Summary of the comments and suggestions received on Approach Paper on Terms and Conditions of Tariff Regulations for the tariff period 1.4.2014 to 31.3.2019
(Ref No. 20/2013/CERC/Fin(Vol-I)/Tariff Reg/CERC Date: 25th June'2013)

6.1 Availability of Domestic Fuel

The Comments are invited in regard to following issues, namely_

a) Can normative or agreed blending ratio be specified for the existing plant and new plant separately in consultation with the beneficiaries? What should be the Methodology to work out normative/agreed blending ratio for existing and new projects?

Comments/Suggestions:

Sr. No.	Name of organization/ stakeholder	Comments/ Suggestions
A)	Electricity Regulatory Commissions (JERCs/SERCs)	
A.1	Uttar Pradesh Electricity Regulatory Commission	The normative or agreed blending ratio should be specified for existing and new plants separately.
A.2	MPERC	In cases where the PPA are executed for 100% installed capacity of the generating station, blending of coal if required under the provision of duly executed Fuel Supply Agreement may be specified in consultation with beneficiaries. In cases where the PPA are executed for a certain percentage of installed capacity of the generating station, requirement of coal other than linkage FSA coal needs to be examined in consultation with beneficiaries in terms of duly executed FSA and the actual requirement of coal for generation of electricity to supply power to the procurer under PPA.
B)	Government Departments	
C)	Central Generators/Transmission License	
C.1	National Thermal Power Corporation (NTPC)	The amount of blending of imported coal in a power plant would depend on a host of factors such as the GCV of the domestic coal, GCV of the imported coal (low GCV or high GCV), shortfall in supply of domestic coal from linked mines etc. Hence considering all these factors, the blending of imported coal should be left to the generators to decide depending on the situations as mentioned above along with the boiler design. Only the station operating staff would be better placed to decide on these operational issues based on the operating data. Further, CEA in its study of range of blending of imported coal with domestic coal has observed that the blending of coal in the existing power stations is normally in the range of 10 to 15% by weight. Considering all the relevant factors,

		CEA has recommended a maximum blending ratio of 30% by weight in the future boilers. Hence the commission may consider this limit as the maximum blending ratio. However, while fixing any norm for blending of imported coal, CERC need to recognize that it is not practically possible to accurately control the blending with the existing plant designs/ infrastructure so as keep the same within the prescribed limit.
C.2	Neyveli Lignite Corporation	There is already a guideline from the CEA stipulating use of imported coal upto a maximum of 30% in new plants. The use of imported coal in the boilers of both the old and new plants should be based on technical considerations only and cannot be based on consent from the beneficiaries or other considerations. Availability of indigenous coal is becoming scarce on an increasing level. There are also technical limitations in using imported coal in excess of 30%. Under these circumstances, short fall in Plant Availability is inevitable and hence deemed availability provision should be given for such cases.
D) State Generators / Transmission License		
D.1	Orissa Power Generation Corporation Ltd.	• Normative blending ratio can be provided by regulator as a benchmark for blending. This could help in long term fuel procurement planning by generator.
D.2	Chhattisgarh State Power Distribution Co. Ltd.	Blending ratio cannot be specified for any plant whether existing or new plant. It will be totally dependent on availability of domestic as well as imported coal. However inclusion of some sort of penalty clause in the coal supply agreement could be thought of for non- supply of agreed quantum of coal by CIL. Further, since coal supply is not regulated by CERC hence the issue should not be considered here.
D.3	MP Power Management Company Ltd.	The blending ratio is very much specific in regards to the capacity and vintage of the plant, coal handling plant, quality of fuel being blended etc. and it is felt that it will be difficult to suggest generalize norms. Different blending ratios in different scenarios have been found out by the developers. In this connection, it is suggested that while determining the tariff, particularly variable charges, the Central Commission may prescribe normative range of variable charges within which the variable charges will be permitted to be recovered from the beneficiaries. If reasonable normative variable charge is fixed that will automatically take care of other aspects of bending ratio etc.
D.4	Maharashtra State Power Generation Co. Ltd.	The ceiling norm of blending ratio should be specified and accordingly blending ratio can be agreed in advance with the beneficiaries in the RPC forum.
D.5	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	The policy for blending ratio may be taken in line with Coal India depending upon their firm commitment for making available domestic coal. It is suggested that even purchase of

