by IOSPL*
- *Nominal lease rent of Rs 1 per year*

AERA during its assessment for tariff of IOSPL in 2017-18 had compared the fuel related charges borne by oil companies across DIAL, MIAL and BIAL and had determined that the rates are comparable as other airports charged license fee/ land rental whereas BIAL was not charging license fee/land rental. (Refer extract of Order no 29/2017-18)

Through the airport operator fee mechanism, BIAL's earning from the fuel farm concessionaire was in the range of Rs 62 to 72 crores/ per annum. (Refer extract below Order No 29/2017-18). As can be seen, the annual concession fee that BIAL was earning from IOSPL was significantly higher than the rentals that BIAL has proposed to charge in the new contractual arrangement.

Table 12: Operation and Maintenance Expenditure as per the Authority (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Payroll Costs	253	273	295	318	344
Administrative and General Costs	833	405	433	463	495
Utilities and Outsourcing costs	140	151	164	178	192
Concession Fee & Airport Operator Fees	6,230	6,542	6,869	7,212	7,573
Repair and Maintenance Costs	293	360	392	433	477
Total	**7,748**	**7,731**	**8,152**	**8,603**	**9,081**

6.8 The Authority has proposed to true up the Operating and Maintenance expenditure in the third control period based on the actual expenditureduring the second control period.

Subsequently, MoCA vide letter NO.AV.13030/216/2016-ER (Pt.2) dated 8th January 2020 had directed the discontinuation the levy of FTC/Airport operator fee in any manifestation at all airports. Considering the above policy decision of MoCA, the Authority vide letter No. AERA20015/ FT/2010-11Vol.II dated 15th January 2020 advised all Major Airport Operators to implement the above said MoCA letter with immediate effect.

Following the abolition of FTC/Airport Operator Fee, BIAL was able to collect only Rs 1 / year rental. Hence, the comparison with Rs 1/year rental ignores the material change in

circumstances and results in a distorted assessment of the consideration payable for the land.

c) *Current Lease rentals are comparable to Peer Airports*

The current lease rentals levied by BIAL are reasonable when benchmarked against peer airports. BIAL has reviewed comparable arrangements across major Indian airports and is satisfied that the overall consideration payable by IOSPL is reasonable and competitive.

Airport	*Land Licence Fee (₹/sq. m./month)*
Kolkata	*767*
Chennai	*767*
Pune	*560*
KIA (BIAL)	*525*

Hence, when assessed on a holistic basis and compared with charges applicable at other major airports, the current lease rentals are comparable to, and in several cases lower than, the aggregate charges payable by fuel farm operators elsewhere.

c) *Lease rentals payable to BIAL has been recognized by AERA as aeronautical revenues of BIAL*

It is important to note that the land lease rentals being paid by IOSPL has already been considered by AERA as part of BIAL's aeronautical revenues in its tariff determination process for the 4th control period.

Accordingly:

- *Lease rental revenues are fully captured within the existing airport regulatory framework;*
- *Airlines and Passengers derive the benefit of such revenues through the tariff-setting mechanism; and*
- *there is no justification for AERA to allow a lower lease rental which is against valid contractual terms of conditions which have been approved by the Board of BIAL & IOSPL.*

In effect, any downward revision of the contractual lease rentals would create an unwarranted transfer of value away from the airport despite the fact that the contractual rental revenues have already being accounted for as a part of aeronautical revenues of BIAL in the 4th control period.

d) *BIAL has complied with regulatory guidance and existing contractual arrangements*

In the 3rd control period Tariff order for IOSPL, AERA had emphasized adherence to contractual arrangements between IOSPL & BIAL. The present lease rentals are being charged strictly in accordance with the currently effective SPRH & Operating Agreements executed between the parties. BIAL is therefore fully adhering to the applicable contractual framework and there is no deviation whatsoever from the governing agreement. Accordingly, the Authority cannot revise a valid commercial agreement executed between independent parties.

e) No discrimination or unequal treatment has been adopted by BIAL

The methodology and rates adopted for land lease rentals are consistent with the approach followed for other aeronautical infrastructure and service providers operating at the Airport. IOSPL has not been subjected to any differential treatment from similarly placed airport service providers like Cargo operators. Accordingly, the lease rentals applicable to IOSPL is fully aligned with BIAL's broader land monetisation and airport asset management framework and reflects the principle of equitable treatment across all airport operators.

In light of the above reasons, we request the Authority to consider the entire land lease rentals payable as per the agreed contractual terms and conditions as a part of the operating costs of IOSPL."

7.3.7 DAFFPL's comments with regard to Land license fee is as under:

"We note that AERA has proposed to allow 75% of the Land licence fee claimed by IOSPL for inclusion in Operating Expenditure (Opex) / Aggregate Revenue Requirement (ARR). In this regard, we respectfully submit that the levy of land licence fee on Fuel Farm/ITP ISPs is as well-established and prevalent practice across airports is India. Further, the land licence fee proposed by IOSPL appears to be broadly aligned with prevailing industry rate.

Any partial disallowance of the land licence fee may establish an undesirable precedent for future tariff determinations across the sector. Such treatment could adversely affect Fuel Infrastructure Service Providers nationwide.

It may also be noted that the land licence fee represents an actual and unavoidable contractual expenditure incurred by the IOSPL. Any portion thereof if not admitted for recovery through the regulatory framework would effectively result in a permanent financial loss.

Should the Authority nevertheless decide to disallow any part of the land licence fee, it is respectfully submitted that the airport operator must be correspondingly bound to levy land licence fee to the extent approved by AERA.

View above, the DAFFPL therefore requests the DAFFPL therefore requests the Authority to consider the land licence fee in its entirely, without any rationalization, as the expenditure is unavoidable and arises directly from the mandatory contractual arrangement governing the operation of the fuel-farm facility."

7.3.8 Auxesia Consulting's comment with respect to Land rental is as follows:

"Under the new Sub-Lease Deed executed between IOSPL and BIAL on 30.06.2025 (effective 01.04.2025), IOSPL is contractually required to pay land rental at ₹525/sqm/month (with 5% annual escalation) for the existing Fuel Farm and ₹579/sqm/month for the new Satellite Fuel Farm land — a very substantial increase from the nominal ₹1/sqm/month rental payable under the original 2006 SPRH Agreement (Para 7.2.14). The Authority characterises this increase as reflecting "exploitation of the dominant market position by the Airport Operator" and, on that basis, proposes to allow only 75% of the contracted rate as a pass-through cost (₹395/sqm/month in place of ₹525/sqm/month, with 5% escalation), for both the Third Control Period true-up (Para3.12.1(f)) and the Fourth Control Period (Para 7.2.15, Table 43), resulting in a reduction of ₹57.48 crore over the FoCP alone (Table 43).

Our comments on this proposal are as under, as this is the single most consequential O&M issue in CP-03:

a) ***Guideline basis and its limits:*** *Clause 9.4.4 of the CGF Guidelines does empower the Authority to "consider any payments made by the Service Provider(s) to the Airport Operator(s) with reference to the accounting treatment given to such payments... and as reviewed by the Authority" — so the Authority is not acting entirely outside its remit in scrutinising this cost. However, the Guidelines do not prescribe, and CP-03 does not disclose, any benchmark, comparator, or valuation methodology (such as an independent land-rate assessment, a DPE/State-Government circle-rate reference, or a comparison against rentals charged for equivalent land parcels at other airports) by which the specific figure of 75% (or ₹395/sqm/month) was derived. As drafted, the reduction reads as a round-number policy adjustment rather than a cost-based determination, which is a different exercise from the "accounting treatment" review contemplated by Clause 9.4.4.*

b) ***The land rental is a genuine, unavoidable, third-party cost that IOSPL does not control:*** *the land rental is a contractual liability owed to BIAL, a party independent of and not controlled by IOSPL (IOSPL being jointly owned by IOCL and Skytanking, with BIAL as an unrelated Airport Operator/lessor). IOSPL has no practical means of negotiating this rate downward, and a 25% disallowance in the ARR does not reduce IOSPL's actual cash outflow to BIAL by a single rupee — it simply transfers a permanent revenue shortfall onto IOSPL, which must nonetheless pay BIAL the full contracted rent. This is economically different from disallowing an internally-controlled and discretionary cost.*

c) ***Disparity with Delhi and Mumbai:*** *We understand that at both Delhi and Mumbai, land rentals charged by the respective Airport Operators to DAFFFL/MAFFFPL for the fuel farm land are, in substance, recognised and passed through in the tariff determination for those entities, without an equivalent ad-hoc percentage haircut of the kind proposed here. If land rental treatment differs materially between Bengaluru on the one hand and Delhi/Mumbai on the other — despite all three being open-access fuel-farm structures regulated by the same CGF Guidelines*

— this creates an unexplained disparity in regulatory treatment across airports, and could be seen as inconsistent application of Clause 9.4.4.

d) ***Previous year Tariffs:*** *In the previous tariff years, the FIC determined in respect to IOSPL's operations at KIA was without any land rental charges and hence the FIC determined was lower in comparison to Delhi and Mumbai, where it was included.*

e) ***The more appropriate regulatory lever may lie elsewhere:*** *If the Authority's underlying concern is that BIAL, as a monopoly landlord, has used its market position to impose a supra-competitive land rent, the more direct and legally coherent remedy would be for the Authority to examine the reasonableness of BIAL's land-rent-setting practice within BIAL's own aeronautical tariff determination (over which the Authority has direct jurisdiction as economic regulator of BIAL), rather than achieving an equivalent economic outcome indirectly by disallowing a portion of IOSPL's pass-through cost. The latter approach leaves BIAL's rental income intact while making IOSPL — a different regulated entity that had no part in setting the rent — absorb the shortfall.*

Feedback: The Authority must allow full pass-through of the contracted land rental as an unavoidable third-party O&M cost under Clause 9.4.1, while separately examining the reasonableness of BIAL's rent-setting through BIAL's own tariff proceedings; or, at minimum."

7.3.9 Adani Airports' comment with respect of Land license fee is as follows:

"At the outset, Adani Airport Holdings Limited (AAHL) appreciates the Authority's comprehensive Consultation Paper and the opportunity provided to stakeholders to submit their views.

We would like to submit our observations regarding the regulatory treatment of operating expenditures, specifically the land license fees referenced in Paragraph 7.2.14 of the Consultation Paper.

It is our respectful submission that financial obligations arising from mutually agreed, binding contractual arrangements between Infrastructure Service Providers (ISPs) and Airport Operators should be fully adhered to and recognized during tariff determination. The levy of land license fees on Fuel Farm and Into-Plane (ITP) service providers is an established and widely adopted practice across Indian airports, reflecting prevailing industry norms.

Any deviation from recognizing these agreed contractual amounts as legitimate operating expenditures could create regulatory uncertainty and set an undesirable precedent for future tariff determinations. Such an approach risks undermining the sanctity of commercial contracts, which may have broader implications for infrastructure service providers and airport operators.

In light of the above, we respectfully request the Authority to kindly ensure that mutually agreed contractual amounts are fully considered and upheld while finalizing its decision.

We trust that due consideration will be given to the wider industry implications of this matter."

7.4 IOSPL's response to other Stakeholders' comments regarding Operation & Maintenance Expenditure for the Fourth Control Period

7.4.1 IOSPL's response to Auxesia Consulting's comment regarding Y-o-Y escalation caps is as follows:

"Auxesia has observed that although AERA has discretion under Clause 9.4.2 of the CGF Guidelines to assess efficiency and prudence, the Guidelines do not prescribe specific percentage caps and the empirical basis for the 5-6% caps should therefore be disclosed.

IOSPL Comment: IOSPL concurs to reconsider the caps where they do not reflect actual aviation-fuel industry cost drivers."

7.4.2 IOSPL's response to Auxesia Consulting's comment regarding Operator Margin/ Fee is as under:

"Auxesia has recognised that IOSPL's Operator Fee arises from a specific contractual provision under Clause 12.3 of the Operating Agreement and has highlighted the functional distinction between IOSPL's ownership/concessionaire role and its specialised operational responsibilities. It has also pointed to differences in regulatory treatment at Delhi and Mumbai.

IOSPL concurs that the Operator's Fee is a contractual consideration and that regulatory treatment should consider the economic substance of the operating function, rather than the structure adopted for performing it. IOSPL requests appropriate recognition of the contractual Operator's Fee."

7.4.3 IOSPL's response to DAFFPL's comment regarding Land lease rental is as follows:

"DAFFPL has confirmed that land licence fees for Fuel Farm/Into-Plane ISPs are an established and prevalent practice across Indian airports and that the land licence fee proposed by IOSPL is broadly aligned with prevailing industry rates. DAFFPL has further highlighted that the fee is an actual, unavoidable contractual expenditure and that partial disallowance would result in a permanent financial loss to the ISP and establish an undesirable precedent for future tariff determinations.

IOSPL fully concurs with DAFFPL and requests AERA to recognise the entire contractual land licence fee of Rs 525/sqm/month, without the proposed 25% rationalisation."

7.4.4 IOSPL's response to BIAL's comment in respect of Land license fee is as under:

"BIAL has explained that the earlier arrangement cannot be compared directly with the present Rs 525/sqm/month lease rental because the earlier commercial framework comprised both a nominal Rs 1 per annum lease rent and an Airport Operator Fee/revenue-sharing mechanism payable to BIAL.

Importantly, BIAL has pointed out that AERA itself had recognised this distinction in its earlier Order No. 29/2017-18, wherein the Authority noted that no land licence fee was

payable at Bengaluru because the economic consideration was being recovered through the Airport Operator Fee. Following the subsequent abolition of the Fuel Throughput Charge (payable to airport operator) pursuant to the Ministry of Civil Aviation's policy direction, the commercial structure necessarily changed. BIAL therefore submits that comparing the present contractual lease rental with the historical Rs 1 per annum rental is not an appropriate comparison.

BIAL has further demonstrated that the current Bengaluru lease rental of Rs 525/sqm/month is comparable with peer airports, citing Rs 767 at Kolkata and Chennai and Rs 560 at Pune. BIAL has also confirmed that the lease rental is being charged strictly in accordance with the currently effective agreements executed with IOSPL and that no discriminatory treatment has been adopted.

Particularly significant is BIAL's confirmation that the lease rental payable by IOSPL has already been recognised by AERA as part of BIAL's aeronautical revenues for the Fourth Control Period. Consequently, reducing the lease rental for IOSPL while recognising the corresponding revenue for BIAL would create an inconsistency within the regulatory framework.

