Fwd: Comments/Suggestion on Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations

From : Sunil Kumar Jain <sunil_jain@nic.in> Fri, May 27, 2022 03:49 PM

Subject : Fwd: Comments/Suggestion on Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations 1 attachment

To : Suman Shiva <shivvasuman@nic.in>

From: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
To: "Sunil Kumar Jain" <sunil_jain@nic.in>
Cc: "sushanta chat" <sushanta_chat@yahoo.com>
Sent: Friday, May 27, 2022 3:27:05 PM
Subject: FW: Comments/Suggestion on Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations

---

From: Ankit.Raghuwanshi@avanthapower.com <>
Sent: 27 May 2022 10:11
To: Harpreet Singh Pruthi <secy@cercind.gov.in>; Rashmi S. Nair <rashmi@cercind.gov.in>
Cc: Janmejaya.Mahapatra@avanthapower.com; JPLBD@avanthapower.com
Subject: Comments/Suggestion on Methodology for Computing “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations

Dear Sir,

Please find the attached, our suggestion/comments for your kind consideration with reference to Methodology for computing “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations.

We request you to let us know if you would require any further clarification.

Regards
Ankit Raghuwanshi
Dy. Manager-BD
Jhabua Power Ltd.

Letter to CERC comments on Deterrent charges.pdf
256 KB

JHABUA POWER

Ref No. JPL/BD/CERC/2022/02 26/05/2022

To,
The Secretary,
Central Electricity Regulatory Commission,
New Delhi

Kind Attn.: Shri Harpreet Singh Pruthi

Sub:	**Comments/Suggestion on Methodology for Computing 'Deterrent Charges 'for maintaining lower coal stock by coal based thermal generating stations".**
Ref:	**1.Public Notice Dated: 13.05.2022**

Respected Sir,

Comments/suggestions were invited from the stakeholders in reference to the CERC "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations" vide the above referenced Public Notice. Jhabua Power as an ISGS is a direct stakeholder and therefore is desirous of offering its comments, keeping in view of far reaching consequences of the amendment in the relevant regulations directed by MoP vide letter dated 22/02/2022. Our comments are enclosed in Annexure-I

We, therefore, request the Hon'ble Commission to kindly consider our comments / suggestions while making the amendment in the relevant regulations.

Thanking You,
Yours Sincerely

Mukul Ranjan

Mukul Ranjan
(Head – TS& BD)

Jhabua Power Limited
(CIN : U40105WB1995PLC068616)
Village Barela, PO Attaria, Tehsil Ghansore, District Seoni-480997, Madhya Pradesh, India
Registered Office : Macmet House, 7th Floor, 10B, OC Ganguly Sarani, Kolkata-700 020, West Bengal, India
Corporate Office : Unit No.-307, 3rd Floor, ABW Tower, (Near IFFCO Chowk) M.G. Road, Gurugram - Pin-122002 (Haryana)
Tel.: +91-124-4392000/01 Fax: +91-124-4376496 E-mail : communications@avanthapower.com www.avanthpower.com

AVANTHA
GROUP COMPANY

Annexure-I

Comments / Suggestions of Jhabua Power Ltd. on the CERC Staff Paper on Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations

1.0 The proposed "Deterrent Charges" are unfair, impracticable and premature due to the following reasons:

a. "Unfair" because it shifts the entire responsibility of maintaining the coal stock to the Gencos regardless of the prevailing circumstances
b. "Impracticable" because the methodology doesn't capture either the reasons of the reduction in availability or the provisions of the different types of the PPAs (Section – 62 or 63)
c. "Premature" because coal continues to be a highly regulated, monopolistic sector with perennial shortages

2.0 The detailed explanation on the above are furnished below:

A. The Deterrent Charges are "Unfair" because it shifts the entire responsibility of maintaining the coal stock to the Gencos

i. The interpretation (as indicated Para 6 of III: The Proposed Methodology of the Staff paper) that "*In order to recover full annual fixed charges, it is the obligation of the Generating company to arrange sufficient fuel for its generating stations as per norms and maintain the availability of the plant as per the relevant regulations*" apparently gets derived from the payment of interest on working capital to take care of 40 days (for pit-head stations) or 50 days (for non-pit-head stations) of cost of coal as part of the Fixed Cost. The above provisions are applicable only in case of PPAs which are executed under Section – 62 of the Act.