		Imported coal be done by Coal India to have benefits for large scale of operations as well as transparency and better prices. It is submitted that beneficiaries should be invited for every crucial matters as any change in policy in favour of CGS affects beneficiaries financially heavily. It is requested to Commission that methodology for normative / agreed blending ratio can only be taken after the details of firm availability of domestic fuel.
D.6	Kerala State Electricity Board (KSEB)	Since the generator establish the plant for the beneficiaries, the import of the coal or other fuel shall be done only with the consent of beneficiaries and also as per the recommendations of the regional power committees.
D.7	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	Commission may initiate a methodology to work out the normative / agreed blending ratio for existing projects and new projects, based on the cost of the imported coal, GCV and the ratio of blending, operating hours of the unit/station.
E) State Distribution Licensee/SEBs		
E.1	Rajasthan Discom Power Procurement Centre.	This issue needs to be discussed on case to case basis with the beneficiaries to know the increase in cost
E.2	Uttar Pradesh Power Corporation Ltd. (UPPCL)	Different blending ratios in different scenarios have been found out by the developers in AP, Chhattisgarh, Jharkhand etc. for coal rejects with indigenous coal and indigenous coal and imported coal in the ratio of 35:65 yielding variable charges from Rs. 2.5/kWh to Rs. 3.25/kWh. Therefore for the existing and new plants blending ratio can be negotiated with the beneficiaries from the point of view of affordable variable cost. If reasonable normative variable charge is fixed that will automatically fix the blending ratio in case of existing and new plants. UPPCLs criterion is the variable charge which should not vary more than 10% of the final value of variable charge as per tariff regulation 2009-14 using indigenous coal only. Since fuel procurement is the onus of the generator we do not bother about blending ratio provided the variable charges are within the above mentioned level.
E.3	GRIDCO	It may be noted here that, as a pre-requisite, adequate fuel supply linkage should be ensured by the generators before the financial closure. Normative/agreed blending ratio may be fixed. Coal shortage scenario may be prudently verified through Accounting Mechanism. Blending ratio should be different for existing plant and new plant. No blending ratio should be allowed in case of pit head generating stations.
E.4	Calcutta Electric Supply	Generators may have to procure coal through imports or e-

	Corporation Limited (CESC Ltd.)	auction to meet the demand given inadequate domestic production of coal. However, such procurement may lead to increase in cost of generation. Generators can arrange for coal. However volume as well as price risk may be borne by beneficiaries. Further, coal being a heterogeneous substance, its heat value also varies. Thus agreeing to a particular blending ratio might not be practical. Instead of agreeing on a normative blending ratio, normative increase up to 15% per unit variable cost may be agreed. This shall be purely attributable to additional procurement to meet the shortfall from CIL supplies. Further, suitable changes may be made in regulation 21 (4) to ensure full recovery of fixed charges.
F)	Private Sector (Generators/Transcos./Distribution Cos)	
F.1	Association of Power Producers (APP)	Normative blending ratio cannot be specified for coal based thermal power projects. Each project may receive different quantum of coal from CIL based on the production levels of the mine from where it is supplied coal. Hence any imported coal supplied by CIL or imported by developer to meet the PPA obligations should be a pass through based on normative operational parameters of CERC.
F.2	Lanco	Rebate on payments should be allowed on Fixed Charge component only and not on Energy Charge.
G)	Other Organizations/NGOs/Institutions	
G.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	Normative Blending ratio cannot be specified in the light of variation in domestic coal being supplied by Coal India. Hench this option is not practically possible In case of non-approval of procurement of alternate coal, generator should be compensated for Fixed Charges up to Normative Availability (through the provision of Deemed Availability).
H)	Individual	
G.1	Dr.Ashok Kundapur	In countries like Australia, Thermal power stations are encouraged to install Alternate Energy systems, to generate enough power to meet their internal requirements. This condition should be insisted upon in our country as well. It has double advantage – Grid can get more power, and the company also gets more income.
G.2	Shri Arun Kumar Dutta	The private generating station must compulsorily have coal linkages before setting up the power plant. To bring fuel supply under control, the following actions are suggested: a) The Central Commission may kindly collaborate with generators the reason for their inability to get coal as per linkage agreement. b) All thermal power plants must be set up near pit head to avoid high cost of transportation loss due to handling and increased Traffic bottleneck, thus releasing railway from

