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आदेश संख्या 03/ 2022-23

Order No. 03/2022-23



**भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण**  
**Airports Economic Regulatory Authority of India**

मैसर्स इंडियन ऑयल स्काईटैंकिंग डेलही प्राइवेट लिमिटेड (आईओएसडीपीएल) के संबंध में  
इंदिरा गांधी अंतरराष्ट्रीय हवाईअड्डा (आईजीआईए), दिल्ली में तृतीय नियंत्रण अवधि (वित्त  
वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए इंटो प्लेन सेवाएं (आईटीपी) प्रदान करने के लिए  
वैमानिक टैरिफ निर्धारित करने के मामले में

**IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR M/s  
INDIAN OIL SKYTANKING DELHI PRIVATE LIMITED (IOSDPL) PROVIDING  
INTO PLANE SERVICES (ITP) AT INDIRA GANDHI INTERNATIONAL  
AIRPORT (IGIA), DELHI FOR THE THIRD CONTROL PERIOD  
(FY 2021-22 TO FY 2025-26)**

**जारी करने की तारीख: 25 मई, 2022**

**Date of Issue: 25<sup>th</sup> May, 2022**

ऐरा भवन/AERA Building  
प्रशासनिक कॉम्प्लेक्स/Administrative Complex  
सफदरजंग हवाईअड्डा/Safdarjung Airport  
नई दिल्ली/New Delhi – 110003





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AERA





### List of Abbreviations

Abbreviation	Full Form
AAI	Airports Authority of India
ACS	Annual Compliance Statement
AERA	Airports Economic Regulatory Authority
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
BPCL	Bharat Petroleum Corporation Limited
CAGR	Compounded Annual Growth Rate
DDF	Dirt Defense Filters
DIAL	Delhi International Airport Limited
FRoR	Fair Rate of Return
GoI	Government of India
GST	Goods and Services Tax
HD	Hydrant Dispensers
HPCL	Hindustan Petroleum Corporation Limited
IGIA	Indira Gandhi International Airport
IOCL	Indian Oil Corporation Limited
IOSDPL	IndianOil Skytanking Delhi Private Limited
JIG	Joint Inspection Group
ITP	Into Plane
KL	Kiloliter / Kilolitre
MoCA	Ministry of Civil Aviation
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
OMCs	Oil-Marketing Companies
RAB	Regulatory Asset Base
RF	Refuellers
SPV	Special Purpose Vehicle
ST	Skytanking Holding GmbH, Germany
YoY	Year on Year
YPU	Yield Per Unit





## CHAPTER 1. INTRODUCTION

### 1.1 Profile of the Service Provider

- 1.1.1 M/s Indian Oil Skytanking Private Limited (IOSPL) is a Joint Venture Company (JVC) of Indian Oil Corporation Limited (IOCL) and Skytanking Holdings GmbH, Germany with 50:50 equity shareholding. IOSPL was incorporated on 21st August 2006 and involved in implementing Open Access Model in Fuel Farm Operations and Single Man Refuelling in India.
- 1.1.2 Indian Oil Skytanking Private Limited (IOSPL) is in the business of providing Into Plane (ITP) Services to Airlines on behalf of the suppliers and commenced its operations at Indira Gandhi International Airport (IGIA), Delhi in July 2010 through a 10 years Concession awarded by Delhi International Airport Limited (DIAL). This concession was valid till 31.03.2020 and subsequently extended for a period of (01) one year till 31<sup>st</sup> March 2021.
- 1.1.3 Further, through a bidding process, Indian Oil Skytanking Private Limited (IOSPL) awarded concession by DIAL for another 15 years commencing from 01st April, 2021 for providing Into Plane services at Indira Gandhi International Airport (IGIA), Delhi. As per the concession agreement, the ITP services are to be rendered through a Special Purpose Vehicle (SPV). Thus, IOSPL has formed an SPV, IOSDPL which is a 100% subsidiary of Indian Oil Skytanking Private Limited (IOSPL) for the purpose.
- 1.1.4 Indian Oil Skytanking Delhi Private Limited (IOSDPL) submitted the “Business plan for Delhi ITP Services” for FY 2021-22 to FY 2025-26. As per the Business Plan, IOSDPL has following assets as on 31st March, 2021:

**Table 1 : Technical Details of IOSDPL.**

Refuelling Equipment's	Nos.
Aircraft Hydrant dispensers	28
Aircraft Refuellers	7
<b>Total</b>	<b>35</b>

- 1.1.5 M/s Indian Oil Skytanking Delhi Private Limited (IOSDPL) submitted its MYTP dated 17<sup>th</sup> September, 2021 seeking revision of tariffs for providing ITP services at IGIA, Delhi for the Third Control Period (from 1st April 2021 to 31st March 2026) under “Light Touch Approach”. In the MYTP submission, IOSDPL sought 46.11% increase in Tariff for FY 2021-22 over the tariff approved by AERA for FY 2020-21 and thereafter proposed 4.40% YoY increase for the remaining period of Third Control Period.
- 1.1.6 The Authority examined the MYTP and noted that M/s IOSDPL did not submitted the justification on the proposed CAPEX, OPEX and other Building Blocks. The Authority, therefore held protracted correspondences during December & January 2021 with IOSDPL seeking additional details and clarifications on the CAPEX, OPEX etc. In response, IOSDPL submitted the informations/justifications on the CAPEX, OPEX as sought by the Authority and also submitted the revised Traffic Projection & revised Tariff Rates. In the revised submission, IOSDPL sought 29.73% increase in Tariff for FY 2021-22 over the existing Tariff rates for FY 2020-21 and thereafter from FY 2022-23 onwards YoY increase/decrease proposed as given below:





**Table 2: Year on Year (%) Increase/Decrease in revised Tariff proposed by IOSDPL for the Third Control Period.**

Particulars	Increase/Decrease in Tariff Over Previous Year				
	2021-22	2022-23	2023-24	2024-25	2025-26
For Aircraft Fuelling	29.73%	4.40%	-6.28%	0.78%	-12.57%

## 1.2 Background of the tariff determination exercise

- 1.2.1 The Authority vide its Order No 04/2017-18 dated 12.06.2017 determined Annual Tariffs for first two Tariff years i.e., FY 2016-17 and FY 2017-18 of the Second Control Period under 'Light Touch Approach'. The Authority further vide order No.43/2017-18 dated 28.03.2018 extended the existing Tariff as on 31.03.2018 for a period of six months up to 01.10.2018 or till determination of Tariff whichever is earlier.
- 1.2.2 The Authority vide Order No. 19/2018-19 dated 14.09.2018 determined the Tariff for FY 2018-19, FY 2019-20 and FY 2020-21 upto 31.07.2020 as the concession agreement of IOSPL with DIAL was valid upto 31.07.2020. This concession agreement was further extended by another 8 months (i.e. upto 31.03.2021). The Authority therefore vide Order No 15/2020-21 dated 25.06.2020 extended the existing Tariff for the remaining period of FY 2020-21 (from 01.08.2020 to 31.03.2021) of the Second Control Period under "Light Touch Approach".
- 1.2.3 Subsequently, the Authority vide its Order No. 67/2020-21 dated 25.03.2021 extended the same Tariff up to 30.09.2021 or till the determination of Tariff for Third Control Period, whichever is earlier. The Authority further vide order No. 18/2021-22 dated 15.09.2021 extended the same Tariff as applicable as on 30th September, 2021 up to 31st March 2022 or till the determination of Tariff for Third Control Period, whichever is earlier.
- 1.2.4 IOSPL vide letter dated 17.09.2021 informed that w.e.f 01.04.2021, a special purpose vehicle namely "Indian Oil Skytanking Delhi Pvt. Ltd. (IOSDPL)" has been formed as a new concessionaire at IGIA, Delhi for providing of Into Plane Service. Accordingly, the Authority vide Amendment to Order No: 18/2021-22 dated 1st October, 2021 amended the interim Order no. 18/2021-22 in the name of IOSDPL. The Authority further vide order No. 46/2021-22 dated 17.03.2022 extended the same Tariff as applicable as on 31st March, 2022 up to 30th September, 2022 or till the determination of Tariff for Third Control Period, whichever is earlier.

## 1.3 Steps involved in determination of tariff for IOSDPL.

- 1.3.1 IOSPL submitted the audited annual accounts for FY 2016-17 to FY 2020-21 for standalone operations which include Segmented Revenue and profitability Statements for FY 2016-17 to FY 2020-21 for IOSPL Delhi Unit, Minutes of the stakeholders meeting held on 03<sup>rd</sup> November, 2021 and Regulatory filing as per AERA CGF Guidelines, information on assets wise and year wise Capital expenditure etc. Subsequently, IOSDPL submitted the additional financial and non-financial information/ clarifications such as JIG Guidelines, invoice, tender documents etc. in response to queries raised by AERA from time to time as part of tariff determination exercise.
- 1.3.2 As per the terms and conditions of Concessional Agreement, IOSDPL is required to share 7% of its Gross Revenue with the Airport Operator (DIAL) in respect of the aggregate Volume of ATF at Airport upto 3 million kilolitre per annum. Once the overall Volume of Aviation Turbine Fuel (ATF) at the Airport exceeds 3 million kilolitres, the revenue share percentage as payable to DIAL shall be 9% of the total gross revenue from Into Plane Services rendered at





IGIA, Delhi. Whereas, the Authority proposed to cap the Airport Operator Fees @ 5% of the Aeronautical Revenue based on AERA Order No.01/2018-19 dated 5<sup>th</sup> April 2018 on Capping the amount of Royalty license Fee/Revenue Share payable to Airport Operator as a “pass-through” expenditure for the Independent Service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports.

1.3.3 The Authority reviewed the revised submissions made by IOSDPL with respect to various building blocks. The Authority’s position on various building blocks is based on its regulatory philosophy & guidelines, issued from time to time, and submission made by IOSDPL.

1.3.4 Post analysis and discussion on various building blocks, the Authority issued its Consultation Paper no. 33/2021-22 dated 23<sup>rd</sup> February, 2022 inviting suggestions/comments from the stakeholders on various building blocks on the proposals of the Authority with the following timelines:

- Date of Issue of the Consultation Paper: 23<sup>rd</sup> February, 2022.
- Date for submission of written comments by Stakeholders: 22<sup>nd</sup> March 2022.
- Date for submission of counter comments: 04<sup>th</sup> April 2022.

The Consultation Paper issued by the Authority on 23.02.2022 was published on the AERA website. The last date of submission of comments was 22.03.2022 & counter comments 04.04.2022. Hence, sufficient opportunity was given to Stakeholders for submission of comments and counter comments. Thus, the consultation process was concluded with the receipt of counter comments from IOSDPL on Stakeholder’s views on 04.04.2022.

1.3.5 The following Stakeholders submitted their comments on the Consultation Paper no. 33/2021-22:

Sl. No.	Stakeholders
1.	M/s Bharat Petroleum Corporation Limited (BPCL)
2.	M/s Delhi International Airport Limited (DIAL)
3.	M/s Federation of Indian Airlines (FIA)
4.	M/s Indian Oil Skytanking Delhi Pvt. Ltd. (IOSDPL)

All the written comments submitted by the Stakeholders are also available on the AERA website.

1.3.6 The Authority examined the submission of IOSDPL and the comment of various stakeholders and after considering all the relevant aspects, has finalized this Tariff Order.

1.3.7 The Tariff Order is structured in a manner wherein under each regulatory building blocks, the submission made by IOSDPL in the MYTP is listed out, followed by the Authority’s examination and proposals for the Third Control Period in the Consultation Paper. The same is followed by the comments by various stakeholders and counter comments by the IOSDPL, Authority’s examination and its final decision on the subject matter.





## CHAPTER 2. TARIFF SETTING PRINCIPLES

### 2.1 Background

- a) According to Section 2(a) of AERA Act, 2008 "Aeronautical Service" means any service provided-
- b) for navigation, surveillance and supportive communication thereto for air traffic management;
- c) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;
- d) for ground safety services at an airport;
- e) for ground handling services relating to aircraft, passengers and cargo at an airport;
- f) for the cargo facility at an airport;
- g) for supplying fuel to the aircraft at an airport; and
- h) For a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.

### 2.2 Tariff Setting Principles

- 2.2.1 The Authority vide its Order No. 12/2010-11 dated 10th January, 2011 and Direction No. 4/2010-11 dated 28th February, 2011 ("CGF Guidelines"), had issued Guidelines under Section 15 of the AERA Act, 2008 and the amendments issued from time to time, to determine tariffs for ISP's providing aeronautical services at 'major airports' based on set procedures for determination of Aggregate Revenue Requirement (ARR) for regulated service(s) deemed 'Materiality Assessment', 'Competition Assessment' and 'User agreement(s) between the Service Provider(s) and User(s) of the Regulated Service(s)'. As stipulated in Clause 3 of the guidelines, the Authority shall follow a three stage process for determining its approach for the regulation of regulated service.

#### Stage-I: Materiality Index

- 2.2.2 The Materiality Index (MI<sub>F</sub>) of Fuel Throughput at Delhi airport is as under:

$$= \frac{\text{Fuel Throughput in Kiloliters at Delhi Airport}}{\text{Total Fuel Throughput in Kiloliters at all Major Airports}} \times 100$$

$$\text{Fuel Throughput at Delhi Airport} = \frac{2617412}{8697575} \times 100 = 30.09\%$$

- 2.2.3 Based on IOSDPL submission, Materiality index (on the basis of Fuel Throughput at Indira Gandhi International Airport, Delhi in comparison to total Fuel Throughput at other major airports) is 30.09% in FY 2019-20 which is more than 5% Materiality index fixed for assessing the materiality of the subject regulated service as per clause 4(2)(ii) of "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". Hence the regulated service is deemed as '**Material**' for the Third Control Period.

#### Stage-II: Competition Assessment:

- 2.2.4 As per IOSDPL's submissions there is another ITP service provider i.e. BSSDPL at Indira Gandhi International Airport, Delhi. Hence, as per the ISP the regulated service should be deemed as "Competitive" at IGIA, Airport.





### Stage-III: Reasonability of User Agreement:

- 2.2.5 IOSDPL submitted user agreement with their supplier i.e. Indian Oil Corporation Limited (IOCL) and Reliance Industries Ltd. (RIL). The agreement is valid for 15 years from the commencement date i.e. 01st April, 2021. As per the IOSDPL submission, they do not have any user agreement with the Airlines.
- 2.2.6 The Authority vide Consultation Paper No 06&08/2019-20 dated 13.09.2019 and 19.09.2019 respectively, regarding ITP services providing by IOSPL & BSSPL at KIA International Airport (BIAL) stated and shall be read as:
- 2.2.7 *"The Service providers BSSPL & IOSPL are promoted by two Oil Marketing Companies viz. BPCL and IOCL, and, both the companies mainly cater to their own clients, hence, in real terms, there is no competition as ITP Service providers. However, the Authority, vide its Order No. 01/20 17-18 dated 17.04.2017 has already decided to determine the Tariff under "Light Touch Approach" for the Second Control Period. Therefore, the Authority, has decided to determine the Tariff of the remaining period of the 2 Control Periods under 'Light Touch Approach'. Notwithstanding the above, the Authority's considered view is that since there is no competition in real term between the two ISP's, hence, from Third Control Period, the Authority should be inclined to determine the Tariff of Into Plane (ITP) service provider under "Price Cap Approach."*
- 2.2.8 The Authority noted that the IOSPL, parent company of IOSDPL has been promoted by (Oil Marketing Company) i.e. IOCL and caters to its own clients mainly its promoters, hence, in real terms, there is no competition as ITP Service providers. Further, based on reasoning given in Para 2.7 above, the Authority is of the view that the Tariff of IOSDPL for Third Control Period is to be determined under "Price Cap Approach".
- 2.2.9 The Authority also reviewed the MYTP submission on "Competition Assessment" and "reasonableness of user agreement" and observed that IOSDPL is providing ITP services to the Airlines on behalf of the Oil Marketing Company without any user agreement with the airlines. Both the ITP service providers i.e. BSSDPL and IOSDPL at Indira Gandhi International Airport (IGIA), Delhi primarily caters to the clients of BPCL and IOCL as principal service providers, only a small portion of their business around 5% is generated from other clients such as HPCL and RIL. Hence, it signifies that there is no competition in real terms.
- 2.2.10 The Authority also examined the Annual Compliance Statement (ACS) submitted by IOSDPL for the Second Control Period (from FY 2016-17 to FY 2020-21). It is observed that for this period IOSDPL had projected CAPEX of Rs. 2483.12 Lacs. However, against the above projections, IOSDPL has actually incurred a CAPEX (capitalization) of Rs.1233.81 Lacs. The Authority also observed that IOSDPL had submitted a very optimistic business plan for the Second Control Period by projecting high CAPEX, however, on comparing with the actuals, it is seen that the target capitalization has not been achieved within the approved timelines and higher costs/returns claimed in the previous period have been underutilized resulting in inefficiency, causing undue burden on the end Users.
- 2.2.11 It is also noted that IOSDPL is not carrying out any Non-Aeronautical service apart from the regulated ITP service at Indira Gandhi International Airport, Delhi. Further as per the User agreements with the users IOSDPL is entrusted to carry out only the regulated service. As per the IOSDPL submission they do not have other source of revenue. Therefore, the Authority decided to adopt Price Cap Approach under "Single Till" methodology which will be more appropriate and



reasonable for Tariff determination of IOSDPL for providing ITP service.

