



JPL/CERC/CP-Comm/2018/1

The Secretary
Central Electricity Regulatory Commission
 3rd & 4th Floor, Chandralok Building,
 36, Janpath, New Delhi -110 001
Date – 31st Jul 2018

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Sub: Submission of comments & suggestions on Consultation Paper on Terms and Conditions of Tariff for the tariff period commencing from 1st April, 2019

Reference:

1) Hon'ble CERC Public Notice No. L-1/236/2018/CERC dated 24/05/2018

Dear Sir

Please refer to the abovementioned Public Notice seeking comments & suggestions on the subject matter. Please find enclosed (Annexure I) the same from Jindal Power Ltd.

We sincerely hope that our comments & suggestions would help in bring out an equitable Regulation in the subject matter for all stakeholders.

Yours Sincerely

31/7/18
M N Ravi Shankar
 President - Head
 Power Trading
 Jindal Power Ltd.

Encl.: As above

Jindal Power Limited

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Comments/ Suggestions on Consultation paper on Tariff Regulations 2019-24 (Jindal Power Ltd.)

S.No.	Section from Consultation Paper	Comments/Suggestions
1	5.8.1 (H) - Coal	The issue is not only restricted to the slippage in GCV of coal but also related to the Normative Availability considered to calculate the LOA quantity and therefore, FSA quantity. In majority of cases 85% Normative Availability is considered, which reduces the coal availability. Moreover, CIL subsidiaries do not have any obligation/incentive to provide coal more than 75% of the Annual Contracted Capacity (ACQ) under the FSA as penalties kick-in only below 75% supply. 85% x 75% translates to 63.75% availability of coal. This is detrimental in the interest of the consumer as Generators have to resort to procurement of expensive Imported or E-Auction coal to provide continuous power. This will be a major impediment in Govt. of India's plan of providing 24x7 reliable power for all.
2	<p>Alternative Source of Coal 5.8.4 - The power plants in the country face shortage of fuel (coal/gas) due to shortage of supply from the supplier or transportation constraints. Coal India Ltd. has not been able to supply committed quantity of coal as per Fuel Supply Agreement. Coal supply also gets affected due to rail transportation related constraints also. Uncertainty about supply of gas continues, both in terms of availability and price. In the above circumstances, the generating stations are either forced to procure fuel from spot market (in case of gas and coal) or to procure imported coal at higher prices. 5.8.5 If power plants rely heavily on coal from alternative sources, the energy charges may increase substantially or the plant may have to be operated at lower PLF if the price restriction on blending as per the regulations triggers. Therefore, the use of coal from a source other than designated under Fuel Supply Agreement poses a specific challenge as it has significant impact on energy charges.</p>	<p>85% Normative Availability considered to calculate the FSA quantity coupled with no obligation/incentive on the part of CIL subsidiaries to provide coal more than 75% of the Annual Contracted Capacity (ACQ) under the FSA leads to shortage of coal for Generators. 85% x 75% translates to 63.75% availability of coal. This is detrimental in the interest of the consumer as Generators have to resort to procurement of expensive Imported or E-Auction coal to provide continuous power. This will be a major impediment in Govt. of India's plan of providing 24x7 reliable power for all.</p> <p>Therefore, it is imperative to provide ACQ under FSAs to Generators to provide affordable & reliable 24x7 Power for all.</p>
3	7.3.1 - Thermal Generating Stations – Older than 25 years	Plants operating at higher operational efficiencies should be continued and may not be categorised under plants to be phased out.
4	7.4.1 - Hydro Generating Stations - Tariff Structure	HPO should be made mandatory