		the transportation burden. c) Ministry of power may be asked to collaborate with coal ministry to stop private trading of coal and reduce coal pilferage in the mines and black marketing coal/coal mafia. d) Coal import in limited quantity may be allowed for a short term but never on long term basis. However the extra cost of imported coal cannot be passed on to the tariff and the blending cost is borne by the utility without any commensurate effect on the consumer. e) The cost of extraction of coal must be controlled and shall be subject to scrutiny by CAG even for private mine developer. Further, third party scrutiny including consumer should be made mandatory f) Volatility in fossil fuel market (coal market) must not be allowed and extraction of coal must be done on cost plus basis with no middlemen. g) In view of monopoly supply of gas, it is proposed that CERC should place least priority in setting up gas generation utility, which will be very expensive, and may prioritise Thermal Hydro Wind Power. Gas price is extremely volatile due to speculation which India cannot afford.

b) Is it necessary and practical to take prior consent of beneficiaries for blending the imported coal with domestic coal? If the beneficiaries do not provide consent, can plant/machine be considered as deemed available to the extent of normative/agreed blending ratio for the purpose of recovery of fixed charges? How to deal with the scheduling and incentive aspects if beneficiaries are not ready for blending of imported coal

Comments/Suggestions:

Sr. No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Electricity Regulatory Commissions (JERCs/SERCs)		
A.1	Rajasthan Electricity Regulatory Commission	In case such where deemed norm of blending does not result in plant achieving normative availability level, Recovery of full recovery of fixed charges may be permitted at a revised availability level which is the normative availability level less

		such envisaged short fall. However, if plant's availability is better than revised availability level then neither fixed charges nor incentive will be admissible up to normative availability level.
A.2	Uttar Pradesh Electricity Regulatory Commission	The fuel shortage scenario should be considered judiciously so that the end user may not burden unnecessarily.
B) Government Departments		
C) Central Generators/Transmission License		
D) State Generators /Transmission License /Distribution Licensees		
D.1	Orissa Power Generation Corporation Ltd.	• Deemed availability concept should be provided under regulations.
D.2	Chhattisgarh State Power Distribution Co. Ltd.	It should be made mandatory to obtain prior consent of the beneficiary for blending of imported coal with domestic coal and all the relevant details, regarding cost implication may be made available by the Generator to all the beneficiaries to obtain their consent. Scheduling has to be separate for indigenous coal and imported coal so as to ensure blending percentage. Further, the power plants for which full coal allocation has been made should not be permitted to divert their coal to other plants and blend with imported coal. Deemed availability status to generator in case consent is not given by a beneficiary is not agreeable. In case no consent is given by beneficiary, 50% fixed cost should be borne by beneficiary and 50% by the generator.
D.3	MP Power Management Company Ltd.	It should be made mandatory to obtain prior consent of the beneficiary for blending the imported coal with domestic coal and all the relevant details, regarding cost implication may be made available through RLDC to all the beneficiaries to obtain their consent. The beneficiaries cannot be compelled to procure power at exorbitant cost and we do not agree for deemed availability in case of beneficiary do not provide consent.
D.4	Maharashtra State Power Generation Co. Ltd.	Prior consent of beneficiaries is necessary. This is practical as such consent can be taken in the RPC forum prescribed under the Electricity Act 2003.
D.5	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	It is necessary to take consensus of the beneficiaries as any change in regulations/ operations/ policy affects the end consumers of the beneficiaries who have to pay the difference.
D.6	Kerala State Electricity Board (KSEB)	Since the generator establish the plant for the beneficiaries, the import of the coal or other fuel shall be done only with the consent of beneficiaries and also as per the recommendations of the regional power committees.
D.7	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	It is necessary to take consensus of the beneficiaries for blending the imported coal with domestic coal. The scheduling and incentive aspects can be dealt in accordance with the beneficiaries who give consent for the blending.