IOSPL therefore respectfully submits that BIAL's response provides independent confirmation of IOSPL's position that the full contractual land licence fee should be considered."

7.4.5 IOSPL's counter comment on Auxesia Consulting's comment regarding land license fee is as follows:

"Auxesia has identified the proposed 25% reduction in land rental as one of the most consequential O&M issues. It notes that AERA has not disclosed any benchmark, comparator or valuation methodology supporting the reduction from Rs 525/sqm/month to Rs 395/sqm/month. It has further observed that the land rental is an unavoidable third-party contractual liability, and that disallowance does not reduce IOSPL's actual payment obligation to BIAL. Auxesia has also raised concerns regarding consistency with treatment at Delhi and Mumbai.

IOSPL concurs and requests recognition of the full contractual land licence fee."

7.4.6 IOSPL's counter comment on Adani airports' comment regarding land license fees is as follows:

"IOSPL welcomes the observations made by Adani Airport Holdings Limited (AAHL) in its submission to AERA on Consultation Paper No. 03/2026-27, particularly regarding the regulatory treatment of contractual obligations between Airport Operators and Infrastructure Service Providers (ISPs).

AAHL has independently highlighted the importance of recognising mutually agreed and binding contractual arrangements between Airport Operators and ISPs in tariff determination. AAHL has also submitted that land licence fees payable by Fuel Farm and Into-Plane service providers are an established practice across Indian airports and that

non-recognition of agreed contractual amounts could undermine the sanctity of commercial contracts and create regulatory uncertainty.

IOSPL respectfully submits that this principle is directly relevant to the Bengaluru Fuel Farm and reinforces IOSPL's submission regarding the land licence fee payable to Bangalore International Airport Limited (BIAL). The land licence fee arises from a duly executed contractual arrangement and is a necessary cost for continued use and operation of the regulated Fuel Farm infrastructure. IOSPL therefore requests that the full contractual amount be recognised in the Aggregate Revenue Requirement."

7.5 Authority's analysis on Stakeholders' comments regarding Operation & Maintenance Expenditure for the Fourth Control Period

Authority's view regarding Stakeholder Comments regarding annual escalations in various components of OPEX (Y-o-Y increase) is as follows:

7.5.1 The Authority has examined the submissions of IOSPL and Auxesia Consulting Firm regarding the rationalization of projected O&M expenditure and the annual escalation rates adopted for the Fourth Control Period. In this regard it is informed that the O&M Expenditure for the Fourth Control Period have been projected by considering the actual O&M expenditure for FY 2025-26 as the base and applying annual escalation rates for each subsequent year of the Fourth Control Period, covering FY 2026-27 to FY 2030-31.

7.5.2 The Authority, in general, has considered a year-on-year escalation of 6% for Payroll expenditure, 5% each for Administrative expenses, Utility expenses and Repairs & Maintenance expenses. Apart from the normal annual escalations, the Authority has also considered additional expenses in the relevant years due to commissioning of SFF. These increases have been applied successively to the respective expenditure heads over the Fourth Control Period. The methodology thus recognises the actual expenditure base and provides for annual increases in operating costs, with additional allowances based on specific events (one-time events).

7.5.3 With regard to the submission that the proposed rationalisation constitutes a blanket reduction of approximately 31% in OPEX, the Authority clarifies that the difference between the expenditure claimed and the expenditure considered arises from the assessment of individual cost components and the projection methodology adopted. It does not represent the application of a uniform percentage reduction across all expenditure heads. Further, the escalation rates proposed by IOSPL 10% for Payroll and 8% for the other specified expenditure heads cannot be accepted solely on the basis of general assumptions regarding inflation, employee costs or other operating contingencies.

7.5.4 The Authority recognises the need to maintain safe, reliable and uninterrupted fuel farm operations, including the availability of suitably qualified personnel and the timely undertaking of necessary maintenance. The Authority has also noted IOSPL's concerns regarding financial viability and debt servicing. Such concerns, by themselves, do not establish the admissibility of the entire projected OPEX. The assessment of operating expenditure must balance the recovery of prudent and efficient costs with the interests of

airport users. Accordingly, the Authority considers it appropriate to retain the annual escalation rates of 6% for Payroll expenditure and 5% each for Administrative, Utility and Repairs & Maintenance expenses, applied to the actual expenditure for FY 2025-26 as adopted uniformly across ISPs. Any variation between the expenditure considered and the actual expenditure incurred during the Fourth Control Period shall be examined at the relevant true-up stage, in accordance with the applicable regulatory framework and subject to supporting records and prudence assessment, without implying automatic pass-through of all expenditure incurred.

Authority's view regarding Stakeholder Comments with respect to Operator's Margin is as under:

7.5.5 Further, BPCL, one of the stakeholders, has commended AERA's efforts to rationalize expenses observing that: *"The Consultation paper has appropriately rationalized various cost elements, including CAPEX, operating expenditure, lease rentals, and return-related claims. The resulting efficiency gains should translate into moderation of user charges"*

7.5.6 The Authority notes the comments of stakeholders namely, M/s IOSPL and Auxesia Consulting Firm regarding disallowance of Operators margin for the 3rd and 4th Control Period. In this regard, the Authority is of the view that under the Cost-Plus methodology, the regulatory framework is designed to fully and fairly compensate the Independent Service Provider (ISP) for all prudent & efficiently incurred Costs. Under the Cost-Plus regulatory approach, AERA works out the Aggregate Revenue Requirement (ARR) [Revenue Entitlement] of the ISP for the Control Period, considering all the prudent and efficient operating costs of Fuel Farm Operations plus a FRoR on the Capital Investments (RAB) made by the ISP on Fuel Farm Infrastructure. As per AERA's Tariff Guidelines, 2011 in respect of CGF Services (where tariff determination is undertaken under the Cost-plus approach), the Authority allows FRoR on the Regulatory Asset Base only; no other Margin or Return is permissible under the Regulatory Framework of AERA.

7.5.7 The Authority notes that the ISP has also referred to the Section(13)(1)(iv) of the AERA Act, 2008 by the ISP to justify its claim of Operator's margin based on the contractual provisions. As per the ISP, the abovementioned provision of the AERA Act, 2008 *"obligates the Authority to give due consideration to concession agreements and contractual arrangements entered into by airport stakeholders"*.

7.5.8 In this regard, it appears that the ISP has mis-interpreted and has misquoted the abovesaid Section of the AERA Act, 2008. The Section 13(1)(a) of the AERA Act, 2008 read with sub clause (vi) stipulates that the Authority to determine the tariff for the aeronautical services taking into consideration "the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise". In the instant case, it is noted that there is no such Concession Agreement or MOU between the Central Govt. and the ISP.

7.5.9 With regard to the ISP's comments contending that the compensation as Operator's margin (10%) is separate from Operating Costs and FRoR on RAB considered by AERA, as per the Authority, it is inherent obligation of and incumbent upon the IOSPL as a fuel farm

operator to maintain the required level of service standards and comply with all applicable regulatory & industry standards/ relating to all aspects of ATF intake, storage & distribution through fuel hydrant lines etc., in fulfilment of its contractual obligations as per its concession agreement with the airport operator. Accordingly, the Authority factored-in all the efficient costs towards IOSPL's Fuel Farm Facility Operations including costs towards regulatory compliances etc., while computing O&M Expenses in the tariff determination exercise for the Fourth Control Period, including true-up of the Third Control Period.

7.5.10 Accordingly, as far as the Operating Expenses are concerned, all expenses including payroll costs, administrative expenses, utility expenses etc. have already been considered appropriately by the Authority, based on the costs & expenses reported by the ISP.

7.5.11 The Authority is not inclined to consider any additional margin, over & above the FRoR which is being allowed as per AERA's CGF Guidelines, 2011 under the Cost-Plus regulatory approach, merely on the grounds that it is as per the mutual commercial arrangement between the Airport Operator and the ISP.

7.5.12 Any contractual provision has to be seen from the regulatory perspective and shall only be considered if it is aligned to AERA's regulatory framework and the Costs/ Margin sought are based on the actual costs incurred in a prudent efficient manner. If the Authority were to allow a 10% Margin, on top of these operating costs, to IOSPL, it would result in compensating the same entity twice for the same underlying operational activity. Allowing a 10% margin on operating expenditure would place an unjustified, compounding financial burden on users including airlines.

7.5.13 With respect to M/s Auxesia Consulting Firm's comments relating to Operator's Fee applicable at Delhi (DAFFPL) and Mumbai (MAFFFPL), unlike Fuel Farm facilities at Delhi & Mumbai airports, at Bengaluru Airport's Fuel Farm Facility, there is no separate Operator appointed for day-to-day operations of Fuel Farm Facility by the airport operator; hence, these cases are not on same footing. M/s Auxesia Consulting Firm has relied on the clause no. 12.3 of the Operator Agreement to support the IOSPL's claim of 10% Operating Fee; however, the clause no 12.1 and clause no. 12.4 of same agreement, inter-ala, regarding Operating Costs/ Operating Fees stipulates that the matter relating to recovery of Operating Costs from Users shall be in accordance with applicable Law (which is AERA Act in this case)/ AERA. As already stated above, the Authority permits the recovery of actual costs which are directly related to fuel farm services which would be considered based on prudence & efficiency checks. The Authority notes that the categorization of an operating margin as cost is economically flawed. Treating a hypothetical profit margin under the guise of operating margin artificially inflates the OPEX.

ISP, in its comments or in its MYTP submission, has not submitted any justification / rationale to establish that it is incurring any extra expenses/ financial costs, over & above the Operating Expenses considered in the tariff determination, towards fulfilment of its said contractual responsibilities which entitles the ISP to claim extra 10% margin (over and above the Fair Rate of Return being allowed by the Authority) as operating margin.

7.5.14 Based on the above, the Authority decides to maintain the same stand with regard to Operating Fees as was proposed at Consultation stage i.e., not to consider the Operating Fees in the Tariff Determination for the Fourth Control Period, including true-up of the Third Control Period.

The Authority's views with regard to Stakeholder comments on Land License Fee for the Fourth Control Period is as follows:

7.5.15 The Authority has examined the submission of M/s IOSPL and other stakeholders regarding the rationalization of the Land License Fee rates proposed in the Consultation Paper.

In this regard, views of the Authority on the revision of Land License Fee rates have been amply elaborated at Paras from 3.21.1 to 3.21.6 of this Tariff Order as part of Authority's analysis of True up for 3rd Control Period. As regards the projection of Land Rental for the 4th Control Period, the Authority notes that IOSPL has included the revised Land Rental of ₹525 per sq.m. per month, along with the applicable annual escalation of 5%, in its MYTP for the Fourth Control Period. The Authority had examined the proposed increase in the Consultation Paper and expressed its views thereon. The proposed Land Rental has also undergone the stakeholder consultation process, during which IOSPL and BIAL have furnished their comments and justifications in support of the revised rates. In particular, IOSPL has submitted that the revised Land Rental is comparable to the rates applicable to Cargo Concessionaires operating at Bengaluru Airport, namely M/s WFS Bengaluru Pvt. Ltd. and M/s Menzies Aviation Bengaluru Pvt. Ltd., where the Land Rental was ₹ 468 per sq.m. per month for FY 2023-24, with 5% annual escalation, reaching approximately ₹ 542 per sq.m. per month in FY 2026-27. IOSPL and BIAL have also referred to the prevailing land rentals at Kolkata, Chennai and Pune airports operated by AAI. The Authority has examined these submissions, while also taking note of the differences in the business models and operating arrangements, particularly the open-access nature of the Fuel Farm Facility at Bengaluru Airport.

7.5.16 The Authority in the Consultation Paper had expressed its serious concerns regarding the sudden and substantial increase in Land Rental from the erstwhile nominal rate of ₹ 1 per annum to ₹525 per sq.m. per month, particularly considering that Land Rental alone constituted approximately 60% of the total OPEX projected by the ISP for the Fourth Control Period. The Authority had observed that such an abrupt increase, arising from the revised commercial arrangement between the ISP and the Airport Operator, could result in a significant tariff shock to the users of the Fuel Farm Facility. Accordingly, with a view to balancing the interests of all stakeholders, the Authority had proposed to rationalize the Land Rental by 25%, from ₹525 to ₹395 per sq.m. per month, with an annual escalation of 5% thereafter. However, upon examination of the comments and justifications furnished by IOSPL, BIAL and other stakeholders during the consultation process, including the submissions regarding comparability of the revised rental with rates prevailing at other airports and applicable to other service providers at same airport, the Authority has revisited its proposal made in the Consultation Paper. While acknowledging that the revised Land Rental has now been incorporated in the MYTP and has been subjected to stakeholder consultation for the Fourth Control Period, the Authority remains of the view that an

immediate increase to the full rate of ₹525 per sq.m. per month claimed by ISP would not be appropriate from the perspective of the extant regulatory framework which recognizes that increase in expenses during a 5 year Tariff Cycle (Control Period) need to be graded and spread over the 5 year Control Period so as to avoid undue tariff spikes. The Authority, therefore, considers it prudent to adopt a graded approach for the Fourth Control Period, so that the revised rental is progressively recognized over the Control Period, thereby mitigating the immediate impact on the regulated tariffs while also taking into account the legitimate commercial interests of the Airport Operator and the ISP.

7.5.17 Accordingly, after careful consideration of the submissions of all stakeholders and balancing the interests of the Airport Operator and the ISP and safeguarding the interests of the users of the regulated facility, the Authority has decided to allow the submitted land rental of ₹ 525 per sq.m. per month in the 5th year of this 4th Control Period and allowing the rate of ₹ 395 per sq.m. per month in the 1st year of this 4th Control Period [as already agreed to for the last year (2025-26) of the 3rd CP] and then allowing a graded increase to ₹425, ₹460, ₹490 and ₹525 per sq.m. per month for FY 2027-28, FY 2028-29, FY 2029-30 and FY 2030-31, respectively. This graded approach would enable a progressive transition over the 4th Control Period towards the revised Land Rental of ₹525 per sq.m. per month as submitted by IOSPL, thereby avoiding an abrupt tariff shock to the users while providing reasonable recognition of the revised commercial arrangement between the ISP and the Airport Operator. Upon reaching the rate of ₹525 per sq.m. per month in the last year of the 4th Control Period, the contractual provisions relating to annual escalation of 5% and other applicable terms shall become applicable thereafter, subject to examination by the Authority in accordance with the prevailing regulatory framework at the time of subsequent tariff determination.

