

FW: BRPL's comments on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations"

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Mon, Jun 20, 2022 11:14 AM
Subject : FW: BRPL's comments on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations"  3 attachments
To : Sunil Kumar Jain <sunil_jain@nic.in>

From: secy@cercind.gov.in <>
Sent: 30 May 2022 09:40
To: 'sunil_jain@nic.in' <sunil_jain@nic.in>
Cc: 'sushanta chat' <sushanta_chat@yahoo.com>
Subject: FW: BRPL's comments on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations"

From: Akash K Gupta <>
Sent: 27 May 2022 18:47
To: Harpreet Singh Pruthi <secy@cercind.gov.in>
Cc: Rajul.Agarwal@relianceada.com; Kanishk.Khettarpal@relianceada.com
Subject: BRPL's comments on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations"

Sir,

Please find enclosed BRPL's comments on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations".

Thanks and Regards
Akash Gupta

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 **2022.05.27 - 001- Comments on Methodology of deterrent charges.pdf**
314 KB

 **Annexure-1.rar**
2 MB

 **Annexure-2.rar**
150 KB



BSES Rajdhani Power Limited

BSES Bhawan, Nehru Place,
New Delhi - 110 019, India.
CIN : U40109DL2001PLC111527
GST : 07AAGCS3187H2Z3
Tel. : +91 11 4920 9999
Fax : +91 11 4920 7888
www.bsesdelhi.com

Ref: RA/2022-23/02/A/001

27.05.2022

To,

The Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi 110001

Subject: *Comments and suggestions 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: 13th May, 2022*

Respected Sir,

In reference to the above mentioned staff paper of the Hon'ble Commission seeking comments/ suggestions on Comments and suggestions on Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations". We would like to submit the Comments and suggestions attached as **Annex-A**.

We hope the Hon'ble Commission will consider the same while finalizing the same.

Thanking you,
Yours faithfully,
For BSES Rajdhani Power Limited


Kanishk Khetterpal
(DGM Regulatory)

Encl: As above.

BRPL's comments on CERC staff paper on Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations

We appreciate the progressive step of the Hon'ble Commission to introduce adjustment of fixed charges of generation plant by deterrent charges corresponding to the coal stock availability. This adjustment will not allow inefficiencies of the generator to be passed on to the beneficiaries.

BRPL has recently raised the similar issue with tied-up thermal generating station of low coal stock position. As low coal stock position not only increases the risk in maintaining uninterrupted power supply to the consumers of Delhi, it is a threat to the essential services like hospitals, metro, etc. in its supply license area. BRPL has entered into long term agreement with generators to meet the power requirement of Delhi while mitigating the risk of power supply scenario. (Correspondence with generator is attached as **Annexure-1**) (Colly)

We would like to submit our observations / suggestions on the methodology suggested in the staff paper, detailed as follows:

1. A long term tied-up generator has an option to arrange alternate power source for the beneficiaries in case of its inability to supply. However, whenever the generator declares low plant availability, beneficiary schedule deficit power from alternate sources mostly short term power from power exchange/DEEP portal. As a result, beneficiary incurs additional power purchase cost. This additional cost due to the generator inefficiency is consequently passed down the supply chain to end consumers.

Suggestion: In order to tap this inefficiency, either generator may be mandated to arrange power from alternate sources for the beneficiaries and bear the additional impact on its own or deterrent charges may be considered equivalent to the additional impact of power purchase by the beneficiaries corresponding to low coal stock availability.

2. There has been cases wherein plant continued power supply with coal stock below norms/critical coal stock position. However, regulation 35 of the CERC (Terms and Conditions of Tariff) Regulations, 2019 provides working capital considering cost for normative coal stock position of 10/20 days (pit-head plants/non-pithead plants). As a result, beneficiary pays an amount against cost attributed which is not been incurred by the generator on actual basis.

Suggestion: It is suggested that difference in the working capital requirement from normative vis-à-vis actual coal stock position must be considered as part of deterrent charges for adjustment in the capacity charges for the month.

3. Impact of low coal stock availability is minuscule when plant availability factor is considered cumulatively on annual basis in the process of determination/true-up of Annual Fixed Charges (AFC). Subsequently, monthly capacity charges are determined from the approved AFC as per the regulation 42 of the CERC (Terms and Conditions of Tariff) Regulations, 2019 and accordingly levied on beneficiaries. As a result, aforesaid minuscule impact gets distributed over the year which does not account for actual daily/weekly/fortnightly/monthly burden of the beneficiary.

Further, it is a settled principle that coal based thermal generation plant is responsible for arranging sufficient coal for power generation and supply. Owing to this, long term tied-up generation plant under section 62 of the Electricity Act, 2003 is allowed 10/20 days (pit-head/non-pithead) coal cost along with 30 days coal cost (against advance payment based on annual NAPAF) as part of working capital at the time of determination/true-up of AFC under regulation 35 of the CERC (Terms and Conditions of Tariff) Regulations, 2019. However, beneficiary incurs the burden of working capital corresponding to normative coal stock despite of actual low coal stock position.

Moreover, beneficiary has to arrange for working capital (short term loan) in order to meet the requirement of aforesaid additional burden towards alternate power purchase which has consequential impact.

Suggestion: Deterrent charges may be determined weekly/fortnightly basis in place of monthly basis as working capital is allowed considering normative coal stock position.