E) Private Sector (Generators/Transcos./Distribution Cos)		
E.1	Association of Power Producers (APP)	While scheduling arrangement under Regulation 21(4) should continue to deal with fuel shortages to benefit both parties, the need for approval of beneficiaries must be done away. If procurers do not agree to alternate fuel contracts despite the plant having technical ability then units should be considered deemed available to extent of its technical availability for recovery of full fixed costs.
F) Other Organizations/NGOs/Institutions		
F.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	If the beneficiary doesn't provide approval for procurement of alternate coal, plant should be considered as deemed available to the extent of Normative Availability for the purpose of recovery of full fixed charges.
G) Individual		
G.1	Shri Shanti Prasad	In case such where deemed norm of blending does not result in plant achieving normative availability level, Recovery of full recovery of fixed charges may be permitted at a revised availability level which is the normative availability level less such envisaged short fall. However, if plant's availability is better than revised availability level then neither fixed charges nor incentive will be admissible up to normative availability level.

c) ***How to ensure procurement of fuel by the generator namely e-auction coal or imported coal, at reasonable and competitive prices. Should there be need to seek explanation for any variation beyond a pre-specified indexation***

Comments/Suggestions:

Sr. No.	Name of organization/ stakeholders	Comments/ Suggestions
A) Electricity Regulatory Commissions (JERCs/SERCs)		
A.1	Uttar Pradesh Electricity Regulatory Commission	The competitive mode should be ensured.
B) Government Departments		
C) Central Generators/Transmission License		
C.1	National Thermal Power Corporation (NTPC)	Import of coal is done through International Competitive Bidding process so as to get increased participation and thereby competitive price of imported coal. In NTPC, in case of imported coal, the bidders are to submit their quotes based on a pre-specified index, and for payment purpose the lower of prices based on the pre-specified index and country of origin index is considered.

		On the other hand E-auction coal is procured based on the procedures terms and conditions set by Coal India Limited.
D) State Generators /Transmission License/Distribution Licensee		
D.1	Chhattisgarh State Power Distribution Co. Ltd.	For procuring imported coal competitive bidding route should be followed, whereas e-auction itself is a bidding process.
D.2	MP Power Management Company Ltd.	It is humbly submitted that due to less availability of coal from CIL, the generator is required to import coal for their various power plants and they are claiming the energy charges based on the average landed coal cost. In this connection, it is requested that while considering the rate of imported coal, the maximum design unit heat rate as applicable to imported coal may also be considered and thus the weighted average rate of GSHR should be applied for calculation of energy charges rate. In the instant case, the calculation of average GSHR shall be- $\frac{\text{A x GSHR on Indian Coal + B x GSHR on imported coal}}{\text{A+B}}$ Where A – Quantity of Indian Coal B – Quantity of Imported Coal In view of above, it is requested that this provision may be incorporated in the ensuing regulation.
D.3	Maharashtra State Power Generation Co. Ltd.	The reasonability and competitiveness of the procurement of fuel through e-auction coal or imported coal can be deducted in the RPC forum.
D.4	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	As mentioned above, the procurement may be done by Coal India to have benefits of large scale of operations as well as transparency and better prices. Yes variation beyond a particular pre-specified indexation, if any needs to be explained as the burden is on the end consumer.
D.5	Kerala State Electricity Board (KSEB)	Since the generator establish the plant for the beneficiaries, the import of the coal or other fuel shall be done only with the consent of beneficiaries and also as per the recommendations of the regional power committees.
D.6	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	The procurement may be done transparently by the generators and the price limit shall be fixed as per the coal price indexation provided by the Commission. Variation beyond a particular pre-specified indexation, as adopted/approved by the Commission shall need to be explained by the generator.
E) Private Sector (Generators/Transcos./Distribution Cos)		
E.1	Association of Power Producers (APP)	• Procurers may have the right to validate the cost of alternative fuel w.r.t. domestic and international market rates. Procurement may be linked to the indices and developer may procure fuel from alternative sources like