7.5.18 The Authority further advises the ISP and the Airport Operator to revisit the sudden and steep revision in land rental applicable to the Fuel Farm Facility at Bengaluru Airport and consider an appropriate graded arrangement consistent with the above regulatory principles.

7.5.19 Based on the stakeholders' comments & counter comments of the ISP and considering the all the relevant aspects as discussed above, the Operation & Maintenance Expenditure decided by the Authority for the Fourth Control Period is as under:

Table 52: Operation & Maintenance Expenditure decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Payroll Cost	6.51	12.64	13.40	14.21	15.06	**61.81**
Administrative & General Expenses	3.57	5.54	5.81	6.10	6.41	**27.43**
Repairs & Maintenance Expenses	1.44	1.51	1.58	1.66	2.08	**8.27**
Utility and Outsourcing Expenses	1.67	2.62	2.75	2.89	3.03	**12.95**

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Airport License Fees	21.13	34.52	37.36	39.80	42.64	**175.46**
Total Operation & Maintenance Expenses	**34.32**	**56.82**	**60.91**	**64.66**	**69.22**	**285.92**

7.5.20 There is a variance of **₹ 10.63 Crores** in the O&M Expenditure proposed by the Authority at Consultation Stage (**₹ 275.29 Crores**) and as decided by the Authority at Order Stage (**₹ 285.92 Crores**) for the Fourth Control Period. This variance is primarily due to consideration of the actual Opex for FY 2025-26, which has been used as a base for projecting Opex for the Fourth Control Period.

7.6 Authority's Decisions regarding Operation & Maintenance (O&M) Expenditure for the Fourth Control Period

Based on the material before it and its analysis, the Authority with regard to regarding Operation & Maintenance Expenditure for the Fourth Control Period decides:

7.6.1 To consider the Operation & Maintenance (O&M) Expenditure as per Table 52.

7.6.2 To true up the Operation & Maintenance (O&M) Expenditure of the Fourth Control Period at the time of tariff determination for the Fifth Control Period, based on reasonability & efficiency of expenses and other relevant factors.

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8. TAXATION FOR THE FOURTH CONTROL PERIOD

8.1 IOSPL's submission regarding Taxation for the Fourth Control Period

8.1.1 IOSPL submitted the computation of Corporate Tax based on the Profit Before Tax (PBT) arrived at after considering Revenues, O&M Expenses and Depreciation etc. The computation of Corporate Tax submitted by IOSPL is as follows:

Table 53: Taxation submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue from Operations	A	162.37	178.16	190.72	200.11	223.01	**954.37**
Other Income	B	-	-	-	-	-	-
Total Revenue	**C=A+B**	**162.37**	**178.16**	**190.72**	**200.11**	**223.01**	**954.37**
O&M Expenses	D	45.89	79.24	84.56	90.28	96.42	**396.39**
Depreciation*	E	13.42	35.64	44.60	43.71	43.88	**181.25**
Interest	**F**	1.10	18.37	23.67	18.76	15.43	**77.34**
Total Expenses	**G=(D+E+F)**	**60.41**	**133.25**	**152.83**	**152.75**	**155.73**	**654.98**
Profit Before Tax (PBT)	H	101.96	44.91	37.89	47.36	67.28	**299.39**
Tax Rate	I	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%
Tax Payable	**J=H*I**	**25.66**	**11.30**	**9.54**	**11.92**	**16.93**	**75.36**

**Depreciation as per ISP submission dated 06.03.26*

8.2 Authority's Examination regarding Taxation projected by IOSPL for the Fourth Control Period at Consultation Stage

8.2.1. The Authority noted that IOSPL had projected Corporate Tax for the Fourth Control Period after considering tax @ 25.17% on the projected Aeronautical Revenues.

8.2.2. The Authority had re-computed the aeronautical tax based on the aeronautical revenues worked out as per its ARR computation proposed for the Fourth Control Period, as given in the chapter 9.

The following table summarizes the Aeronautical tax in respect of IOSPL proposed by the Authority for the Fourth Control Period:

Table 54: Taxation proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue						
Aeronautical Revenue **(A)** *(refer Table 66)*	91.78	113.06	121.03	126.99	141.51	594.37
Expenses (B)						
Operating Expenses *(refer Table 51)*	34.34	55.67	58.56	61.60	65.13	275.29
Depreciation	17.24	27.92	29.19	29.02	29.18	132.55
Interest	3.07	18.79	23.87	19.29	14.78	**79.80**
Total (B)	**54.65**	**102.38**	**111.62**	**109.90**	**109.09**	**487.64**
Profit/Loss (C)=(A-B)	**37.13**	**10.68**	**9.41**	**17.08**	**32.43**	**106.73**
Set off Prior Period losses (D)	-					
Profit/ (Loss) after Setoff of Prior Period losses (E)	**37.13**	**10.68**	**9.41**	**17.08**	**32.43**	**106.73**
Tax Rate (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax (G)=(E*F)	**9.35**	**2.69**	**2.37**	**4.30**	**8.16**	**26.86**

8.3 Stakeholders' comments and the Authority's analysis thereof regarding Aeronautical Taxation for the Fourth Control Period

8.3.1 The Authority received no comments from stakeholders with regard to Aeronautical Taxation for the Fourth Control Period.

However, based on the changes made in the regulatory building blocks, at the order stage the Aeronautical Taxation has been re-computed by the Authority and the same is presented in the table below:

Table 55: Aeronautical Taxation decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue						
Aeronautical Revenue **(A)**	90.48	129.77	143.00	154.79	168.93	**686.96**
Expenses (B)						

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Operating Expenses *(refer Table 52)*	34.32	56.82	60.91	64.66	69.22	**285.92**
Depreciation *(refer Table 37 & Table 61)*	19.66	32.77	34.03	33.86	39.15	**159.47**
Interest	3.07	18.79	23.87	19.29	14.78	**79.80**
Total (B)	**57.05**	**108.38**	**118.81**	**117.80**	**123.14**	**525.19**
Profit/Loss (C)=(A-B)	**33.43**	**21.39**	**24.18**	**36.99**	**45.78**	**161.78**
Set off Prior Period losses (D)	-					
Profit/ (Loss) after Setoff of Prior Period losses (E)	**33.43**	**21.39**	**24.18**	**36.99**	**45.78**	**161.78**
Tax Rate (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax (G)=(E*F)	**8.41**	**5.38**	**6.09**	**9.31**	**11.52**	**40.72**

8.4 Authority's Decisions regarding Aeronautical Taxation for the Fourth Control Period

Based on the material before it and its analysis, the Authority with regard to taxation decides:

8.4.1 To consider the Aeronautical Tax for the Fourth Control Period in respect of Fuel Farm Services provided by IOSPL at Bengaluru International Airport as per Table 55.

8.4.2 To true up the Aeronautical Tax of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

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9. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FOURTH CONTROL PERIOD

9.1 IOSPL's submission regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period.

9.1.1 The IOSPL projected ARR for the Fourth Control Period as per its projections for the regulatory building blocks as given in the table below:

Table 56: Aggregate Revenue Requirement (ARR) submitted by IOSPL for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base (RAB)	A	268.65	542.67	617.35	576.88	536.04	
Average Fair Rate of Return (FRoR)	B	11.32%					
Return on RAB	C = A * B	30.42	61.45	69.91	65.33	60.70	**287.81**
O&M Expenses	D	45.89	79.24	84.56	90.28	96.42	**396.39**
Depreciation*	E	13.42	35.64	44.31	43.71	43.87	**180.95**
Taxation	F	25.76	11.64	9.67	11.86	16.88	**75.80**
Return on Security Deposit @15.05%	G	2.11	2.22	3.54	3.71	3.90	**15.49**
Over-recovery of Third Control Period	H	**(0.74)**	-	-	-	-	**(0.74)**
Less: Other Income	I	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	**J = [Sum (C: H)-I]**	**116.86**	**190.18**	**211.98**	**214.89**	**221.77**	**955.68**

**Depreciation as per ISP submission dated 06.03.26*

9.1.2 IOSPL claimed ARR for the Fourth Control Period amounting to ₹ 955.68 crores.

9.2 Authority's Examination regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period at Consultation Stage

9.2.1 The Authority had computed ARR for the Fourth Control Period after detailed review/rationalization of each regulatory building block and considering AERA's proposals for various building blocks as discussed in the previous chapters. For the computation of ARR FoCP, the Authority had separately considered the following components in addition to Regulatory Building Blocks:

a) **Return on the Dead Stock:** The Authority noted that IOSPL has considered CAPEX amounting to ₹ 65.68 crores in respect of the ATF stored in the Fuel Storage Tanks & FHS

as Dead Stock in the Fourth Control Period. The Authority is cognizant of the fact that certain minimum level of aviation fuel (dead stock) is always required to be stored in fuel storage tanks/ fuel hydrant lines for uninterrupted operations of the fuel farm.

It was noted that Dead Stock at the beginning of the FoCP amounts to ₹ 17.68 crores (in respect of 4001 KL of ATF). The ISP had proposed additional Dead Stock valued at ₹ 31.76 crores and ₹ 16.66 crores, on account of commissioning of new Satellite Fuel Farm and Extension of Hydrant Refueling System (HRS) in FY 2026-27 and FY 2027-28 respectively during the FoCP. The details of total additional Dead Stock in KL being augmented during FoCP valued at ₹ 48.42 crores as submitted by the ISP is given below:

Project	Dead Stock (in KL)	Capex (in ₹ crores)
13 Stands	651	**48.42**
Satellite Fuel Farm	2,022	
40 Stands	1,694	
West Cargo	462	
Total	**4,829**	

The ATF in a normal course of business is a saleable commodity and same can't be equated with other Capital Assets such as Fuel Storage Tanks & Fuel Hydrant System, Plant & Machineries etc. wherein a Fair Rate of Return (FRoR) & Depreciation is allowed to the service provider. However, some capital of ISP gets locked in form of Dead Stock, which can only be realized after the end of concession term, subject to the provisions of concession agreement with the Airport Operator.

In order to compensate the ISP on account of erosion in the value of funds locked-in as 'Dead Stock' due to general inflation etc., the Authority, of late, has taken a considered decision to compensate the fuel farm operator for funds locked in as Dead Stock by separately allowing interest on it, instead of treating the it as part of RAB. The Authority had followed the above approach recently, while deciding tariff for BPCL's Fuel Farm Services at Mopa-Goa airport.

Accordingly, the Authority, proposed to consider an interest/ return @ 5% per annum on the Dead Stock for IOSPL's fuel farm services at Bengaluru airport, as a separate line item in the ARR computation for the Fourth Control Period, as shown in Table 57 below.

b) **Return on Security deposit (SD):** It was noted that as per the Sub Lease Deed executed between ISP & AO, IOSPL shall provide Airport Operator (AO), an unconditional irrevocable bank guarantee for an amount equivalent to six (6) months of Rent for a minimum of fifteen (15) months from the Sub-Lease Commencement Date. Thereafter, IOSPL shall replace the Bank Guarantee with an interest-free, refundable cash security

deposit equivalent to six (6) months of Rent calculated for the second year of the Sub-Lease Term. The Security Deposit shall be increased annually in proportion to the annual escalation in Lease Rent.

IOSPL had claimed 15.05% return on the Security Deposit, in line with the Return on Cost of Equity. In this regard, the Authority was of the view that 15.05% return equivalent to Cost of Equity on Security Deposit claimed by IOSPL is not justified, as no aeronautical purpose is served by the deposit of S.D with Airport Operator. However, the submission of Security Deposit by ISP to AO results in substantial sum of the service provider getting locked for significantly longer duration due to their contractual arrangement.

Therefore, in order to compensate the ISP against erosion of the value of Security Deposit during the concession term due to general inflation etc., the Authority proposed to consider Interest / Return on Security Deposit @ 5% per annum (as against 15.05% proposed by IOSPL) and same is consistent with the AERA's approach in this regard for ISPs.

9.2.1. Based on the above, the Authority proposed to consider ARR for the Fourth Control Period, after exclusion of 'Capex on Hydrant Extension for 40 Stands amounting to ₹ 153.96 crores which is proposed to be considered separately on "Incremental ARR approach", as presented in the table given below:

Table 57: Baseline Aggregate Revenue Requirement (ARR) proposed by the Authority for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB *(refer Table 39)*	A	190.18	329.95	339.22	313.66	287.51	
Fair Rate of Return (FRoR) *(refer Table 42)*	B	**11.33%**					
Return on RAB	**C = A * B**	**21.54**	**37.37**	**38.42**	**35.53**	**32.57**	**165.43**
O&M Expenses *(refer Table 51)*	D	34.34	55.67	58.56	61.60	65.13	**275.29**
Depreciation *(refer Table 36)*	E	17.24	27.92	29.19	29.02	29.18	**132.55**
Taxation *(refer Table 54)*	F	9.35	2.69	2.37	4.30	8.16	**26.86**
Prior Period Over Recovery *(refer Table 22)*	G	(20.59)					**(20.59)**
Return on Deadstock (ATF) @ 5% *(refer 9.2.1a)*	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5% *(refer 9.2.1b)*	I	0.55	0.88	0.93	0.97	1.02	**4.37**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**64.88**	**127.82**	**132.75**	**134.70**	**139.34**	**599.50**
Discount factor @11.33%	K	1.00	0.90	0.81	0.72	0.65	

PV of ARR	L=J*K	64.88	114.81	107.11	97.63	90.72	475.16
Yield per KL *(in ₹)*		542.33					

Note: ARR computed after excluding the financial impact of CAPEX amounting to ₹ 153.96 crores in respect of Hydrant Extension for 40 Stands project (considered on "Incremental ARR approach").

9.2.2. The Authority had computed the ARR for IOSPL in respect of its Fourth Control Period at **₹ 599.50 crores** (NPV ₹ 475.16 crores as on 31.03.2027), as against **₹ 955.68 crores** projected by the ISP. The major reasons of variance between ARR proposed by the Authority vis-à-vis ARR as per IOSPL are as under:

i. Rationalization of CAPEX and consideration of CAPEX amounting to ₹ 153.96 crores on Hydrant Extension of 40 Stands Project on "Incremental ARR approach", to be factored in on the actual completion/ commissioning and putting to use of 40 Stands Project/ Apron.
ii. Rationalization of Depreciation in sync with proposed CAPEX, resulting in reduction of ₹ 48.40 crores.
iii. Rationalization of O&M expenses amounting to ₹ 121.10 crores.
iv. Proposed 5% Return on Security Deposit in place of 15.05% Return considered by the IOSPL, resulting in reduction of ₹ 11.12 crores.
v. Reduction in taxation by ₹ 48.94 crores, due to rationalization of aeronautical revenue & expenses, based on the ARR proposed by the Authority.
vi. Consideration of Return on Deadstock @5% as against treating it as part of RAB and allowing Return equivalent to FRoR @ 11.32%.