2.2.12 Methodology for determining Aggregate Revenue Requirement (ARR).

2.2.13 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

$$ARR = \sum_{t=1}^5 ARR_t$$

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

Where,

t is the tariff year in the Control Period, ranging from 1 to 5

ARR<sub>t</sub> is the Aggregate Revenue Requirement for tariff year 't'

FRoR is the Fair Rate of Return for the Control Period

RAB<sub>t</sub> is the Aeronautical Regulatory Asset Base for tariff year 't'

D<sub>t</sub> is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

O<sub>t</sub> is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'

T<sub>t</sub> is the Aeronautical taxation expense for the tariff year 't'

NAR<sub>t</sub> is the Non-Aeronautical Revenue in tariff year 't'.

2.2.14 The present value of total aeronautical revenue that is estimated to be realized each year during the Control Period at proposed tariff levels is compared with the present value of the ARR during the Control Period. In case the present value of estimated aeronautical revenue during the Control Period is lower than the present value of ARR, the Regulatory entity may opt to increase the proposed tariff. In case the present value of estimated aeronautical revenue is higher than the present value of the ARR then the Regulatory entity will have to reduce its proposed tariff.

2.2.15 All the figures presented in this Tariff Order, have been rounded off up to two decimals.

### **2.3 Stakeholders' comments on Tariff Setting Principles for the Third Control Period:**

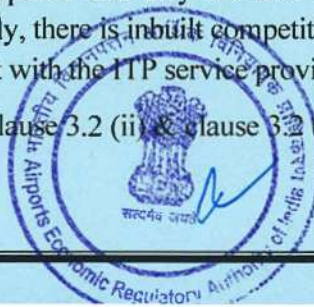
#### **BPCL's comments on Tariff Setting Principles for the Third Control Period:**

2.3.1 BPCL has submitted that there are two ITP Service providers at Indira Gandhi International Airport, Delhi that is BSSDPL (Bharat Star Services Delhi Pvt Ltd) & IOSDPL (Indian Oil Skytanking Delhi Pvt Ltd.), hence ITP services at Delhi Airport should continue to be deemed as 'Competitive'. BPCL requests that the Tariff determination for the Third Control Period may continue to be under 'Light Touch Approach'.

#### **DIAL's comments on Tariff Setting Principles for the Third Control Period:**

2.3.2 DIAL has submitted that fuel suppliers who also have agreement with ITP service provider has the overall responsibility of transfer of fuel into the Aircraft. At Delhi Airport there are four fuel suppliers i.e., HPCL, BPCL, IOSL & Reliance apart from Airlines sourcing themselves. IOSDPL has agreement with all these fuel suppliers and they are free to use the services of any ITP service provider at the Airport. Accordingly, there is inbuilt competition in the system. Further, Airlines users can also sign direct user agreement with the ITP service provider.

2.3.3 Further, DIAL has explained the clause 3.2 (ii) & clause 3.2 (iii) of the ISP tariff guidelines issued by





AERA and stated that IOSDPL apart from valid competition also has agreement with users and complies with the user agreement condition which comply with the condition of adoption of Light Touch Approach in tariff determination. DIAL has also submitted that as per section 13(1)(a)(vi) of the AERA Act, the Authority has to ensure viable operation of the regulated entity. The ITP service are mainly labour-intensive business and requires higher liquidity. Accordingly, DIAL requests to consider Light Touch Approach while determining tariff for ITP services at Delhi Airport.

**IOSDPL's comments on Tariff Setting Principles for the Third Control Period:**

2.3.4 IOSDPL has quoted the clause 2.8 of CP No 33/2021-22 regarding tariff determination under Price Cap Approach and Clause 3.2 of the CGF Guidelines 2011 regarding tariff determination stages. In this regard, IOSDPL submitted that the User Agreements are in place which satisfy the Stage III of tariff determination process i.e., Reasonability of User Agreements, and competition on account of the followings:

- a) The ITP Service providers are finalized through competitive bidding process by the Airport Operators and/or its Concessionaires wherein the terms of the bid and selection criteria are fixed. Any request for appropriate changes in the commercial terms during the pre-bid query stage is not accepted. Thus, the participating bidders do not have any control over such aspects.
- b) In the Global Tender invited by Delhi International Airport Limited (DIAL), IOSPL and BSSPL were selected after the outcome of the tender process.
- c) There are various clauses in the SPRH Agreement signed between IOSPL and DIAL which ensure competition in ITP Services at Delhi Airport. Some of these clauses are reproduced below:
  - (i) As per clause 2.3.4: *Under any circumstances, DIAL shall not be liable or responsible to the Concessionaire or to any other entity whomsoever, for any loss of business, business competition, loss of investment, or any other loss or damage, costs or expenses for any reason whatsoever and it shall never be entitled to claim any consequential, direct or indirect damages, costs, expenses, inter alia, for such loss of business, loss of investment, business competition or any other loss etc. whether upon earlier termination or determination of this Agreement or otherwise, howsoever and whatsoever caused.*
  - (ii) *The Concessionaire recognizes and acknowledges that DIAL has granted similar concession rights to Other ITP Concessionaire to provide similar services with the aim of retaining competition between the Concessionaire and the other ITP Concessionaire and to achieve efficiency and quality in the provision of the ITP Services*
  - (iii) *As per clause 3.3(e): The Concessionaire warrants and undertakes that it has not entered into and will not enter into any restrictive practice, including without limitation any exclusivity agreement or other agreement or understanding with an Air Carrier, Supplier, the Fuel Facility Operator or Other ITP Concessionaire(s) to distort or reduce competition in the market for ITP Services at the Airport or have a material adverse effect on the price and availability of such services.*
- d) IOSDPL has further quoted Clause No. 2.9 of the CP that IOSDPL are providing ITP Service to Airlines on behalf of the Oil Marketing Companies without any user agreement with the Airlines. We have entered into user agreements with Airlines at airports where they have positioned product for their captive consumption. At Delhi airport, the airlines are not sourcing product on their own due reasons not known to IOSPL. Should they intend to source their own product, they would be required to enter into user agreement for ITP Services of their choice. Furthermore, the





user agreements with Airlines are subject to commercial arrangement between Suppliers and Airlines which are confidential to them. As per their current commercial agreements, in line with IATA Model Fuel Supply Agreement, the title to and risk of loss of product passes from the Supplier to the Airline only when the product passes through the inlet flange of the wing tip. In other words, the title of product is assumed by the airline only when the product is delivered into the aircraft Wings. Thus, the Suppliers enter into user agreements and not the airlines. The airlines are free to approach the ITP Service providers to avail the services as per the provisions of the SPRH Agreement.

- e) IOSDPL has also quoted the Authority's Order No. 12/2010-11 dated 10th January 2011 & Direction No. 4/2010-11 dated 28th Feb 2011 (CGF Guidelines) and submitted that structurally on account of industry dynamics or on account of its market position, IOSL has not prevented any airline from entering into contracts with itself at Delhi Airport. Therefore, an airline may be due to commercial or other reasons find it more preferable to enter into contracts directly with Oil companies wherein ITP Services are provided by IOSL. Under the current arrangement, the Oil Companies indemnify the stakeholders in the value chain (ITP Operator, Airport Operator etc) and therefore airlines are not required to take Aviation Refuelling Liability Insurance (ARLI), thus leading to a cost saving for the airlines. This market structure cannot be interpreted to reach the conclusion that there is no competition in real terms. Catering to requirements of own clients and / or promoters is not prohibited in any manner under the Companies Act or Indian Competition Law. Therefore, it cannot be construed to mean that there is no competition in real terms.
- f) IOSL also sought the Legal Opinion of M/s Link Legal, Advocates on the correctness of AERA's proposal to adopt the "Price Cap Approach" for Mumbai ITP Services. Link Legal, vide their opinion dated April 26, 2021, has reinforced IOSL's position that the approach adopted by AERA was not in consonance with the CGF Guidelines and that AERA should have proposed to adopt the 'light touch approach'. The same Legal Opinion is applicable for DEL ITP Services as well.
- g) In view of the foregoing, IOSDPL has submitted that competition exists in ITP Services at Delhi Airport due to the following:
- The contractual arrangements IOSL has had in place with its counterparties have not changed since the commencement of ITP services in Delhi Airport. Neither has any other market condition changed with the exception of varying market share of ITP Agents. In this situation wherein no change in ground realities has taken place, if AERA determined tariffs under "Light Touch Approach" in the First and Second Control Period, then the same practice should also continue in the Third Control Period.
  - As per AERA Guidelines, in case there are two ITP service providers, the services are deemed "Competitive". This condition is being met at Delhi Airport as two service providers, IOSDPL and BSSDPL provide ITP services at Delhi Airport.
  - In the past, IOSL had direct ITP Agreements with Airlines such as Spice Jet, Jet Airways and Air India. Airlines and Oil Companies are free to avail the services of any ITP Service provider. Whether they exercise this choice is beyond the control of the ITP service providers. Both the ITP service providers are not free to charge the customers based on commercial factors, as the business is regulated by AERA. Therefore, undue profits cannot accrue to the service provider even if they may have a dominant market position.





- The two ITP Agents were selected based on a competitive bidding process.
- h) IOSDPL has also submitted that presently, there are four fuel suppliers at Delhi Airport namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited and Reliance Industries Limited, of these four fuel suppliers, IOSL has an Into Plane Agreement with three fuel suppliers (excluding Bharat Petroleum Corporation Limited). Therefore, the airlines have a choice of going to any fuel supplier amongst these four, which gives them ample choice to source ATF at competitive rates. presently, there only 3 fuel suppliers exist at Mumbai and When both Mumbai and Delhi Airports are compared, it can be said that there is more competition in supply of ATF at Delhi Airport (04 Fuel Suppliers) v/s Mumbai Airport (3 Fuel Suppliers).
- i) Considering the above factors, IOSDPL requests the Authority to determine tariffs for Delhi into Plane Services under "Light Touch Approach".

**2.4 IOSDPL's response to Stakeholders' comments regarding Tariff Setting Principles for the Third Control Period:**

- 2.4.1 IOSDPL agrees with BPCL & DIAL views regarding "tariff setting principles" to determine the tariff for Third Control Period under "Light Touch Approach".

**2.5 Authority's analysis on Stakeholders' comments regarding Tariff Setting Principles for the Third Control Period:**

- 2.5.1 The Authority has noted the comments of BPCL, DIAL and IOSDPL regarding tariff tariff setting principal for the Third Control Period. In this regard, the Authority has already, in the consultation paper highlighted that IOSDPL has been promoted by the Oil Marketing Company (IOSL) and is providing ITP services to the Airlines on behalf of the Oil Marketing Company without any user agreement directly with the airlines. Further, IOSDPL primarily caters to the clients of IOSL, and, around 5% of their business is generated from other client such as HPCL, RIL and remaining around 95% is generated from its promoter company i.e. IOSL. The Authority therefore is of the considered view that since there is no competition in real terms and, hence decided the tariff for the Third Control Period to be determined under Price Cap Approach.
- 2.5.2 Further, the Authority also observes that some of the stakeholders have stated that there are two ITP service providers at IGIA, Delhi, therefore, ITP services at Delhi Airport should be deemed as 'Competitive'. However, none of the stakeholders has commented as to how there is competition in true sense at Delhi Airport, as both the ITP service providers are catering to their own promoter company's clients.
- 2.5.3 The Authority also viewed the Hon'ble TDSAT Judgment dated 27.09.2019 of "Delhi Aviation Fuel Facility Pvt. Ltd. (DAFFPL) Vs. Airports Economic Regulatory Authority of India" on the issue of adoption of Tariff Determination Approach by AERA and about the issue of user agreements. The relevant extracts of TDSAT Judgment (Para 19 of the Judgment) with regards to users of the regulated services is reproduced as under:

*Para 19. "On behalf of the appellant, it was emphasized that Clause 6 requires User Agreement between the service provider and all the users of the regulated services but not with the end users like the Airlines. The meaning and extent of the word "users" and the phrase "all the users", in the present context shall include all the users of the service broadly described in the CGF Guidelines as "supply of fuel to aircrafts". This service is definitely used and paid for by the user*





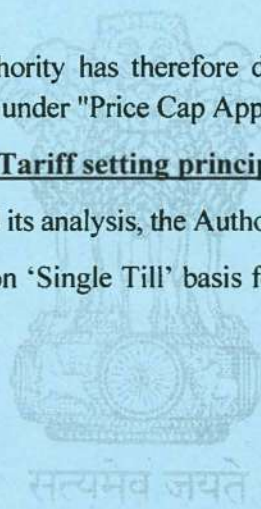
*Airlines through the oil companies, the users of storage facility of the appellant. Hence, the term "all the users of the regulated services" covered by the Guidelines, in our considered opinion will include the user Airlines also."*

- 2.5.4 The Authority notes that although IOSDPL is having User Agreements with Oil Companies but they do not have any direct agreement with user Airlines. The Authority also noted that IOSDPL is providing ITP services to airlines on behalf of the Oil Companies without any direct user agreement with the airlines.
- 2.5.5 The Authority notes that as per the User Agreements with Oil Companies, IOSDPL is entrusted to carry out only the regulated ITP service. Both ITP service providers i.e. IOSDPL and BSSDPL do not carry out any non-aeronautical business at IGIA, Delhi. As per the IOSDPL submission, they do not have other source of revenue therefore, the single till methodology is appropriate for tariff determination process.
- 2.5.6 Keeping above in view, the Authority has therefore decided that the tariff of IOSDPL for third Control Period is to be determined under "Price Cap Approach on 'Single Till' basis.

**2.6 Authority's decision regarding Tariff setting principles for the Third Control Period**

Based on the material before it and its analysis, the Authority has decided the following:

- 2.6.1 To adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination of IOSDPL for the Third Control Period.



