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Comments on

'Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations'

A. Objective of Deterrent Charges

"During the recent months, coal stock at many coal based thermal generating stations were reported as lower than the coal stocking norms specified by the Central Electricity Authority (CEA). Such ***low coal stock led to lower declared availability by the generating stations***, which in turn forced States to purchase power from alternate sources at higher rates. Thus, failure to maintain coal stock as per norms impacts the availability of the plant and the power supply to the beneficiaries, thereby forcing the concerned to procure power from alternate sources, which are often costlier. The ***failure of the generating stations to maintain coal stock as per norms, thus gets transferred to the consumers in the form of higher cost of procurement of power from alternate sources***."

(Extracted from Para 1 of Staff Paper)

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B. Key Delieberation :-

Is it commercially prudent for a generating station to maintain low coal stock and in turn declare low availability and resultingly loose recovery of fixed charges ?

If the answer is 'no' then what are the reasons why generating stations are unable to maintain coal stock and whether 'deterrent charges' would be an answer to force generating stations to maintain adequate quantity of coal stock.

The basic presumption is that there is adequate availability of coal which is available for procurement and there are no transportation bottlenecks. If so, the only possible reason is ' non availability of funds with generating stations to procure coal.'

Placed below is billing and overdue position as per PRAAPTI Portal .

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S.No.	Particulars	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	
	Source : Praapti Portal	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores	
1	Overdue as on 1.12.2021 (Uncontested)	93983	95592	97004	99440	100211	93217	
2	Billed During the Month to Discom	25590	23860	23904	25521	23401	27062	
3	Amount Paid for Current Dues by Discom	5378	5013	4655	4912	6450	4937	
4	Amount Paid Against Overdue by Discom	18818	19344	15845	17849	27610	12381	
5	Current Dues	19276	17536	18295	20029	16420	22081	
6	Overdue as a the end of the month	95592	97004	99440	100211	93217	97345	
7	Total Dues (Uncontested) (5+6)	114868	114540	117735	120240	109637	119426	
8	No of Months Outstanding (7/2)	4.49	4.80	4.93	4.71	4.69	4.41	
9	Total Payment (3+4)	24196	24357	20500	22761	34060	17318	118996
10	Total billed During the Month (2 above)	25590	23860	23904	25521	23401	27062	123748
	Incremental							4752

It may be observed that dues are largely in the region of 4.5 to 5 months . This curtails capacity of generating stations to build stocks. , even to prescribed levels.

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C. Solution

There is lead time between placing of order for coal and time period when coal is actually delivered . Also, funds are required to place order for coal and for rakes .

There can be a tripartite arrangement between generating station, discom and bankers wherein a line of credit be extended to generating station to maintain stock in excess of requirement to meet NAPAF of 83%. During peak months , Discom can ask Generating station to provide power in excess of NAPAF , out of this additional stock.

Generating Station shall be reimbursed interest cost paid to banks on monthly basis . As per CERC 2019 Tariff Regulations , for power supplied in excess of NAPAF , generating station shall be reimbursed incentive over and above energy charges incurred .

Reg.42 (6) " In addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof @ 65 paise/ kWh for ex-bus scheduled energy during Peak Hours and @ 50 paise/ kWh for ex-bus scheduled energy during Off-Peak Hours corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative basis within each Season (High Demand Season or Low Demand Season, as the case may be), as specified in Clause (B) of Regulation 49 of these regulations."

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This arrangement would be beneficial to all stakeholders viz. consumers , discoms and generating stations.

- Consumers would not be subject to power cuts.
- Discoms would not have to buy expensive power . Rather they shall save in terms of capacity charges .Discoms cost is incentive and interest on working capital loan , which is much less than capacity charges .
- Generating stations have an additional income stream from incentive.

Generating station shall issue a separate invoice for power sold in excess of NAPAF . Discoms shall transfer funds directly to this Account. This way bankers interest would be protected.

As stated earlier deterrent charges is putting onus on generation stations , without giving them a remedy. There is an overdue backlog of Rs 1 Lac crore aprox. There is no immediate remedy in sight to clear this backlog. This solution is a win-win solution for all stakeholders .

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