9.3 Incremental ARR Approach for Identified High-Capex Projects ("Incremental ARR approach")

9.3.1 For the project identified under the Incremental ARR Approach, the Authority had determined the projected Aggregate Revenue Requirement (ARR) attributable to such project. The project-specific ARR is given in the Table 58 below.

9.3.2 The Authority had calculated the ARR attributable to the identified project based on the project cost considered, financing assumptions, capitalization schedule, and other regulatory parameters applicable for the relevant Control Period.

The ARR associated with such identified project has been excluded from the overall projected ARR for the purpose of determining the Baseline ARR given in the Table 57 for the FoCP.

9.3.3 The Baseline ARR shall therefore represent the revenue requirement associated with existing assets and capital projects that are not subject to the Incremental ARR framework ("Incremental ARR approach"). This approach ensures that users are not required to bear tariff increases in anticipation of infrastructure that is yet to be commissioned and made available for operational use.

9.3.4 At the time of actual commissioning & put to use of Capex project considered under Incremental ARR Approach, the Authority, in order to implement the Tariff increase as per additional YPP associated with the identified Capex Project, shall undertake only a limited

review of the capital expenditure & related depreciation and FRoR thereon pertaining to the 40-Stand Hydrant Extension Project.

9.3.5 Other variations between approved and actual project costs, capitalization values, financing costs, operational expenditure, or other relevant parameters shall be examined separately during the True-Up process in accordance with the applicable regulatory framework. The True-Up exercise shall remain the appropriate mechanism for determining the prudence and admissibility of actual costs and for addressing any consequential under-recovery or over-recovery arising from such variations.

9.3.6 Based on the above the Incremental ARR and cumulative ARR including the impact of Incremental ARR is given in Table 58 and Table 59 respectively.

Table 58: Incremental ARR in respect of 40 Stands Hydrant Extension for Project (Capex of ₹ 153.96 crores) being allowed on Incremental ARR Approach at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	A	0.00	0.00	0.00	0.00	0.00	
Additions	B	0.00	0.00	0.00	0.00	153.96	**153.96**
Depreciation	C	0.00	0.00	0.00	0.00	5.13	**5.13**
Closing RAB	D = A+B-C	0.00	0.00	0.00	0.00	148.83	
Average RAB	E = (A+D) /2	0.00	0.00	0.00	0.00	74.42	**74.42**
Fair Rate of Return (FRoR)	F	**11.33%**					
Return on RAB	**G = E*F**	0.00	0.00	0.00	0.00	8.43	**8.43**
O&M Expenses	H	0.00	0.00	0.00	0.00	0.00	
Depreciation	I	0.00	0.00	0.00	0.00	5.13	**5.13**
Taxation	J	0.00	0.00	0.00	0.00	2.84	**2.84**
Aggregate Revenue Requirement (ARR)	**K = Sum (G: J)**	**0.00**	**0.00**	**0.00**	**0.00**	**16.40**	**16.40**
Discount factor @11.33%	L	0.00	0.00	0.00	0.00	0.65	
PV of ARR	**M =K*L**	**0.00**	**0.00**	**0.00**	**0.00**	**10.67**	**10.67**

Table 59: Conventional Aggregate Revenue Requirement (ARR) for the Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB	A	190.18	329.95	339.22	313.66	361.92	
Fair Rate of Return (FRoR)	B			**11.33%**			
Return on RAB	**C = A * B**	21.54	37.37	38.42	35.53	40.99	**173.86**
O&M Expenses	D	34.34	55.67	58.56	61.60	65.13	**275.29**
Depreciation	E	17.24	27.92	29.19	29.02	34.31	**137.69**
Taxation	F	9.35	2.69	2.37	4.30	11.00	**29.70**
Prior Period Over Recovery	G	(20.59)					**(20.59)**
Return on Deadstock (ATF) @ 5%	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5%	I	0.55	0.88	0.93	0.97	1.02	**4.37**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**64.88**	**127.82**	**132.75**	**134.70**	**155.74**	**615.89**
Discount factor @11.33%	K	1.00	0.90	0.81	0.72	0.65	
PV of ARR	**L=J*K**	**64.88**	**114.81**	**107.11**	**97.63**	**101.39**	**485.83**
Yield per KL *(in ₹)*		**554.51**					

9.4 Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period

9.4.1 Stakeholders' comments regarding Incremental ARR Approach along with the IOSPL's response to other stakeholder's comments are presented in para 5.3.7, 5.3.8 & 5.4.6 under Chapter 5 of this Tariff Order.

9.4.2 IOSPL's comment with regard to exclusion of deadstock from RAB is as under:

"The Authority has proposed to depart from the regulatory treatment adopted in previous tariff determinations by excluding the value of Dead Stock of Aviation Turbine Fuel ("ATF") from the Regulatory Asset Base ("RAB"). Instead of allowing Return at Fair Rate of Return in accordance with the established tariff framework, the Authority has proposed to allow only a notional return at the rate of 5% per annum on the value of the Dead Stock as a separate element of the Aggregate Revenue Requirement ("ARR").

The proposal is based on the Authority's view that ATF constitutes a saleable commodity and cannot be equated with conventional capital assets such as fuel storage tanks, hydrant systems and plant & machinery. While recognising that a minimum quantity of ATF is necessarily required to remain permanently locked in the fuel farm and hydrant system for uninterrupted operations, the Authority has proposed to compensate IOSPL only through an interest allowance of 5% per annum, relying upon the approach recently adopted in the tariff determination for BPCL's Fuel Farm Services at Mopa Airport.

IOSPL's Submission:

IOSPL strongly objects to the Hon'ble Authority's proposal to exclude Dead Stock valued at Rs. 65.68 Crores (comprising Rs. 17.68 Crores existing and Rs. 48.42 Crores augmentation) from the Regulatory Asset Base (RAB) and substitute the Fair Rate of Return (FRoR) with an arbitrary 5% per annum interest allowance.

The Authority's premise that Aviation Turbine Fuel (ATF) is a "saleable commodity" fails to recognize IOSPL's business model as an independent, open-access Fuel Infrastructure Facility Operator. IOSPL does not trade fuel, earn trading margins, or hold operational stock. Dead Stock represents a non-fungible, permanently immobilized line-fill asset essential to establish hydraulic head and operate the facility. Restricting recovery to 5% creates a severe negative spread against IOSPL's cost of capital, violating fundamental regulatory principles, established AERA precedents, and global accounting standards.

The detailed justification for reckoning dead stock as a part of RAB is summarized below with rationales:

1. *Operational essentiality & non-traded capital nature:*
   a. *Hydraulic Necessity: The total volume of 8,830 KL (4,001 KL existing + 4,829 KL addition for Satellite Fuel Farm, 13 stands, West Cargo etc) constitutes the un-pumpable base stock permanently trapped inside tanks and pressurized pipelines. Without this initial fill, fuel delivery to aircraft is physically impossible.*
   b. *Capital Lock-In: This fuel can never be commercialized, traded, or monetized during the operational lifespan of the facility. It is permanently locked capital committed under regulatory requirement until concession end.*
2. *Violation of cost of capital / WACC recovery principle:*
   a. *IOSPL funded the Rs. 65.68 Crores capital requirement through an optimal mix of debt and equity. The actual Weighted Average Cost of Capital (WACC) / FRoR approved for IOSPL is ~13.43% (incorporating Cost of Debt @ ~7.54% and Cost of Equity @ 14%).*
   b. *Capping the return at a flat 5% per annum fails to even cover the basic borrowing cost of debt, imposing an unrecoverable cash loss on a mandatory capital investment.*

3. *Inconsistency with settled regulatory precedents:*

The reliance on the BPCL Mopa Airport order is an isolated departure that violates regulatory consistency across comparable fuel farm infrastructure:

a. *DAFFPL (Delhi Airport - CP No. 12/2021-22): AERA explicitly recognized Dead Stock as a non-depreciable asset included in the RAB, granting 100% FRoR on the locked capital.*

b. *MAFFFL (Mumbai Airport - Order No. 20/2021-22): AERA accepted that MAFFFL does not sell fuel and allowed Dead Stock within the Gross Block / RAB to earn full FRoR.*

c. *IOSPL Bengaluru Historical Orders (Order No. 30/2021-22): In IOSPL's own 2nd and 3rd Control Period true-ups, the 4,001 KL Dead Stock (Rs. 17.68 Crores) was included in RAB. Altering the methodology mid-stream without statutory changes violates legitimate expectations.*

4. *Global Accounting Treatment (IFRS / Ind AS 16):*

Globally, base stock and line-fill fuel held by independent facility operators (who do not trade the underlying commodity) are accounted for under IAS 16 / Ind AS 16 (Property, Plant and Equipment) rather than IAS 2 / Ind AS 2 (Inventories):

a. *Under Ind AS 16.16(b), costs directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the intended manner must be capitalized as part of Plant & Machinery.*

b. *Because Dead Stock cannot be liquidated in the ordinary course of business, treating it as inventory under Ind AS 2 is accounting-wise incorrect.*

c. *In global regulatory and accounting frameworks (such as US GAAP and IFRS), line-fill is recognized as a non-depreciable capital asset item within Plant & Machinery (as physical volume does not degrade). Since it represents long-term committed capital expenditure (Capex), it forms an integral part of the regulated capital base, entitling the operator to the full regulatory return on capital employed (FRoR).*

Methodological comparison:

AERA

Regulatory Feature	AERA CP 4th Control Period Proposal	IOSPL Justified Demand (Precedent-Backed)
Asset Classification	Standalone Line Item	Part of Gross Block / Regulatory Asset Base (RAB)
Accounting Standard	Ad-hoc treatment	Ind AS 16 / AS 10 (Capitalized under Plant & Machinery)
Depreciation Treatment	Disallowed	Disallowed (Agreed; non-depreciable asset)
Allowed Return	Flat 5% p.a. interest	Full Fair Rate of Return (FRoR @ ~13.43%)

Request:

In view of the technical necessity, global Ind AS 16 accounting mandates, financial cost of capital, and binding precedents in Delhi (DAFFPL), Mumbai (MAFFFL), and IOSPL's 3rd Control Period, IOSPL respectfully prays that the Hon'ble Authority:

1. *Reconsider and withdraw the proposal to isolate Dead Stock as a standalone line item earning a 5% interest rate.*
2. *Capitalize the total Dead Stock value of Rs. 65.68 Crores (Existing Rs. 17.68 Cr + Augmentation Rs. 48.42 Cr) as a non-depreciable capital asset under Gross Block / Regulatory Asset Base (RAB) for the Fourth Control Period.*
3. *Allow the full Fair Rate of Return (FRoR) on the Dead Stock component within RAB to ensure complete recovery of the cost of debt and equity deployed."*

9.4.3 DAFFPL's comment with regard to Return on Deadstock is as under:

"The Authority's proposal to allow interest/return at 5% per annum on Dead Stock, by treating it as separate line item in the ARR, is noted. However, this approach is inconsistent with the Authority's established precedents wherein Dead Stock has been considered as part of the RAB, with no depreciation applied.

Further, we would like to submit that

1. *The procurement of the Dead Stock is essential for commissioning and operating the storage tank and Hydrant System for uninterrupted supply of ATF to Airport.*
2. *The exclusion of dead stock from the RAB, despite being a prerequisite investment for providing fuel-farm services, is not consistent with the AERA Tariff Determination Guidelines, 2011.*
3. *The FRoR framework is intended to fairly compensate regulated entities for capital investments made. Allowing only a nominal return of 5% on such considerable capital expenditure does not adequately compensate even the opportunity cost of funds.*

View above, we request the Authority to consider Dead Stock in the same manner as other Plant & Machinery and allow return @FRoR."

9.4.4 IOSPL's comment with regard to Return on Security Deposit is as under:

"The CP proposes to allow a return of only 5% per annum on the Security Deposit furnished by IOSPL to the Airport Operator, instead of the 15.05% claimed by IOSPL. The Authority has observed that although the Security Deposit results in a substantial amount of IOSPL's funds remaining locked for a significant duration, it does not directly serve an aeronautical purpose and therefore has proposed to compensate IOSPL only to the extent of inflation.

IOSPL's Submission:

IOSPL respectfully submits that the Authority's proposal to restrict the return on the mandatory Refundable Security Deposit (SD) to an arbitrary rate of 5% per annum (inflation indexation) is unsustainable.

The Security Deposit payable to the Airport Operator is a non-negotiable statutory and contractual precondition under the Sub-Lease Deed for delivering regulated aeronautical services. Restricting its return to 5% ignores the real financial burden, misapplies regulatory economic principles, and directly departs from established AERA and Judicial Precedents.

IOSPL humbly requests that the Authority allow a return on the Security Deposit at the Cost of equity or at least at the cost of debt (benchmarked against actual weighted average cost of debt), aligning with settled regulatory principles.

Under Section 13(1)(a) of the AERA Act, 2008, the Authority is mandated to determine tariffs while giving due regard to "the economic and efficient operation of the airport" and ensuring a reasonable "return on capital employed."

Contrary to the preliminary observation in the Consultation Paper, the Security Deposit directly serves an aeronautical purpose:

a. *It is a mandatory contractual prerequisite under the Concession Agreement / Sub-Lease Deed. Without providing this outlay, IOSPL cannot access airport premises or operate the Fuel Farm.*

b. *Capital encumbered under mandatory regulatory conditions forms an integral component of the cost of providing the aeronautical service.*

c. *The encumbered capital represents real money locked for the entirety of the concession period.*

d. *This capital is unavailable for funding capital expenditures (CAPEX), retiring debt, or servicing working capital.*

e. *Restricting the return to a nominal 5% (covering only inflation) forces IOSPL to absorb a substantial uncompensated spread between its actual cost of capital and the nominal allowance, resulting in an unviable regulatory penalty.*

Judicial precedents & AERA Regulatory decisional history:

The proposal to cap the return at 5% directly violates the principle of regulatory consistency established by the Hon'ble Telecom Disputes Settlement & Appellate Tribunal (TDSAT) and AERA's own past tariff orders:

1. *TDSAT Ruling in DIAL Matter (Appeal No. 10/2012) & MIAL Matter:*

The Hon'ble TDSAT definitively ruled that Refundable Security Deposits (RSD) cannot be treated as zero-cost or nominal-cost funds. The Appellate Tribunal established that where funds are locked for long durations to finance project requirements or secure operational rights, the utility/operator must be allowed a return equivalent to at least the Cost of Debt.

