



THE WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED

(A Government of West Bengal Enterprise)

Corporate Identity No. : U40104WB1985SGC039154

: Registered & Corporate Office :

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WBPDC

Ref. No. : WBPDC/CEA-Input Price of Captive Coal/20/905

14.07.2020

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath,
New Delhi- 110 001

Kind Attention : Shri S. K. Jha, Secretary

Sub : Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2020 - Submission of comments/suggestions/objections

Ref. : (a) Your Public Notice No. L-1/236/2018/CERC dt. 01.06.2020 &
(b) Your Public Notice No. L-1/236/2018/CERC dt. 30.06.2020

Sir,

With reference to the above notification, we are submitting herewith our comments/suggestions/objections with respect to the draft CERC (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2020 vide Annexure **enclosed**.

The West Bengal Power Development Corporation Ltd. (WBPDC) is a wholly owned Govt. of West Bengal Enterprise and a Generating Company as defined under Section 2(28) of the Electricity Act, 2003. The Company is having five Thermal Power Stations with present installed capacity 4745 MW and another super critical unit of 660 MW capacity is under construction.

WBPDC has been allocated five coal blocks by the Ministry of Coal, Govt. of India located in the State of West Bengal and Jharkhand. The entire coal from the said coal blocks will be used for the power Stations of WBPDC. Total mineable reserve of the coal blocks allocated to WBPDC is around 500.00 Million Tonnes.

Thanking you,

Yours faithfully,


(A. Bhattacharyya) 14/7/20
Director (Reg. Affairs) & Company Secretary

Encl. As stated above.



Sl.No.	Clause	Draft Regulation	WBPDC Comments & Suggestions
1.	3.1 4(a)	‘Annual Target Quantity’ or ‘ATQ’ in respect of an integrated mine means the quantity of coal or lignite to be extracted during a year from such integrated mine as specified in the Mining Plan;”	<p>ATQ cannot be determined only on the basis of quantity as stipulated in Mining Plan. The pricing of mined coal shall be dependent on actual quantity delivered and received at the power plants for the purpose of recovery of input cost.</p> <p>In this context, it is pertinent to note that delivery of the produced coal is dependent on number of factors as indicated below:</p> <ol style="list-style-type: none"> 1) Status of road connectivity from pit head to railway siding. 2) Socio-political situation at the concerned mine. 3) Imposition of restriction by the local administration for movement of coal. 4) Force majeure reasons. <p>Therefore the definition of ATQ shall not be limited to ‘extraction’ of coal only. A margin needs to be considered for the purpose of determining ATQ which may be at least 85% of the target mentioned in the Mining Plan in line with the target determine for recovery annual capacity charges for generating station.</p>
2.	3.3	“(9) ‘Capital Cost’ means the capital cost as determined in accordance with Regulation 19 of these regulations in respect of generating station and Regulation 36D of these regulations in respect of integrated mine, as the case may be.”	Admittance of Additional Capital Expenditure may be subject to Annual Target Quantity as proposed in respect of Clause No. 3.1(a) above.
3.	3.10	<p>A new proviso shall be added after first proviso of Clause (40) of Regulation 3 of Principal Regulations as under :-</p> <p>“Provided further that in respect of the integrated mines, funding and timeline for implementation shall be indicated separately and distinctly in the Investment Approval.”</p>	Since there was no regulation notified by CERC investment made in respect of already commenced mining activities, provision for ratification of such sourcing of fund need to be included in the clause.
4.	3.11	A new clause, namely Clause (41a) shall be inserted after Clause (41) of Regulation 3 of the Principal Regulations as under:	In place of proposed definition of Loading Point the following modified definition need to be inserted.



Sl.No.	Clause	Draft Regulation	WBPDCCL Comments & Suggestions
		“(41a) Loading Point ” in respect of an integrated mine means the location of railway siding or silo for storage of coal or the coal handling plant, whichever is nearest to the mine;”	“(41a) ‘Loading Point ’ in respect of an integrated mine means the location of railway siding or silo for loading of Railway Wagons or the Coal Handling Plant;” This will helpful to determine the cost of transportation from the loading point to the destination.
5.	3.12	“(43a) ‘Mine Infrastructure ’ shall include assets of the mine such as tangible assets used for mining operations, being civil works, workshops, immovable winning equipment, foundations, embankments, pavements, electrical systems, communication systems, relief centres, site administrative offices, fixed installations, handling arrangements, crushing and conveying systems, railway sidings, pits, shafts, inclines, underground transport systems, hauling systems (except movable equipment unless the same is embedded in land for permanent beneficial enjoyment thereof), land demarcated for afforestation and land for rehabilitation and resettlement of persons affected by mining operations under the relevant law;	Mine infrastructure should also include “Upfront Fees” paid by the Generating Company during Coal Block Allocation.
6.	9.1	A new clause, namely Clause (1a) shall be inserted after Clause (1) of Regulation 10 of the Principal Regulations as under:- “(1a) The generating company shall, wherever applicable, file petition before the Commission as per Annexure-I (Part IV) to these regulations for computation of the input price of coal or lignite from the integrated mines containing the details of expenditure incurred and projected to be incurred duly certified by the Auditor.”	As this exercise is for determination of cost, the definition of “Auditor” should not be limited to definition as provided in Sub-Regulation (6) of Principal Regulation 3. The Auditor shall be a firm of Chartered Accountants or Cost Accountant.
7.	14.3	A new clause, namely Clause (4) shall be added after Clause (3) of Regulation 36 of the Principal Regulations as under:- “(4) In case of excess or short recovery of input price under Clause (2) or Clause (3) of this Regulation, the generating company shall refund the excess amount	There is no question of Payment or Receipt of interest as the interim process follow by the utilities for claiming input cost is based on the directives of the Regulator. Therefore this burden of interest should be borne by the consumers of the electricity.