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### CHAPTER 3. FUEL THROUGHPUT FORECAST

#### 3.1 IOSDPL's submission on Fuel Throughput Volume projection for the Third Control Period as part of MYTP.

3.1.1 The projected Fuel Throughput (Volume) as per the MYTP of IOSDPL for the Third Control Period is given below:

**Table 3: Projected Fuel Throughput during the Third Control Period as per IOSDPL:**

Year	(KL)		
	International Flights	Domestic Flights	Total
2019-20	1194659	623198	1817857
2020-21	586848	392739	979587
2021-22	649501	475332	1124833
2022-23	765938	587271	1353209
2023-24	948863	702376	1651239
2024-25	1051656	761544	1813200
2025-26	1129146	817658	1946804
<b>Total (2021-22 to 2025-26)</b>	<b>4545104</b>	<b>3344181</b>	<b>7889285</b>

3.1.2 IOSDPL submitted the Fuel Throughput (Volume) projections based on the following assumptions:

- Fuel Volumes associated with International flights are likely to recover to Pre-Covid levels by 2023-24, as per IATA.
- Business travel to be negatively impacted in the long term as more companies rely on e-meetings & video conferencing.
- Visiting friends and family (VFR) and Leisure travel are likely to recover by 2023.
- Resurgence of Covid-19 in India or overseas is likely to negatively impact both domestic & inbound/outbound International travels.
- Airlines are likely to phase out older aircrafts and replace them with more narrow body and newer, more Fuel-efficient aircraft.
- Jewar Airport is likely to be operational by 2024 and this will lead to a shift in substantial ITP Volumes from Delhi to Jewar Airport. Therefore, the growth rate in Volume for FY 2024-25 & FY 2025-26 is considered 5% and 2% respectively.
- IOSDPL's market share likely to be 75% in the Third Control Period.

3.1.3 There are two ITP service providers at IGIA, Delhi namely IOSDPL and BSSDPL. As per the Fuel Throughput data of the Second Control Period (FY 2016-17 – FY 2020-21), the market share of IOSDPL was in the range of 71.9% to 79.2% at IGIA, Delhi.

3.1.4 The actual Fuel Throughput of IOSPL for the FY 2016-17 to FY 2020-21 as per Table 4 given below:

**Table 4: Actual Fuel Throughput submitted by IOSPL for the Second Control Period.**

Year	(KL)			% Change over Previous Year		
	International Flights	Domestic Flights	Total	International Flights	Domestic Flights	Total
2016-17	1001140	296660	1297800			
2017-18	1116460	431999	1548459	12%	46%	19%
2018-19	1213910	558588	1772498	9%	29%	14%



2019-20	1194659	623198	1817857	-2%	12%	3%
2020-21	586848	392739	979587	-51%	-37%	-46%
CAGR (First 4 Years)	6%	28%	12%			
CAGR (5 Years)	-13%	7%	-7%			

### 3.2 Authority's examination regarding Fuel Throughput projection for the Third Control Period at the Consultation stage:

- 3.2.1 The Authority noted that the historical data of Fuel Throughput for IOSPL for FY 2016-17 to FY 2019-20 (4 years CAGR) showed an increase of 12% in Fuel Throughput Volumes. The Authority further noted the CAGR of 5 years (including the FY2020-21 Covid-19 impacted year) showed a decrease of 7% on total Fuel uplifted during the Second Control Period (refer Table 4 above).
- 3.2.2 The Authority further noted that IOSDPL's assumptions were based on a combination of factors (refer para 3.1.2). M/s IOSDPL had projected 14.70% CAGR for Fuel Throughput Volumes during the Third Control Period.
- 3.2.3 The Authority determined Tariff for few major airports recently and during the Tariff determination process, the Authority had considered the adverse impact of the COVID-19 pandemic and made its own assessment of the pattern of Traffic resurgence in the next 5-year period. While doing so, the Authority had considered the opinions/forecasts of the experts in the aviation field such as CAPA, ACI and IATA.
- 3.2.4 The Authority is of the view that the ATM and Fuel Throughput are correlated activity and a key indicator for the purpose of projections for both Fuel Farm as well as ITP Services.
- 3.2.5 The Authority after assessing the Traffic projection submitted by IOSDPL observed that the Fuel Throughput Volume as projected by IOSDPL seems to be reasonable. The Authority noted that during the period from April 2021 to December 2021, IGIA, Delhi has achieved 51% ATM of FY 2019-20 (pre-covid year). Therefore, considering the market share of IOSDPL and other factors, the ATM Traffic and Fuel Throughput Volume proposed by the IOSDPL considered by the Authority for the Third Control Period.
- 3.2.6 The Authority proposed to consider Fuel Throughput (Volumes) for IOSDPL for the Third Control Period as given in Table 5 below:

**Table 5: Fuel Throughput (Volume) proposed by the Authority for the Third Control Period at Consultation Stage.**

Year	(KL)			As % of FY 2019-20		
	International	Domestic	Total	International	Domestic	Total
2019-20*	1194659	623198	1817857	-	-	-
2021-22	649501	475332	1124833	54%	76%	62%
2022-23	765938	587271	1353209	64%	94%	74%
2023-24	948863	702376	1651239	79%	113%	91%
2024-25	1051656	761544	1813200	88%	122%	100%
2025-26	1129146	817658	1946804	95%	131%	107%
Total**	4545104	3344181	7889285			

\*FY 2019-20 taken as base year for projection.

\*\* FY 2021-22 to FY 2025-26.





**3.3 Stakeholders' comments on Fuel Throughput projection for the Third Control Period:**

- 3.3.1 During the stakeholder consultation process, no comments/views has been received from the stakeholders in response to the proposals of Authority in the Consultation Paper No. 33/2021-22 with respect to Fuel Throughput Volume for the Third Control Period.

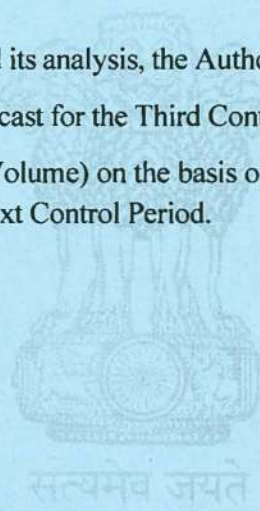
**3.4 Authority's analysis on Stakeholders' comments regarding Fuel Throughput projection for the Third Control Period.**

- 3.4.1 The Authority notes that no comments have been received from the Stakeholders regarding Fuel Throughput Volume for the Third Control Period. Therefore, the Authority has decided to consider the Fuel Throughput Volume as proposed at Consultation Stage.

**3.5 Authority's decisions regarding Fuel Throughput projection for the Third Control Period.**

Based on the material before it and its analysis, the Authority has decided:

- 3.5.1 To consider Fuel Throughput Forecast for the Third Control Period for IOSDPL as per Table 5.
- 3.5.2 To true up the Fuel Throughput (Volume) on the basis of actual Fuel off take in Third Control Period while determining tariffs for the next Control Period.



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## CHAPTER 4. CAPITAL EXPENDITURE

### 4.1 IOSDPL's submission on Capital Expenditure for the Third Control Period as part of MYTP.

4.1.1 As per clause 9.2 of the CGF guidelines dated 10<sup>th</sup> January 2011, RAB Assets 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.

4.1.2 As per the Annual Compliance Statement (ACS) submitted by IOSDPL the year-wise details of actual/projected Capital Expenditure for the period FY 2016-17 to FY 2020-21 is as under:

**Table 6: Actual/Projected Capital Expenditure of IOSDPL for FY 2016-17 to 2020-21.**

Amount (Rs. in Lacs)						
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Actual Capital Expenditure.	23.17	50.77	809.26	233.89	116.70	1233.79
Projected CAPEX of SCP.	606.48	1065.00	631.63	180.00	0.00	2483.12
Difference	-583.31	-1014.23	177.63	53.89	116.70	1249.32

4.1.3 IOSDPL projected capital expenditure of Rs. 3920.00 Lacs for the Third Control Period. The Assets-wise CAPEX submitted by IOSDPL for the Third Control Period as per Table 7 given below:

**Table 7: Capital Expenditure projected by IOSDPL for the Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicle –Dispensers	360.00	914.00	639.00	1007.00	146.00	3066.00
Vehicle –Refuellers		74.00	179.00			253.00
Dirt Defence Filters (DDF)	85.00	14.00			28.00	127.00
Computer i-6 system		194.00				194.00
ITP Depot		280.00				280.00
TOTAL CAPEX	445.00	1476.00	818.00	1007.00	174.00	3920.00

4.1.4 IOSDPL projected year wise no. of vehicles and Per Unit Cost for Refurbishment & new purchase as given below:

**Table 8: Year wise projection of Vehicles for the Third Control Period.**

Vehicles		Nos. of Vehicles proposed					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers - New		6	4	6		16
	Hydrant Dispensers – Refurbishment	6				2	8
	Refuellers- New			1			1
	Refuellers- Refurbishment		1				1
	Total	6	7	5	6	2	26
Per Unit Cost proposed for New and Refurbishment Vehicles							
		Amount (Rs. in Lacs)					
		2021-22	2022-23	2023-24	2024-25	2025-26	
Vehicles	Hydrant Dispensers - New		152.16	159.75	167.83		
	Hydrant Dispensers – Refurbishment	60.00					73.00
	Refuellers—New			179.00			
	Refuellers-- Refurbishment		74.00				



Capital Expenditure proposed for New and Refurbishment of Vehicles					Amount (Rs. in Lacs)		
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers - New	0.00	914.00	639.00	1007.00		2560.00
	Hydrant Dispensers – Refurbishment	360.00				146.00	506.00
	Refuellers—New			179.00			179.00
	Refuellers-- Refurbishment	0.00	74.00				74.00
	Dirt Defence Filters	85.00	14.00			28.00	127.00
	<b>Total</b>	<b>445.00</b>	<b>1002.00</b>	<b>818.00</b>	<b>1007.00</b>	<b>174.00</b>	<b>3446.00</b>

4.1.5 IOSDPL vide mail dated 10<sup>th</sup> December, 2021 submitted that presently 20-24 Hydrant Dispensers and 3-5 Refuellers are required during peak hours. However, peak hours vary based on the days of the week and the flight schedules. IOSDPL also submitted the few quotations/invoice in respect of the refurbishment & new purchase of Hydrant Dispensers & Refuellers.

**4.2 Authority's examination regarding Capital Expenditure for the Third Control Period at Consultation stage:**

4.2.1 The Authority noted that the IOSDPL had projected total capital expenditure of Rs. 3920.00 Lacs for the Third Control Period.

4.2.2 The Authority, based on the information as submitted by IOSDPL examined the requirement of capital expenditure on each component i.e. Hydrant Dispensers, Refuellers, ITP Depot etc. and rationale of proposed capital expenditure in detailed manner. The Authority also examined the life profile of vehicles to be refurbished, cost of refurbishment of each vehicle, requirement of new vehicles and total capital expenditure projected. As per the local RTO Guidelines, the present life of vehicle is 10 years.

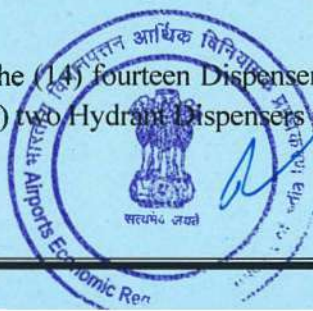
4.2.3 The Authority noted that IOSDPL projected to purchase 16 dispensers & 1 Refueller and also refurbishment of existing 8 dispensers & 1 Refueller at a cost of Rs 3446.00 Lacs during the Third Control Period.

4.2.4 The Authority sought justification from IOSDPL about the requirement of purchase & refurbishment of Hydrant Dispensers and Refueller, wherein M/s IOSDPL vide their response dated 27.11.2021 submitted that out of the existing 25 Hydrant Dispensers and 7 Refuellers operating at Terminal 2 & Terminal 3 at IGIA, Delhi, the following was projected for refurbishment and purchase to meet the operational requirement:

- Six Hydrant Dispensers will be refurbished in FY 2021-22.
- Six Hydrant Dispensers will be purchased in FY 2022-23.
- Two Hydrant Dispensers will be refurbished in FY 2025-26
- One Refueller will be refurbished in FY 2022-23.

4.2.5 In its submission, IOSDPL submitted that due to operational requirements, it will not be possible to refurbish all the hydrant dispensers together as they would have to be taken out of the fleet. Furthermore, for operational reliability, it is proposed to have a mix of refurbishments and new purchases. IOSDPL further submitted that the (06) six Dispensers have structural wear and tear which are not likely to be refurbished. Therefore, 06 six Dispensers will be scrapped in due course as per the age profile of the assets.

4.2.6 The Authority noted that out of the (14) fourteen Dispensers, (12) twelve Hydrant Dispensers were purchased in FY 2010-11 and (02) two Hydrant Dispensers purchased in FY 2015-16. The Authority





noted from the IOSDPL submission that (06) Dispensers have structural issues and may not be likely to refurbished. Thus, the Authority taking note of the age profile of Hydrant Dispensers and IOSDPL clarification thereon, proposed to allow the purchase of (06) new Dispensers and refurbishment of (08) eight Dispensers out of the existing 25 Dispensers.

4.2.7 IOSDPL stated that DIAL is renovating/modernizing Terminal (T-1) with a Hydrant Refuelling system and therefore to cater to the futuristic ATM Traffic /demand at T-1 at IGIA, Delhi, IOSDPL should require (10) ten new Hydrant Dispensers and (01) one new Refueller during the Third Control Period.

4.2.8 The Authority sought clarification from IOSDPL regarding the requirement of (10) ten new Hydrant Dispensers proposed for Terminal-1. M/s IOSDPL vide mail dated 20.01.2022 informed that DIAL is under the process of modernisation/ revamping of Terminal-1 which is likely to be completed in FY2023-24. Presently flights at T1 are Fuelled directly by three Oil Marketing Companies namely IOCL, BPCL and HPCL having 15 Refuelling Equipments to provide the services at T1. Under T-1 revamping process, DIAL is developing Hydrant Refuelling System (HRS). Once HRS will operational, IOSDPL and BSSDPL will start to provide the ITP Services at T-1. As per ISP the present market share of three Oil Marketing Companies at T-I are shown in Table 9 below.

**Table 9: Present market share of OMC's at Terminal-1 IGIA, Delhi.**

S. No.	Oil Marketing Company	Market Share
1.	Indian Oil Corporation Limited (IOCL)	60%
2.	Bharat Petroleum Corporation Limited (BPCL)	30%
3.	Hindustan Petroleum Corporation Limited (HPCL)	10%

Therefore, considering the present market share of IOSDPL at T-3, the Authority assumed that IOSDPL might have similar market share at T1 also. Accordingly, IOSDPL projected to purchase (10) ten new Hydrant Dispensers proposed for the operation of Terminal-I seems to be reasonable.

4.2.9 The Authority based on the above submission and considering the market share & futuristic demand at T-1, proposed to allow the purchases of (10) Ten new Dispensers as projected by the IOSDPL.

4.2.10 The Authority noted that IOSDPL had projected Rs. 127.00 Lacs for installation of Dirt Defense Filters (DDF) during the Third Control Period. The Authority further noted that as per the Joint Inspection Group (JIG) guidelines, the service provider is under obligation to install Dirt Defense Filters (DDF) in all the Hydrant Dispensers & Refuellers to meet the safety standards at the airport and Fueling of aircrafts. Therefore, the Authority proposed to consider Rs. 127.00 Lacs for installation of Dirt Defense Filters during the Third Control Period.

4.2.11 The Authority in view of the above, proposed to allow the refurbishment of (08) eight Dispensers & (01) one Refueller and allow to purchase of (16) sixteen new dispensers & (01) one new Refueller during the Third Control Period. The year wise projection of capital expenditure on Dispensers and Refuellers considered by the Authority for Third Control Period as per Table 10 given below:

**Table 10: New and Refurbished vehicles proposed by the Authority for IOSDPL for the Third Control Period at Consultation Stage.**

New and Refurbishment of Vehicles		Nos. of Vehicles proposed					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers – New			4	6		16
	Hydrant Dispensers – Refurbishment					2	8
	Refuellers – New						1



	Refuellers – Refurbishment		1				1
	Total	6	7	5	6	2	26
<b>Capital Expenditure on Vehicles proposed by the Authority for IOSDPL for the Third Control Period.</b>							
<b>Amount (Rs. in Lacs)</b>							
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers – New		912.63	638.23	1004.26		2700.12
	Hydrant Dispensers – Refurbishment	360.00				145.31	565.31
	Refuellers – New			178.26			340.26
	Refuellers – Refurbishment		73.43				143.43
	Dirt Defence Filters	85.00	14.00			28.00	127.00
	Total	445.00	1000.06	816.50	1004.26	173.31	3439.12

• Escalation YoY 4.9%.