2. *DIAL – Third Control Period (Order No. 57/2020-21):*

AERA recognized that RSDs cannot be zero-cost funds and explicitly determined that the return on such capital must be allowed equivalent to the actual cost of debt (9.28%).

3. *Cochin International Airport Limited (CIAL) – Third Control Period (Order No. 08/2021-22):*

The Authority applied the same rationale, holding that mandatory security deposits represent debt capital and must be compensated through the cost of debt framework.

In view of the above established rulings, the Authority (AERA) cannot adopt divergent principles for an independent Fuel Farm / Independent Service Provider (ISP) compared to Airport Operators. Equal regulatory treatment must apply where capital is locked under mandatory contractual frameworks for facilitating aeronautical services.

Request:

In light of the statutory mandates of the AERA Act, settled judicial jurisprudence from TDSAT, and the Authority's own regulatory precedents, IOSPL respectfully prays that the Hon'ble Authority be pleased to:

1. *Reconsider the proposal of restricting the return on Security Deposit to 5% per annum.*

2. *Allow a return on the full value of the mandatory Security Deposit at the cost of Equity or at least at the prevailing Cost of Debt in line with the established rulings on the Refundable Security Deposits.*

3. *Include the corresponding debt service cost in the Aggregate Revenue Requirement (ARR) calculation to ensure cost recovery and commercial viability of the Fuel Farm operations."*

9.4.5 DAFFPL's comments regarding Return on Security Deposit is as under:

"It is noted that IOSPL has furnished an interest-free, refundable Security Deposit (SD) to the Airport Operator pursuant to the land taken on lease for the provision of fuel-farm services. The Security Deposit (SD) is furnished as a contractual obligation, and this practice is prevailing across airports in the country. Considerable amount in the form of SD gets blocked which cannot be used alternatively.

Since the SD has been funded entirely through equity, and Company's cost of equity is 15.05%, allowing a return of merely 5% does not compensate for the significantly higher cost of capital incurred. Accordingly, restricting the return on such substantial locked-in capital to a nominal 5% does not reflect the true opportunity cost of funds.

View above, we request the Authority to consider an appropriate return on the SD, aligned with the source of funds used for its deployment i.e., a return at the Company's cost of equity."

9.4.6 Auxelia Consulting's comment with regard to ARR is as under:

"The cumulative effect of the issues raised above i.e. the Satellite Fuel Farm capacity exclusion, the Incremental ARR deferral without Financing Allowance, the O&M escalation caps, the Operating Fee rejection, and the Land Rental haircut — is to reduce the Authority's computed Baseline ARR for the FoCP to ₹599.50 crore (Table 48) against IOSPL's submission of ₹955.68 crore (Table 47), a reduction of roughly 37%.

The proposed effective date of the revised tariff (01.09.2026, Para 10.2.3and Table 53) itself embeds an approximately five-month period (01.04.2026 to 31.08.2026) during which IOSPL will continue to recover FIC at the existing ₹510/KL rate while its cost base (including the new land rental) has already increased from 01.04.2025 onward.

Feedback: While IOSPL's submission may not warrant acceptance in its entirety and several of the Authority's proposed adjustments—such as the methodology adopted for FRoR, the disallowance of the Operating Fee on the grounds discussed above, and the Prior Period over-recovery adjustment—appear to be well-founded, it is observed that a portion of the variance arises from certain regulatory mechanisms and adjustments (including the treatment of Incremental ARR without carrying cost, the land rental haircut without a disclosed methodology, and capacity exclusion without a defined trigger) that do not appear to have been expressly articulated in the CGF Guidelines or have not been transparently quantified in the Consultation Paper. These specific elements may therefore merit further examination and appropriate clarification along the lines discussed above before issuance of the final Tariff Order. Also the Authority must clarify how the interim shortfall between 01.04.2026-31.08.2026, if any, will be trued up since the proposed effective date of the revised tariff is 01.09.2026."

9.5 IOSPL's response to other Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period

9.5.1 IOSPL's response to DAFFPL's comment regarding Return on Deadstock is as under:

"DAFFPL has submitted that Dead Stock is essential for commissioning and operating Fuel Farm and Hydrant Systems and that its exclusion from the RAB is inconsistent with the established regulatory treatment and the AERA Tariff Determination Guidelines. DAFFPL has also stated that allowing only 5% return does not adequately compensate the capital deployed.

IOSPL concurs. Dead Stock is an essential capital requirement for providing the regulated service and should be treated consistently with other capital assets, with FRoR applied to the investment, rather than merely allowing a nominal 5% return."

9.5.2 IOSPL's response to DAFFPL's comment with respect to Return on Security Deposit is as under:

"DAFFPL has confirmed that Security Deposit is a contractual obligation, that substantial funds remain locked-in and unavailable for alternative use, and that a 5% return does not adequately compensate the Company's cost of capital. DAFFPL has therefore requested a return aligned with the source of funding.

IOSPL concurs with DAFFPL's position that the return on the interest-free Security Deposit should appropriately reflect the actual cost/opportunity cost of the funds deployed, rather than an arbitrary 5% return."

9.5.3 IOSPL's response to Auxesia Consulting's comment regarding the ARR is as under:

"Auxesia has highlighted that the combined effect of the Satellite Fuel Farm exclusion, Incremental ARR deferral, O&M caps, Operator Fee rejection and land-rental haircut reduces the proposed ARR substantially. It has specifically identified the absence of transparent methodology for certain adjustments and the need for further examination before the final Tariff Order.

IOSPL concurs that tariff determination should be transparent, reasoned and consistently applied with the CGF Guidelines and AERA's established regulatory approach."

9.6 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period

Return on Deadstock:

9.6.1 The Authority notes the comments of M/s IOSPL and M/s DAFFPL regarding the classification of ATF Dead Stock as a non-depreciable capital asset under Property, Plant, and Equipment (PPE) in accordance with Ind AS 16. The Authority is of the view that the regulatory principles and practices adopted by an economic regulator depend on its statutory mandate and objectives of economic regulation, which can legitimately diverge from standard commercial accounting treatments. Regulated entities are required to maintain distinct regulatory accounts in alignment with the economic frameworks and guidelines issued by the Regulatory Authorities, which may be at variance with the accounting conventions adopted in their statutory books.

9.6.2 The Authority observes that in the instant case, the revised contractual position has since undergone a material change. Under the revised contractual arrangement, the Fuel Farm Operator, at the end of the concession period, is entitled to recover the value of such dead stock from the Airport Operator at the then prevailing market price. Thus, unlike the

position prevailing during the earlier Control Periods, the Fuel Farm Operator is no longer exposed to the risk of non-recovery of its investment in the dead stock. On the contrary, the revised arrangement provides for recovery based on the future market value of ATF and thereby also enables the Fuel Farm Operator to retain the benefit of any appreciation in the value of such stock over the concession period. AERA has scrutinized the contractual mechanism of the Service Provider Right Holder (SPRH) Agreement executed between the Independent Service Provider (ISP) and the Airport Operator (BIAL) on 30th June 2025. Under Clause 23.1.2 (d) of the SPRH Agreement, BIAL or its nominee is contractually obligated to purchase the locked-in ATF in the facility (Deadstock) upon the expiry of the concession period (ending March 31, 2038) at the then-current market price. This guaranteed buy-back mechanism ensures that the ISP is protected against capital loss, as the terminal valuation inherently captures asset appreciation, price escalations, and long-term inflation over the duration of the agreement.

9.6.3 In these circumstances, the Authority is of the view that allowing a return on the dead stock at the FRoR, which is ordinarily intended to compensate capital invested in regulated assets for, inter alia, financing cost and business/investment risks, would result in an unwarranted regulatory benefit. Such treatment would effectively provide the Fuel Farm Operator both a regulated return at FRoR during the concession period and the benefit of recovery of the stock at its prevailing market value at the end of the concession, notwithstanding the substantial mitigation of capital-recovery risk under the revised contractual framework. The Authority, therefore, considers that the dead stock cannot be equated, for return purposes, with conventional fixed assets deployed in the provision of regulated services. If the Authority were to allow inclusion of the Dead Stock within the Regulatory Asset Base (RAB) and allow the full Fair Rate of Return (FRoR) on it, while the ISP simultaneously benefits from a contractually assured buy-back at future market prices, it would result in double compensation for the same underlying asset. To prevent the undue enrichment of the fuel farm operator at the expense of end-users (airlines), AERA concludes that capitalizing the Dead Stock within the active RAB is economically unjustified from the regulatory perspective and it would be unfair to the facility users.

9.6.4 However, the Authority recognizes that the ISP's funds in form of ATF Deadstock remain locked for the duration of the Concession Agreement. To compensate for this locked capital in the intervening period, the Authority allows a reasonable, standalone return of 5.00% per annum as a separate line item in the Aggregate Revenue Requirement (ARR). This rate is broadly aligned with long-term bank fixed deposit (FD) rates and forecasted Wholesale Price Index (WPI) inflation, safeguarding the ISP's capital from erosion without over-inflating user tariffs.

9.6.5 As regards the ISP's comments regarding regulatory consistency regarding treatment of deadstock, in this regard, the Authority's view is that regulatory treatment of ATF Deadstock in the tariff determination process depends on the case specific factors, contractual provisions in the concession agreements between the Fuel Farm Operators and

the Airport Operators. However, the approach adopted here is consistent with AERA's recent approach taken in the tariff order for ISP at Mopa (Goa) Airport.

9.6.6 The Authority further notes that even an allowance of 5% per annum on the value of such dead stock is relatively liberal, considering that the underlying quantity of ATF remains inert, is not subject to depreciation for regulatory purposes, and its terminal value is contractually recoverable at the prevailing market price. Any return allowed on such stock should therefore, at best, be viewed as a limited carrying-cost compensation for funds remaining blocked in maintaining the prescribed inventory, rather than as a return on risk-bearing capital warranting application of the FRoR. Accordingly, in the interest of ensuring that airport users are not burdened with an excessive return on an inert asset whose value is protected and recoverable under the revised agreement, the Authority considers a nominal return of 5% to be adequate and, indeed, on the higher side, and does not find merit in the Fuel Farm Operator's proposal for allowance of return at the applicable FRoR.

9.6.7 Accordingly, the Authority decides to exclude the ATF Dead Stock (valued at ₹65.68 crores) from the Regulatory Asset Base (RAB) for the Fourth Control Period, and will instead continue to provide a standalone 5.00% per annum return.

9.6.8 During the truing-up exercise of the Fourth Control Period, the Authority will comprehensively review all the aspects related to Deadstock at the time of tariff determination for the Fifth Control Period, so as to ensure that there is no undue enrichment to the ISP on account of Return on Deadstock.

Return on Security Deposit:

9.6.9 The Authority notes the comments of the stakeholders' i.e., M/s IOSPL and M/s DAFFPL with respect to Return on Security Deposit proposed by the Authority @ 5%. In this regard, the Authority is of the view that Refundable Security Deposit (RSD) in case of the Airport Operator (AO) is not similar to SD in ISP's case, as AO raises resources through receipt of Interest free RSD and uses the same for aeronautical purposes (funding of Capex projects). Whereas, IOSPL has paid Interest free Security Deposit to the AO, and outflow of the funds in form of SD are not utilized for provision of any aeronautical service rendered by the ISP.

In this regard, the Authority has examined the submission of the ISP stating that the SD paid to the airport operator is utilized for aeronautical purposes. However, the Authority from the ISP's submission notes that various points submitted in the IOSPL in support of its claim basically provide various reasons for submission of SD to the airport operator, as a mandatory contractual obligation for getting the Concession for fuel farm facility. But it is not establishing that the payment of SD to AO is utilized for provision of aeronautical services, which entitles the ISP to claim return/ cost recovery from the facility users. Though, the Authority acknowledges submission of SD by the ISP to AO as its contractual obligation in the concession agreement; accordingly, 5% return on refundable SD was proposed in the Consultation Paper.

9.6.10 IOSPL in support of its claim for higher return on the refundable SD has also referred to the Orders of Hon'ble TDSAT in the DIAL & MIAL matters (Appeal no. 10/2012). Wherein, as per the ISP, "The Hon'ble TDSAT definitively ruled that Refundable Security Deposits (RSD) can't be treated as zero-cost or nominal-cost funds". However, the above referred judgement needs to interpreted in proper context. The said judgement was given by hon'ble TDSAT in the matter connected with the airport operators, from the perspective of tariff determination of the airport operators, considering the specific case of concerned airports, with respect to relevant provisions of their concession agreements (OMDA) etc. These judgements were not pronounced in context of SD given by the ISPs to the Airport Operators, rather Appellate Authority has given its ruling on the regulatory treatment of Refundable Security Deposits (RSDs) in the hands of airport operators (received from their sub-concessionaires & which were used in the Capex funding by the airport operators). Hence, as per the Authority, the aforesaid judgement (in the matter of AERA Appeal no 10/2012) is not related to ISPs.

9.6.11 Further, with respect to the ISP's submission that it is (submission of SD to AO) "Capital encumbered under mandatory regulatory conditions forms an integral component of the cost of providing the aeronautical service", the Authority is of the view that regulatory returns are strictly reserved for capital deployed into physical infrastructure that directly is related to providing fuel farm services while security deposit is held by Airport Operator as a financial collateral completely inert to the physical operation of fueling the aircraft. Allowing the fuel farm operator to earn return on funds utilized by the Airport Operator would result in impermissible dual recovery of capital within the airport sector ecosystem, ultimately inflating costs for users.

9.6.12 AERA views that payment of interest on SD at rate equivalent to FRoR would result in higher ARR, which in turn would lead to higher charges for users, for which they won't receive any service/facility from the ISP. However, considering the commercial arrangement between Airport Operator and the ISP, whereby ISP is contractually obliged to give interest free SD to AO for getting license/concession to operate at the airport, AERA decides to consider interest/return on SD to cover the loss in value of SD due to inflation etc.

