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No. Coml / Tariff / CERC / 251

Dated: 30.06.2020

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

Sub: Comments on Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) **(Second Amendment)** Regulations, 2020

Ref: Public Notice vide no. L-1/236/2018/CERC Dated 1st June, 2020.

Dear Sir,

This has reference to the public notice dtd. 01.06.2020 on the above subject posted at CERC web site wherein comments/suggestions of the stakeholders were solicited.

Accordingly, the comments/suggestions in respect of DVC, on the Draft Second Amendment to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019, are enclosed herewith for your kind perusal and consideration please. It is our earnest hope and humble prayer before the Hon'ble Commission for kind consideration of suggestions in the final Regulation.

As advised, the above soft copy of the above documents has been mailed to tariff.regulation@cercind.gov.in and the same also uploaded through SAUDAMINI Portal.

Thanking you,

Yours faithfully,

Chief Engineer-I (Commercial)

30/06/2020

Enclosure: - As stated above

**Comments on Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff)
(Second Amendment) Regulations, 2020**

Regulation 9 & 10:

The regulations consider a coal mine as integrated to a generation unit/ station and accordingly, capital cost is to be considered w.r.to the generating unit/ project.

However, in case of supply of coal to a different unit/ project, how the capital cost related to the mine will be accounted for.

Proposal: As per the CMDPA, there is provision for change of End Use Project. S such, the capital cost related to a mine may be considered on standalone basis irrespective of the associated End Use Project. The Owner of the mine may be allowed to submit petition for computation and fixation of the Price of coal and Additional cost related to the mine.

Hon'ble Commission may kindly consider this aspect while formulating the final regulation.

Regulation 36B (2)(ii):

As per the Coal Mining Agreement signed between the Owner and the MDO, Mining Charge is the charge per tonne of coal paid by the generating company to the MDO determined through competitive bidding process. Mining Charge has price variation annually as per CERC notification and also adjustable with respect to quantity and quality of coal supplied including adjustment for OB removal.

As per Regulations 36L, 36N, 36O, there is provision for recoveries in respect of OB removal, GCV.

Proposal: Therefore, clarification may be required in respect of Mining Charges to be taken for computation of Input Price of Coal.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36C:

(1)(ii): Transportation charges, as applicable, are considered from mine up to washery end or coal handling plant and beyond washery end or coal handling plant and up to the loading point, as the case may be.

There may be cases where transportation shall be done from the coal stock yard at mine pit and upto the Loading Point.

Proposal:1) Transportation from Coal stock Yard at Mine Pit and up to the Loading Point may also be included.

(2): In case crushing, transportation, handling or washing are not within scope of MDO at the time of signing of the contract but these are considered necessary later on and added in the scope of work of MDO with revised Mining Charges, then revised mining charges may be considered for computation of Annual cost.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36(E):

As per Regulation 36(D), Capital Cost is considered as per Mine Plan, Detail Project Report, mine closure plan, cost audit report and such other details as deemed fit by the Commission.

However, as at 1(e), 2(d), 3(c), expenditure for procurement and development of land as per Mine Plan is only considered.

In some cases, Mine Plan was prepared and got approved by the previous allottee and requirement of land may differ than approved Mine Plan.

Proposal: At 1(e), 2(d), 3(c), expenditure for procurement and development of land as per Mine Plan, Detail Project Report, mine closure plan, cost audit report and such other details as deemed fit by the Commission may also be considered.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36(F):

Expenditure on account of Rehabilitation & Resettlement of Project Affected People and that on Corporate Social Responsibility, Corporate Environmental Responsibility have not been taken.

Proposal: Expenditure on account of Rehabilitation & Resettlement of Project Affected People, Corporate Social Responsibility, Corporate Environmental Responsibility may also be taken. Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 (H) (2):

- (a) Land acquired as per provision of the Coal Bearing Areas (Acquisition and Development) Act, 1957 may be considered as freehold which need not to be returned. Depreciation/ amortisation of land so acquired is not considered.