4.2.12 The Authority further noted that IOSDPL had projected Rs 280.00 Lacs for construction of ITP Depot. As per the Concessional Agreement, IOSDPL shall construct the ITP Depot at the land allotted by the DIAL. DIAL had allotted 2000 sq. mt. land to IOSDPL for the development of ITP Depot at IGIA, Delhi. The Authority vide mail dated 9<sup>th</sup> December, 2021 sought clarification from IOSDPL regarding detail break up of projected cost and construction status. In response, IOSDPL vide mail dated 10.12.2021 submitted that they received the land for ITP Depot and presently the project is in the design engineering stage. Tender for the construction of ITP Depot likely to be floated by February, 2022 and the project shall be commenced in April, 2022 and likely to complete by March, 2023. The cost break up of construction of ITP depot given below:

**Table 11: Cost break up of construction of ITP Depot submitted by IOSDPL.**

Particulars	Amount Rs. In Lacs
Engineering & Design	8.40
Procurement	42.00
Construction Cost	165.20
Statutory Approvals	2.80
<b>Total</b>	<b>218.40</b>
Contingency @ 10%	21.84
GST @ 18%	43.24
<b>Total</b>	<b>283.48</b>
<b>Rounded off</b>	<b>280.00</b>

4.2.13 The Authority noted that IOSDPL had taken contingency @ 10% whereas the Authority had considered contingency @ 3% for other Airport Operator/ISP. Therefore, the Authority proposed to consider contingency @ 3%. Accordingly, total reworked cost of ITP Depot is Rs. 265.44 Lacs.

4.2.14 The Authority further noted that IOSDPL had proposed Capital Expenditure of Rs.194.00 Lacs for i-6 Into Plane Dispatching system for Automation of Refuelling equipment. As per the schedule XVI of the Concession Agreement, IOSDPL is committed to implement the i-6 system to facilitate seamless flow of data and information, which helps back office to ensure proper and synchronized data with the Stakeholder in real time basis. The Authority vide mail dated 9<sup>th</sup> December, 2021 sought clarification from IOSDPL regarding detail of the proposed cost and commissioning status. In response, IOSDPL vide mail dated 10<sup>th</sup> December, 2021 submitted that the project will start in second quarter of FY 2022-23 and will take around 6 months to complete. The Cost break as given Table 12 below:





**Table 12: Cost break up of i-6 System submitted by IOSDPL.****(Amount Rs in Lacs)**

Particulars	Numbers of Dispensers & Refuellers	Cost per Vehicle	Total cost
Dispensers	28	2.79	78.07
Refuellers	7	2.79	19.51
Site Visits			11.25
System Setup			33.75
<b>Total (A)</b>			<b>142.59</b>
<b>Taxes (B)</b>			<b>25.66</b>
<b>Contingency ( C ) @ 17.69%</b>			<b>25.23</b>
<b>Total Implementation Cost (A+B+C)</b>			<b>193.50</b>

4.2.15 The Authority observed that IOSDPL had taken contingency @ 17.69%; whereas, the Authority considered contingency @ 3% for other Airport Operator/ISP. Therefore, the Authority proposed to consider contingency @ 3%. Accordingly, total reworked cost of Electronic Data Interchange (EDI) system came to Rs. 173.30 Lacs.

4.2.16 Having examined the proposals relating to Capital Expenditure submitted by the IOSDPL and keeping in view the above facts, the Authority proposed the Capital Expenditure for IOSDPL (as additions to RAB) for the Third Control Period as given below:

**Table 13: Capital Expenditure proposed by the Authority for IOSDPL at Consultation stage.****Amount (Rs. in Lacs)**

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicle-Dispensers	360.00	912.63	638.23	1004.26	145.30	3060.42
Vehicle-Refuellers		73.43	178.26			251.61
Dirt Defence Filters (DDF)	85.00	14.00			28.00	127.00
Computer-i-6 system		173.30				173.30
ITP Depot		265.44				265.44
<b>TOTAL CAPEX</b>	<b>445.00</b>	<b>1438.80</b>	<b>816.39</b>	<b>1004.26</b>	<b>173.30</b>	<b>3877.77</b>

4.2.17 The Authority examined the past trends of IOSPL, Delhi regarding capital expenditure, and observed that IOSPL, Delhi is having a tendency of not executing the approved capital expenditure in the relevant Control Period which is against the interest of the end users.

4.2.18 The Authority, in order to ensure that M/s IOSDPL adheres to the Capital Expenditure plan, decided to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets not achieved as per the Capitalization schedule.

### **4.3 Stakeholders' comments on Capital Expenditure for the Third Control Period:**

#### **FIA's comments on Capital Expenditure for the Third Control Period:**

4.3.1 FIA has quoted the para 2.10 of CP No 33/2021-22 regarding target capitalization had not been achieved during the Second Control Period and recommend that an adjustment of 1% or higher of the project cost from the ARR, as deemed fit, is made by AERA for capital expenditure projects of the Second Control Period that are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Third Control Period.

4.3.2 FIA has submitted that as per para no. 4.19 of CP, AERA observed that IOSDPL has a tendency of not executing the approved capital expenditure in the relevant Control Period which is against





the interest of the end users. In this context, while the airline industry has been cutting down the capital expenditure to mere bones in the face of current extraordinary situations. In this regard, FIA suggest that AERA may consider even more stringent penalties in excess of 1% in the event of any delay or significant reduction in the execution of capital expenditure as finally approved for the Third Control Period such that efficiencies in the system are encouraged and inefficiencies discarded.

4.3.3 FIA has further submitted that to support the airlines to continue and sustain its operations, all non-essential capital expenditure proposed by IOSDPL be put on hold/deferred, unless deemed critical from a safety or security compliance perspective. Further, in case IOSDPL wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. Similarly, if any proposed CAPEX projects can be deferred from the Third Control Period to the Fourth Control Period, the same should be considered by AERA. FIA requests AERA to conduct an independent study for efficient capital expenditure in the Third Control Period in accordance with the AERA Act, 2008.

4.3.4 FIA also submitted that there are calculation & typographical errors in the Table 10 of CP i.e. "Capital Expenditure on Vehicles proposed by AERA for the Third Control Period", and requests AERA to review the same.

#### **4.4 IOSDPL's response to Stakeholders' Comments regarding Capital Expenditure for the Third Control Period:**

4.4.1 In response to the Comments received from FIA as part of Stakeholder Consultation process, IOSDPL's submitted that CAPEX in the 2nd Control Period was low on account of very low volume growth in FY20 against FY19 and due to 46% reduction in ITP volumes in FY21 when compared to FY20. Furthermore, there was also a reduction in the number of flights handled. During this period, CAPEX was reduced as the volumes and flight operations did not justify incremental CAPEX.

4.4.2 IOSDPL's further submitted that to keep the costs low, they have proposed refurbishment of existing hydrant dispensers. To minimize the impact on ongoing operations and to consider, incremental fuel volumes once Terminal-1 is operational with a hydrant system, IOSDPL has proposed the addition of new ITP vehicles. The CAPEX plan has been developed using the ATM forecast of the airport operator and the business requirements. Adequate justifications for incurring the CAPEX have already been provided during the Stakeholder Consultation Meeting, which was not attended by FIA and those justifications are also presented in the consultation paper. IOSDPL propose no further reductions in CAPEX and agree with the CAPEX for the Third Control Period as considered by the Authority in CP No. 33/2021-22.

#### **4.5 Authority's analysis on Stakeholders' comments regarding Capital Expenditure for the Third Control Period:**

4.5.1 The Authority has taken note of FIA's comment on the adjustment of 1 % of non-capitalized project costs in the Second Control Period. In this regard, the Authority has decided not to make any adjustment of 1% from capitalized project cost as the tariff in Second Control Period had been determined under Light Touch Approach and no such provision was made in the Second Control Period Order.

4.5.2 The Authority notes the comment of the FIA's on the proposed 1% adjustment in case of delay in implementing the proposed CAPEX schedule for the Third Control Period. In its response,





IOSDPL's has cited the impact of the Covid-19 pandemic and the related uncertainties which may affect completion of the CAPEX schedules. In this regard, the Authority is of the view that the situation is likely to improve in view of the various measures implemented by the government including the availability of vaccine and ease travel restrictions from 28<sup>th</sup> March, 2022. The re-adjustment in the ARR/Target Revenue is a conscious decision to protect the interest of the stakeholders who are paying for the services provided by IOSDPL, and, is also an encouragement to IOSDPL to commission/capitalize the proposed assets as per the approved CAPEX schedule.

- 4.5.3 Further, in case there is a delay in commissioning/capitalizing of the assets proposed for the Third Control Period due to any reason beyond the control of IOSDPL, 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. It is also stated that AERA expects that capitalization plan given by the service provider is adhered to, and, expects them to deliver the capitalization as per the plan.
- 4.5.4 The Authority notes the comments of FIA regarding enhancing the proposed 1% adjustment in case of delay in implementing the proposed CAPEX schedule. In this regards, the Authority is of the view that in case the IOSDPL does not execute the CAPEX as per proposed capitalization plan the recovery of the adjustment amount would be adjusted during the true-up along with the carrying cost. Therefore, the Authority considered 1% readjustment (reduce) of the non-capitalized CAPEX from ARR/Target Revenue stringent enough against the over projection and underachievement of CAPEX.
- 4.5.5 As far as FIA comments regarding deferment of CAPEX for the Third Control Period is concerned and IOSDPL's response thereon, the Authority notes that the CAPEX of Rs 2221.23 Lacs (Rs 1642.49+Rs 578.74) are related to the implementation of a hydrant system at Terminal-1 and refurbishment of the existing plant & machinery which is essential in nature and may not be deferred as submitted by IOSDPL in their counter comments. Therefore, the Authority decides to consider the CAPEX as per Table 10.
- 4.5.6 As far as FIA's comment on calculation & typographical errors in Table 10 of Consultation Paper (under Capital Expenditure on vehicles) is concerned. The Authority has examined it and corrected the typographical error as Table 14 given below:

**Table 14: New and Refurbished vehicles proposed by the Authority for IOSDPL for the Third Control Period.**

New and Refurbishment of Vehicles		Nos. of Vehicles proposed					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers – New		6	4	6		16
	Hydrant Dispensers – Refurbishment	6				2	8
	Refuellers – New			1			1
	Refuellers – Refurbishment		1				1
	<b>Total</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>26</b>
Capital Expenditure on Vehicles proposed by the Authority for IOSDPL for the Third Control Period							
		Amount (Rs. in Lacs)					
		2021-22	2022-23	2023-24	2024-25	2025-26	Total
Vehicles	Hydrant Dispensers –		912.63	618.23	1004.26		2555.12



New						
Hydrant Dispensers – Refurbishment	360.00				145.31	505.31
Refuellers – New			178.26			178.26
Refuellers – Refurbishment		73.43				73.43
Dirt Defence Filters	85.00	14.00			28.00	127.00
<b>Total</b>	<b>445.00</b>	<b>1000.06</b>	<b>816.49</b>	<b>1004.26</b>	<b>173.31</b>	<b>3439.12</b>

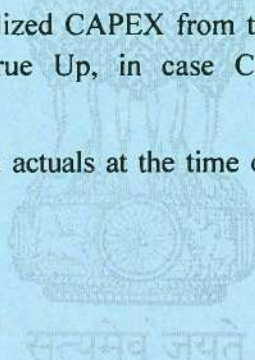
- Escalation YoY 4.9%.

4.5.7 The Authority also notes that other Stakeholders have not raised any comment regarding Capital Expenditure as proposed at consultation stage. The Authority therefore, has decided to consider the Capital Expenditure for the Third Control Period as proposed at Consultation Stage.

**4.6 Authority's decisions regarding Capital Expenditure for the Third Control Period:**

Based on the material before it and its analysis, the Authority has decided:

- 4.6.1 To consider Capital Expenditure for the Third Control Period for IOSDPL as per Table 13.
- 4.6.2 To reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets not achieved as per the Capitalization schedule.
- 4.6.3 To true up the CAPEX based on actuals at the time of tariff determination for the Next Control Period.



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AERA





## CHAPTER 5. DEPRECIATION

### 5.1 IOSDPL's submission on Depreciation for the Third Control Period as part of MYTP.

5.1.1 As per the IOSDPL's submission, the asset wise depreciation projected on the Regulatory Assets during the Third Control Period summarized as Table 15 below:

**Table 15: Depreciation (Asset-wise) as projected by IOSDPL for Third Control Period.**

Particulars	Amount (Rs. in Lacs)					Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Vehicles-Hydrant Dispensers & Refuellers	132.65	334.83	437.09	562.98	584.75	2052.3
Plant and Machinery-IPS	0.06	0.13	0.13	0.13	0.13	0.58
Land & Building (ITP Depot)	-	4.67	4.67	4.67	4.67	18.68
Office Equipment's	0.78	1.56	1.56	1.56	1.56	7.02
Furniture and Fittings	0.28	0.56	0.56	0.56	0.56	2.52
Computer Software & Hardware	0.19	64.89	64.89	64.70	-	194.67
Total	133.96	406.64	508.9	634.6	591.67	2275.77

### 5.2 Authority's examination regarding Depreciation for the Third Control Period at the Consultation stage:

5.2.1 The Authority issued its own Order No. 35/2017-18 for "Determination of Useful life of Airport Assets" for determining appropriate depreciation rates in line with the provisions of the Companies Act 2013. Accordingly, the Authority considered the useful life and depreciation rates as prescribed in the said Order No. 35/2017-18 for IOSDPL.

5.2.2 The Authority compared the depreciation rates and useful life of Assets proposed by IOSDPL and noted that IOSDPL considered the same depreciation rates and useful life of Assets except "Furniture & Fixtures" as recommended by AERA which is shown in the Table 16 below:

**Table 16: Comparison of Depreciation rates IOSDPL vis-a-vis AERA Order no 35/2017-18.**

Particulars	As Per IOSDPL Submission		As Per AERA Order no. 35/2017-18	
	Useful Life (in Years)	SLM Rate	Useful Life (in Years)	SLM Rate
Refuellers and Dispensers – New	8	12.50%	8	12.50%
Refuellers and Dispensers – Refurbished	8	12.50%	8	12.50%
Vehicles –Motor Car	8	12.50%	8	12.50%
Office Equipment's	5	20.00%	5	20.00%
Furniture & Fixtures	10	10.00%	7	14.29%
Computers-i-6 system	3	33.33%	3	33.33%

5.2.3 The Authority observed the variance in depreciation rates for "Furniture & Fixtures". IOSDPL had taken useful life of furniture 10 years whereas AERA considered the same 7 years. Accordingly, the Authority calculated the depreciation rate as per the prescribed useful life of 7 years for furniture & fixtures.

5.2.4 The Authority further observed that IOSDPL had taken full-year depreciation on the assets commissioned during the year. However, the Authority considered depreciation on average basis on the assets commissioned during the year. The Authority noted that IOSDPL had taken depreciation



for six months in FY 2021-22, as the value of the asset has been taken in the books of IOSDPL as on 30th September, 2021. The Authority also considered depreciation for six months in FY 2021-22.

5.2.5 The Authority, keeping in view of the above, considered the following depreciation for the Third Control Period as given in Table 17 below:

**Table 17: Depreciation proposed by the Authority for IOSDPL for Third Control Period at Consultation stage.**

Particulars	Amount (Rs. in Lacs)					
	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Plant and Machinery-Hydrant & Refueller	104.84	272.19	385.72	499.52	573.11	1835.38
Plant and Machinery-IPS	0.06	0.13	0.13	0.13	0.13	0.58
Land & Building (ITP Depot)	0.00	2.21	4.42	4.42	4.42	15.47
Furniture and Fixture	0.40	0.80	0.80	0.80	0.80	3.60
Office Equipment	0.78	1.56	1.56	1.56	1.56	7.02
Computer- i-6 System	0.19	29.27	58.15	58.15	28.49	174.25
<b>Total</b>	<b>106.27</b>	<b>306.16</b>	<b>450.78</b>	<b>564.58</b>	<b>608.51</b>	<b>2036.30</b>

### 5.3 Stakeholders' comments on Depreciation for the Third Control Period:

#### FIA's comments on Depreciation for the Third Control Period:

5.3.1 FIA has submitted that in the Consultation Paper No 33/2021-22, AERA referred Order No. 35/2017-18 regarding the 'Useful life of Airport Assets' for Depreciation, however, in the aforesaid CP, it is not clarified what depreciation rate on Buildings has been considered by the AERA. FIA requests to clarify the rate of depreciation for Building.

