

**Central Electricity Regulatory Commission
New Delhi**

RECORD OF PROCEEDINGS

Petition No. 245/2010

Subject: Revision of norms for Target Availability in respect of Bhilai Expansion Power Project (2 x 250 MW) for recovery of annual capacity charges for the period 22.4.2009 to 31.3.2010 on account of acute coal shortage during the period 22.4.2009 to 31.10.2009.

Date of Hearing: 11.11.2010

Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri Deena Dayalan, Member

Petitioner: NTPC-SAIL Power Company Private Ltd (NSPCL), New Delhi

Respondents: ED, UT of Dadra & Nager Haveli, ED, UT of Daman & Diu, CSPDCL and SAIL.

Parties present: Shri G.Basu, NSPCL
Shri R.N.Sen, NSPCL
Shri S.D.Jha, NSPCL

This petition has been filed by the petitioner, NSPCL, for revision of norms for Target Availability in respect of Bhilai Expansion Power Project (2 x 250 MW) (hereinafter referred to as 'the generating station') for recovery of annual capacity charges for the period 22.4.2009 to 31.3.2010 on account of acute coal shortage during the period 22.4.2009 to 31.10.2009.

2. The representative of the petitioner submitted as under:
- (a) The generating station was set up with coal linkage corresponding to PLF norm of 80%, as per norms specified by the Commission, for recovery of full fixed charges at the time of the commissioning the project.
 - (b) The approved long-term coal linkage and the fuel supply agreement (FSA) dated 3.1.2009 signed with the South Eastern Coalfields Ltd (SECL) provides for an annual coal linkage of 2.4 million MT. However, SECL had revised the coal linkage to 50% of the FSA which was in contravention to the provisions of the FSA and the New Coal Distribution Policy dated 18.10.2007 of the Ministry of Coal, Govt. of India.
 - (c) In addition, the actual coal supply from SECL was about 75% of the restricted (50%) coal linkage which had further worsened the situation.
 - (d) Though commercial operation of Unit -I of the generating station was declared on 22.4.2009, the unit faced acute shortage of coal on account of the above contravention by SECL. In spite of continuous efforts at all levels

for coal availability, Unit-I could not achieve the desired capacity on regular basis during the period from 22.4.2009 to 30.9.2009.

- (e) The petitioner was forced to postpone the commercial operation of Unit-II of the generating station till 21.10.2009, during which time the issue of coal shortage could be mitigated to a certain extent, on account of tie up with other non-linked sources.
- (f) Under compelling situations, procurement of coal through e-auction was commenced and the coal was un-sized and also highly priced. In addition, the procurement of coal through e-auction involved blockage of funds for a longer period since as per e-auction rules, the complete purchase price of coal had to be paid up-front and the coal could be delivered at site only after a period of about 3 to 4 months thereafter.
- (g) After consistent and regular follow up, memorandum of understanding (MOU) with Singareni Collieries Co. Ltd. (SCCL) was entered into by the petitioner for 1.0 Million MT of coal supply from October, 2009 onwards.
- (h) With the above background, the commercial operation of Unit-II of the generating station was declared on 21.10.2009. The matter was still being pursued with various authorities including the CEA, Coal India Ltd (CIL), Ministry of Power and the Ministry of Coal for augmentation of coal supply.
- (i) Due to the erratic and restricted coal supply during the period 22.4.2009 to 31.10.2009, the generating station could only achieve a cumulative PLF of 60.57 % during this period.

3. On a specific query by the Commission as to whether the petitioner could have arranged coal through import, the representative of the petitioner clarified that the possibility was examined but on account of very high energy charges, the idea had to be dropped.

4. The representative of the petitioner further clarified that the responsibility of arranging coal lie with the generator and submitted that the restriction of supply of coal by CIL was not known to it at the time of signing of FSA. On account of this unforeseen scenario, it could not make any prior arrangement from other sources to make up the shortfall of coal from CIL.

5. The Commission directed the petitioner to furnish the following information/documents, on affidavit, latest by 10.12.2010:

- (i) Copy of the of the Fuel supply Agreement (FSA) dated 3.1.2009 entered with CIL /SECL.
- (ii) Copy of the New Coal Distribution Policy dated 18.7.2007 of Ministry of Coal, Govt. of India.

6. Matter shall be listed for further hearing on 21.12.2010.

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