

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri Ashok Basu, Chairman**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N.Sinha, Member**

Petition No.38/2001

In the matter of

Generation Tariff for Rihand STPS in Northern Region for the period from
1.4.2001 to 31.3.2004

And in the matter of

National Thermal Power Corporation Ltd.Petitioner
Vs	
Rajasthan Rajya Vidyut Prasaran Nigam Ltd. & othersRespondents

The following were present:

1. Shri K.K. Garg, GM(C), NTPC
2. Shri M.S. Chawla, AGM(C), NTPC
3. Shri A. Sardana, NTPC
4. Shri B. Arya, NTPC
5. Shri Alka Sehgal, NTPC
6. Shri Ajay Dua, Manager, NTPC
7. Shri S.N. Goel, NTPC
8. Shri R. Datt, NTPC
9. Shri R. Singhal, NTPC
10. Shri P. Narasimharamulu, NTPC
11. Shri B.N. Ojha, NTPC
12. Shri R.D. Gupta, ED(OS), NTPC
13. Shri V.K. Gupta, NTPC
14. Shri Shyam Wadhera, NTPC
15. Shri B.P. Singh, NTPC
16. Shri C.K. Dhar, NTPC
17. Shri G.M. Agarwal, RVPNL
18. Shri R.K. Arora, HVPN
19. Shri T.P.S. Bawa, SE, PSEB
20. Shri T.K. Srivastava, EE, UPPCL
21. Shri S.K. Gupta, UPPCL,
22. Shri P. Singh, CE, PSEB

ORDER
(Date of Hearing 8.4.2003)

The issue of computation of unit price of coal and its Gross Calorific Value (GCV), the important components of energy charge, as a part of tariff have been engaging attention of the Commission. At the time of hearing of Petition No.38/2001 and other petitions on 14.11.2002, the representative of the petitioner explained certain aspects of accounting procedure for storage of coal, its weighment, testing of its GCV, etc, which were duly recorded by us. However, these issues were required to be considered in terms of the Commission's Notification on terms and conditions of tariff and the past practice followed by the petitioner for computing unit price of coal, etc. in accordance with Price Store Ledger (PSL).

2. In view of the foregoing, we, vide our order dated 14.1.2003 directed the petitioner to make a presentation on the issue, covering all aspects of coal, namely, weighment at loading point, quality measurement, weighment at unloading point, transportation, storage, GCV determination of coal, maintenance of stock, stock evaluation, procedure for making entries into Price Store Ledger (PSL), etc. The petitioner has made a presentation on 8.4.2003 covering different aspects on Coal Accounting which was in two parts, viz,

- (i) coal procurement, quality determination and pricing, and
- (ii) Price Store Ledger (PSL) & accounting procedure.

3. The following facts have emerged through the presentation:

- (a) The power sector is supplied non-coking coal, which is categorised according to grades and sizes. The categorisation into different grades is

made based on Useful Heat Value(UHV) range, which is a function of ash, moisture and volatile matter and price is charged depending upon the grade of coal supplied. The agreement with coal companies provides for joint sampling at the loading point (i.e. at mines). Final adjustment of bills is made after getting results of samples. In case of rail-fed stations, there is also provision for third party sampling.

- (b) Weighment of coal is invariably done at loading point through electronic weigh bridge. The petitioner, NTPC has 16 pit head stations and four rail-fed stations. All these stations have in-motion weighment facility at the unloading point. The weigh-bridges at both ends are calibrated on regular intervals by the Weights and Measurement Deptt. The weigh-bridges have an accuracy tolerance of $\pm 0.2\%$ for the total train mass and $\pm 1\%$ for wagon mass. The weighment at unloading point is done occasionally (generally once in a month) and not on regular basis. Therefore, result of weightment at the loading point is entered into Price Store Ledger (PSL) as the quantity of coal received.
- (c) There are two types of losses accounted for, these are, transit losses and handling losses. There is no transit loss in case of a pit head station. However, transit loss occurs in case of a rail-fed station. It is not possible to capture the transit losses and the handling losses separately from PSL. It was explained that transit losses in excess of 5% would be absorbed by the petitioner. It was, however, also clarified, by the petitioner that total

loss has never exceeded 1% in pit head stations and 2% in case of non-pit head stations.

- (d) Physical verification of coal stock is done every sixth month and any variation, (+) or (-) which is the sum total of transit and handling losses, is adjusted in the coal consumed. The coal consumed and the closing balance are valued on a monthly basis at the weighted average price of the opening stock and coal receipts for the month after accounting for the following:

- Amount payable to coal companies
 - Basic price
 - Royalty
 - Cess , Duty and Taxes
 - Surface Transport Charges
 - Crushing charges
 - Silo loading Charges
 - Adjustments on account of grade differences on joint sampling and analysis thereof
- Amount payable to Railways
 - Unloading charges
 - Other direct operating expenses such as diesel issued to locos, salaries of railway staff, loco drivers, stone picking charges, sampling charges
 - Credit on account of sale of mill rejects coal
 - Adjustment of normal handling and transit losses on physical verification (at actual subject to ceiling norms)

4. UPPCL submitted that as per financial Hand Book Vol.V, the transit loss may go up to 5%. However, in actual practice, transit losses remain in the range of 1-2%. PSEB submitted that APERC had imposed a ceiling of 3% on transit loss and the same norm was adopted by Punjab ERC for generating stations in the state. It was also stated that UPPCL and PSEB were regularly weighing coal rakes at the unloading point also.

5. Pursuant to our directions, the question of “adjustments” has further been discussed by staff of Commission with the officials of the petitioner on 9.4.2003 in the presence of the representatives of PSEB & UPPCL. It has been reported by the Commission staff that the explanations furnished on behalf of the petitioner were:

- (a) Unloading charges include the expenditure involved on engaging contract labour for manual assistance in unloading.
- (b) Expenses relating to diesel for locos, salary of railway staff and loco drivers are incidental to transportation on MGR, which correspond to transportation charges in rail-fed stations.
- (c) All expenses on the procurement of fuel, transportation and handling up to the unloading point in their plant were booked in PSL.
- (d) Stone-picking charges are for the expenditure on labour engaged for stone picking from the coal for which price is adjusted by the coal company and credit for which is given for the same to the beneficiaries.
- (e) Sampling charges pertain to charges on account of third party sampling for rail-fed stations.
- (f) Credit on account of sale of mill-rejects is given in the price but no adjustment is made in quantity.

6. SEBs argued that unloading expenses and other direct expenses should be part of O&M and other direct expenses and in case of new stations where O&M is normative, these expenses should not be allowed separately. The Commission before

taking a final view would like to know the extent of these charges in comparison to total cost of coal.

7. The petitioner is accordingly directed to submit the following details latest by 5th May 2003:

- i) A typical PSL account explaining all these adjustments with representative figures, and
- ii) Station-wise unloading charges, other direct operating expenses and adjustment of normal handling and transit losses for the year 2000-2001.

8. A copy of this order may also be placed in the relevant case files.

9. Subject to above, order in the Petition is reserved.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 22nd April, 2003