### 5.4 Authority's analysis on Stakeholders' comments regarding Depreciation for the Third Control Period:

5.4.1 As far as FIA's comment on depreciation is concerned, the Authority examines and found that the life of Building has been considered 60 years and depreciation has been charged @ 1.66% on the Building in the Consultation Paper No 33/2021-22, accordingly.

5.4.2 The Authority noted that other Stakeholders has not raised any comment regarding Depreciation proposed at consultation stage. The Authority therefore, has decided to consider the Depreciation for the Third Control Period as proposed at Consultation Stage.

### 5.5 Authority's decisions regarding Depreciation for the Third Control Period:

Based on the material before it and its analysis, the Authority has decided:

5.5.1 To consider Depreciation for the Third Control Period as per Table 17.

5.5.2 To true up the depreciation based on actuals at the time of tariff determination for next Control Period.





## CHAPTER 6. REGULATORY ASSET BASE (RAB).

### 6.1 IOSDPL's submission on Regulatory Asset Base (RAB) for the Third Control Period as part of MYTP.

- 6.1.1 As per clause 9.2 of the CGF guidelines, dated 10th January, 2011 the relevant RAB assets 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.
- 6.1.2 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.
- 6.1.3 The historical Regulatory Asset Base (RAB) as per IOSDPL submission for the Second Control Period as given in Table 18 below.

**Table 18: Actual RAB as per ACS submitted by the IOSDPL for the 2<sup>nd</sup> Control Period.**

Amount (Rs. in Lacs)						
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Opening RAB (A)	692.68	463.55	284.05	1017.17	1113.85	3571.30
Addition (B)	23.12	50.77	809.26	233.89	116.70	1233.74
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	252.29	230.27	76.14	137.21	162.57	858.48
Closing RAB (E) = (A)+(B)-(C)-(D)	463.55	284.05	1017.17	1113.85	1067.98	—
Average RAB (G)=(A+E)/(2)	578.11	373.80	650.61	1065.51	1090.91	—

- 6.1.4 The projected Regulatory Asset Base (RAB) as per IOSDPL submission for the Third Control Period as given in Table 19 below:

**Table 19: RAB submission by IOSDPL for Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Opening RAB (A)	1249.00	1426.03	2494.07	2803.23	3175.77	11148.1
Addition (B)	444.96	1474.67	818.05	1007.13	174.18	3918.99
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	133.96	406.64	508.9	634.6	591.67	2275.77
Closing RAB (E) = (A)+(B)-(C)-(D)	1560.00	2628.03	2937.18	3309.71	2892.22	
Average RAB (F)=(A+E)/(2)	1404.50	2094.01	2782.60	3123.45	3100.96	

### 6.2 Authority's examination regarding Regulatory Asset Base (RAB) for the Third Control Period at consultation stage:

- 6.2.1 The Authority examined each element of RAB projected by IOSDPL for the Third Control Period and its utilization as well as requirement in the functioning of the IOSDPL.
- 6.2.2 The Authority noted that IOSDPL had submitted Rs 1249.00 Lacs as Opening RAB for FY 2021-22 whereas ACS of FY 2020-21 showed Closing RAB of Rs 1067.98 Lacs. The Authority vide mail dated 9<sup>th</sup> December, 2021 sought clarification from IOSDPL regarding difference in the Opening RAB of FY 2021-22. In response, IOSDPL vide mail dated 22.12.2021 submitted that the existing assets of IOSPL have been transferred to its fully owned subsidiary M/s Indian Oil Skytanking Delhi Pvt Ltd (IOSDPL) under Slump Sale. In order to transfer assets from one company to another



company, valuations of existing assets have been carried out by valuers. IOSDPL had submitted the valuation report of the transfer asset. The Authority examined the valuation report and found that Resurgent Valuers Private Limited conducted the valuation of the asset and considered value of Rs 1249.00 Lacs of the transferred asset. As the valuation was done by an authorized valuer therefore, the Authority consider opening RAB for FY 2021-22, as submitted by IOSDPL.

- 6.2.3 The Authority, after taking into consideration IOSDPL clarifications on capital expenditure to be incurred for refurbishment/purchase of new vehicles, installation of DDF and considering the depreciation proposed by the Authority, RAB to be considered for the determination of ARR for the purpose of tariff determination as per Table 20 below:

**Table 20: RAB proposed by the Authority for IOSDPL for Third Control Period at Consultation stage.**

Particulars	Amount (Rs. in Lacs)					Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Opening RAB (A)	1249.00	1587.69	2720.34	3086.05	3525.72	12168.80
Capital Additions (B)	444.96	1438.80	816.49	1004.25	173.30	3877.80
Disposal (C)	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation (D)	106.27	306.15	450.78	564.58	608.52	2036.30
Closing RAB (E) = (A)+(B)-(C)-(D)	1587.69	2720.34	3086.05	3525.72	3090.50	—
Average RAB (F)=(A+E)/2	1418.35	2154.02	2903.20	3305.89	3308.11	—

**6.3 Stakeholders' comments on Regulatory Asset Base (RAB) for the Third Control Period:**

- 6.3.1 During the stakeholder consultation process, no comments/views has been received from stakeholders in response to the proposals of Authority in the Consultation Paper No. 33/2021-22 with respect to Regulatory Asset Base (RAB) for the Third Control Period.

**6.4 Authority's analysis on Stakeholders' comments regarding Regulatory Asset Base (RAB) for the Third Control Period:**

- 6.4.1 The Authority has noted that no comments have been received from the Stakeholders regarding Regulatory Asset Base (RAB) proposed for the Third Control Period. Therefore, the Authority has decided to consider the RAB for the Third Control Period as proposed at Consultation Stage.

**6.5 Authority's decisions regarding Regulatory Asset Base (RAB) for the Third Control Period:**

Based on the material before it and its analysis, the Authority has decided:

- 6.5.1 To consider Regulatory Asset Base (RAB) for the Third Control Period as per Table 20.
- 6.5.2 To true up RAB based on the actuals at the time of tariff determination for the next Control Period.





## **CHAPTER 7. OPERATION AND MAINTENANCE EXPENDITURE**

### **7.1 IOSDPL's submission on Operation and Maintenance Expenditure for the Third Control Period as part of MYTP.**

- 7.1.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operational and Maintenance expenditure incurred by the Service provider(s) shall include the expenditures incurred on security, operating costs, other mandated operating costs and statutory operating costs.
- 7.1.2 The category-wise breakup of each element of Operation and Maintenance (O&M) expenditure as per Actuals reflected in the annual accounts of IOSDPL for the 2<sup>nd</sup> Control Period as given Table 21 below:

**Table 21: Actual Operation and Maintenance Expenditure & CAGR for the Second Control Period.**

Particulars	Amount (Rs. in Lacs)						CAGR*
	2016-17	2017-18	2018-19	2019-20	2020-21	Total	
Payroll Costs	559.97	655.42	842.46	944.2	764.94	3766.99	19%
Administrative and General Expenditure	87.78	77.25	85.21	111.27	54.29	415.80	8%
Repair and Maintenance Expenditure	139.76	118.19	184.51	217.62	112.14	772.22	16%
Utilities and Outsourcing Expenditure	68.85	86.27	157.00	163.82	115.18	591.12	34%
Airport Operator Fees	208.18	260.63	321.00	337.08	264.30	1391.19	17%
Total	1064.56	1197.76	1590.18	1773.99	1310.85	6937.34	19%

\*FY 2016-17 to FY 2019-20.

- 7.1.3 Operation and Maintenance (O&M) expenditure submitted by IOSDPL is segregated into the following categories:

- Payroll cost
- Administrative and General cost
- Repairs & Maintenance Costs
- Utilities and Outsourcing Cost
- Airports Operators Fees
- Licence fees/Rental

- 7.1.4 The summary of growth rates projected by IOSDPL for the projection of Operation and Maintenance expenditure for the Third Control Period as given Table 22 below:

**Table 22: O&M growth rates projected by IOSDPL for Third Control Period.**

Particulars	CAGR
Payroll cost	13%
Administrative and General cost	11%
Repairs & Maintenance Costs	22%
Utilities Cost	8%
Airports Operators Fees	6%
Licence fees/Rental	10%

- 7.1.5 IOSDPL based on the above assumptions projected Operation and Maintenance Expenditure for



the Third Control Period as given Table 23 below:

**Table 23: Operation and Maintenance Expenditure projected by IOSDPL for the Third Control Period.**

Particulars	Amount (Rs. in Lacs)					Total
	2021-22	2022-23	2023-24	2024-25	2025-26	
Payroll Costs	800.03	900.03	1028.14	1153.73	1293.40	5175.33
Administrative and General Expenditure	416.42	469.81	521.99	568.41	628.99	2605.62
Repair and Maintenance Expenditure	111.95	139.53	171.59	208.94	249.27	881.28
Utilities and Outsourcing costs	156.63	168.93	182.20	196.52	211.97	916.25
Airport Operator Fees	216.02	294.12	322.48	341.25	304.30	1478.17
Licence fees/Rental	290.48	475.91	523.38	575.59	630.01	2495.37
<b>Total</b>	<b>1991.53</b>	<b>2448.33</b>	<b>2749.78</b>	<b>3044.44</b>	<b>3317.94</b>	<b>13552.02</b>

**7.2 Authority's examination regarding Operation and Maintenance (O&M) Expenditure for the Third Control Period at Consultation stage:**

7.2.1 The Authority examined the category wise share of each expenditure in total expenditure as projected by IOSDPL for the Third Control Period as Table 24 given below:

**Table 24: Category wise percentage share of Operation & Maintenance Expenditure.**

Category of Operation and Maintenance Expenditure	% Share of Total Expenditure
Payroll Costs	38%
Administrative and General Expenditure	19%
Repair and Maintenance Expenditure	7%
Utilities and Outsourcing costs	7%
Airport Operator Fees	11%
Licence Fees/Rental	18%
<b>Total</b>	<b>100%</b>

7.2.2 The Authority noted that Payroll Cost, Rentals and Administrative expenses are major components of operating cost i.e. about 75% of the total operating expenditure of IOSDPL whereas the other categories of expenditure account for 25% of the total operating expenditure.

7.2.3 The Authority, based on its examination projected O&M expenditure, rate of increase in each category of expenditure and after taking into consideration the effect of COVID-19, proposed to revise each category of O&M expenditure as given below:

- Payroll Costs** - The Authority noted the CAGR of projected Payroll Costs for Third Control Period is 13% whereas the CAGR of actual Payroll Costs for the Second Control Period (FY 2016-17 to FY 2019-20) was 19%. IOSDPL submitted that payroll cost will increase due to





annual increment of 10.5% (5.5% on account of an annual increase and 5% on account of inflation) towards Payroll (manpower costs) and addition of more manpower in the operation department during the Third Control Period. The Authority is however, of the view that due to COVID -19 pandemic, there is slowdown in the aviation sector and to sustain the operations, the increase in the payroll costs may not be that as may be during the normal operations. Hence, the Authority proposed to consider 7.00% YoY increase for the purpose of projection of "Payroll Cost" including inflation effect of 4.90% for the Third Control Period.

- ii. **Administrative and General Expenditure** - The Authority also examined the projections of Administrative and General expenditure of IOSDPL and noted that the CAGR of projected Administrative and General expenditure for Third Control Period is 11% whereas the CAGR of actual Administrative and General expenditure during the Second Control Period (FY 2016-17 to FY 2019-20) was 8% which is low as compared to projected CAGR. IOSDPL considered 10% inflation impact on Legal Expenses, Insurance, and Printing & Stationery, Consumption of Stores, Recruitment/Training and considered 5% inflation impact on audit, security and other miscellaneous expenses. The Authority, keeping in view the inflation rate as per RBI rate, proposed an annual increase in Administrative and General expenditure by 4.90% for the Third Control Period. The Authority also noted that IOSDPL proposed 16% margin on the total operating expenses under Administrative & General expenses which can not be considered.
- iii. **Repair and Maintenance Expenditure** - The Authority examined the projections of Repairs and Maintenance Expenditure made by IOSDPL and noted that the CAGR of projected Repairs and Maintenance Expenditure for Third Control Period is 22% whereas the CAGR of actual R&M expenditure during the Second Control Period (FY 2016-17 to FY 2019-20) was 16%. IOSDPL considered annual inflation 8.0% and additional repair & maintenance expenditure on new vehicles for the Third Control Period. The Authority also noted that R&M cost increase during the Third Control Period due to including the i-6 system R&M cost from FY 2022-23 onwards. The Authority, proposed Repairs and Maintenance expenditure, considering R&M cost of i-6 system and keeping in view inflation rate as per RBI rate, for the Third Control Period.
- iv. **Utilities and Outsourcing costs** - The Authority examined the projections made by IOSDPL and noted that the CAGR of projected Utility Costs for Third Control Period is 8% whereas the CAGR of actual Utility Costs during the Second Control Period (FY 2016-17 to FY 2019-20) was 34% which is very high when compared with the CAGR of the projected R&M expenditure. IOSDPL considered 5% inflation rate for power and rent & rates. The Authority, keeping in view the inflation rate as per RBI rate, proposed an annual increase in Utility Costs expenditure by 4.90% for the Third Control Period.
- v. **Rental Expenditure** – The Authority noted that as per the concessional agreement, IOSDPL have to pay rental for 2000 sq. mt. land for ITP Depot with an annual escalation in the range of 7.5% to 10% and in its MYTP, IOSDPL proposed rental on 3000 sq. mt. land for ITP Depot, start from 1<sup>st</sup> April, 2021. In this regard, the Authority sought clarification from IOSDPL regarding area of the land for ITP Depot and the starting date of the rental. IOSDPL vide mail dated 16<sup>th</sup> December, 2021 submitted that 2000 sq. mt land for ITP Depot handing over to them by December, 2021. According to IOSDPL had submitted the revised rental start





from December, 2021. The Authority proposed rental as per the revised submission of IOSDPL.

7.2.4 The Authority noted that IOSDPL projected the Airport Operator Fees @ 7% of the Aeronautical revenue (ITP revenue) whereas the Authority approved Airport Operator Fees @ 5% of the aeronautical revenue vide its Order No. 01/2018-19 dated 5<sup>th</sup> April 2018 on Capping the amount of Royalty/licence Fee / Revenue Share payable to Airport Operator as a “pass-through” expenditure for the Independent service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports. The Authority based on its order, proposed Airport Operator Fees @ 5% of the aeronautical revenue of IOSDPL for the Third Control Period.

