
FW: Comments of Futuresafe Technologies Private Ltd on the proposed Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations as per public notice dated 13.05.2022.

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Mon, Jun 20, 2022 11:13 AM
Subject : FW: Comments of Futuresafe Technologies Private Ltd on the proposed Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations as per public notice dated 13.05.2022. 1 attachment
To : Sunil Kumar Jain <sunil_jain@nic.in>

From: care@futuresafetech.in <>
Sent: 01 June 2022 20:39
To: Harpreet Singh Pruthi <secy@cercind.gov.in>
Subject: Comments of Futuresafe Technologies Private Ltd on the proposed Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations as per public notice dated 13.05.2022.

To,

The Secretary,
CERC, NEW DELHI

Dear Sir,

Please find Comments/suggestions of Futuresafe Technologies Private Ltd on the proposed Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations as per public notice dated 13.05.2022.

You are requested to consider these submissions/ suggestions and accord us an opportunity to present the same in person during any discussions with the staff or before the Hon'ble Commission.

Thanking you

Yours' Sincerely

Utkarsh Sharma
Director

FUTURES SAFE

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FUTURESAFE Letter and Suggestions-comments to CERC-Comments on Staff

Paper on deterrence regarding coal storage norms.pdf

735 KB



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Ref: FST_RA/CERC/2022/

Date: 27.05.2022

**The Secretary
Central Electricity Regulatory Commission
3rd and 4th Floor, Chandralok Building,
36, Janpath,
New Delhi.**

Sub: Comments of Futuresafe Technologies Private Ltd on the proposed Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations as per public notice dated 13.05.2022.

Dear Sir,

Please find the enclosed herewith written comments/ suggestions on behalf of Futuresafe Technologies Private Ltd on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations. We are a Power Sector Consultancy organisation exclusively working into the Regulatory and Commercial Consultancy domain which is unlike many other consultancy firms who are basically management consultants or accounting/audit firms. Beside, our principle objective is to serve the CONSUMER interests through Government utilities and Electricity Regulatory Commissions

We have already sent the same in your mentioned e-mail id i.e. secy@cercind.gov.in for your ready reference. We hope that the Hon'ble Commission shall be pleased to find our suggestions worthy of consideration and in the overall interest of the Consumer and the Sector.

We humbly request you to consider our submission favourably and please do let us know, if you require any further clarification.

Thanking You

(Authorized Signatory)

For Futuresafe Technologies Private Ltd

(UTKARSH SAHARMA) DIRECTOR



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Observations on Staff Paper on Methodology for Computing “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations.

Preliminary Submissions:-

Generators deliberately maintained low coal stocks to save on WC

As per Tariff Regulations, 2019, twenty days’ coal stock (for rail fed power stations) and one month advance for coal procurement, since coal booking can be made with advance payment as per Fuel Supply Contracts, has been allowed under working capital and computation of Interest thereon in tariff. **Several generators have been deliberately maintaining low coal stocks and have saved significant amounts against the tariff allowed to them.** During the pandemic (Covid-19), the past dues of the generators have been settled by DISCOMs through additional borrowings under Atma Nirbhar Bharat liquidity infusion schemes. Therefore, generating companies should not be allowed to wriggle out of their obligations citing liquidity or non- payment issues consequently resulting into low fuel procurement and low fuel stock. Otherwise also, because of various other measures, like bill discounting of energy bills raised on DISCOMs (by the banks) have been made available to the generators which has solved their liquidity issues.

Besides, the DISCOMs/Consumers are already **servicing the capital cost of assets created for fuel transportation equipment (such as Wagon Tripler, Earth moving equipment, rolling stock etc) and fuel storage facilities (land and related infrastructure)**. The Hon’ble Commission should devise ways to ensure full utilisation of these assets for required coal storage by generators. In the event of **any under-utilisation of these assets on account of inadequate storage, tariff of these assets should accordingly be adjusted.**

The deliberate ignorance by generating companies of the prescribed coal storage norms in tariff already provided with the objective of saving on working capital cost, and their profiteering motives, and their failure to maintain the required fuel stocks has, to a large extent resulted into the present coal crisis. **As a result, the consumer / DISCOMs will have to shoulder additional burden as the costs in terms of higher fuel prices (imported or alternate fuel) will be pass through to the DISCOMs/consumer. This shall be very unfortunate and the Hon’ble Commission needs to therefore evolve the ways to protect the consumer including the means to pass on at least a part of such additional costs to the erring generators.**

With the aforesaid preliminary comments, our comments on the methodology suggested under the Staff Paper are as follows:-

1) Methodology should ensure that Generators maintain the normative stock (by linking disincentive directly with the coal stock not maintained)

- a) As per the proposed methodology/formulae for computing deterrent charges, the deterrent charges would only kick in when the availability declared by the generator is less than normative. As such, if a generator keeps a stock of say five days continuously even for a year by ensuring fuel receipt at the station on daily basis sufficient for one day generation, it has all the right to declare full availability and in that case deterrent charges for maintaining lower stock would not be applicable.
- b) Accordingly, it is suggested to adopt a **methodology which forces the generator to keep the normative stock by linking disincentive directly with the coal stock not maintained** in comparison to normative stock allowed and the IWC allowed for maintaining the normative coal stock in tariff order.

2) Methodology should also adjust storage loss in GCV (85 Kcal/KWh) allowed under the Regulations

CERC Tariff Regulations 2019 has made a special provision of allowing storage loss of 85 kCal/kWh in computation of ECR on account of GCV variation during storage at the generating station. This has been provided at the insistence of the Generators with a view that they will be encouraged to ensure coal storage to the normative levels. ***The generators should not be allowed to take advantage of the 85 Kcal / kWh storage margin without maintain the required coal storage.***

Therefore, on account of any failure on the part of generators to maintain the required / normative coal stock they should be allowed storage margin to the extent of coal stock maintained. The Hon'ble Commission need to stipulate reduction in the storage loss margin on proportionate basis. That would mean that for 0-1 days of average coal storage at the power stations: no storage margin should be allowed which can be increased on straight line basis upto 85 kCal/kWh for 20 days' coal storage. This will be fair and equitable approach.

It is submitted that the Hon'ble Commission will find these suggestion in the interest of power sector and its stakeholders.