
FW: HEL Comments on CERC Staff Paper on Deterrent Charges

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Mon, Jun 20, 2022 11:14 AM
Subject : FW: HEL Comments on CERC Staff Paper on Deterrent Charges 📎 1 attachment
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: HEL Comments on CERC Staff Paper on Deterrent Charges

From: shamik.das@rpsg.in <>
Sent: 27 May 2022 19:32
To: Harpreet Singh Pruthi <secy@cercind.gov.in>
Subject: HEL Comments on CERC Staff Paper on Deterrent Charges

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

Sub: Staff Paper on the "Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations".

Dear Sir,

We thank CERC for providing us an opportunity to give our comments/suggestions on Staff Paper on the Methodology for Computing 'Deterrent Charges' for maintaining lower coal stock by coal based thermal generating stations vide its notification dated 13.05.2022.

Accordingly, please find attached comments on the same on behalf of Haldia Energy Limited, a Generating Company having its Registered Office at Kolkata and a 2 x 300 MW Coal-fired Power Generating Station at Haldia, Purba Mednipur, West Bengal.

Submitted for your kind consideration.

With Thanks & Regards
Shamik Das
Haldia Energy Limited



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**HEL Comments on CERC Staff Paper on Methodology for Computing
“Deterrent Charges” for maintaining lower coal stock by coal based thermal
generating stations**

1. General Comment:

- a. CERC has proposed a methodology for computing Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations. This Deterrent Charge has been envisioned to deter Generating Station from maintaining low coal stock so that consequent **lowering of Generating Station’s Availability doesn’t lead to beneficiaries having to procure power from costlier sources.**
- b. It is submitted that maintaining normative coal stock is not always in control of the Generating Station. Given the situation of scarcity of domestic coal due to various reasons, **maintaining normative coal stock may not lead to availability of cheaper power** for the beneficiaries as incremental coal needed to maintain normative coal stock is most likely to come from a costlier source such as import / e-auction.
- c. Procurement of such costlier coal will result in higher energy charges for the beneficiaries, **thereby defeating the basic premise upon which deterrent charges have been envisioned.**
- d. It is our humble submission that due to aforesaid reasons, levying of Deterrent Charges may kindly be avoided. However, we are submitting our views on the Staff Paper as below.

2. Specific Comments on the Staff Paper:

- a. Levy of Deterrent Charges on account of maintaining low coal stock in addition to the reduction in Annual Fixed Charges due to Plant Availability lower than Normative Availability would lead to double jeopardy for the generators, i.e. a generating station would get penalized twice on account of the same cause.
- b. A plant may have lower PAF for a given month on account of forced / Planned outage. There could be a scenario where such plant has to pay additional penalty on account of low coal stock, even though
 - i. when plant have more than normative coal stock for that month
 - ii. Reduction in PAF is not due to coal shortage but for other reasons (Forced / Planned Outages)

It is a standard industry practice to reduce coal stock during annual overhauling since unutilized coal stocks lying over a long period of time lead to high stacking loss. Therefore, reasons for low PAF should be segregated, however there is no clarity in proposed staff paper.

- c. A generating station may have more than 85% PAF on annual basis in terms of PPA and yet he may be charged additional penalty in the form of Deterrent Charges, for a given month on account of low coal stock. Therefore, CERC may introduce a mechanism whereby a Generating Station gets credit for maintaining more than normative coal stock for a given month which can be reconciled on annual basis.
- d. The ACQ in FSA itself is based on is based on coal requirement at 85% PLF. Under the New Coal Distribution Policy (“NCDP”) 2013, the coal companies are obligated to supply only up to 75% of

HALDIA ENERGY LIMITED

the ACQ which therefore corresponds to $75\% \times 85\% = 63.75\%$ PLF. Hence, the generators would be penalized under the proposed methodology if they depend solely on supply of linkage coal. The proposed methodology would implicitly push the generators for procurement of costlier imported coal / e-auction coal. Hence, the generators would be put at a risk in defaulting Regulation 5.8.7 (A) of WBERC Tariff Regulations in order to avoid levy of deterrent charges. This would defeat the very premise on which this staff paper is based, i.e. avoidance of purchase of costlier power by the beneficiaries.

- e. In cases where a generating station has multiple FSAs with coal companies as well as have multiple long-term beneficiaries with distinct contracted capacities tied up through separate PPAs, the coal stock needs to be determined against each PPA rather than the whole generating station/unit since the stock against each PPA would be different based on requisitions of different beneficiaries. This would make the computation of Deterrent Charges cumbersome and prone to error.
- f. Deterrent Charge should not be considered for Green Zoned plants considering Grading of Gencos. Green zoned plants are as per CEA proposal regarding “revised coal stocking norms” (ref. No. FU-40/2020-FSC dated 26.11.2021) clause 7:

“In case the Genco submits program as per MSQ (as per FSA), but still not able to maintain coal stock due to reasons such as less coal supply by CIL, less rake availability, running at very high PLF ($\geq 85\%$ PLF) then such plant will be kept in a green zone.”
- g. Daily Normative coal requirement is determined at coal requirement considering 55% PLF which is the CERC prescribed technical limit for thermal plants. It is suggested that Daily Normative coal requirement is determined plant-wise since different plants have different technical limit of operations.
- h. If the generator has requisitioned the full MSQ quantity as per FSA, for a particular month(s) and has no dues from the concerned DISCOM / Coal Company/ Supplier/ Transporter etc., the plant should not be held responsible for low coal stock. Hence, such cases are to be explicitly excluded.
- i. Regulation 6.4.2 and Regulation 6.4.3 of the WBERC Tariff Regulations allow partial recovery of capacity charge on account of coal shortage. Levying of Deterrent Charges as proposed by CERC will go against the spirit of such Regulations enacted by WBERC and will be detrimental to the interest of the Generating Stations operating under the jurisdiction of WBERC.