		e-auction and imported COAL to bridge the shortage of supply from CIL or the relevant Discom or CIL may do the procurement. • Alternately, Commission could device standard terms and conditions and process to be adopted while buying e – auction/imported coal. The payment for imported coal based on CERC based index could be one such condition. Parameters such as coal quality should be at the discretion of the power plant. As long as the sourcing of coal is made through competitive bids, the Generator should be allowed to place contract, source coal and claim availability. In other cases, the Commission may carry out a prudence check and allow pass through.
F)	Other Organizations/NGOs/Institutions	
F.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	Developers shall have to procure fuel from alternative sources like e-Auction and Imported Coal to bridge the shortage of supply from CIL. Procurement of coal through e-Auction is through a transparent process, hence no need for seeking further Explanation. For procurement of imported coal, beneficiaries may have the right to validate the cost w.r.t International Market Rate
G)	Individuals	

d) Whether there is a need to review the existing provision of Regulation 21(4) of the Tariff Regulation, 2009 dealing with situation of shortage of fuel. Should there be incentive payable in the situation of fuel shortage and operation of plant as per Regulation 21 (4) or the provision need to ensure full recovery of fixed charges?

Comments/Suggestions:

Sr. No.	**Name of organization/ stakeholder**	**Comments/ Suggestions**
A)	Electricity Regulatory Commissions (JERCs/SERCs)	
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B)	Government Departments	
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C)	Central Generators/Transmission License	
C.1	National Thermal Power Corporation (NTPC)	The Regulations is equitable to both generators & beneficiaries. The beneficiaries are able to get higher quantum of power during shortage condition in peak hours whereas generators are incentivized to make available power when the grid requires.
D)	State Generators /Transmission License /Distribution Licensees	

D.1	Orissa Power Generation Corporation Ltd.	• In case of shortage of fuel, Generators should be compensated with capacity charges along with incentive and should be considered deemed available.
D.2	Chhattisgarh State Power Distribution Co. Ltd.	This provision is causing anomaly in the tariff regulation. Average availability of generator for 24 Hrs is required to be considered for the purpose of calculation of capacity charges even if higher MW is declared for peak hours during fuel shortages condition. Arrangement of fuel is the primary duty of a Generator and above said provision has been made in the regulation for optimum utilization of the available fuel in fuel shortage situation and this situation should not be exploited by the generators for earning incentives and high capacity charges during peak hours.
D.3	MP Power Management Company Ltd.	There is a need to review the existing provision of Regulation 21(4) of the Tariff Regulation, 2009 dealing with situation of shortage of fuel. This provision is causing anomaly in the tariff regulation. It is a situation when the generator is not even able to achieve the NAPF due to fuel shortage condition. Because of inability of generator to procure sufficient quantity of fuel and supply agreement power to the beneficiaries, the beneficiaries are already suffering hardships and because of such an unjustified provisions, the generator is earning incentive by declaring availability during peak hours. This is grossly unjustified and increasing the financial burden on beneficiaries and as well as per unit cost of electricity.
D.4	Maharashtra State Power Generation Co. Ltd.	The situation of shortage of fuel is expected during the tariff years 2014-19 and hence existing provision of Regulation 21(4) needs attention.
D.5	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	Since the Regulation 21 (4) provides powers / decision making right to LDC as well as beneficiaries, the regulation needs to be reviewed. The beneficiaries consent should invariably be taken. The generator also should inform and obtain consent of beneficiaries about such fuel shortage and action thereof. The provision should be invoked in right spirit and to the extent of recovery of capacity charges upto Normative availability and no incentive shall be payable. Also, the time slot for peak and off peak hours needs to be defined as it varies from state to state.
D.6	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	Thermal stations are base load stations and has to be operated as steady load except for backing down due to low demand. Compensation for such backing down is available to the generator as the fixed charges recovery has been changed from plant load factor to plant availability factor from 2009 onwards. Hence, the Regulation 21(4) may be reviewed and worded accordingly.
E) Private Entities & Trading Licensee		
E.1	Association of Power Producers (APP)	• Deemed Availability: Regulation 21(4) should continue considering the on-going situation of fuel shortage. This will