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		or recover the short amount, as the case maybe, with simple rate of interest, equal to the bank rate prevailing as on 1 st April of the respective year of the tariff period, in six equal monthly instalments.”	As such the concept of interest should be deleted as input price is taken as per guidelines specified in the Tariff Regulation.
8.	15.1	“36A. Input Price of coal or Lignite: (1) Input price of coal or lignite from integrated mine shall be computed based on the following components	After (e) another component need to be included as under: “(f) Any other unavoidable charges”
9.	15.1	36B. Run of Mine (ROM) Cost: (1) Run of Mine Cost of coal in case of 14 integrated mines allocated through auction under Coal Mines (Special Provisions) Act, 2015 shall be worked out as under: (2) The Run of Mine Cost of coal in case of integrated mines allocated through allotment order under Coal Mines (Special Provisions) Act, 2015 shall be worked out as under: ROM Cost = [(Annual Extraction Cost / ATQ) + mining charge] + (Fixed Reserve Price) Where, (i) Annual Extraction Cost is the cost of extraction of coal as computed in accordance with Regulation (36F)of these regulations; (ii) mining charge is the charge per tonne of coal paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable; and (iii) Fixed Reserve Price is the fixed reserve price per tonne along with subsequent escalation, if any, as provided in the Coal Mine Development and Production Agreement.	In the proposed formula of ROM cost, ATQ shall mean as suggested in Sl. No.1 above in respect of clause 3.1 of 4(a) Mining Charge as stated in Para (ii) of clause (2) in this regulation may include “subsequent escalation” in the sentence.



Sl.No.	Clause	Draft Regulation	WBPDCCL Comments & Suggestions
10.	15.1	<p>36G. Capital Structure, Return on Equity and Interest on Loan:</p> <p>(3) The return on equity shall be computed in rupee terms on the equity base arrived under Clause (1) of this Regulation at the base rate of 14%.</p>	<p>The base rate under no circumstances should be less than 15.5% against 14% proposed in the draft Regulation in line with present rate of Return as notified in the Principal Regulation.</p>
11.	15.1	<p>36H. Depreciation:</p> <p>(3) The salvage value of an asset shall be considered as 5% of the capital cost of the asset:</p> <p>Provided that the salvage value shall be:</p> <ul style="list-style-type: none"> i) zero for IT equipment and software; ii) zero or as agreed by the generating company with the State Government for land; and iii) as specified by the Ministry of Corporate Affairs for specialized mining equipment. 	<p>After Sl. No.(iii) a new proviso to be inserted as under:</p> <p>“(iv) Expense in the nature of Right to Use of the respective mine.”</p>
12.	15.1	<p>36I. Operation and Maintenance Expenses:</p> <p>(1) The Operation and Maintenance expenses of integrated mine for the tariff period ending on 31st March, 2024 shall be 2%, escalated at the rate of 3.5% per annum, of the average capital expenditure up to the end of each year of the tariff period as admitted by the Commission towards mining, crushing, transportation, handling and washing subject to true up.</p>	<p>The ceiling of proposed O&M expenditure in the draft Regulations is grossly inadequate. In the present context it should be increased at least up to 5% in place of 2% with applicable rate of escalation.</p>
13.	15.1	<p>36K. Mine Closure Expenses: (1) Where the mine closure is undertaken by the generating company, the amount deposited in the Escrow account as per the Mining Plan, after adjusting interest earned, if any, in the Escrow account shall be admitted as Mine Closure Expenses:</p> <ul style="list-style-type: none"> (a) amount deposited in the Escrow account as per the Mining Plan prior to the Date of Commercial Operation shall be indicated 	<p>The mine closure expense is to be capitalised phase-wise as a separate asset carrying separate life and accordingly depreciated. In place of useful life of the mine as per the draft Regulations.</p>



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		separately and shall be allowed to be recovered over the useful life of the mine in the form of annuity linked to borrowing rate;	
14.	15.1	<p>36N. Adjustment on account of Shortfall of Overburden Removal (OB Adjustment):</p> <p>(2) In case of shortfall of overburden removal during a year, the generating company shall be allowed to adjust such shortfall against excess of overburden removal, if any, during subsequent three years.</p>	<p>The determination of stripping ratio is as per Mining Plan approved by the Ministry of Coal based on which Coal Mining Agreements are executed. Deviation in the stripping ratio, resulting in shortfall in overburden removal cannot be adjusted.</p> <p>Hence this clause needs to be deleted.</p>