Accordingly, AERA has considered return/ interest on SD @ 5% which is close to interest rates on long term FDs presently given by banks, so as to compensate the ISP for erosion in the value of funds locked in form of SD due to inflation etc. Recently, AERA considered the same percentage of return on SD for BPCL at Mopa Goa and BPCL Kannur Fuel Farm Pvt. Ltd. This approach is being uniformly followed by AERA for other ISPs.

9.6.13 The Authority notes the comment of Auxesia Consulting Firm regarding treatment of shortfall in Aggregate Revenue Requirement. In this regard, it is clarified that the Tariff for the Fuel Farm Services provided by M/s IOSPL i.e., ISP at Bangalore International Airport is being determined under the cost-plus methodology. Under this methodology, any under/ (over) recovery made in a particular control period gets trued up at the time of determination

of tariff for the next control period. Accordingly, the Authority, in case of IOSPL has trued up the Third Control Period, considering the actual financial figures and other supporting documents etc. and has worked out the net over recovery of Rs. 38.62 crores (NPV) as on 31.03.2026, which, in line with AERA's tariff determination methodology (Cost Plus), has been adjusted against the ARR decided by the Authority for the Fourth Control Period.

9.6.14 The Conventional Aggregate Revenue Requirement (ARR) decided for the Fourth Control Period is presented in the table below:

Table 60: Conventional Aggregate Revenue Requirement (ARR) decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB	A	225.28	397.73	402.16	371.76	415.18	
Fair Rate of Return (FRoR)	B			**11.32%**			
Return on RAB	**C = A * B**	**25.52**	**45.05**	**45.55**	**42.11**	**47.03**	**205.25**
O&M Expenses	D	34.32	56.82	60.91	64.66	69.22	**285.92**
Depreciation	E	19.66	32.77	34.03	33.86	39.15	**159.47**
Taxation	F	8.41	5.38	6.09	9.31	11.52	**40.72**
Prior Period Over Recovery	G	(20.74)					**(20.74)**
Return on Deadstock (ATF) @ 5%	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5%	I	0.53	0.86	0.93	1.00	1.07	**4.39**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**70.15**	**144.17**	**150.79**	**154.21**	**171.27**	**690.59**
Discount factor @11.32%	K	1.00	0.90	0.81	0.72	0.65	
PV of ARR	**L=J*K**	**70.15**	**129.50**	**121.67**	**111.77**	**111.50**	**544.59**
Yield per KL *(in ₹)*				**679.94**			

Incremental ARR approach on User Pays Principle for identified High-value Capex Projects

9.6.15 The Authority is statutorily mandated to determine aeronautical tariffs for ISPs in a manner that ensures a fair balance between the legitimate cost recovery requirements of ISPs and the interests of users, namely passengers and airlines. In discharging this mandate, the Authority is required to ensure that tariffs remain reasonable, transparent, and reflective of the services and facilities actually made available to users, while at the same time providing

ISPs with a reasonable opportunity to recover efficiently incurred costs and earn an appropriate return on investments.

9.6.16 Under the prevailing regulatory framework, aeronautical tariffs are determined at the commencement of a Control Period based on the projected Aggregate Revenue Requirement (ARR) of the ISP. The ARR, inter alia, incorporates projected additions to the Regulated Asset Base (RAB), depreciation thereon, return on RAB, and associated operating expenditure expected to arise from existing and proposed capital expenditure. Such an approach provides certainty to the ISP regarding the recovery of investments planned during the Control Period and facilitates long-term financial planning.

9.6.17 However, experience from past tariff determination exercises indicate that the conventional approach might result in certain unintended consequences. Since tariff determination is based on forecast capitalization of assets, users may be required to bear higher aeronautical charges from the beginning of the Control Period even though the underlying assets are yet to be commissioned and the associated benefits are not immediately available to users. Consequently, some portion of tariff increases might precede the actual availability of infrastructure and service enhancements for which such charges are being levied.

9.6.18 The Authority further observed that, in several cases, major capital expenditure projects projected for commissioning within a Control Period are subsequently delayed, rescheduled, phased differently, or, in certain instances, not executed at all. Such deviations between projected and actual capitalisation could lead to a mismatch between tariff recovery and asset availability for users. As a result, users may bear charges based on investments that have not yet materialised, while the ISP may receive revenue recovery in advance of the corresponding asset being put into use.

9.6.19 The Authority is also of the view that a regulatory framework that allows recovery of return on RAB, depreciation, and associated costs based solely on projected capitalization may not sufficiently incentivize timely execution and commissioning of capital projects. Where tariff recovery is substantially assured irrespective of actual project completion timelines, there may be limited regulatory impetus for ensuring adherence to committed implementation schedules. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

9.6.20 In light of the foregoing considerations, the Authority is of the view that an alternative regulatory mechanism may be warranted for certain large-scale capital expenditure projects proposed to be commissioned & capitalized during later part of the Control Period (last two tariff years) and which have a significant impact on user charges. Such projects are typically characterized by substantial investment outlays, and a material effect on the ARR and Yield.

9.6.21 Accordingly, the Authority proposed to adopt, on a project-specific basis, an Incremental ARR Approach for identified High Capex Projects proposed to be commissioned & capitalized during later part of the Control Period (last two tariff years). Under this approach, the base ARR and corresponding aeronautical tariffs for a Control Period shall

be determined excluding the impact of specified future capital projects. Simultaneously, the Authority shall determine, ex ante, the incremental ARR and Yield impact of each identified project based on prudently assessed project costs and financing assumptions.

9.6.22 The Authority considers that such an approach would provide multiple regulatory benefits. First, it would ensure closer alignment between tariff recovery and the actual availability of airport infrastructure and services. Second, it would protect users from premature tariff burdens arising from assets that are yet to be commissioned. Third, it would strengthen incentives for timely execution and commissioning of capital projects by linking revenue recovery more directly to project delivery. Fourth, it would reduce the risk of over-recovery associated with delays, deferments, or non-execution of forecast capital expenditure. Finally, it would continue to preserve the ISP's legitimate right to recover prudently incurred investment costs and earn a reasonable return on capital once the relevant assets are brought into service.

Regulatory treatment of Capex and Depreciation under the "Incremental ARR approach"

9.6.23 Under the aforesaid concept of "Incremental ARR approach", the major capital projects (which have significant impact on ARR and user charges) which are agreed in-principle by the Authority for execution by the ISP, based on the essentiality of project(s) on the grounds, such as, operational requirements/ aviation safety/ passenger security / airport capacity expansion etc., and which are scheduled to be completed & commissioned during the last two tariff years of the Control Period, their financial implication (return on RAB & Depreciation) in the tariff determination shall be considered only after such Capex Project(s) are actually completed, commissioned and put to use. The above approach would help in furtherance of greater transparency & cost-based tariff determination. It would also help in ensuring that charges levied by the service providers remain fair, equitable, and proportionate to the services provided to users.

The Authority, in line with the above approach, would calculate the baseline normal ARR for the Control Period after excluding the impact of such major Capex Project(s) on ARR which are scheduled to be capitalized during the later part of the Control Period, along with its consequential impact on Depreciation, while determining the Tariff for the Regulated Service(s) in respect of the service provider for a given Control Period.

In addition to normal baseline ARR for a given Control Period, AERA would also indicate in the Tariff Order the tentative incremental financial impact of specified Capex proposal(s) on the RAB, along with its consequential impact on Depreciation in the ARR computation, under "Incremental ARR approach".

Further, the likely incremental increase in Tariff Rates of regulated service(s) after the subject Capex Project(s) are actually commissioned & put to use by the ISP, will be indicated upfront in the Tariff Order.

Once the specified capex proposal(s) considered under the "Incremental ARR approach" are executed and commissioned, the Authority would make an appropriate revision (amendment) in the Tariff Rates approved in the Tariff Order for a given control period.

Capex Project considered on "Incremental ARR approach" for the Fourth Control Period

9.6.24 **Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits):**

Particulars	Capex (₹ crs.)	Capitalization Year
Hydrant Refueling System (HRS) Extension for 40 Stands (51 hydrant pits)	153.96	2030-31

9.6.25 It is pertinent to mention that the Authority, in its Tariff Order No. 14/ 2026-27 dated 20.08.2026 in respect of Bengaluru International Airport for the Fourth Control Period has considered the CAPEX on project relating to "Construction of T2 Phase 2 Apron – 40 Stands" on Incremental ARR Approach. Since, the ISP's above-mentioned project i.e., Hydrant Refueling System (HRS) Extension for 40 Stands (51 Hydrant pits) is a part of the main Apron project which is being executed by the Airport Operator, accordingly, the Authority, in order to maintain consistency in the treatment of the CAPEX on the above-mentioned project, has considered ISP's project on Hydrant Refueling System (HRS) Extension for 40 Stands (51 Hydrant pits) under the Incremental ARR Approach.

Incremental tariff for capital project identified under User Pays Principle

9.6.26 The incremental tariff that the ISP shall be authorised to levy upon the commissioning of the project approved under the Incremental ARR approach is detailed in para 10.6 in Chapter 10.

9.6.27 The Authority has decided to adopt a balanced, transparent, easy and simplified Implementation Framework for the Incremental ARR Approach as follows: -

Implementation Framework for Incremental ARR Approach

Asset Commissioning Declaration

9.6.28 The ISP shall submit a self-declaration (as per the prescribed format in this Order under *ANNEXURE-II*), confirming that the identified asset has been commissioned and put to use.

Trigger for Incremental Tariff

9.6.29 The ISP shall submit to AERA a self-declaration, in the format prescribed under *ANNEXURE-II* of this Order, confirming that the identified asset has been duly

commissioned and put to use. Upon receipt of such self-declaration, an Addendum to this Order shall be issued by AERA within 21 days of submission of the said self-declaration, after being satisfied that the prescribed requirements under this Order have been duly complied with to trigger the related tables given at Para 10.6 of Chapter 10 of the Tariff Order for the related Capex project under Incremental ARR. The additional tariff approved by AERA in respect of the identified asset as per the aforesaid Incremental ARR Approach shall then become effective from the date specified in such Addendum to the Tariff Order.

Delay in Commissioning of identified asset under incremental ARR approach

9.6.30 In the event of any delay in the commissioning of the identified asset beyond the schedule approved by the Authority, the additional FIC at the rates specified in Para 10.6, shall become effective only from the date specified in the Addendum to the Tariff Order issued by the Authority. No recovery of the additional tariff shall be permitted for any period during which the identified asset remains uncommissioned or are not available for operational use. Accordingly, the ISP shall not be entitled to levy or recover the additional FIC for any period prior to the effective date specified in the Addendum to the Tariff Order.

Regulatory Verification

9.6.31 The Authority reserves the right to verify the date of commissioning, capitalisation, cost and Operationalization of the asset during the true-up exercise. Any variation observed between the approved project cost/schedule and the actual capitalisation shall be appropriately adjusted in the subsequent tariff determination while truing up.

Adjustment of Differences

9.6.32 Any excess or short recovery arising on account of differences between the approved and actual capitalisation, commissioning dates or project costs shall be adjusted by the Authority during the true-up exercise in accordance with the applicable regulatory principles.

9.6.33 The Authority is of the view that the above implementation framework giving all relevant information up front in an easy and simplified form provides an appropriate balance between regulatory certainty, tariff stability, overall economic and viable operation of the airport, and protection of airport users' interests. It also establishes a transparent and objective mechanism for operationalizing the Incremental ARR Approach while ensuring that tariff recovery remains linked to the availability of Fuel farm Infrastructure for use by airlines.

9.6.34 The Incremental ARR computed by the Authority for the Fourth Control Period is presented in the table below:

Table 61: Incremental ARR in respect of 40 Stands Hydrant Extension for Project (Capex of ₹ 153.96 crores) decided by the Authority under the Incremental ARR Approach

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	A	0.00	0.00	0.00	0.00	0.00	
Additions	B	0.00	0.00	0.00	0.00	153.96	**153.96**
Depreciation	C	0.00	0.00	0.00	0.00	5.13	**5.13**
Closing RAB	D = A+B-C	0.00	0.00	0.00	0.00	148.83	
Average RAB	E = (A+D) /2	0.00	0.00	0.00	0.00	74.42	
Fair Rate of Return (FRoR)	F	**11.32%**					
Return on RAB	**G = E*F**	0.00	0.00	0.00	0.00	8.43	**8.43**
O&M Expenses	H	0.00	0.00	0.00	0.00	0.00	**0.00**
Depreciation	I	0.00	0.00	0.00	0.00	5.13	**5.13**
Taxation	J	0.00	0.00	0.00	0.00	0.00	**0.00**
Aggregate Revenue Requirement (ARR)	**K = Sum (G: J)**	**0.00**	**0.00**	**0.00**	**0.00**	**13.56**	**13.56**
Discount factor @11.32%	L	0.00	0.00	0.00	0.00	0.65	
PV of ARR	**M =K*L**	**0.00**	**0.00**	**0.00**	**0.00**	**8.83**	**8.83**
Yield per KL *(in ₹)*		**11.02**					

Note: For comparison purpose, Yield per KL has been shown based on total fuel throughput for the Fourth Control Period. Charges will be determined appropriately considering the balance collection period.

9.6.35 The Baseline ARR decided by the Authority for the Fourth Control Period, after exclusion of Capex on Hydrant Extension for 40 Stands amounting to ₹ 153.96 crores which is being considered separately on "Incremental ARR approach" is presented in the table given below:

Table 62: Baseline Aggregate Revenue Requirement (ARR) decided by the Authority for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB *(refer Table 40)*	A	225.28	397.73	402.16	371.76	340.76	
Fair Rate of Return (FRoR) *(refer Table 42)*	B			**11.32%**			
Return on RAB	**C = A * B**	**25.52**	**45.05**	**45.55**	**42.11**	**38.60**	**196.82**
O&M Expenses *(refer Table 52)*	D	34.32	56.82	60.91	64.66	69.22	**285.92**
Depreciation *(refer Table 37)*	E	19.66	32.77	34.03	33.86	34.02	**154.34**
Taxation *(refer Table 55)*	F	8.41	5.38	6.09	9.31	11.52	**40.72**
Over Recovery of 3rd CP *(refer Table 23)*	G	(20.74)					**(20.74)**
Return on Deadstock (ATF) @ 5% *(refer 9.2.1a)*	H	2.45	3.28	3.28	3.28	3.28	**15.59**
Return on Security Deposit @ 5% *(refer 9.6.12)*	I	0.53	0.86	0.93	1.00	1.07	**4.39**
Aggregate Revenue Requirement (ARR)	**J= Sum (C: I)**	**70.15**	**144.17**	**150.79**	**154.21**	**157.71**	**677.03**
Discount factor @11.32%	K	1.00	0.90	0.81	0.72	0.65	
PV of ARR	**L=J*K**	**70.15**	**129.50**	**121.67**	**111.77**	**102.67**	**535.76**
Yield per KL *(in ₹)*				**668.92**			

Note: ARR computed after excluding the financial impact of CAPEX amounting to ₹ 153.96 crores in respect of Hydrant Extension for 40 Stands project which is considered on "Incremental ARR approach".