5	<p>7.5.1 - Inter-State Transmission System - Tariff Structure</p>	<p>Transmission Sector has an overall 26 GW of unutilised capacity booked by various Centre, State & Private Generators. Transmission capacities could be divided into two parts. One, which is utilised and the customer will pay full for this part. Two, which is unutilised and the customer can pay say 10-20% of the fixed charge against booking of such unutilised corridor. The customer shall have the first right over this corridor and in case of usage shall pay full based on prorated capacity utilised. In case the capacity still remains unutilised the same can be bid out to others for cost recovery. This would help in better discovery of transmission pricing without overburdening Generators who have booked the corridors.</p>
6	<p>8.2 - Section 61 of the Act provides that the Commission shall be guided by the factors which would encourage competition and recovery of the cost of electricity in a reasonable manner. The present market framework involves the competition for power procurement for securing power purchase agreement. Once the power purchase agreement is secured, there is no framework for competition of dispatch. The distribution licensees follow merit order based on the tariff agreed under PPA under Section 63 of the Act or the tariff determined by the Commission under section 62 of the Act.</p> <p>8.3 - For various reasons, out of tied up capacity by the distribution licensee, some of the capacity often remains undispached over large part of the year. Since the tariff determined by the Commission acts as ceiling, there is no embargo on the generating stations or the transmission licensee to charge lower tariff. This provides a scope for creating some competition.</p>	<p>It is understood that such a possible provision, although not in the interest of the Generators as the Fixed Charge has already been incurred by the Generator, is restricted to PPAs entered into by a generator under Section 62 i.e. Tariff determined based on cost plus method by CERC/appropriate commission and not on the Tariff arrived as per Section 63 i.e. through a competitive bidding process undertaken by DISCOMs.</p>
7	<p>9.3 - The question is whether the annual fixed charges and energy charges are to be determined to the extent of the capacity tied up under Section 62 of the Act or for the entire capacity. One approach could be to determine the tariff of the generating station for entire capacity and restrict the tariff for recovery to the extent of power purchase agreement on pro-rata basis and balance capacity will be merchant capacity or tied up under Section 63, as the case may be.</p>	<p>It is understood that such a possible provision, although not in the interest of the Generators as the determination of such Tariff of the entire generating station might impact the Tariff conditions of other PPAs entered into by the generator, is restricted to PPAs entered into by a generator under Section 62 i.e. Tariff determined based on cost plus method by CERC/appropriate commission and not on the Tariff arrived as per Section 63 i.e. through a competitive bidding process undertaken by DISCOMs.</p>

8	<p>10. Optimum utilization of Capacity Coal based Thermal Generation</p> <p>10.1 The unutilized capacity due to partial or less demand has impact on the recovery of the cost by the generating plant. At the same time, the distribution licensee may be impacted by way of liability of fixed charges without availing dispatch from the generating station.</p> <p>10.2 If the unutilized capacity of the generating station is allowed to be utilized by other distribution companies or through open market, the obligations of the distribution companies may reduce to the extent of utilization.</p> <p>Options for Regulatory framework</p> <p>10.3 (a) Flexibility may be provided to the generating company and the distribution licensee to redefine the Annual Contracted Capacity (ACC) on yearly basis out of total Contracted Capacity (CC), which may be based on the anticipated reduction of utilization. Annual Contracted Capacity (ACC) may be treated as guaranteed contracted capacity during the year for the generating company and the distribution licensee and the capacity beyond the ACC may be treated as Unutilized Capacity (UC). The distribution licensee will have a right to recall Unutilized Capacity during next year and for securing such rights, some part of fixed cost, say 10-20% or to the extent of debt service obligations, may be paid;</p> <p>(b) Such unutilized Capacity may be aggregated and bidded out to discover the market price of surplus capacity. The surplus capacity may be reallocated to the distribution licensee at market discovered price.</p>	<p>This section is not in the interest of the Generators as the Fixd Charge has already been incurred by the Generator and any underdutilisation of the CC by the DISCOMs is squarely the responsibility of the DISCOMs wherein they must have taken proper due-diligence w.r.t. CC to be purchased at the time of signing of PPA. Also, the ability of the DISCOMs to call for the UC as a right just at an FC of 10-20% or extent of debt service is not only unfair but also against the provisions of existing PPAs.</p> <p>Nevertheless, it is understood that such a possible provision, although not in the interest of Generators, should be restricted to PPAs entered into by a generator under Section 62 i.e. Tariff determined based on cost plus method by CERC/appropriate commission and not on the Tariff arrived as per Section 63 i.e. through a competitieve bidding process undertaken by DISCOMs.</p>
9	<p>22.8 (a) Take actual GCV and quantity at the generating station end and add normative transportation losses for GCV and quantity for each mode of transport and distance between the mine and plant for payment purpose by the generating companies. In other words, specify normative GCV loss between "As Billed" and "As Received" at the generating station end and identify losses to be booked to Coal supplier or Railways.</p>	<p>This may not be possible as Grade slippage not only varies with different mines but also varies among different faces within a mine. Specifying a normative GCV loss between "As Billed" and "As Received" at the generating stations might not give accurate data of GCV "As Received" and therefore, GCV "As fired", which is the objective of th Section 22.2 of the Consultation Paper.</p> <p>Also, the impact of loss in GCV is not only restricted to the loss in energy content per ton of coal that could be simply loaded on to the Coal Supplier or Railways. The loss in GCV has to be compensated by additional coal that needs to be procured to supply same amount of power, more often at exhorbitant prices, way above than normal FSA coal prices. Instead of comensating for low GCV, Coal companies should offer additional coal to adjust for loss in GCV. Loss in GCV should be idenfified based on Third Party Sampling, rather than by specifying Normative numbers.</p>
10	<p>14 - Depreciation</p>	<p>Depreciation should be adequate to cover loan repayment</p>

