

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.167/MP/2011**

Subject: Approval for revision of Lignite transfer price of NLC mines for the period from 01.04.2014 to 31.03.2014 based on guidelines issued by mines

Date of hearing: 10.9.2013

Coram: Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member

Petitioner: NLC

Respondents: TNEB & others

Parties present: Shri M.G.Ramachandaran, Advocate, NLC  
Shri K. Nambirajan, NLC  
Shri S Vallinayagam, Advocate, TANGEDCO

**RECORD OF PROCEEDINGS**

During the hearing the learned counsel for the petitioner submitted as under:

- a) The petition has been filed to revise the lignite price due to downward revision of Mine closure cost. The Ministry of Coal has issued guidelines of Mine closure vide its letter dated 27.8.2009 and based on the guidelines, the Mine closure costs were calculated and the same was approved by the Ministry of Coal.
  - b) The Commission while determining tariff for the power station of NLC for the period 2004-09 had considered the fact that the Mine closure cost is obligatory on the part of the petitioner and allowed cost of the Mine closure considered in the lignite price, subject to adjustment as and when the Mine closure cost was finalized and approved by the Ministry of Coal.
  - c) The impact due to downward revision of lignite price based on approved Mine closure cost had already been passed on to the beneficiaries along with Interest on 8.8.2011.
  - d) The additional information as sought for by the Commission has already been filed with copy to the respondents.
  - e) Reply has been filed by respondent, TANGEDCO and rejoinder to the same has been filed.
2. The learned counsel for the respondent, TANGEDCO submitted as under:
- (a) The circular issued by the Ministry of Coal does not indicate the specific date from which the provision for Mine closure expenditure has to be made. In the absence of this, the provision for Mine closure expenditure has to be made prospectively from the date of circular or from the date to be notified from the Ministry of Coal after finalizing the norms for the same.
  - (b) The petitioner has submitted a proposal to Ministry of Coal during July 2010, indicating the Mine closure expenditure to be considered for arriving at the transfer price of lignite and the same was approved by Ministry of Coal in March

2011. Hence it is not clear how the Auditor has considered the same from 1.4.2009 onwards as seen from the Auditor certificate.

- (c) As the Ministry of Coal notification requires that all collection towards Mine closure is to be deposited in an Escrow account, the petitioner may be directed to confirm compliance of this direction.
- (d) The reason for increase in O&M expenses may be considered by the Commission on prudence check.
- (e) Reply filed in the matter may be considered.

3. The learned counsel for the petitioner clarified as under:

- (i) The guidelines for lignite pricing for the period 2004-09 was issued by Ministry of Coal on 30.1.2006. The lignite period for the period 2004-09 were finalized along with the tariff petitions during 2007-08 and filed before the Commission. The Petitioner has created provisions from the year 2004 representing the estimated liability on account of Mine closure expenses. The Commission vide its order had allowed the Mine closure cost in the lignite price on provisional basis considering the same as a statutory obligation.
- (ii) The working of lignite price calculation was certified by the Auditor after verifying all related documents.
- (iii) Four Escrow accounts for each mine were opened and the amount for Mine closure cost for the period from 2004-05 to 2010-11 were deposited in the Escrow accounts and the balance available in the escrow account as on 31.3.2013 including interest is ₹ 158.3 Crores. The details of the same would be provided to the respondent TANGEDCO in due course.
- (iv) The petitioner has only claimed the downward revision of lignite price based on approved Mine closure cost as the impact of the same has already been passed on to the beneficiaries.

4. The Commission after hearing the parties reserved its order in the petition.

By order of the Commission

Sd/-  
(T. Rout)  
Chief (Law)