9.6.36 The Authority has computed the ARR for IOSPL in respect of its Fourth Control Period at **₹ 677.03 crores** (NPV ₹ 535.76 crores as on 31.03.2027) at Order Stage, as against **₹ 599.50 crores** (NPV ₹ 475.16 crores as on 31.03.2027) proposed by the Authority at Consultation Stage. The major reasons of variance between ARR decided by the Authority at Order Stage vis-à-vis ARR proposed at Consultation Stage are as under:

i. Consideration of additional CAPEX amounting to ₹ 72.62 crores relating to Common Infrastructure in respect of Satellite Fuel Farm, resulting in higher Return on RAB by ₹ 31.39 crores.

ii. Increase in Depreciation by ₹ 21.79 crores in sync with CAPEX decided for the Fourth Control Period.

iii. Consideration of actual Opex for the FY 2025-26, which has been used as a base for projecting Opex for the Fourth Control Period, leading to increase in O&M expenses by ₹ 10.63 crores.

iv. Increase in resultant taxation for the Fourth Control Period by ₹ 13.86 crores.

9.7 Authority's Decisions regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period

Based on the material before it and its analysis, with regard to ARR for the Fourth Control Period the Authority decides:

9.7.1 To consider Incremental ARR & YPP for the identified Project (40 Stands Hydrant Extension) under User Pays Principle as per Table 61.

9.7.2 To consider Baseline ARR in respect of IOSPL for the Fourth Control Period as per Table 62.

9.7.3 To true up the ARR of the Fourth Control Period at the time of tariff determination for Fifth Control Period.

9.7.4 To review the Return on Deadstock at the time of determination of Tariff for the Fifth Control Period, considering all the aspects of deadstock, including market value of Deadstock expected to be received by ISP from Airport Operator at the end of Concession Period.

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10 AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

10.1 IOSPL's submission on Aeronautical Revenue for the Fourth Control Period

10.1.1 The projected Aeronautical Revenue for the Fourth Control Period as per IOSPL's submission, is given in Table below:

Table 63: Aeronautical Revenue projected by IOSPL for Fourth Control Period after proposed tariff increase

(₹ in crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Revenue from Regulated Services	162.37	178.16	190.72	200.11	223.01	**954.37**
Revenue other than Regulated Services	-	-	-	-	-	-
Total Revenue	**162.37**	**178.16**	**190.72**	**200.11**	**223.01**	**954.37**

10.1.2 The Aeronautical Revenue projected by the IOSPL for the Fourth Control Period is amounting to ₹ 954.37 crores.

10.2 Authority's Examination of Revenue Projected by IOSPL for the Fourth Control Period at Consultation Stage

10.2.1 The Authority noted that IOSPL had projected Aeronautical Revenue for the Fourth Control Period (amounting to ₹ 954.37 crores), after considering the following tariff increase:

Table 64: Tariff increase proposed by IOSPL for the Fourth Control Period

(Amount in ₹/ KL)

Particular of Service	Existing rate per KL	Proposed rate per KL w.e.f. (01.04.2026)
Fuel Infrastructure Charge	510.00	1127.23
% Increase proposed by IOSPL		*121%*

10.2.2 It was noted that ISP had not projected any Revenue from Other Income for the Fourth Control Period. The Authority's views in this regard are given at para 3.26.2. The Authority would review this aspect at the order stage, after reviewing the actual revenue accrued to the ISP during the Third Control Period from Income other than Regulated Services.

10.2.3 It was noted that IOSPL had sought one-time increase of 121.03% in respect of Fuel Infrastructure Fee over the prevailing rate of ₹ 510.00/KL. The ISP in its proposal had considered implementation of revised Tariff effective from 01.04.2026. However, as per the Authority's ARR calculations, the one-time Tariff increase over the prevailing Tariff Rates

for the ISP works out at 35.54% approx. considering the date of implementation of revised Tariff from 01.09.2026 as given in the table below:

Table 65: Tariff proposed by Authority for the Fourth Control Period at Consultation Stage

(Amount in ₹/ KL)

Particulars	Existing Rate	FY 2026-27 (w.e.f. 01.09.2026)	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
FIC Rate proposed*	510	691	691	691	691	691
% increase proposed		*35.54%*	-	-	-	-

**Proposed Tariff Increase has excluded the financial impact of Capex amounting to ₹ 153.96 crores on Hydrant Extension of 40 Stands Project which is being considered on Incremental ARR approach ("Incremental ARR approach").*

10.2.4 The Tariff Rate Card proposed by the Authority for IOSPL in respect of its Fourth Control Period, as part of the Consultation Process, was placed at *ANNEXURE-I* of the CP.

10.2.5 Based on the proposed Rate for FIC as above, the Authority proposed to consider the total Revenue from the Aeronautical Services for the Fourth Control Period at Consultation Stage as shown in the table given below:

Table 66: Aeronautical Revenue proposed by the Authority in respect of Fuel Farm Services for Fourth Control Period at Consultation Stage

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Aggregate Revenue Requirement (ARR) *(Refer Table 57)*	A	64.88	127.82	132.75	134.70	139.34	**599.50**
Discount factor *@11.33%*	B	1.00	0.90	0.81	0.72	0.65	
PV of ARR *(Refer Table 57)*	**C=A*B**	**64.88**	**114.81**	**107.11**	**97.63**	**90.72**	**475.16**
Current FIC Rate (in ₹)	D	510.00	510.00	510.00	510.00	510.00	
Fuel Throughput Volume *(Refer Table 25)*	E	14,90,631	16,35,548	17,50,872	18,37,090	20,47,214	**87,61,355**
Revenue from FIC at Current Rate	**F=D*E**	**76.02**	**83.41**	**89.29**	**93.69**	**104.41**	**446.83**
Revised FIC rate after proposed Tariff increase (in ₹)	G	**691**	**691**	**691**	**691**	**691**	
Revenue from FIC at Proposed Rate	**H=E*G**	**91.78**	**113.06**	**121.03**	**126.99**	**141.51**	**594.37**

NPV of Revenue from FIC at proposed Rate	**I=H*B**	**91.78**	**101.55**	**97.65**	**92.04**	**92.13**	**475.16**

10.3 Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

10.3.1 BPCL's comments with regard to the proposed FIC is as under:

"As an Oil Marketing Company (OMC) supplying Aviation Turbine Fuel (ATF) at BLR, we recognize the importance of maintaining safe, reliable, and efficient fuel infrastructure. At the same time, tariff determination should balance the legitimate cost recovery requirements of the operator with the need to minimize costs for airlines and other airport users.

At the outset, we appreciate AERA's prudent scrutiny of the proposal submitted by Indian Oil Skytanking Pvt. Ltd. (IOSPL). Compared to IOSPL's proposal for an FIC increase from ₹ 510/KL to ₹ 1,127/KL, Capex of ₹ 604.16 crore, restricting admissible Capex, accounting for over-recovery from the previous control period, and proposing an FIC of ₹ 691/KL.

While the proposed tariff is significantly lower than that sought by IOSPL, the increase from ₹ 510/KL to ₹ 691/KL still amounts to significant rise of 35.5%, resulting in an additional burden of ₹ 181/KL on FIC charges handled through the facility.

From an OMC perspective, FIC is an integral component of the overall logistics cost of supplying ATF. Any increase directly affects the cost of fuel supplied to airlines and consequently impacts airline operating economics. Given the critically of fuel costs in airline operations, tariff increase should be kept to the minimum level necessary for recovery of prudent and efficiently incurred costs.

In this regard, the following factors merit consideration:

1. ***Economies of Scale from Throughput Growth:*** *Bengaluru Airport has witnessed sustained growth in traffic and ATF volumes. Increased throughput improves asset utilization and enables better absorption of fixed costs, the benefits of which should be passed on to users through tower tariffs.*
2. ***Pass-through of Efficiency Gains:*** *The Consultation paper has appropriately rationalized various cost elements, including CAPEX, operating expenditure, lease rentals, and return-related claims. The resulting efficiency gains should translate into moderation of user charges.*
3. ***Impact on Airline Costs:*** *The proposed increase in FIC will add to the logistics cost of ATF supply and ultimately increase operating costs for airlines. Minimizing such cost escalations would support the competitiveness and growth of the aviation sector.*
4. ***Prudent Treatment of Future Investments:*** *We support AERA's approach of deferring certain capital projects under the incremental ARR mechanism and considering tariff adjustments only upon actual implementation. This protects users from bearing costs ahead of asset creation and utilization.*

In view of the above, while appreciating AERA's efforts in substantially moderating IOSPL's proposal, we respectfully request the Authority to further review the proposed FIC

of ₹ 691/KL and restrict the increase to the minimum level warranted by prudent expenditure and efficient operations.

Such an approach would appropriately balance the interests of the operator and users while ensuring that the benefits of traffic growth, operational efficiencies, and past over-recoveries are adequately passed on to stakeholders."

10.4 IOSPL's response to Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

10.4.1 *"IOSPL refers to the comments submitted by Bharat Petroleum Corporation Limited (BPCL), an Oil Marketing Company and user of the Bengaluru Fuel Farm, in response to Consultation Paper No. 03/2026-27.*

10.4.2 *IOSPL welcomes BPCL's submission and appreciates its recognition of the need to maintain safe, reliable and efficient aviation fuel infrastructure and to balance the interests of users with the legitimate cost recovery requirements of the operator. BPCL has specifically acknowledged that tariff determination should provide for recovery of prudent and efficiently incurred costs, while also recognising the impact of FIC on the overall logistics cost of ATF.*

10.4.3 *IOSPL respectfully submits that the comments made by BPCL are largely subjective in nature. Their suggestion to further rationalize the Fuel Infrastructure Charges (FIC) has not been substantiated through any robust quantitative analysis or evidence-based justification. It also appears that several key considerations and rationales already set out in the Consultation Paper have been overlooked while arriving at their conclusions.*

10.4.4 *While we fully agree that, in the interest of fostering a healthy aviation ecosystem and promoting the growth of the aviation sector in India, aeronautical tariffs should remain reasonable and competitive, it is equally important to recognize that the long-term sustainability of the industry depends on ensuring fair and reasonable returns for all stakeholders. Investments of this scale require continuous capital deployment, operational excellence, and prudent risk management, all of which must be adequately recognized in the tariff framework.*

10.4.5 *The following points merit due consideration:*

a. *Continuous and Significant Capital Investments by IOSPL:*

While it is true that traffic at Kempegowda International Airport (KIA) has witnessed substantial growth over the years, it is important to acknowledge that IOSPL has consistently undertaken significant capital investments since the commencement of the concession in 2008 to ensure that infrastructure capacity keeps pace with traffic growth and service requirements.

The facility, which started with a storage capacity of approximately 10,000 KL in 2008, has been expanded to 20,000 KL, and with the commissioning of the Satellite Fuel Farm, the overall storage capacity is expected to be nearly 40,000 KL. In addition, IOSPL has invested heavily in hydrant network expansion, including infrastructure associated with Terminal 2 and the addition of multiple new aircraft parking bays. These investments have been

essential to maintain seamless, uninterrupted, and efficient fuelling operations at one of the country's fastest-growing airports.

b. *Highly Optimized Operational Model:*
IOSPL operates the facility on a self-managed basis without any separate operating margin and continues to maintain one of the most efficient operating models in the country. The company's operating expenditure remains among the most optimized in the sector, reflecting its commitment to operational efficiency and cost discipline.

c. *KIA already has one of the Lowest FICs Among Open-Access Fuel Farms:*
Among all open-access fuel farm facilities in India, KIA's FIC remains one of the lowest, with Delhi being the only notable exception. However, any comparison with Delhi must be viewed in the proper context, as Delhi handles fuel volumes that are nearly three times those of KIA and operates a significantly older infrastructure base that is substantially depreciated.
In contrast, FICs at comparable airports are materially higher. For instance, the FIC at Hyderabad is approximately ₹1,500/KL (includes ITP charges as well), while Mumbai charges around ₹910/KL, both substantially above the prevailing levels at KIA. This clearly demonstrates that KIA's FIC remains competitive and reasonable when benchmarked against comparable facilities.
For quick reference, FIC at few of other Open Access Fuel Farms (apart from Hyderabad and Mumbai) is as given below:-

- *MOPA GOA: Rs. 1650*
- *Ahmedabad: Rs. 1600**
- *Jaipur, TRV, Guwahati, LKO: Rs. 2200**
- *Kannur: Rs. 1855*

(includes ITP charges)*

Thus, it is amply clear that even the proposed FIC from IOSPL is much lower than normal industry benchmark.

d. *Impact of Increased Lease Rentals Charged by BIAL:*
Over the past few years, the airport operator, BIAL, has significantly increased lease rentals, which alone contribute an additional burden of approximately ₹260/KL to the overall cost structure. It is also important to note that such lease rental income constitutes aeronautical revenue for BIAL. Consequently, this revenue aids in the rationalization of other aeronautical charges at KIA, ultimately benefiting airlines and passengers through reduced airport tariffs elsewhere in the value chain.
BPCL has also commented on the concept of "Incremental ARR". While the concept may have certain theoretical merits, its application in the present context would be inherently detrimental to concessionaires such as IOSPL, which have continuously invested in infrastructure expansion to meet growing demand. Such an approach risks disincentivizing

future investments by failing to adequately recognize the capital deployed and associated risks undertaken. IOSPL has addressed this issue in detail in its separate submission, and the concerns articulated therein may kindly be considered while evaluating BPCL's observations.

