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**FW: TNPPA comments on proposed deterrent charges for lower coal stock limits**

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**From :** Harpreet Singh Pruthi <secy@cercind.gov.in> Fri, May 27, 2022 06:25 PM  
**Subject :** FW: TNPPA comments on proposed deterrent charges for lower coal stock limits  2 attachments  
**To :** Sunil Kumar Jain <sunil\_jain@nic.in>  
**Cc :** sushanta chat <sushanta\_chat@yahoo.com>

**From:** tnppa2004@gmail.com <>  
**Sent:** 27 May 2022 15:28  
**To:** Harpreet Singh Pruthi <secy@cercind.gov.in>  
**Subject:** TNPPA comments on proposed deterrent charges for lower coal stock limits

Dear Sir/ Madam,

Please find attached the TNPPA comments on the captioned matter. The same has also been dispatched over speed post to your office.

Thanks and regards,  
TNPPA



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 **comments \_ deterrent charges.pdf**  
1 MB

 **notice \_ deterrent charges for low coal stock.pdf**  
384 KB

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# TAMIL NADU POWER PRODUCERS ASSOCIATION

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Ref: TNPPA/Comments/2022-23

27.05.2022

The Secretary,  
Central Electricity Regulatory Commission (CERC)  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chanderlok Building  
36, Janpath  
New Delhi- 110001

**Sub: Comments and suggestion on Staff Paper on the “Methodology for Computing ‘Deterrent Charges’ for maintaining lower coal stock by coal based thermal generating stations”**

**Ref:** Public Notice dated 13 May, 2022 inviting comments on captioned staff paper proposing deterrent charges for lower normative availability due to lower coal stock

Dear Sir/ Madam,

We are herein providing our comments and suggestions as requested by CERC vide its public notice dated 13 May, 2022 under reference herein.

It is noted that Central Electricity Authority (CEA) has notified guidelines for maintaining minimum coal stock levels in thermal generating stations during high demand and low demand months w.e.f. 6.12.2021. As per such guidelines, pit-head thermal power plants are required to maintain coal stock in the range of 12 days to 17 days and non-pit head plants are required to maintain coal stock in the range of 20 days to 26 days.

We state that many generating plants have entered in Power Purchase Agreements (PPA) with Distribution Companies (DISCOM) under tariff based competitive bidding auctions. The fixed and variable tariffs finalized in such auctions are based on multiple factors inter alia including capital cost, operating & maintenance cost, working capital requirement, and interest cost. The

Tamil Nadu Power Producers Association  
  
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Authorised Signatory

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cost of creating coal reserves upto 20 to 26 days for non-pit head plants was never included during computation and finalization of such tariffs.

The proposed deterrent charges by CERC for maintaining minimum coal stock levels create new obligations on generating companies and compel them to maintain coal stock reserves during the entire term of PPA. These deterrent charges are in addition to the penalty to be imposed on generating stations under the terms of PPA for maintaining plant availability below the normative availability of 85%.

The cost of such coal stock reserves was never anticipated by the generating companies in the tariff finalization process under competitive bidding route. Secondly, as observed from publicly available data regarding outstanding dues of DISCOMs, it is abundantly clear that DISCOMs are delaying tariff payments under PPAs inordinately. Therefore, it is just and fair that CERC should impose such new conditions on generating companies subject to payment of interest-free deposit by the beneficiary DISCOM to the generating companies towards creation of such coal stock reserves as proposed by CEA and CERC. In the absence of such stipulation, the imposition of 'deterrent charges' for maintaining lower coal stock would be unjust and against the terms of the PPA. Further, it shall also lead to multiplicity of litigation as all affected generating companies would be required to pursue change in law claims for one-time expense towards creation of coal stock reserves before appropriate commission.

We request you to take our comments on record while finalizing the proposed deterrent charges.

Thanking you

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