ii. Assuming that the Genco is being paid by the beneficiary regularly and the Genco in turn is making the advance payment every month timely, the consequent materialisation of coal against the Monthly Supply Quantity (MSQ) is seldom within the control of the Genco.

iii. Various limiting factors like production and availability of sufficient coal quantity at the mine-end, provision of adequate number of railway rakes by Indian Railways and availability of sufficient trucks / hyvas (for RCR mode) adversely affect the actual quantity made avaibale to the Genco against the MSQ.

iv. The actual heat value available for production of electricity is also dependent on the quality of coal actually available over which the Genco has no control.

v. Mostly the materialisation is up to the Trigger level which is lower than the 100% MSQ.

vi. Gencos are not getting timely payment against their weekly / monthly energy bills and these payments are delayed for more than 6 months. This results in less cash flow available to purchase and maintain the coal stock.

vii. One of the principal reasons forwarded for justifying the deterrent charges in the Staff paper is that the beneficiaries were forced to purchasing power from alternate sources (market) at a higher tariff due to the coal shortage. A point that comes front and center is that while the beneficiaries could make the upfront payment (purchase of power from Exchanges requires maintenance of an adequate balance) for such transactions, the payments to the Gencos for the assured sources (through LT PPAs) which are less costly are being deliberately delayed!

Therefore, holding the Genco summarily responsible for any shortage in coal stock below the normative is "unfair" to say the least and the majority of the reasons which restrict them in maintaining the stock squarely falls in the purview of the beneficiaries, Coal India and its subsidiaries and Indian Railways.

B. The Deterrent Charges are "Impracticable" because the methodology doesn't capture either the reasons of the reduction in availability or the provisions of the different types of the PPAs

i. The formulae for the "Deterrent Charges" (as indicated Para 7 of III: The Proposed Methodology of the Staff paper) adopt a very straightforward approach for imposing additional charges. It computes the additional charges in relation to the monthly Fixed Cost (calculated based on the reduced availability).

A plant which continues to declare normative availability while having less than normative coal stock would not be levied the "Deterrent Charges" whereas a plant which is under scheduled / unscheduled maintenance (and therefore less availability) and coincidentally having less than normative stock shall be levied the same.

ii. If the essence of the "Deterrent Charges" is to levy comparatively lower additional charges between 75% to 90% of normative coal stock and steeper additional charges for less than 75% of normative coal stock, then the additional charges should be computed based on the non-availability due to shortage of coal rather than for any reason.

iii. Section – 63 PPAs have completely different provisions with regard to the shortage of coal. Normative stock is 07 days and the availability is deemed to be reduced in proportion to the actual number of days of stock (less than the normative). There is provision for payment of deemed availability in case it is found that the shortage is not owing to any reasons attributable to the Genco. This provisions is entirely against the spirit of this provision.

C. The Deterrent Charges are "Premature" because coal continues to be a highly regulated, monopolistic sector with perennial shortages

i. As per the present methodology for monitoring coal stock, the critical coal stock for non-pit head stations is 7 days. The supply of coal rakes is restricted by the sub group committee if the coal stock improves beyond the critical value of 7 days. In such a scenario i.e. during the Nationwide Coal Crisis, maintenance of Coal Stock of more than 20 days is nearly impossible.

ii. Based on the prevailing circumstances and the ensuing monsoon, it may take the Gencos more than 9 months to accumulate minimum stock of 20 days. Therefore, disincentives on reduction in availability on account of low coal stock should be envisaged (if at all) only after sufficient coal is made available by CIL and adequate number of rakes for transporting the same are provided by Railways.

iii. It would be incoherent to levy deterrent charges while the PPAs are based on linkage coal and the supply of linkage coal is seldom up to 100% level. Therefore, disincentives on reduction in availability on account of low coal stock should be envisaged (if at all) to trigger subject to 100% materialisation from CIL with respect to the MSQ at the designated grade.