11	16 - Debt-Equity Ratio	Please specify the procedure for 100% equity based projects. Since, there is no debt applicable how will the paramteres of normative debt be decided? Normative Debt:Equity Ratio of 80:20 may not be feasible.
12	18.7	Incentivise projects in North East and difficult terrain & long gestation projects. ROE should be 20% to boost investments including FDI.
13	<p>23.2 The Tariff Regulations, 2014 allowed procurement of balance coal from alternate sources like import/e-auction for blending. Under restrictions prescribed in the regulations relating to quantum/price of alternate coal, the generating companies meet shortfall in supply of coal under FSA through alternate sources (which are generally costlier). If power plants rely heavily on coal from alternative sources, the energy charges may increase substantially or the plant may have to be operated at lower PLF if distribution licensees do not give consent to blend higher percentage of imported coal than the threshold prescribed in the regulations.</p> <p>23.3 There is difficulty in verification of GCV of blended coal, due to unavailability of separate value of GCV of domestic and imported coal on "As Fired Basis". It may therefore, be necessary to provide for payment of energy charges based on "As Received" GCV of domestic and imported coal with suitable margin and adjustment for arriving at "As Fired" GCV. This would require development of norms for such adjustment.</p> <p>23.4 Alternatively, normative blending ratio may be decided in advance in consultation with the beneficiaries in terms of technical limitation of steam generator. The blending ratio in the domestic coal based plants may vary depending upon the quality of coal, the quality of actual coal being received, age of plant, unit loading etc.</p>	<p>Procurement of power by DISCOMs, although ment for general public - the end cosumer, cannot be considered as a commodity that could be provided to the end consumer without loading the right price. If there is a demand by the DISCOM and in turn the end consumer, it has to be compensated for by the end consumer directly. If the end consumer cannot purchase expensive power it suggests that there is actually no demand as demand cannot be considered for a commodity if the consumer is not capable of purchasing it.</p> <p>Normative blending ratio is totally a hypoethical visualisation of a Thermal Power Station. In such a dynamic environment of acute coal shortage there is no way one can predict the GCV and quantity of additional coal that might be required to supply power under the PPA. Therefore, the concept of normative blending will fall squarely on its face leaving both generators and DISCOMs in a tussel of supply obligations and payments. In case such normative blending might still have to be incorporated then shortfall in coal due to this must trigger a Force Majeure condition.</p>