7.2.5 Based on the trends of O&M expenditure considering, the actuals of Second Control Period and projections made by IOSDPL for Third Control Period, the Authority proposed to consider FY 2021-22 as base for increase in Operation and Maintenance Expenditures for FY 2022-23 to FY 2025-26 and proposed the following percentage (%) increase for each category of expenditure as given in Table 25 below:

**Table 25: Percentage (%) increase in Operation and Maintenance Expenditure proposed by the Authority for Operation and Maintenance Expenditure for IOSDPL for Third Control Period.**

Particulars	2022-23	2023-24	2024-25	2025-26
Payroll	7.00%	7.00%	7.00%	7.00%
Administrative and General	4.90%	4.90%	4.90%	4.90%
Repairs and Maintenance	4.90%	4.90%	4.90%	4.90%
Utility & Outsourcing cost	4.90%	4.90%	4.90%	4.90%
Airport Operator Fees (Revenue Share) (based on AERA Order)	5.00%	5.00%	5.00%	5.00%

7.2.6 The Authority after considering the above growth rates, proposed the Operating and Maintenance Expenditure as given in Table 26 below:

**Table 26: Operating and Maintenance Expenditure proposed by the Authority for the Third Control Period at Consultation stage.**

Particulars	Amount (Rs. in Laacs)					
	2021-22*	2022-23	2023-24	2024-25	2025-26	Total
Payroll Costs	800.03	856.03	915.95	980.07	1048.68	4600.76
Administrative and General Expenditure	116.72	122.44	128.44	134.73	141.34	643.67
Repair and Maintenance Expenditure	111.95	136.96	165.58	198.46	232.95	845.90
Utilities and Outsourcing costs	156.63	164.3	172.36	180.8	189.66	863.75
Airport Operator Fees	112.21	131.02	155.09	162.84	167.31	728.47
Licence fees/Rental	290.48	475.91	523.38	575.59	630.01	2495.37
<b>Total</b>	<b>1588.02</b>	<b>1886.66</b>	<b>2060.8</b>	<b>2232.49</b>	<b>2409.95</b>	<b>10177.92</b>

\*FY 2021-22 taken as base to revise projection (except for Airport Operator Fees and Administrative & General expenses).

7.3 **Stakeholders' comments on Operating and Maintenance Expenditure for the Third Control Period:**

**FIA's comments on Operating and Maintenance Expenditure for the Third Control Period:**

7.3.1 FIA has submitted that it is not clear whether IOSPL has taken cost-cutting measures including re-





negotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by IOSPL impacts the airlines, as such cost is passed through or borne by the airlines. The Authority may like to advise IOSPL to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner.

- 7.3.2 FIA has further submitted that instead of a significant reduction in cost items of operating expenses, AERA has proposed a YoY percentage increase of 7% on Payroll and 4.9% on Administration and General Expenses. while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, IOSDPL on the other hand seems to have paid/will pay incremental salaries which may not appear prudent considering the significant losses incurred by the aviation sector. FIA submits that there should not be any increase in manpower till the existing manpower is effectively utilised. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced. IOSDPL needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions for the next Control Period.
- 7.3.3 FIA has submitted that the Repair & Maintenance of the newly installed i-6 system should be close to zero and request AERA to kindly hold on to such hefty investments in the Third Control Period or quantify the overall savings that will be generated in the Third Control Period due to its implementation and such savings should be transparently passed on Airlines forthwith. FIA also requests that 4.9% YoY increase proposed for Utility & Outsourcing Cost should be avoided.
- 7.3.4 FIA has also submitted that in the present Consultation Paper, O&M expenditure has been proposed to increase between 4.9 % to 7% YoY while, as per consultation paper No 32/2021-22 issued by AERA at the same airport (IGIA) for a similar service provider for the same services has been proposed to increase O& M expenditure at 3%. In any event, the proposed increase in O&M Expenditure on YoY in the present Consultation Paper should not be in excess of that proposed vide consultation paper number 32/2021-22.

**FIA's comments on Abolishment of Royalty Charges for the Third Control Period:**

- 7.3.5 FIA has submitted that any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the Airport Operator.
- 7.3.6 FIA has further submitted that royalty is in the nature of market access fee, charged (by any name or description) by the Airport Operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit. FIA urge Authority to abolish such royalty which may be included in any of the cost items.

**IOSDPL's comments on Operating and Maintenance Expenditure for the Third Control Period:**

- 7.3.7 IOSDPL has submitted that the rates of inflation proposed by the Authority are not adequate to cover



the expected increase in operating costs. IOSDPL's estimates of inflation were based on prevailing trends observed in inflation, along with a forecast keeping in mind the prevailing situation. Therefore, IOSDPL requests the Authority to consider inflation as forecasted by them.

- 7.3.8 IOSDPL has submitted that the ITP Business is manpower intensive in nature, which can be observed from Table 26 of CP. The capital assets which are deployed in rendering ITP Services have a useful life of 8 Years during which these assets are fully depreciated. The RAB size is therefore relatively low and therefore returns on RAB are not enough to provide for a reasonable return to the ITP Operator.
- 7.3.9 IOSDPL has further submitted that based on principle of low RAB size, the Authority has allowed a 10% return on ARR in the case of GSEC at Ahmedabad Airport (Clause 9.2.4, Order Number 27/2021-22, Table No. 22) and 16% Operating Margin on the O&M in case BKFFPL in Order No 23/2021-22, Table No. 25 was allowed for Fuel Farm and Into Plane Operations. An operating margin of 16% proposed by IOSDPL is for similar reason and also similar in nature to a return on ARR. The Authority has not also given any reason for not considering the proposed 16% margin on operating expenses. Considering such a return component was allowed in the case of GSEC at Ahmedabad Airport and BKFFPL at Kannur Airport, IOSDPL, urge the authority to allow a 16% operating margin for providing ITP Services at Delhi Airport.
- 7.3.10 As far as IOSDP comments on Airport Operator Fee is concerned, IOSDPL urge the Authority to determine tariffs under "Light Touch Approach" and consider the entire Airport Operator Fees of 7% as a passthrough cost for volumes under three million KL and 9% in case of volumes is more than 3 million KL.

**7.4 IOSDPL's response to Stakeholders' Comments regarding Operating and Maintenance (O&M) Expenditure for the Third Control Period:**

- 7.4.1 In response to the Comments received from FIA as part of Stakeholder Consultation process, IOSDPL submitted that they understand the FIA concerns and are fully committed to deliver cost-efficient and safe services to airlines. IOSDPL follow an active cost management approach wherein all major contracts are awarded after price discovery through E-tendering. This is followed up with a reverse auction process to achieve further cost reductions.
- 7.4.2 IOSDPL quoted table 22 of C.P. which highlight a reduction of 26% in FY21 compared to FY20. This was possible due to the cost reduction measures implemented by the company, due to the COVID-19 pandemic and as a sustained cost-efficient operations approach. We would also like to clarify that ITP Operations are classified as "Aero" services and not as "non-Aero" as implied by FIA.

**7.5 Authority's analysis on Stakeholders' comments regarding Operation and Maintenance (O&M) Expenditure for the Third Control Period:**

- 7.5.1 The Authority has examined the comments of FIA and response of IOSDPL thereon. The Authority observed that IOSDPL payroll cost was Rs 944.20 Lacs in FY 2019-20 and IOSDPL proposed Rs 800.03 Lacs payroll cost for FY 2021-22 which is 18% less than the FY 2019-20. Similarly, the other Operating expenses were also proposed in a decreasing pattern for FY 2021-22 except Administrative & General Expenses. The Authority, at Consultation Stage proposed to project "payroll cost" & other Operating Expenses considering FY 2021-22 as a base year and thereafter an increase of 7% YoY to factor in the impact of inflation, annual increment for payroll cost & 4.9 % YoY for others operating expenses to factor in the impact



of inflation.

- 7.5.2 The Authority maintains the same view as was taken at the CP stage and decides to consider 7% YoY increase in payroll Costs due to factors like inflation, annual increments, statutory increase in wages, etc, and 4.9% YoY increase for other Operating Expenses to factor in the impact of inflation. The Operating and Maintenance expenditure proposed by Authority for Third Control Period is as per Table 26 above. The Authority true up the payroll cost & other Operating Expenses based on actuals at the time of tariff determination for next Control Period.
- 7.5.3 The Authority notes the comments of FIA's regarding different YoY increases proposed for O&M expenditure in Consultation Paper 32/2021-22 and Consultation Paper 33/2021-22. In this regard, the Authority examines the payroll costs and other Operating Expenditures for both the ISPs and observed that the per-unit payroll cost and Other Operating Expenditures are disproportionately on the higher side in respect of BSSDPL, considering its market share i.e., around 20% to 25%. Therefore, the Authority had considered 3% YoY increase for BSSDPL and advised them to adopt cost control measures on such expenses to improve efficiency in its Operating Costs vis-à-vis projected revenue and its market share.
- 7.5.4 The Authority notes the comments of FIA on Royalty Charges/ Concession Fee and response of IOSDPL thereon. The Concession Fee paid by the ISP to the Airport Operator is in accordance with the Concession Agreement executed between the Service Provider and the Airport Operator. The Authority considers that bidding process, based on which the Royalty Charges/ Concession Fee is levied on to the ISPs, is a non-regulatory issue and such matters may be dealt appropriately between Stakeholders and the concerned Service Providers. The Authority has considered Concession Fee @ 5% as per the AERA Order No 01/2018-19 dated 05<sup>th</sup> April, 2018 in place of 7% as proposed by the IOSDPL.

The Authority further notes FIA's views regarding royalty and states that because such revenues are considered aeronautical by the Authority in the tariff determination process of the Airport Operator, they lead to reduction in Tariff thus benefitting the Airport Users.

- 7.5.5 The Authority notes the comments of IOSDPL on inflation rate proposed by the AERA. The Authority inflation forecast is based on the recent inflation forecast by the RBI, the Authority had proposed to consider inflation of 4.9%, i.e. the mean WPI inflation forecast for FY 2021-22 (WPI Non-food Manufactured Products) given in the Table 27 below:

**Table 27: WPI (non-food manufactured products) as per RBI's 69th round of survey.**

Items (%)	FY 2020-21 (Q4)	FY 2021-22 (Q1)	FY 2021-22 (Q2)	FY 2021-22 (Q3)	FY 2021-22 (Q4)	Mean
Inflation	5.5	6.2	5.8	4.3	2.6	4.9

- 7.5.6 The Authority notes the comments of IOSDPL on 16% Operating Margin on Operating & Maintenance Expenditures. The Authority observed that in case of GSEC at Ahmedabad Airport, the AERA had considered a 10% return on Revenue instead of considering a return on RAB based on relevant aspects of the case, including low asset base of GSEC at Ahmedabad. In case of BKFFPL at Kannur Airport, the Authority had considered 16% margin on O & M cost as M/s BPCL carries out the Operational & Maintenance of Fuel Farm & Into Plane facilities as an integrated service on behalf of M/s BKFFPL. The refuellers for Into Plane Services also deployed by the BPCL and the costs thereof are recovered from BKFFPL.



The staff members of BPCL and its joint venture company are engaged directly in the operations of BKFFPL. In addition, there is management oversight by BPCL on the operation of BKFFPL. The BKFFPL was dependent on BPCL for various activities/processes and seeks guidance even for routine proposals. However, the Authority is of the view that there can be no specific benchmarks to consider margin on O & M expenditures. It may be considered on case-to-case basis. The Authority had not found any merit to consider 16% margin on O & M expenditures in the case of IOSDPL, Delhi.

- 7.5.7 The Authority has examined the comments given by IOSDPL, regarding Airport Operator Fees @ 7% of the Aeronautical revenue as per their Concession Agreement. The Authority has determined the tariff of IOSDPL under "Price Cap Approach" and capped the Airport Operator Fees @ 5% of the Aeronautical revenue as per its Order No. 01/2018-19 dated 5th, April 2018 on "*Capping the amount of Royalty license Fee/Revenue Share payable to Airport Operator*" as a "*pass through*" expenditure for the Independent Service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports". AERA therefore does not follow the agreement of IOSPL with Airport Operator/Service provider and has capped the revenue sharing charge @ 5% of the Aeronautical Revenue for the purpose of tariff determination.
- 7.5.8 In view of above, the Authority has decided to consider Operating and Maintenance Expenditure (O&M) including Revenue Sharing Charge @ 5% of the Aeronautical Revenue as proposed at the Consultation Stage for determination of ARR.
- 7.5.9 The Authority after considering the effect of applicability of Revised Tariff Rates from 1st June, 2022 decides to revise the O&M Expenses as given in Table 28 below:

**Table 28: Operating and Maintenance Expenditure considered by the Authority for the Third Control Period.**

Particulars	Amount (Rs. in Lacs)					
	2021-22*	2022-23	2023-24	2024-25	2025-26	Total
Payroll Costs	800.03	856.03	915.95	980.07	1048.68	4600.76
Administrative and General Expenditure	116.72	122.44	128.44	134.73	141.34	643.68
Repair and Maintenance Expenditure	111.95	136.96	165.58	198.46	232.95	845.90
Utilities and Outsourcing costs	156.63	164.30	172.36	180.80	189.66	863.75
Airport Operator Fees	112.21	131.64	154.93	162.57	166.75	728.11
Licence fees/Rental	290.48	475.91	523.38	575.59	630.01	2495.37
<b>Total</b>	<b>1588.03</b>	<b>1887.29</b>	<b>2060.64</b>	<b>2232.23</b>	<b>2409.39</b>	<b>10177.58</b>

\*FY 2021-22 taken as base to revise projection (except for Airport Operator Fees and Administrative & General expenses).

**7.6 Authority's decision regarding Operation and Maintenance Expenditure for the Third Control Period**

Based on the material before it and its analysis, the Authority has decided:

- 7.6.1 To consider Operation and Maintenance Expenditure as shown in the Table 28.
- 7.6.2 To true up the operation and maintenance Expenditure based on actuals at the time of tariff determination for next Control Period.





## **CHAPTER 8. FAIR RATE OF RETURN (FRoR)**

### **8.1 IOSDPL's submission on Fair Rate of Return (FRoR) for the Third Control Period as part of MYTP.**

- 8.1.1 IOSDPL considered Fair Rate of Return (FRoR) as 14% in MYTP for the Third Control Period.
- 8.1.2 As per the MYTP submission made by IOSDPL stated that it will not take any debt for the CAPEX of Third Control Period. Capitalization activity is proposed to be funded by 100% Equity.

### **8.2 Authority's examination regarding Fair Rate of Return (FRoR) for the Third Control Period at Consultation stage:**

- 8.2.1 The Authority noted that IOSDPL had not projected any debt for financing its Regulatory assets and proposed to meet its CAPEX requirement through equity funds only.
- 8.2.2 The Authority had earlier considered the FRoR at 14% for other ISP's and Airport Operators wherein the financing for CAPEX was proposed to be funded 100% by equity.
- 8.2.3 The Authority, therefore, proposed to consider the same FRoR (i.e.14%) as proposed by IOSDPL for the determination of ARR of IOSDPL for the Third Control Period. However, IOSDPL advised to evaluate optimal means of financing and leveraging debt, in the interest of the stakeholders.
- 8.2.4 In future, Authority shall consider notional gearing ratio for calculation of Fair Rate of Return (FRoR), if IOSDPL does not bring appropriate leverage to the funding of the project.

### **8.3 Stakeholders' comments on Fair Rate of Return (FRoR) for the Third Control Period:**

#### **FIA's comments on Fair Rate of Return (FRoR) for the Third Control Period:**

- 8.3.1 FIA has submitted that Presently, AERA provides a Fair Rate of Return (FRoR) to IOSDPL at 14% towards their CAPEX requirement. While such fixed/ assured return favours the service provider, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs. However, due to such fixed/assured returns, service providers like IOSDPL have no incentive to look for productivity improvement or ways of increasing efficiencies, and take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such kind of scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. In the present scenario any assured return on investment to any services providers like IOSDPL, in excess of 3% (including those on past orders), i.e. being at par with bank's fixed deposits rates, will be onerous for the airlines.
- 8.3.2 FIA further submitted that in case the Authority is unable to accept FIA's recommendation mentioned above, the Authority is requested to conduct an independent study for determination of FRoR to be provided in favour of IOSDPL. Such independent study can be exercised by AERA in terms of powers conferred under the Airports Economic Regulatory Authority of India Act, 2008, as amended, and in line with studies being conducted by AERA in case of certain major airports operators.

### **8.4 IOSDPL's response to Stakeholders' Comments regarding Fair Rate of Return (FRoR) for the Third Control Period:**

- 8.4.1 In response to the Comments received from FIA as part of Stakeholder Consultation process,





IOSDPL submitted that Fair Rate of Return of 14% (On Equity Component) has been allowed by AERA for various service providers and was also accepted by Hon'ble TDSAT in the case of DAFFPL.