Proposal: Depreciation/ amortisation of land acquired as per provision of the Coal Bearing Areas (Acquisition and Development) Act, 1957 may be considered as part of value base for the purpose of depreciation/ amortisation.

- (b) Expenditure towards Right to Use of Forest Land has not been considered.

Proposal: Expenditure towards Right to Use of Forest Land may be considered as part of value base for the purpose of depreciation/ amortisation.

- (c) Expenditure towards acquisition of land outside coal block area (eg. Land for Rehabilitation & Resettlement colony, Railway infrastructure, road infrastructure etc) are not considered as part of value base for the purpose of depreciation/ amortisation.

Proposal: Expenditure towards acquisition of land outside coal block area (eg. Land for Rehabilitation & Resettlement colony, Railway infrastructure, road infrastructure etc) may be considered as part of value base for the purpose of depreciation/ amortisation.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 I:

Proposal: There may be separate provision for expenses incurred annually towards maintenance of Rehabilitation & Resettlement colony, Corporate Social Responsibility, Corporate Environmental Responsibility.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 L, 36 N, 36 O, 36 Q:

For Computation of Input price, credit arising on account of adjustment due to shortfall in overburden removal, GCV adjustment has been taken.

However, as per the Coal Mining Agreement signed between the generating company and the Mine Developer and Operator, there are similar provisions for adjustment of mining charges. As such, there will be double adjustment due to shortfall in overburden removal and GCV adjustment.

Proposal: In case of the Coal Mining Agreement signed between the generating company and the Mine Developer and Operation having provisions for adjustment of mining charges due to shortfall in overburden removal and GCV adjustment, issue of separate credit arising on these account may not be imposed.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 R:

The Quality of Coal shall be determined as per third Party sampling done at Loading Point. However, as per the Coal Mining Agreement signed between the generating company and the Mine Developer and Operator, the quality of coal delivered at generating station end is considered based on the sampling of coal delivered at the generating station end. This provision of the Coal Mining Agreement eliminates loss of quality of coal in transit.

Proposal: This provision of the Coal Mining Agreement signed between the generating company and the Mine Developer and Operator, for determination of the quality of coal delivered at generating station end may also be considered.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 O:

The adjustment on account of Shortfall of Overburden Removal (OB Adjustment) as per regulation 36N and adjustment on account of shortfall in GCV as per regulation 36O, does not clearly specify whether seems not to specify clearly whether these adjustments are mandatory in case these adjustments are already spelt in the agreement with the MDO for fixing input price from MDO.

Hon'ble commission may kindly consider this aspect while formulating the final regulation.

The input price for basket delivery of coal i.e. where the coal is dispatched to multiple stations is not clearly spelt out in the draft regulation.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36 M:

As per regulation 36M on recovery of input prices, where energy charge rate based on input price of coal from integrated mine exceeds by 20% of energy charge rate based on notified price of Coal India Limited for the commensurate grade of coal in a month, prior consent of the beneficiary(ies) shall be required; however, if such consent of beneficiaries are not available, input price of coal from such integrated mine shall be so fixed that energy charge rate based on input price of coal from integrated mine does not exceed by more than 20% the energy charge rate based on notified price of Coal India Limited for the commensurate grade of coal. From our past experience linking this with Coal India may invite problem in taking decision.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.

Regulation 36G(3):

In Regulation 36G(3), Return on Equity to be allowed is 14% for integrated coal mine.

Return on Equity is given @15.5% in case of tariff for thermal generators. Integrated coal mine is a part of thermal generating station. Regulation 3(50) defines Term "Project" as "Project means: (1) in case of thermal generating station, all components of the thermal generating station and includes integrated coal mine, biomass....."

Therefore, whatever amount is Being invested for integrated coal mine, could have been invested for thermal generating station and in that case, same investment would have earned a return of 15.5%.

Proposal: So, the rate of Return on Equity @15.5% may be kept same also in this case.

Hon'ble Commission may kindly consider above aspects while formulating the final regulation.