4. In addition to above, this methodology does not provide for determination of deterrent charges for domestic coal based thermal generation plants utilizing imported/e-auction coal for blending. In this regard we would like to highlight the fact that as per the New Coal Distribution Policy -2009, domestic coal based thermal generation plant were allotted Letter of Assurance (LOA) /Annual Contracted Quantity (ACQ) under Fuel Supply Agreement (FSA) with Coal India Ltd. based on location of the plant, viz., coastal (70% of the annual requirement) and non-coastal (90% of the annual requirement) and balance coal requirement is to be arranged by the generator from alternate sources (import/e-auction/open market). Standing Linkage Committee (Long Term) vide meeting (SLC/LT No. 2/2020) dated 27.07.2020 revised the ACQ for non-coastal plant from 90% to 100%.

Further, Standing Linkage Committee (Long Term) vide meeting (SLC/LT No. 1/2021) dated 04.02.2021 revised the ACQ for coastal plant from 70% to 100%.

It is pertinent to mention here that it is the responsibility of generator under FSA to lift coal from the point of delivery/off-take, viz., loading point/railway siding for supply under rail mode and coal stock pile of mine under road/road-cum-rail mode. Henceforth, domestic coal based thermal generation plant are allowed to fulfill 100% of their annual requirement by lifting coal from Coal India Ltd under FSA.

However, domestic coal based thermal generator uses blended coal (including coal sourced from import, e-auction, open market, etc.) for generation of electricity and accordingly declares plant availability on accumulated coal stock position.

Suggestion: Since domestic coal is allocated and allowed to be lifted under FSA corresponding to the long term tie-ups (PPA) with beneficiary (ies), deterrent charges in case of domestic coal based thermal generation plant must be determined considering domestic coal stock availability only omitting coal sourced from other than FSA.

5. It is imperative to mention here that post monsoon season in FY 2021-22 (Aug'21 onwards), we as a beneficiary were forced to purchase power at Rs 20/kWh owing to the fact that generator were unable to supply due to low coal stock availability, imported coal prices were high and costly power was available in power exchanges at that time. Tied-up generators were requested to arrange for coal and continue power supply, a copy of the correspondences with generators are attached as **Annexure-2** (Colly).

Such situation has not occurred for the first time, low coal availability at thermal generating station has been a major issue during the same months in pre-COVID years also and as a result discoms have been enforced to purchase costlier power from power exchanges during such times.

Suggestion: It is suggested that norms for coal stock position throughout the year must be aligned with the power requirement of the beneficiaries during the corresponding months.

6. Further, it is suggested that reduction in capacity charges may be effected from the first calendar day of the first month after the notification of these regulations.
7. Historically we have observed that thermal plants have been declaring plant availability above 85% even through their coal stock was considerably below the normative coal stock

availability notified by CEA on 6.12.2021. Hence, the proposed formula for determination of deterrent charges to penalize generator on its inefficiency in maintaining coal stock.

Suggestion:

- Definition of declared capacity needs revision i.e. a plant should be allowed to declare 85% PAFy for the day if it has sufficient coal as per the prescribed norms notified by CEA else the reduction of plant availability must be in proportion to the reduced coal stock availability. Its pertinent to mention here that the cost of borrowing is already being reimbursed to generators for maintaining coal stock through working capital of AFC
- In case there is deviation in declared Availability from the Supplier side from the Contracted Capacity, then the Supplier shall pay to Beneficiary a compensation on Daily/Weekly/Fortnightly basis at the rate, which shall be the difference between the Tariff payable by the Beneficiary and the Open market energy charges for such date and for the quantum of shortfall.
- Further, the possibility of not maintaining the coal stock below 25% is actual conditions of defaulting of payment by generators to coal suppliers. These conditions leads to generators providing the power in around 55% - 45% NPA against CEA specified 85%. This led to large storage of power to DISCOM which eventually buys power from open exchange at very high rates.
- Therefore, the formula for determining deterrent charges need reconsideration. The Hon'ble Commission may kindly consider our suggestion as follows:
 - Deterrent charges
 - Domestic plants = $0.2 * AFC * (1 - \frac{\text{Actual coal stock in number of days}}{\text{Normative coal stock in number of days}}) + (\text{Open Market Energy charges} - \text{energy charges from thermal plant}) \times \text{shortfall MUs}$
 - Plants designed for imported coal ($5\% < \text{Reduction in PAFY} < 25\%$) = $0.5 * AFC * (1 - \frac{\text{Actual coal stock in number of days}}{\text{Normative coal stock in number of days}}) + (\text{Open Market Energy charges} - \text{energy charges from thermal plant}) \times \text{shortfall MUs}$

- Plants designed for imported coal (Reduction in PAFY>25%)= AFC*(1- Actual coal stock in number of days/Normative coal stock in number of days) + (Open Market Energy charges - energy charges from thermal plant) X shortfall MUs)

In the draft methodology, multiplying percentage change of plant availability with percentage change in coal stock availability would not fulfill the objective of implying deterrent charges. Appropriate punitive impact would encourage the plants to maintain the coal stock at normative levels by utilizing their current margin towards working capital requirement granted for the purpose of same.

We request the Hon'ble Commission to kindly consider the aforesaid suggestions.