**8.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Third Control Period:**

- 8.5.1 The Authority notes the comment of FIA regarding fixed/assured return and is of view that the investment made by any Service Provider on Capital Assets, particularly for Aeronautical Assets, has a long gestation period and on such long-term investments the Service Provider needs appropriate Return on Equity. Therefore, the Authority feels that it is not practically feasible to cap the FRoR @ 3%.
- 8.5.2 The Authority observes that IOSDPL has funded its entire CAPEX by equity only. The Authority will consider notional gearing ratio for calculation of Fair Rate of Return (FRoR) in future, if IOSDPL does not bring appropriate leverage to the funding of the capital project.
- 8.5.3 The Authority has also noted FIA's comment to conduct an independent study for determination of FRoR for IOSDPL. In this regard, the Authority believes that in future, the independent study may be undertaken wherever it is deemed necessary.

**8.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the Third Control Period:**

Based on the material before it and its analysis, the Authority has decided:

- 8.6.1 To consider Fair Rate of Return (FRoR) 14% for IOSDPL for the Third Control Period.

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## CHAPTER 9. PROVISION FOR TAXATION

### 9.1 IOSDPL's submission on Provision for Taxation for the Third Control Period as part of MYTP.

9.1.1 As per clause 9.5 of CGF Guidelines, taxation represents payments by the Service Provider in respect of corporate tax on income from assets and services taken into consideration for determination of Aggregate Revenue Requirement. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.

9.1.2 IOSDPL projected income tax @ 25.16% (Basic rate 25%, Surcharge, Health and Education Cess 0.16%) on regulatory profits.

9.1.3 The tax projections submitted by IOSDPL for the Third Control Period as given in Table 29 below:

**Table 29 Provision for Taxation as per IOSDPL's submission for Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aeronautical Revenue	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98
OPEX	1991.53	2448.33	2749.78	3044.44	3317.94	13552.02
Interest on Security Deposit	15.00	21.14	18.72	20.56	22.27	97.69
Depreciation	133.96	406.64	508.9	634.6	591.67	2275.77
Profit before tax	945.59	1325.67	1329.49	1175.42	415.33	5191.50
Tax rate (%)	25.16%	25.16%	25.16%	25.16%	25.16%	
Tax	237.91	333.53	334.49	295.73	104.49	1306.15

### 9.2 Authority's examination regarding Provision for Taxation for the Third Control Period at Consultation stage:

9.2.1 The Authority computed the following tax projections for the Third Control Period as given in Table 30 below:

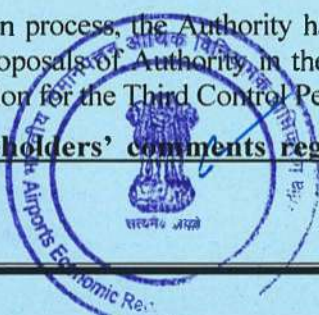
**Table 30: Provision for Taxation for IOSDPL as per the Authority at Consultation stage.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aeronautical Revenue	2244.29	2620.49	3101.73	3256.89	3342.69	14566.09
OPEX	1588.03	1886.67	2060.80	2232.49	2409.95	10177.94
Interest on Security Deposit	15.00	15.00	15.00	16.20	17.64	78.84
Depreciation	106.27	306.16	450.78	564.58	608.51	2036.30
Profit before tax	534.99	412.66	575.15	443.62	306.59	2273.01
Tax rate (%)	25.16%	25.16%	25.16%	25.16%	25.16%	
Tax	134.65	103.86	144.75	111.65	77.21	572.11

### 9.3 Stakeholders' comments on Provision for Taxation for the Third Control Period:

9.3.1 During the stakeholder consultation process, the Authority has received no comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 33/2021-22 with respect to Provision for Taxation for the Third Control Period.

### 9.4 Authority's analysis on Stakeholders' comments regarding Provision for Taxation for





**the Third Control Period:**

- 9.4.1 The Authority has decided to considered provision for taxation as proposed at the consultation stage after considering the effect of applicability of tariff rates from 1st June, 2022 decides to revise the Provision for Taxation as given in Table 31 below:

**Table 31: Provision for Taxation considered by the Authority for the Third Control Period:**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aeronautical Revenues at revised tariffs	2244.29	2632.87	3098.53	3251.49	3335.06	14562.24
OPEX	1588.03	1887.29	2060.64	<b>2232.23</b>	<b>2409.39</b>	10177.58
Interest on Security Deposit	15.00	15.00	15.00	16.20	17.64	78.84
Depreciation	106.27	306.16	450.78	564.58	608.51	2036.30
Profit before tax	534.99	424.42	572.11	438.48	299.52	2269.52
Tax rate (%)	0.25	0.25	0.25	0.25	0.25	
Provision for tax	134.60	106.78	143.94	110.32	75.36	571.01

**9.5 Authority's decisions regarding Provision for Taxation for the Third Control Period.**

Based on the material before it and its analysis, the Authority has decided:

- 9.5.1 To consider provision for taxation for determination of ARR for the Third Control Period of IOSDPL, as per Table 31.
- 9.5.2 To true up the provision for taxation based on actual taxes paid at the time of tariff determination for next Control Period.



## CHAPTER 10. AGGREGATE REVENUE REQUIREMENT (ARR).

### 10.1 IOSDPL's submission on Aggregate Revenue Requirement for the Third Control Period as part of MYTP.

10.1.1 IOSDPL submitted Aggregate Revenue Requirement (ARR) for the Third Control Period. The summary of ARR presented in the Table 32 below:

**Table 32: Projection of Aggregate Revenue Requirement (ARR) as per IOSDPL for the Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from Regulated Services (1)	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98
Revenue from Services other than Regulated Services (2)	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenditure (3)	1991.53	2448.33	2749.78	3044.44	3317.94	13552.02
Depreciation (4)	133.96	406.64	508.90	634.60	591.67	2275.77
Return on security deposit (5)	15.00	21.14	18.72	20.56	22.27	97.69
Total Expenditure (3+4+5)= (6)	2140.49	2876.11	3277.40	3699.60	3931.88	15925.48
Regulatory Operating Profit 1+2-6=(7)	945.59	1325.67	1329.49	1175.42	415.33	5191.50
Tax (8)	237.91	333.53	334.49	295.73	104.49	1306.15
Opening RAB (9)	1249.00	1426.03	2494.07	2803.23	3175.77	1249.00
Capital Expenditure(10)	444.96	1474.67	818.05	1007.13	174.18	
Disposals/Transfers (11)	0.00	0.00	0.00	0.00	0.00	
Closing RAB (10+9-4-11)=(12)	1560.00	2628.03	2937.18	3309.71	2892.22	
Average RAB (9+12) /2=(13)	1404.50	2094.01	2782.60	3123.45	3100.96	
Return on Average RAB (14)	196.63	293.16	389.56	437.28	434.13	1750.77
Total Fuel Throughput (Volume) (KLs in Lacs) (15)	11.25	13.53	16.51	18.13	19.47	78.89
Aggregate Revenue Requirement (ARR) 16=(6+8+14)	2575.03	3502.80	4001.45	4432.61	4470.50	18982.40

10.1.2 M/s IOSDPL submitted that as per "para 6.7" of the Concession Agreement, the selected bidder has to deposit Security Deposit, equivalent to Rs 3 Crores (INR Three Crore only) with DIAL as an interest-free refundable security deposit and at the end of every Financial Year, the Concessionaire shall reset the Security Deposit amount, which shall be higher of the followings:

- An amount equivalent to the Revenue Share Amount paid during the preceding six (06) months and License Fee of last 06 months of License Fee for the location; and
- Rs 3,00,00,000/- (Rs Three Crore only)





10.1.3 Accordingly, M/s IOSDPL projected the required Security Deposit (SD) in each Tariff year for the Third Control Period as given in Table 33 below:

**Table 33: Return on Security Deposit projected by IOSDPL for the Third Control Period.**

Particulars	Amount (Rs. in Lacs)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Security Deposit	300.00	422.80	374.40	411.20	445.40
Return on SD @ 5%	15.00	21.14	18.72	20.56	22.27

**10.2 Authority's examination regarding ARR and Security Deposit at Consultation stage:**

10.2.1 The Authority examined the submissions made by IOSDPL regarding ARR and proposed to determine ARR as per its own philosophy and guiding principles based on its analysis of building blocks/ RAB as discussed in the Consultation Paper.

10.2.2 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR. With respect to each element of the regulatory building blocks considered by IOSDPL in computation of ARR, the Authority proposed (in CP) as below:

- To consider the average RAB in accordance with Table 20.
- To consider the O&M expenses as per Table 26.
- To consider the depreciation as per Table 17.
- To consider the tax as per Table 30.
- To consider the Non-Aeronautical Revenue/Other Income Nil
- To consider the total Volume in accordance Table 5.

10.2.3 The Authority noted that IOSDPL had calculated Security Deposit as per Concession Agreement and proposed 5% return on the Security Deposit.

10.2.4 The Authority while examine the security deposit, considered 5% return on security deposit in respect of the IOSDPL, which was consistent with the Authority proposals in case of other ISP's/Airport Operators. Accordingly, the Authority re-calculated the Security Deposit (SD) based on the relevant provisions of the Concession Agreement (refer para 11.2 above) as given in Table 34 below:

**Table 34: Return on Security Deposit proposed by the Authority for Third Control Period.**

Particulars	Amount (Rs. in Lacs)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Security Deposit	300.00	300.00	300.00	324.00	352.80
Return on SD @ 5%	15.00	15.00	15.00	16.20	17.64

10.2.5 After considering the above, the Authority proposed the following ARR at CP stage as presented in the Table 35 below:

**Table 35: Aggregate Revenue Requirement (ARR) proposed by the Authority for IOSDPL at Consultation stage:**

Particulars	Amount (Rs. in Lacs)					
	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Average RAB (Refer Table 20)	1418.35	2154.02	2903.20	3305.89	3308.11	
Fair Rate of Return	14%	14%	14%	14%	14%	
Return on average RAB	198.57	301.56	406.45	462.82	463.14	1832.54





<b>O&amp;M</b> (Refer Table 26)	1588.03	1886.67	2060.80	2232.49	2409.95	<b>10177.94</b>
<b>Depreciation</b> (Refer Table 17)	106.27	306.16	450.78	564.58	608.51	<b>2036.30</b>
<b>Tax</b> (Refer Table 30)	134.65	103.86	144.75	111.65	77.21	<b>572.11</b>
<b>Return on security deposit @ 5%</b>	15.00	15.00	15.00	16.20	17.64	<b>78.84</b>
<b>ARR</b>	2042.51	2613.25	3077.78	3387.75	3576.26	<b>14697.56</b>
<b>Discount Rate</b>	14%	14%	14%	14%	14%	
<b>Discount Factor</b>	1.00	0.88	0.77	0.67	0.59	
<b>PV of ARR based @ 14%</b>	2042.51	2292.33	2368.25	2286.64	2117.43	<b>11107.16</b>
<b>Present Tariff rate (Rs./KL)</b>	199.67					
<b>Fuel Throughput (Lacs KL)</b> (Refer Table 5)	11.24	13.53	16.51	18.13	19.46	<b>78.87</b>
<b>Total Revenue on existing Tariff</b>	2244.29	2701.54	3296.55	3620.02	3885.58	<b>15747.97</b>
<b>PV Revenue on existing Tariff</b>	2244.29	2369.77	2536.59	2443.41	2300.57	<b>11894.63</b>
<b>Proposed Tariff rates (Rs./KL)</b>	<b>199.67</b>	<b>193.68</b>	<b>187.87</b>	<b>179.64</b>	<b>171.77</b>	
<b>Revised Revenue at proposed Tariff rates</b>	2244.29	2620.49	3101.73	3256.89	3342.69	<b>14566.09</b>
<b>PV Revenue at proposed Tariff rates</b>	2244.29	2298.67	2386.68	2198.31	1979.14	<b>11107.09</b>

10.2.6 The Authority, based on the proposed ARR and percentage decrease to meet the Aggregate Revenue Requirement (ARR), proposed to revise tariff with staggered decrease of 3.00% in FY 2022-23 and FY 2023-24 and 4.38% in FY 2024-25 and FY 2025-26 for the Third Control Period for ITP services provided by IOSDPL at IGIA, Delhi as per Table 35.

### **10.3 Stakeholders' comments on Aggregate Revenue Requirement for the Third Control Period:**

#### **FIA's comments regarding Aggregate Revenue Requirement for the Third Control Period:**

10.3.1 FIA has submitted that as per para 11.6 of the CP, it is observed that AERA proposed to provide a return on "Security deposit" (paid as per the Concession Agreement) at 5%. In this regard, AERA is requested to provide clarity for the purpose behind provision of such Security deposit. Further, AERA may also note that no return of Security deposit is prescribed under the AERA (Terms & Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011. Accordingly, it is requested to abolish such return on Security Deposits.

### **10.4 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement for the Third Control Period:**

10.4.1 The Authority notes the comments of FIA regarding return of Security Deposit. The Authority considered 5% security deposit as per the Concession agreement between Airport Operator and ISP's which is consistent with the Authority proposals in case of other ISP's. The Authority is of the view that ISP's generally deposit interest free refundable security with the Airport Operator, which is a cost for the ISP's. To compensate such cost a nominal return of 5% on account of inflation is provided on Security Deposit, which appears to be adequate.





10.4.2 The Authority has considered the ARR for two months (April 2022 to May 2022) at existing rate i.e 199.67 and for next ten months at decreased rates in FY 2022-23 because the proposed Tariff Rates shall be effective from 1st June, 2022.

10.4.3 After considering applicability of tariff rates from 1st June, 2022 in place of April, 2022 (proposed at Consultation stage) and, its consequent effect on OPEX, Revenue, (having the effect of further decrease in tariff), the Authority has decided to determine the following ARR as presented in the Table 36 below.

**Table 36: Aggregate Revenue Requirement (ARR) considered by the Authority for IOSDPL for the Third Control Period:**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Average RAB (Refer Table 20)	1418.35	2154.02	2903.20	3305.89	3308.11	
Fair Rate of Return	14%	14%	14%	14%	14%	
Return on average RAB	198.57	301.56	406.45	462.82	463.14	1832.54
O&M (Refer Table 28)	1588.03	1887.29	2060.64	2232.23	2409.39	10177.58
Depreciation (Refer Table 17)	106.27	306.16	450.78	564.58	608.51	2036.30
Tax (Refer Table 31)	134.65	106.82	143.99	110.36	75.38	571.19
Return on security deposit @ 5%	15.00	15.00	15.00	16.20	17.64	78.84
ARR	2042.51	2616.83	3076.85	3386.19	3574.06	14696.45
Discount Rate	14%	14%	14%	14%	14%	
Discount Factor	1.00	0.88	0.77	0.67	0.59	
PV of ARR based @ 14%	2042.51	2295.47	2367.54	2285.58	2116.13	11107.23
Present Tariff rate (Rs./KL)	199.67					
Fuel Throughput (Lacs KL) (Refer Table 5)	11.25	13.53	16.51	18.13	19.47	78.89
Total Revenue on existing Tariff	2244.29	2701.54	3296.55	3620.02	3885.58	15747.97
PV Revenue on existing Tariff	2244.29	2369.77	2536.59	2443.41	2300.57	11894.63
Proposed Tariff rates (Rs./KL)	199.67	193.58	187.68	179.34	171.38	
Revised Revenue at proposed Tariff rates	2244.29	2632.87	3098.53	3251.49	3335.06	14562.24
PV Revenue at proposed Tariff rates	2244.29	2309.54	2384.22	2194.66	1974.62	11107.33

10.4.4 The Authority, in order to meet the Aggregate Revenue Requirement (ARR), based on review & revision of various Regulatory Building Blocks as discussed in previous chapters, has decided to revise tariff considering staggered decrease of 3.05% in FY 2022-23 (effective from 1<sup>st</sup> June, 2022) & FY 2023-24 and 4.44% in FY 2024-25 and FY 2025-26 for the Third Control Period for ITP services provided by IOSDPL at IGIA, Delhi as per Table 36.