		allow both parties to maximise on availability and despatch of fuel that is available. However, Regulation 21 (4) does not provide enough comfort to Generators as Discoms refuse to accept declaration/schedule if they don't want to take power. Therefore, if plant is technically available to use alternate fuel and makes arrangement for such fuel then, Generator should be allowed to recover fixed charge at normative availability to enable him to service the debt and cover fixed costs. • In the event of fuel shortage leading to unavailability of the Generator, the Beneficiary would have already suffered due to more expensive procurement of power from alternate sources. Therefore, it would not be reasonable to allow incentive beyond normative availability in such situations.
E.2	Torrent Power	Deemed Availability: Regulation 21(4) should continue specially considering the ongoing situation of fuel shortage. This will allow both parties to maximize on availability and despatch of fuel that is available. However, Regulation 21 (4) does not provide enough comfort to generator as DISCOMs refuse to accept declaration/schedule if they don't want to take power. Therefore, if plant is technically available to use alternate fuel and is willing to make arrangement for such fuel with the consent of beneficiary then, generator should be allowed to recover fixed charge at normative availability to enable the developer to service the debt and cover fixed costs.
F) Other Organizations/NGOs/Institutions		
F.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	Existing provision may be continued with additional allowance for loss in Heat rate and Aux. Power during off-peak load operation Compensation for consumption of Sec Oil during that period to be paid at actual.
G) Individual		
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e) ***Any other suggestions/measures for addressing above issues.***

Comments/Suggestions :

Sr. No.	**Name of organization/ stakeholder**	**Comments/ Suggestions**
D) State Generators /Transmission License /Distribution Licensees		
D.1	Chhattisgarh State Power Distribution Co. Ltd.	Blending shall be permitted only to maintain the Normative level of availability. Further, if the fuel price is same as that of indigenous fuel or less than it.
D.2	MP Power Management Company Ltd.	The generator should be penalized for their inability to foresee the situation and arrange for sufficient quantity of fuel for generating contracted power.

D.3	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	If coal fired basis is continued, then a formula for price adjustment of the coal fired should be given in the Regulation. The value of GCV has to be jointly certified by the representative of the generator and the beneficiaries or by a neutral agency. The periodicity of sampling, joint representation during testing and neutral testing agency are immediate Regulatory requirements and therefore CERC may exercise its expertise in this field and form suitable Regulation.
E) Private Entities & Trading Licensee		
E.1	Association of Power Producers (APP)	Because of the current proposal for alignment of the fuel price with the price prevailing in the international market and proposal of revision of such price on quarterly basis, volatility in the forex market, these factors need be considered for determination of working capital.
E.2	Torrent Power	Gas based power is likely to occupy an important place in fulfillment of power requirement of utilities. In view of the current uncertainty surrounding fuel pricing and availability, a fuel cost to be made pass through, and fixed capacity charge tariff determination must be undertaken to ensure that Project Developers and Beneficiaries can enter into long term PPAs under Section 62.