Fwd: GUVNL's comments on Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"- Reg.

From : Awdhesh Kumar Yadav <awdhesh@nic.in> Tue, Jun 14, 2022 03:45 PM

Subject : Fwd: GUVNL's comments on Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"- Reg. 1 attachment

To : Sunil Kumar Jain <sunil_jain@nic.in>

From: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
To: "Awdhesh Kumar Yadav" <awdhesh@nic.in>
Sent: Tuesday, June 14, 2022 2:37:01 PM
Subject: Fwd: GUVNL's comments on Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"- Reg.

From: "decsp guvnl" <decsp.guvnl@gebmail.com>
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
Cc: coacom@gebmail.com, cfmcom@gebmail.com, dycao@gebmail.com, "de1csp guvnl" <de1csp.guvnl@gebmail.com>, "decom2 guvnl" <decom2.guvnl@gebmail.com>
Sent: Monday, June 13, 2022 8:55:39 PM
Subject: GUVNL's comments on Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"- Reg.

Dear Sir,

Please find attached herewith GUVNL's comments on Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"

Regards,
GUVNL (Commerce)

GUVNL's comments on the Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage.docx
16 KB

Sub: Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage"

Sir,

This has reference to public notice dated 02.06.2022 seeking comments of the Stakeholders on the Staff Paper on the "Blending of imported coal with domestic coal to mitigate the domestic coal shortage".

In this regard, views & suggestions of GUVNL are as under:

1. GUVNL is presently having 21697 MW conventional capacity tied up from various sources out of which 5739 MW capacity is based on imported coal which is contributing around 25-30% of annual energy requirement. In view of exorbitant increase in coal prices, the Energy Charge rate for imported coal based projects has already increased upto Rs. 8-9/unit. The unprecedented increase in imported coal prices due to global supply constraints has severely affected the power purchase profile of the State with manifold increase in Energy Charge of imported coal projects. Therefore, State like Gujarat who is already meeting its 1/3rd of energy requirement from imported coal projects may not be mandated to purchase additional power through blending of imported coal at NTPC domestic coal plants.

2. It is to mention that the underlying intent of Hon'ble CERC Tariff Regulations is to facilitate blending of imported coal by generators without prior consent of beneficiaries for the reasons mentioned therein subject to restricted increase in Weighted Average Energy Charge. Moreover, CERC Tariff Regulations does not stipulate criteria related to the quantum of alternate source of fuel. At present the mandatory blending of imported coal is proposed irrespective of actual availability of domestic coal with the power plant. However, in the present regime when imported coal price are increasing continuously, it is anticipated that the Energy Charge rate would be around Rs. 10-11 / unit.

   In view of above, with regard to quantum of blending, it is suggested that blending should be allowed without the consent of beneficiaries not more than 10% as per prevailing CERC Regulation on monthly basis since the cost of imported coal based generation is 2-3 times the cost of domestic coal. While, with regard to the Energy Charge after blending, Generator shall be asked to declare separate availability on imported coal and domestic coal along with indicative Energy Charge Rate for Domestic Coal & Imported Coal in advance for the purpose of merit order (which shall be ceiling for payment). The same will serve the dual purpose of rationing of domestic coal as well as purchase of power in an economic manner for cost optimization by beneficiaries.

It is requested that the date upto which such ad-hoc relaxation would be allowed shall be mentioned and only the coal consumed for power scheduled to beneficiaries' upto that period shall be considered eligible. In the case there is severe fuel shortage necessitating blending of additional imported coal quantum beyond 10%, prior consent of the beneficiaries in line with the present CERC Regulations shall be mandatory so as to extend opportunity to the beneficiaries to evaluate and decide with regard to purchase of power from generating station at such increased energy charge rate.

It is to highlight that since generators are already free to sale the un-requisited power in the market as per the prevailing framework, such non-requisition of imported coal based power by original beneficiaries will not impede the revenue of generator and will also achieve the objective of lowering consumption of domestic coal by power plants and increase overall availability.

3. In the Staff Paper, an illustration of impact due to 30% blending of imported coal with domestic coal is provided which is as under:

Energy Charge	**Imported Coal Price Level (USD / MT)**				
	USD 140	USD 180	USD 200	USD 220	USD 275
100% Domestic Coal	1.269	1.269	1.269	1.269	1.269
100% Imported coal	5.248	6.372	6.933	7.495	9.040
Wtd. Avg. ECR	2.743	3.160	3.368	3.576	4.148
% increase in Base ECR	**116%**	**149%**	**165%**	**182%**	**227%**

As can be observed from above, there is 1.5-2 times increase in Base ECR at present imported coal price level. The net increase after adding the applicable duties, cess, transportation cost, other charges etc. would be much higher. For 6380 MW tied up capacity of GUVNL from domestic coal based projects of NTPC, the additional financial implication due to mandatory 10% imported coal blending at June-2022 price level would be at least Rs. 3500 Crores on annual basis after accounting for transportation and other incidental cost which works out to around Rs. 0.50/unit impact on consumers tariff. This would be in addition to the financial implication due to blending of imported coal for projects other than NTPC stations like State GENCo., PPA with Private IPPs etc.

It is to highlight that such increase in power purchase cost will increase the retail consumer's tariff and electricity being a major cost driver may also affect the economic development within the State. Accordingly, for the reasons stated above, controlled cost exposure for sustainable functioning of DISCOMs is essential and therefore blending not more than 10% of imported coal in any case may be allowed on monthly basis subject to separate availability / energy charge rate declaration.

4. As per CERC Tariff Regulations, the incentive is payable to the generating company for the energy scheduled in excess of normative annual plant load factor during the year. Any incremental generation due to 10% imported coal blending would be having significant financial implication on the beneficiaries.

   In view of above, in order to avoid additional implication on beneficiaries / consumers, it is requested that necessary clarification may be incorporated that no incentive shall be payable on the energy scheduled based on alternate fuel i.e. imported coal.

5. CERC Tariff Regulations provides that there is around 3% difference in the Station Heat Rate for generation utilizing the bituminous Indian coal vis-à-vis imported coal. Accordingly, it is requested that modality may be defined for passing on the benefit to the beneficiaries due to improvement in ECR on account of usage of imported coal to offset some impact due to costlier imported coal.

6. The consumption of imported coal by various generating stations will involve rail / road mode of transportation from the origin port to the destination power plant. The power plants which are very far from the origin port would be required to incur considerable cost towards transportation of imported coal, which will further increase the Energy Charge Rate. Simultaneously, pit head power plants / near to coal mines power plants would have limited coal supply constraints / no railway transportation related constraints. Accordingly, generating projects requiring transportation of imported coal for very long distance and pit head / near to mines power plants may be identified and excluded at present from mandatory usage of imported coal to have economic operations.

7. In order to ensure prudent pass through of coal cost, appropriate clarification may be incorporated that coal consumed from all sources on month to month basis shall be duly certified by auditor with reconciliation with opening stock, coal received, coal consumed and closing stock.