



DAMODAR VALLEY CORPORATION
COMMERCIAL DEPARTMENT
DVC TOWERS, VIP ROAD
KOLKATA - 700 054.

Tel. No. + 91 33 2355 7931 / 6041 ; Fax No. + 91 33 2355 2129.

स्पीड पोस्ट द्वारा
BY SPEED POST

No. Coml / Integrated Mine / CERC / 3045

Dated:

To
The Secretary
Central Electricity Regulatory Commission
3rd and 4th Floor, Chanderlok Building,
36, Janpath, New Delhi - 110001.

13 JUL 2019

Sub:- Comments of Damodar Valley Corporation regarding "Regulatory Framework for determination of input price or transfer price from integrated Coal mine.

Ref:- (1) Letter from CERC vide no. 17/2019/E/CERC dated 02.07.2019
(2) E-mail from Member Convener, CERC dated 11.07.2019

Dear Sir,

In reference to the meeting held on 09.07.2019 at West Bengal Electricity Regulatory Commission (WBERC), Kolkata by working group constituted for "Regulatory Framework for determination of input price or transfer price from integrated Coal mine", the considered views/comments of Damodar Valley Corporation is enclosed herewith for your kind perusal.

Yours faithfully,

Executive Director (Commercial)

Views/ Comments on “Regulatory Framework for determination of Input Price or Transfer Price for Integrated Coal Mine”

1. Factors to be considered for determination of Input/ Transfer Price:

A. Capital item:

- i) Payment towards allotment of the coal mine viz. Upfront Amount;
- ii) All Expenditure made on acquisition of land and related matters, studies carried out, application fee for obtaining clearances/ approvals, manpower engaged, services of consultants before Commercial operation date to be capitalised;
- iii) All expenditures made in respect of acquisition of land and related matters including rehabilitation & resettlement of project affected people after Commercial Operation date to be capitalized;
- iv) All expenditure made in respect of fulfillment of statutory obligations, studies etc. after Commercial Operation Date;

B. Revenue item;

- i) All payment made to contractor (Mine Developer and Operator) as Coal Mining Fee with adjustment towards quantity & quality of coal (w.r.to GCV, Ash, Moisture, Size) and escalation as per the Coal Mining Agreements entered into between Owner and MDO (prior to the framework put into place);
- ii) Crushing Charge, Transportation charge, Handling charges, Loading charges at actual or as per benchmark rate;
- iii) All Taxes, duties, royalty, Reserve Price, etc., as applicable and paid;
- iv) Depreciation, Return on Equity, Debt servicing

Note: a) There should not be any time limit for completion of activities related to acquisition of land and related matters.

b) Pre-COD Input/ Transfer price – As per CIL Notified Price with adjustment of difference in Capital Cost.

2. Conditions for Commercial Operation Date: As per draft notification

3. Benchmarking or Reference for Input Price: There should not be any benchmark Input/ Transfer Price as each mine has a distinct characteristics and factors governing cost of extraction differ for every mine.

4. Depreciation/ Amortisation of Capital Cost- It may be based on production instead of Straight line method. Since the total capacity is estimated and uncertain about the mineable reserve, so any per centage but not more than 70% of the Mineable Reserve may be considered for total depreciation/ Amortisation of Capital cost and to be recovered through annual actual production.

Land gets degraded in mining operation and so its value gets reduced as mining progresses.

5. Debt Equity : It may be 70% Debt and 30% Equity.

6. Return on Equity : It may be considered as 15.50%.

7. **Approach for Operation & Maintenance expenses:** O & M expenses to be recoverable against coal delivered to the linked thermal power stations (units). In case of non recovery of O & M expenses in a particular year due to issues related to the linked thermal power stations not been able to take delivery of coal, O & M expenses so incurred may be allowed to be capitalized and recoverable in subsequent deliveries.
8. **GCV measurement :** Sampled and tested as per the BIS standards at linked thermal power stations end.
9. **Recovery of Interest and Return on Equity: at actual on annual basis.** Capitalisation of Interest and ROE in case of non-recovery due to forced majeure and / or due to issued related to Power House may be considered like Approach to O&M Expense mentioned in Point 8 above.