#### **10.5 Authority's decision regarding Aggregate Revenue Requirement (ARR) for Third Control Period.**

Based on the material before it and its analysis, the Authority has decided:

10.5.1 To consider the ARR for IOSDPL for the Third Control Period as per Table 36.

10.5.2 To true up the ARR based on actuals at the time of tariff determination for next Control Period.





## CHAPTER 11. AERONAUTICAL REVENUE

### 11.1 IOSDPL's submission on Aeronautical Revenue for the Third Control Period as part of MYTP.

11.1.1 As per IOSDPL's submission, the projected Aeronautical Revenue for the Third Control Period is given in Table 37 below:

**Table 37: Projected Aeronautical Revenue (Revenue from ITP services) as per IOSDPL submission for Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from ITP services	3086.08	4201.78	4606.89	4875.02	4347.21	21116.98

11.1.2 IOSDPL projected, the CAGR for Aeronautical Revenue (Revenue from Into Plane Services) from Into Plane Services as 8.94% during the Third Control Period.

### 11.2 Authority's examination regarding Aeronautical Revenue for the Third Control Period at consultation stage:

11.2.1 The Authority revised the projected Aeronautical Revenue, keeping in view the Fuel off take and revised Tariff for IOSDPL at IGI Airport, Delhi for the Third Control Period is given below:

**Table 38: Aeronautical Revenue proposed by the Authority for Third Control Period at Consultation stage.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from ITP services	2244.29	2620.49	3101.73	3256.89	3342.69	14566.09

### 11.3 Stakeholders' comments on Aeronautical Revenue for the Third Control Period:

11.3.1 During the stakeholder consultation process, the Authority has received no comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 33/2021-22 with respect to Aeronautical Revenue for the Third Control Period.

### 11.4 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the Third Control Period:

11.4.1 The Authority after considering the applicability of tariff rates from 1st June, 2022 in place of April, 2022 (proposed at Consultation stage), revise the Aeronautical Revenue which is given in Table 39 below:

**Table 39: Revised Aeronautical Revenue for IOSDPL considered by the Authority for the Third Control Period.**

Amount (Rs. in Lacs)						
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from ITP services	2244.29	2632.87	3098.53	3251.49	3335.06	14562.24

### 11.5 Authority's decision regarding Aeronautical Revenue for the Third Control Period:

Based on the material before it and based on its analysis, the Authority has decided:

11.5.1 To consider Aeronautical Revenue (Revenue from Into Plane Services) for the Third Control Period as per Table 39.

11.5.2 To true up the Aeronautical Revenue based on actuals at the time of tariff determination for next Control Period.





## CHAPTER 12. ANNUAL TARIFF PROPOSAL

### 12.1 IOSDPL's submissions on Annual Tariff Proposal for the Third Control Period as part of MYTP.

12.1.1 M/s Indian Oil Skytanking Delhi Private Limited (IOSDPL) submitted Multi Year Tariff Proposal (MYTP) for Into Plane Services at Indira Gandhi International Airport, Delhi for the Third Control Period and proposed Tariff rates as per Table 40 below:

**Table 40: Tariff rates proposed by IOSDPL for the Third Control Period.**

Tariff Year	Aircraft Fuelling	Amount (Rs. per KL)			
		Aircraft De-Fuelling		Aircraft Re-Fuelling of De-Fuelled Product into an Aircraft	
		Within 48 hours	Beyond 48 hours	Within 48 hours	Beyond 48 hours
FY 2021-22	291.75	291.75	350.10	320.93	350.10
FY 2022-23	304.59	304.59	365.51	335.05	365.51
FY 2023-24	317.99	317.99	381.59	349.79	381.59
FY 2024-25	331.98	331.98	398.38	365.18	398.38
FY 2025-26	346.59	346.59	415.91	381.25	415.91

12.1.2 Further, IOSDPL vide mail dated 19.01.2022 submitted the revised Tariff rates as given Table 41 below:

**Table 41: Percentage increase/decrease and revised Tariff Rates proposed by IOSDPL for the Third Control Period.**

Particulars	Amount (Rs. per KL)				
	2021-22	2022-23	2023-24	2024-25	2025-26
For Aircraft Fuelling	259.05	270.45	253.44	255.42	223.30
Increase in tariff over previous year	29.73%	4.40%	-6.28%	0.78%	-12.57%

### 12.2 Authority's examination regarding Annual Tariff Rate for the Third Control Period at Consultation stage:

12.2.1 The Authority noted that IOSDPL sought one time 46.11% increase in Tariff for FY 2021-22 over the Tariff approved by AERA for FY 2020-21 and thereafter 4.4% Year on Year increase for the remaining Third Control Period on the existing ITP charges as per the MYTP. Subsequently, IOSDPL submitted the revised Tariff rates and sought 29.73% increase in Tariff for FY 2021-22 over the existing Tariff rates for FY 2020-21 and thereafter proposed increase/decrease in Tariff as per Table 41 above.

12.2.2 The Authority also observed that only 2 to 3 months of the current Financial Year i.e. 2021-22 left and issuing of Tariff order will take some time. As a result, the Authority proposed to continue the existing Tariff rate for the remaining period of FY 2021-22 and the revised Tariff rates shall be made effective from 1<sup>st</sup> April, 2022 or the date of issue of the order.

12.2.3 The Authority, based on the detailed analysis and approach on each regulatory building block, noted that the ARR recoverable calculated as above results in one time decrease of 8.13% on the existing Tariff at Consultation Stage. However, in order to reduce the impact of drastic reduction in the Tariff, the Authority proposed to stagger the decrease over the entire Third Control Period.



The year wise decrease on the existing Tariff rate and the proposed Tariff rates for the Third Control Period for IOSDPL is given Table 42 below:

**Table 42: Percentage decrease and Tariff Rate proposed by the Authority for IOSDPL for the Third Control Period at Consultation Stage.**

Tariff Year	% Decrease in Tariff over previous year	Aircraft Fuelling	Aircraft De-Fuelling		Aircraft Re-Fuelling of De-Fuelled Product into an Aircraft	
			Within 06 hours	Beyond 06 hours	Within 06 hours	Beyond 06 hours
FY 2021-22	0.00%	199.67	199.67	300.18	249.26	300.18
FY 2022-23	3.00%	193.68	193.68	291.17	241.78	291.17
FY 2023-24	3.00%	187.87	187.87	282.44	234.53	282.44
FY 2024-25	4.38%	179.64	179.64	270.07	224.26	270.07
FY 2025-26	4.38%	171.77	171.77	258.24	214.43	258.24

### **12.3 Stakeholders' comments on Annual Tariff Rate for the Third Control Period:**

#### **BPCL's comments on Annual Tariff Rate for the Third Control Period:**

- 12.3.1 BPCL has submitted that different tariff has been proposed in all the years for IOSDPL and BSSDPL. Since the level of service is same and BSSDPL & IOSDPL necessarily need to follow the same parameter of Safety and Quality at the time of execution of work and there are well defined service parameters benchmarked to international standards, the ITP Tariffs may be kept at par for both the service providers at IGI Airport, Delhi.

#### **FIA's comments on Annual Tariff Rate for the Third Control Period**

- 12.3.2 FIA has submitted that AERA has proposed a decrease in the Aircraft Fuelling and Aircraft De-Fuelling charges, however, keeping in view the adverse impact caused to the airline due to the COVID-19 pandemic, FIA are of the view that there should be a further reduction in the existing charges, considering our submissions & recommendation mentioned in the comments. AERA may appreciate that it is in the interest of all stakeholders to reduce tariffs in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of the aviation sector.

### **12.4 IOSDPL's response to Stakeholders' Comments regarding Annual Tariff Rates for the Third Control Period:**

- 12.4.1 In response to the Comments received from BPCL as part of Stakeholder Consultation process, IOSDPL agree with the comment by BPCL that both services providers should operate on same rates to maintain parity and requests the Authority to consider it.

### **12.5 Authority's analysis on Stakeholders' comments regarding Annual Tariff Rate for the Third Control Period:**

- 12.5.1 The Authority notes the comments of the BPCL regarding same tariff for both the ITP service providers. The Authority determines the tariff as per CGF Guidelines and the tariff determination exercise is based on individual service provider's Regulatory Building blocks, including traffic volume, investment, Operating Expenditure, revenue requirement for efficient and viable operations.





- 12.5.2 The Authority is of the view that determining the same tariff for different service providers rendering same service is practically not feasible option, as each service provider has its unique level of investments, traffic volume and operating parameters, which requires ISP specific tariff, based on extant regulatory guidelines.
- 12.5.3 The Authority notes the comment of FIA regarding further reduction in the existing charges. In this regard, the Authority is of view that the tariff has been determined, as per the extant provisions of CGF guidelines.
- 12.5.4 Accordingly, the Authority in order to meet the aggregate revenue requirement (ARR) for the Third Control Period, works out to 8.48% one-time decrease in Tariff (effective from 1<sup>st</sup> June, 2022) in place of 8.13% (proposed at consultation stage) for the Third Control Period. However, the Authority, considering the Covid-19 situation and its impact on overall aviation sector decides to stagger the Tariff decrease during the Control Period instead of giving a one-time decrease. The Authority decides to decrease the existing Tariff by 3.05% in FY 2022-23 (effective from 1st June, 2022) as well as for FY 2023-24 and 4.44% in FY 2024-25 as well as for FY 2025-26 for the Third Control Period as given below:

**Table 43: Tariff Rate and Percentage decrease considered by the Authority for the Third Control Period.**

Financial Year	(Amount Rs. /KL)			
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Aircraft Fuelling</b>	193.58	187.68	179.34	171.38
<b>% Decrease in Tariff over previous year</b>	3.05%	3.05%	4.44%	4.44%

- 12.5.5 The Authority determines the maximum Tariff Rates to be levied. No other charge is to be levied over and above the determined Tariff Rates.

**12.6 Authority's decisions regarding Annual Tariff Rate for the Third Control Period:**

Based on the material before it and its analysis, the Authority has decided:

- 12.6.1 To consider the Tariff Rate of Into Plane Services provided by IOSDPL for the Third Control Period as per **ANNEXURE-I**.



## CHAPTER 13. SUMMARY OF AUTHORITY'S DECISIONS

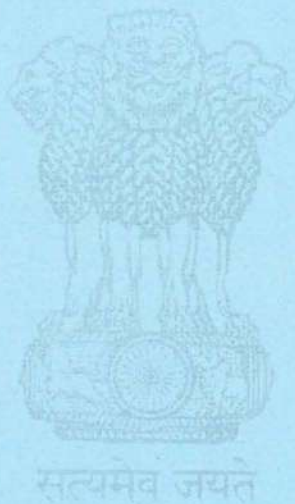
The summary of the Authority's decisions (given under each chapter) regarding the tariff determination of IOSDPL for the Third Control Period is as under:

Chapter and Para		Summary of Authority's Decisions	Page No.
<b>Chapter No 2</b>	2.6.1	The Authority decides to adopt "Price Cap Approach" on 'Single Till' basis for Tariff determination of IOSDPL for the Third Control Period.	17
<b>Chapter No 3</b>	3.5.1	The Authority decides to consider Fuel Throughput Forecast for the Third Control Period for IOSDPL as per Table 5.	20
	3.5.2	The Authority decides to true-up the Fuel Throughput (Volume) on the basis of actual Fuel off take in Third Control Period while determining tariffs for the next Control Period.	
<b>Chapter No 4.</b>	4.6.1	The Authority decides to consider Capital Expenditure for the Third Control Period for IOSDPL as per Table 13.	28
	4.6.2	The Authority, in order to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets not achieved as per the Capitalization schedule.	
	4.6.3	The Authority decides to true up the CAPEX based on actuals at the time of tariff determination for Next Control Period.	
<b>Chapter No 5.</b>	5.5.1	The Authority decides to consider Depreciation for the Third Control Period as per Table 17.	30
	5.5.2	The Authority decides to true up the depreciation based on actuals at the time of tariff determination for next Control Period.	
<b>Chapter No 6.</b>	6.5.1	The Authority decides to consider Regulatory Asset Base (RAB) for the Third Control Period as per Table 20.	32
	6.5.2	The Authority decides to true up RAB based on the actuals at the time of tariff determination for the next Control Period	
<b>Chapter No 7.</b>	7.6.1	The Authority decides to consider Operation and Maintenance Expenditure as shown in the Table 28.	40
	7.6.2	The Authority decides to true up the operation and maintenance Expenditure based on actuals at the time of tariff determination for next Control Period.	
<b>Chapter No 8.</b>	8.6.1	The Authority decides to consider Fair Rate of Return (FRoR) 14% for IOSDPL for the Third Control Period.	42
<b>Chapter No 9.</b>	9.5.1	The Authority decides to consider provision for taxation for determination of ARR for the Third Control Period of IOSDPL as per Table 31.	44
	9.5.2	The Authority decides to true up the provision for taxation based on actual taxes paid at the time of tariff determination for next Control Period.	





<b>Chapter No 10.</b>	10.5.1	The Authority decides to consider the ARR for IOSDPL for the Third Control Period as per Table 36.	48
	10.5.2	The Authority decides to true up the ARR based on actuals at the time of tariff determination for next Control Period.	
<b>Chapter No 11.</b>	11.5.1	The Authority decides to consider Aeronautical Revenue (Revenue from Into Plane Services) for the Third Control Period as per Table 39.	49
	11.5.2	The Authority decides to true up the Aeronautical Revenue based on actuals at the time of tariff determination for next Control Period.	
<b>Chapter No 12.</b>	12.6.1	The Authority decides to consider the Tariff Rate of Into Plane Services provided by IOSDPL for the Third Control Period as per <b>ANNEXURE-I</b>	52



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## CHAPTER 14. ORDER

Upon careful consideration of the material available on records, 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) IOSDPL is permitted to levy the tariff for Into Plane Services as per **Annexure-I** for the Third Control Period (FY 2021-22 to FY 2025-26).
- (ii) The levy of revised tariffs shall be **effective from 1<sup>st</sup> June, 2022**.
- (iii) The tariff rates approved herein are ceiling rates, excluding of all applicable taxes, if any.
- (iv) The Airport Operator shall ensure compliance of the Order.

By the Order of and in the name of the Authority

  
(Col. Manu Sooden)  
Secretary

To,

**Shri T.S. Dupare**  
Chief Executive Officer,  
Indian Oil Skytanking Private Ltd  
Bangalore International Airport, Devenahalli,  
Bangalore-560 300

### Copy to,

1. Secretary, Ministry of Civil Aviation,  
Rajiv Gandhi Bhawan,  
Safdarjung Airport,  
New Delhi-110003.
2. Shri. K. Narayana Rao, Director  
Delhi International Airport Limited  
New Udaan Bhavan,  
Opp. Terminal 3, IGI Airport,  
New Delhi - 110 037





**ANNEXURE-I****AERA APPROVED MAXIMUM TARIFF RATES**

**For Indian Oil Skytanking Delhi Private Limited (IOSDPL) providing Into Plane Services at Indira Gandhi International Airport (IGIA), Delhi for the Third Control Period (FY 2021-22 to FY2025-26).**

**(Amount Rs./KL)**

Tariff period	Aircraft Fuelling	Aircraft De-fuelling		Aircraft Re-fuelling of De-fuelled Product into an Aircraft	
		Within 06 hours	Beyond 06 hours	Within 06 hours	Beyond 06 hours
Applicable w.e.f. 01.06.2022 to 31.03.2023	193.58	193.58	232.30	212.94	232.30
01.04.2023 to 31.03.2024	187.68	187.68	225.21	206.44	225.21
01.04.2024 to 31.03.2025	179.34	179.34	215.21	197.28	215.21
01.04.2025 to 31.03.2026	171.38	171.38	205.66	188.52	205.66

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**NOTE:** The rates approved herein are ceiling rates, excluding of all applicable taxes, if any.

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