
FW: UPCL comments - CERC Staff Paper - Deterrent Charges

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Fri, May 27, 2022 06:25 PM
Subject : FW: UPCL comments - CERC Staff Paper - Deterrent Charges 2 attachments
To : Sunil Kumar Jain <sunil_jain@nic.in>
Cc : sushanta chat <sushanta_chat@yahoo.com>

From: Chintan.Mankad@adani.com <>
Sent: 27 May 2022 16:37
To: Harpreet Singh Pruthi <secy@cercind.gov.in>
Cc: MR.Krishnarao@adani.com; Sameer.Ganju@adani.com; Tanmay.Vyas@adani.com
Subject: UPCL comments - CERC Staff Paper - Deterrent Charges

Dear Sir,

With reference to the comments invited by the Hon'ble Commission, on the above-mentioned Staff Paper, we hereby submit our comments on the same with a request to kindly take the same on record.

Thanks and Regards,
Chintan Mankad
Udupi Power Corporation Limited
Adani Corporate House, Shantigram,
Near Vaishno Devi circle, S.G Highway,
Khodiyar, Ahmedabad – 382 421, Gujarat, India.
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 **UPCL - Covering letter - 27.05.2022.pdf**
71 KB

 **UPCL comments on CERC Staff Paper - Deterrent Charges - 27.05.2022.pdf**
129 KB

Ref.: UPCL/CERC/27052022

Date: 27.05.2022

To

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

Sub.: Comments on Staff Paper on the "Methodology for Computing "Deterrent Charges" for maintaining lower coal stock by coal based thermal generating stations" sought vide Public Notice dated 13.05.2022.

Dear Sir,

With reference to the comments invited by the Hon'ble Commission, on the above-mentioned Notification, we hereby submit our comments on the same with a request to kindly take the same on record.

Thanking You,

Yours Sincerely,

For **Udupi Power Corporation Limited**



M. R. Krishna Rao
Joint President

Encl: As mentioned above

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

At the outset we presume that the proposed amendment to the Regulation 14 of the CERC (Terms and Conditions of Tariff) Regulations, 2019 is applicable to the PPAs governed by Section 62 of the Electricity Act, 2003 and not applicable to the PPAs governed by Section 63 of the Act. This aspect may be clarified by the Hon'ble Commission since the CEA coal stocking norms are applicable to all Thermal Power Plants irrespective of their PPAs being governed by either Section 62 or 63 of the Act. In addition to the above, we submit our observations / comments on the staff paper on “Methodology for computing “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations” as follows:

1. Due to inability of Coal India Limited in supplying linkage coal as per the capacities contracted under the FSA, generating companies are forced to buy costlier imported coal to maintain efficient coal stock. This involves huge working capital and thus it can be achieved only when there are prompt payments by Discoms. However, as per the current trends and financial performance of many Discoms, there has been huge delay in payment of regular monthly bills. There has also been protracted litigation by them even for payment of legitimate claims such as Late Payment Surcharge etc. Under these circumstances in case any generating station is unable to maintain coal stock as per the proposed Regulation, levy of Deterrent Charges shall be a double whammy for no fault at their end. It may also be not possible for a generating station to procure adequate alternate coal such as e-auction coal / imported coal due to unavailability of railway rakes and/or non-availability of such alternate fuels in the market. Therefore, it is necessary to give weightage to these factors before levying any Deterrent Charges on the generating stations. The Hon'ble Commission is requested to modify the proposed formula accordingly.
2. It is also necessary to ensure that the proposed formula does not result in a new set of litigation. The above observation is to suggest that the formula has to provide for determining the loss of availability for i) failure of generating company to maintain coal stock for reasons attributable to it and ii) for reasons related to coal but not

attributable to generating company as well as reasons not related to coal (technical reasons). If such clarity is not built into the formula, it will result in wastage of precious regulatory time.

3. Low / Non -maintenance of coal stock and consequent Availability loss due to technical reasons, Annual Overhaul / Capital Overhaul activities, forced outages, force majeure events (fire, earthquake, storm, flooding etc) water scarcity, transmission constraints should not be considered for levy of penalty.
4. The Non availability of imported on account of Change in regulation at coal origin country issues being beyond the control of generator should be excluded from levy of any penalty.
5. In case of lower demand by the procurer, if the coal stock is maintained on a higher side for a longer period then it leads to quality loss. Such coal quality loss is much profound in case of imported coal due to higher volatile matter. Therefore, such quality loss might be considered for compensation by the procurer. It is suggested that a provision for compensation of ~ 3.5% on account of Heat loss (Coal Qty + Quality Loss) be incorporated in case coal cannot be consumed for reasons attributed to Discom such as long outages due to RSD.
6. If the existing coal storage capacity is not adequate to meet the stipulated norms, the additional land cost and associated infrastructure build up cost should be considered for compensation under change in law after prudence check.
7. Whenever coal India is supplying -250 mm of coal through E-auction / FSA, the coal / boulder size goes upto more than one metre, which causes delay in unloading and damage of equipment and affecting rake turn around time (TAT). 100% Availability of surface mined coal (-100 mm) should be mandated at the mines so that rakes are unloaded within free time at plant and no damages to unloading equipment.
8. The penalty mechanism might be devised on all the stake holders equitably on Generators, Railways, Discoms and Coal companies instead of putting the entire burden squarely on generators. If at all penalties are to be considered, the same might be considered on annual basis instead of monthly basis.