14	<p>24.3 The approach for allowing pass through of the landed cost of fuel was evolved on the premise that the fuel cost is beyond the control of the generating companies as prices were administered. Subsequently, there have been several developments. The Government has opened the coal mine to private companies. Today, the generating company may procure coal either through Coal India Ltd, Open market, e-auction mode, captive mine etc. Further, the Government has also specified the flexible utilization of coal under the existing fuel supply agreement. The generating company has options to optimize the landed cost of fuel based on different procurement and transportation modes, considering the quality, source specific expenses etc.</p>	<p>If this has been mentioned to prepare a case for disallowing or reducing the number of components that could be allowed under the Landed Cost of Coal including cost of transportation then it must be clarified that the assumptions highlighted in the Section 24.3 of the consultation paper is far from true with eutopian interpretation of some of the schemes.</p> <p>Opening of Coal Mines to private companies is yet ot be opened under commercial mining. It is assumed that CERC is refering to the failed coal mining auctions under which only a handful of generators are having access to coal. Most of these Generators have already applied for surrender of these private mines.</p> <p>Open market e-auction mode (operated only by CIL) is infected with monopoly of Coal India as they bring out e-aucitons as per their convenience, mostly creating a vaccum in the supply side and thereby pushing the premiums northwards. Also, CIL startegicaly comes out with more Spot E-Auctions, where they get higher premiums, than Power Special Forward Auctions, where the premiums are lower as it is restricted to Generators only.</p> <p>Flexible utilisation of coal for private generators is at the mercy of a DISCOM willing to provide its FSA through its GENCOs in return of rock bottom Variable Charge Tariffs, good enough to replace its cost of VC from its existing GENCOs. There are hardly any takers for this scheme.</p> <p>In a nutshell private generating companies have no options to optimize the landed cost of fuel based on different procurement and transportation modes, considering the quality, source specific expenses etc. Contrary to this private generators are forced to procure coal from CIL subsidiaries far away from their areas. E.g. Generators in SECL/MCL areas are going as far as CCL & NCL to procure coal due to shortfall.</p>
15	<p>Option for Regulatory Framework: 24.5 (a) All cost components of the landed fuel cost may be allowed as part of tariff. Or alternatively, specify the list of standard cost components may be specified; (b) The source of coal, distance (rail and road transportation) and quality of coal may be fixed or specified for a minimum period, so that the distribution company will have reasonable predictability over variation of the energy charges.</p>	<p>This is not practically possible as due to shortfall in coal, private generators are forced to procure coal from CIL subsidiaries far away from their areas. E.g. Generators in SECL/MCL areas are going as far as CCL & NCL to procure coal due to shortfall. Source of coal, distance, etc, totally depends on the dynamics of coal availability.</p>

16	26.3 Thermal Generation (Coal based) - Station Heat Rate	Normative SHR seems to be reducing every 5 years. In 2009-14 Tariff Period, Normative SHR for 500 MW & above sets was 2425 kCal/kWh, whereas in the next 5 year Tariff Period it has been dropped to 2375 kCal/kWh. Older plants, commissioned in, say 2008, actual SHR will actually increase on account of degradation factors as envisaged in 7.3.3. This may be considered for Normative SHR considerations.
17	26.3.16 - Transit & handling Losses The Commission had specified norm of 0.2% for the pit head station and 0.8% for the non-pit head stations as loss in transit & handling. The same may have to be reviewed based on the actual data of the past period.	0.8% for non-pit head stations is based on limited number of handlings i.e. 2 in case of FSA coal transit based on rail mode, whereas in practice there are cases where coal has to be handled multiple number of times b/w rail & road modes. The Normative loss should be based on instances of handling.
18	33.4 - Tariff mechanism for Pollution Control System (New norms for Thermal Power Plants)	Standardize Cost for FGD; Raising funds for FGD system is a sectoral problem and must be addressed at a Policy & Regulatory Level.
19	No Section in the Consultation Paper	There is no provision for pass through of cost of Secondary Fuel Oil consumption