In summary, any assessment of FIC must consider not only traffic growth but also the substantial and continuing investments, operating efficiencies, infrastructure expansion, and increasing lease-related costs borne by IOSPL. Focusing solely on traffic growth without acknowledging these underlying factors presents an incomplete picture and does not provide a sound basis for further rationalization of the FIC. It is also pertinent to note that, as duly represented by IOSPL to the Authority, the proposed FIC of ₹691/KL itself represents a conservative outcome and does not fully capture the cumulative impact of the significant investments, infrastructure augmentation, escalating lease rentals, and other cost elements highlighted above. In fact, the proposed FIC is materially lower than IOSPL's own assessment of a fair and sustainable charge. Against this backdrop, BPCL's suggestion for further rationalization appears neither justified by the underlying economics of the facility nor supported by any detailed numerical analysis. Such an approach risks compromising the commercial sustainability of the infrastructure while disregarding the substantial investments made to support the airport's continued growth."

10.5 Authority's Analysis on Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

10.5.1 The Authority has carefully considered the comments submitted by BPCL regarding the proposed Fuel Infrastructure Charge (FIC), as well as IOSPL's response thereto.

10.5.2 The Authority notes BPCL's submission that the FIC constitutes an integral component of the overall logistics cost of Aviation Turbine Fuel (ATF) and that any increase in FIC may ultimately have an impact on the operating costs of airlines. The Authority also notes BPCL's observations regarding the benefits arising from growth in fuel throughput, efficient utilization of infrastructure, rationalization of various cost elements and the need to ensure that users are not burdened with costs relating to assets prior to their commissioning and utilization.

10.5.3 In this regard, the Authority also notes IOSPL's submissions regarding the significant capital investments undertaken for augmentation of fuel storage capacity, hydrant infrastructure and associated facilities at Kempegowda International Airport, the operational requirements of maintaining a safe and reliable aviation fuel infrastructure, increase in lease rentals payable to BIAL, and the need to ensure adequate recovery of prudent costs and a reasonable return on the investments made.

10.5.4 The Authority also notes that inter-airport comparison of FIC has inherent limitations, since the tariff at each airport is influenced by airport-specific factors such as infrastructure configuration, age and extent of depreciation of assets, fuel throughput, capital investment requirements, concession arrangements, lease rentals, scope of services, operating model

and other cost drivers. Accordingly, the tariffs prevailing at other airports have been noted as contextual information but have not been adopted as the determining benchmark for arriving at the FIC for IOSPL.

10.5.5 With regard to BPCL's submission on economies of scale arising from growth in throughput, the Authority agrees that higher throughput leads to wider absorption of the fixed cost base and has accordingly considered the fuel throughput assessed for the Fourth Control Period while determining the tariff. At the same time, growth in throughput has to be considered together with the corresponding augmentation of infrastructure and other prudent costs required to support such growth.

10.5.6 The Authority has also taken into account the need to protect users from bearing the cost of capital assets prior to their creation and utilization. Accordingly, the admissibility of capital expenditure and the associated return, depreciation and other consequential tariff impact have been considered in accordance with the treatment of CAPEX set out in the relevant sections of this Order, including the adoption of Incremental ARR Approach for high value CAPEX proposed for capitalization in the later part of the Control Period.

10.5.7 Subsequent to issuance of the Consultation Paper and after considering the submissions of IOSPL and other stakeholders, as well as the updated information and actual/revised financial and operational data available for tariff determination, the Authority has reassessed the various building blocks of ARR for the Fourth Control Period. The resultant admissible ARR differs from that considered at the Consultation Paper stage.

10.5.8 Consequently, the FIC of ₹691/KL proposed in the Consultation Paper has undergone change at Order Stage, based on the revised admissible ARR, the revised assessed fuel throughput and the adjustments considered in this Order, the Authority has determined the Baseline Fuel Infrastructure Charge at ₹ 873/KL for the Fourth Control Period.

10.5.9 The Authority recognizes that the revised Baseline FIC of ₹ 873/KL is significantly higher than the ₹691/KL proposed in the Consultation Paper as well as the prevailing FIC of ₹510/KL. However, the tariff has not been determined with reference merely to the extent of increase over the existing charge. The revised FIC is the outcome of the Authority's determination of the admissible Revenue Requirement of the ISP for the Fourth Control Period, after considering the prudent costs, investments, true-up adjustments in the relevant regulatory building blocks and considering the views of the stakeholders on merit.

10.5.10 At the same time, the Authority has not accepted IOSPL's tariff proposal merely on the basis of the tariffs prevailing at other airports or on the basis of IOSPL's assessment of a commercially sustainable charge. The Authority has independently examined the admissibility of the various components of ARR and has allowed only such costs and investments as considered prudent and justified for tariff determination.

10.5.11 The Authority also notes that the ISP has not projected any 'other income' for the Fourth

Control Period. However, the Authority would examine this aspect at the time of true up of the Fourth Control Period, during the tariff determination for the Fifth Control Period.

10.5.12 Accordingly, after considering the submissions of BPCL and IOSPL and balancing the requirement of ensuring recovery of prudent costs and reasonable returns with the interests of users, the Authority has determined the Baseline FIC at ₹ 873/KL, as detailed in the ***ANNEXURE-I*** of this Order. Based on the revised rate for FIC decided by the Authority for the Fourth Control Period, the Authority decides to consider the total Revenue from the Aeronautical Services for the Fourth Control Period as shown in the table given below:

Table 67: Aeronautical Revenue decided by the Authority in respect of Fuel Farm Services for the Fourth Control Period

(₹ in crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Aggregate Revenue Requirement (ARR) *(Refer Table 62)*	A	**70.15**	**144.17**	**150.79**	**154.21**	**157.71**	**677.03**
Discount factor *@11.32%*	B	1.00	0.90	0.81	0.72	0.65	
PV of ARR *(Refer Table 62)*	**C=A*B**	**70.15**	**129.50**	**121.67**	**111.77**	**102.67**	**535.76**
Current FIC Rate (in ₹)	D	510.00	510.00	510.00	510.00	510.00	
Fuel Throughput Volume *(Refer Table 26)*	E	12,94,155	14,60,971	16,09,844	17,42,656	19,01,761	**80,09,388**
Revenue from FIC at Current Rate	**F=D*E**	**66.00**	**74.51**	**82.10**	**88.88**	**96.99**	**408.48**
Revised FIC rate after proposed Tariff increase (w.e.f. 16.10.2026) (in ₹)	G	**873**	**873**	**873**	**873**	**873**	
Revenue from FIC as per the Revised Tariff	**H=E*G**	**89.49**	**127.53**	**140.53**	**152.12**	**166.01**	**675.68**
NPV of Revenue	**I=H*B**	**89.49**	**114.56**	**113.39**	**110.25**	**108.08**	**535.76**

10.6 Impact of Incremental ARR on FIC rates

10.6.1 Based on the Incremental ARR determined by the Authority for 40 Stands Hydrant Extension Project, the corresponding incremental tariff rate is set out below:

Incremental Tariff pertaining to 40 Stands Hydrant Extension Project is provided below:

Capitalization Year	FIC Rate *(Rs. per KL)*
FY 2030-31	71

*Note: As illustrated at Chapter 9 and based on the commissioning date of the aforesaid project and the Trigger for Incremental Tariff as mentioned at para 9.6.29, AERA has considered for calculation purpose, the effective date of the above incremental tariff as 01.01.2031. However, the said tariff shall become applicable only from the effective date to be notified by the Authority through an Addendum, to be issued upon submission of the self-certification by the Airport Operator as per **ANNEXURE-II** confirming completion, commissioning of the project and putting to use for Airport users.*

10.7 Authority's Decisions regarding Projected Aeronautical Revenue for the Fourth Control Period

Based on the material before it and its analysis, the Authority regarding Aeronautical Revenue for the Fourth Control Period decides:

10.7.1 To consider Aeronautical Revenue from FIC for IOSPL in respect of the Fourth Control Period as per Table 67.

10.7.2 To true-up of Aeronautical Revenue of the Fourth Control Period at the time of tariff determination for the Fifth Control Period, considering all the relevant factors, including 'Other Income'.

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11 SUMMARY OF AUTHORITY'S DECISIONS

Chapter 2: Methodology for tariff determination

2.2.1 To adopt "Cost Plus Approach" on Single Till basis, in respect of IOSPL's Fuel Farm Services pertaining to the Fourth Control Period (FY 2026-27 to FY 2030-31).

Chapter 3: Determination of Aggregate Revenue Requirement (ARR) for the Third Control Period

3.30.1 To consider Capital Additions as per Table 5.

3.30.2 To consider Aeronautical Depreciation as per Table 9.

3.30.3 To consider RAB as per Table 11.

3.30.4 To consider FRoR as per Table 13.

3.30.5 To consider the O&M Expenses as detailed in Table 17.

3.30.6 To consider Taxation as per Table 20.

3.30.7 To consider ARR and Over-Recovery as per Table 23 and to adjust this over-recovery in the ARR of the Fourth Control Period.

Chapter 4: Fuel Throughput (Volume) for the Fourth Control Period

4.6.1 To consider the Fuel Throughput Forecast for the Fourth Control Period in respect of IOSPL, at Bangalore International Airport, Bangalore as per Table 26.

4.6.2 To true up the Fuel Throughput in respect of the Fourth Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Fifth Control Period.

Chapter 5: Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Fourth Control Period

5.12.1 To consider Capital Additions to RAB as per Table 33.

5.12.2 To consider Depreciation as per Table 37.

5.12.3 To consider Average RAB as per Table 40.

5.12.4 To readjust (reduce) 1% of the uncapitalized project cost from ARR/ Target Revenue during true-up exercise of the Fourth Control Period. However, if any particular project is not capitalized as per the Capex Schedule approved in the Tariff Order due to reasons beyond the control of ISP or its contracting agency and is properly justified, the same would be considered appropriately.

5.12.5 To True up the Capital Expenditure, RAB based on actuals, at the time of determination of tariff for Fifth Control Period, subject to cost efficiency and reasonableness of Capex incurred.

Chapter 6: Fair Rate of Return (FRoR) for the Fourth Control Period

6.6.1 To consider FRoR @11.32%, as proposed by the ISP.

6.6.2 To True-up FRoR for the Fourth Control Period, at the time of tariff determination of Fifth Control Period.

Chapter 7: Operation and Maintenance (O&M) Expenditure for the Fourth Control Period

7.6.1 To consider the Operation & Maintenance (O&M) Expenditure as per Table 52.

7.6.2 To true up the Operation & Maintenance (O&M) Expenditure of the Fourth Control Period at the time of tariff determination for the Fifth Control Period, based on reasonability & efficiency of expenses and other relevant factors.

Chapter 8: Taxation for the Fourth Control Period

8.4.1 To consider the Aeronautical Tax for the Fourth Control Period in respect of Fuel Farm Services provided by IOSPL at Bengaluru International Airport as per Table 55.

8.4.2 To true up the Aeronautical Tax of the Fourth Control Period at the time of tariff determination for the Fifth Control Period.

Chapter 9: Aggregate Revenue Requirement (ARR) for the Fourth Control Period

9.7.1 To consider Incremental ARR & YPP for the identified Project (40 Stands Hydrant Extension) under User Pays Principle as per Table 61.

9.7.2 To consider Baseline ARR in respect of IOSPL for the Fourth Control Period as per Table 62.

9.7.3 To true up the ARR of the Fourth Control Period at the time of tariff determination for Fifth Control Period.

9.7.4 To review the Return on Deadstock at the time of determination of Tariff for the Fifth Control Period, considering all the aspects of deadstock, including market value of Deadstock expected to be received by ISP from Airport Operator at the end of Concession Period.

Chapter 10: Aeronautical Revenue for the Fourth Control Period

10.7.1 To consider Aeronautical Revenue from FIC for IOSPL in respect of the Fourth Control Period as per Table 67.

10.7.2 To true-up of Aeronautical Revenue of the Fourth Control Period at the time of tariff determination for the Fifth Control Period, considering all the relevant factors, including 'Other Income'.

12 ORDER

Upon careful consideration of the material before it, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008, hereby orders that:

i. IOSPL, Bangalore is allowed to levy the revised Tariff for the Fuel Farm Services in respect of the Fourth Control Period (FY 2026-27 to FY 2030-31) with effect from **16.10.2026** as per the ***Annexure-I***.

ii. Tariff determined hereinunder is the maximum Tariff to be charged to Users. No other charge(s) is to be levied over and above the approved Tariff rates.

iii. The Tariff rates approved hereinunder are excluding of all applicable taxes.

iv. M/s IOSPL at the end of each tariff year shall submit Annual Compliance Statement (ACS), including annual audited accounts, as per the extant Guidelines.

v. The Airport Operator to publish approved Tariff Rates for IOSPL, Bangalore as per this Order at its official website for the information of all Stakeholders.

vi. The Airport Operator shall ensure the compliance of this Order.

By the Order of and in the Name of the Authority

(Suyash Narain)
Secretary, AERA

To,

Shri Bipin Wankhede, CFO,
Indian Oil SkyTanking Private Limited,
Kempegowda International Airport,
Bengaluru- 560300.

Copy for information to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, 'B Block', Safdarjung Airport New Delhi-110003.

2. CEO, Bangalore International Airport Limited, Kempegowda International Airport, Bengaluru- 560300.

ANNEXURE-I

TARIFF APPROVED BY AERA FOR THE FOURTH CONTROL PERIOD IN RESPECT OF FUEL FARM SERVICES FOR IOSPL AT BENGALURU INTERNATIONAL AIRPORT

Revised Tariff for the Fuel Infrastructure Charges (FIC) shall be effective from 16.10.2026

(Amount in ₹/ *KL)*

Fuel Infrastructure Charges (FIC)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
FIC Rate	873	873	873	873	873

Note: *Tariff rates decided herein above are ceiling rates excluding of taxes.*

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ANNEXURE-II

SELF CERTIFICATION

Format for Self-Certification by the Independent Service Provider on Completion and Commissioning of a Project classified under Incremental ARR

This is to certify that the project titled "_____" has been successfully completed in accordance with the approved scope, specifications, and applicable requirements.

It is further certified that necessary installation, testing, commissioning, and verification activities have been duly carried out. The project has been operationalized and has been put into regular use with effect from _____.

Based on the completion and successful commissioning/capitalisation of the project, it is confirmed that the project is functioning as intended and is available for its designated purpose.

This certificate is being issued in compliance with AERA Tariff Order No. 21/2026-27.

सत्यमेव जयते

(Signature)

Name :

Designation : Chief Executive Officer

Place: _____

Date : _____

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Airports Economic Regulatory Authority of India