Email **Suman Shiva**

Fwd: Comments on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage

From : Harpreet Singh Pruthi <secy@cercind.gov.in> Mon, Jun 13, 2022 06:11 PM

Subject : Fwd: Comments on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage

1 attachment

To : Awdhesh Kumar Yadav <awdhesh@nic.in>

From: ceppmsedcl@gmail.com
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
Cc: directorcommsedcl@gmail.com
Sent: Monday, June 13, 2022 5:51:22 PM
Subject: Comments on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage

Dear Sir,
Please find attached herewith MSEDCL's Comments on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage.

Thanks and Regards
Chief Engineer (Power Purchase)
MSEDCL, 5th Floor, Prakashgad, Bandra (E),
Mumbai - 51.

स्वातंत्र्याचा अमृत महोत्सव

Azadi Ka Amrit Mahotsav

MSEDCL_Comments_blending_imported_coal_15606 date 13.06.2022.pdf
2 MB

MAHAVITARAN
Maharashtra State Electricity Distribution Co. Ltd
(A Govt. Of Maharashtra undertaking)
CIN : U40109MH2005SGC153645

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED
Prakashgad, Plot No. G-9, Anant Kanekar Marg,
Bandra (E), Mumbai – 400 051
☎(P) 022-2647 8643 (O) 022 -2647 4211|
✉ceppmsedcl@gmail.com|🖱www.mahadiscom.in

Ref. No: MSEDCL/CE/PP/ 17560 Date: 13 JUN 2022

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chandralok Building,
36, Janpath, New Delhi – 110 001.

Subject: Comments on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage.

Reference: 1) CERC's Public Notice dated 2.06.2022

Dear Sir,

Central Electricity Regulatory Commission vide letter under reference has sought the comments of Stakeholders on Staff Paper on Blending of imported coal with domestic coal to mitigate the domestic coal shortage. MSEDCL welcomes CERC's steps with positive gestures for involving DISCOMs which is major stakeholder.

The detailed comments are enclosed as **Annexure-A.** It is kindly requested to consider our views before finalization of the draft proposal.

Thanking you,

Yours faithfully,

13.6.22

Chief Engineer (Power Purchase)

Copy s.w.rs. to:
The Director (Commercial), MSEDCL, Prakashgad, Mumbai – 51.

Annexure - A

Existing Clause	Remarks

Imported Coal Price(assumed)	No blending	$140	$180	$200	$220	$275
Capacity (MW)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Target Availability (%)	85%	85%	85%	85%	85%	85%
Energy Generated (MU)	7446	7446	7446	7446	7446	7446
Aux. Power Consumption	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Energy Sent Out (MU)	6,981	6,981	6,981	6,981	6,981	6,981
Gross Station Heat Rate (kCal/kwh)	2,390	2,390	2,390	2,390	2,390	2,390
Specific Fuel Oil Consumption (ml/kwh)	0.50	0.50	0.50	0.50	0.50	0.50
Oil Stock						
Weighted Avg. GCV of Oil (kCal/Lit.)	10,230.00	10,230.00	10,230.00	10,230.00	10,230.00	10,230.00
Heat Contribution by Oil (kCal/kwh)	5.12	5.12	5.12	5.12	5.12	5.12
Annual Requirement of Oil (lits)	3723000	3723000	3723000	3723000	3723000	3723000
Weighted Avg. Price of Oil (Rs./Lt.)	56,433.74	56,433.74	56,433.74	56,433.74	56,433.74	56,433.74
Coal Stock	-	-	-	-	-	-
Weighted Avg. GCV of Coal (kCal/kg)	3,834.62	4,263.73	4,263.73	4,263.73	4,263.73	4,263.73
Heat Contribution by Coal (kCal/kwh)	2,384.89	2,384.89	2,384.89	2,384.89	2,384.89	2,384.89
Specific Coal Consumption (kg/kwh)	0.622	0.559	0.559	0.559	0.559	0.559
Annual Requirement of Coal (MT)	4630932	4164861	4164861	4164861	4164861	4164861
Weighted Avg. Price of Coal (Rs./MT)	1,868.14	4,547.70	5,245.20	5,593.95	5,942.70	6,901.80
Variable Charges (Ex Bus)						
Coal (Rs/kwh)	1.239	2.713	3.129	3.338	3.546	4.118
Oil (Rs/kwh)	0.010	0.010	0.010	0.010	0.010	0.010
Rs./kwh	1.249	2.723	3.140	3.348	3.574	4.148
Increase in ECR		1.47	1.89	2.10	2.31	2.88
% increase in ECR over Nil blending		118%	149%	168%	182%	227%
ECR with 30% increase	1.4497					
Permissible blending to achieve ECR of 1.651						
Domestic		92.86%	94.46%	95.02%	95.48%	96.38%
Imported		7.14%	5.54%	4.98%	4.52%	3.62%
Imported Coal Price(assumed)		**$140**	**$180**	**$200**	**$220**	**$275**
Domestic						
GCV	3,919.62	3,919.62	3,919.62	3,919.62	3,919.62	3,919.62
Price	1,868.14	1,868.14	1,868.14	1,868.14	1,868.14	1,868.14
Imported						
GCV		5060	5060	5060	5060	5060
Price		10880	13125	14288	15450	18647
Permissible Blending						
Domestic	100%	70%	70%	70%	70%	70%
Imported	0%	30%	30%	30%	30%	30%
Wt. Avg. GCV of Coal (kCal/kg)	3,920	4,349	4,349	4,349	4,349	4,349
Wt. Avg. Price of Coal (Rs./MT)	1,868	4,548	5,245	5,594	5,943	6,902

*Weighted Average GCV of Coal is net of 85 kCal/kg

ECR with 100% Domestic Coal	1.249	1.269	1.269	1.269	1.269	1.269
ECR with 100% Imported Coal		5.245	6.372	6.933	7.493	9.040
Weighted Avg. ECR	1.249	2.723	3.140	3.348	3.574	4.148

As per the existing Regulations, CERC has put a cap on increase of base energy charge up to 30% from the approved energy charge rate wherein there is no need for the generator to have prior consultation with the beneficiary. Increase beyond 30% mandates the generator to have prior consent/consultation with the procurer. Hence any increase of base energy charges beyond 30% of the approved charges, require consent of beneficiaries as the additional cost shall amount to significant burden on consumers.

As shown in the said Table, it is observed that to maintain the energy charge rate within 30%, the amount of bending that can be allowed is in the range of 3.62% to 7.14% depending on the differences in pricing of imported coal.

It is submitted that the existing Regulation already provides for escalation up to 30% from the approved base energy charge rate (which is already significantly high) without the consent of the procurer. Impact of 30% itself will give tariff shock to the consumers and hence the ceiling of 30% without prior approval has no scope for further increment. CERC is therefore requested to retain

	this clause without any amendment It is further submitted that the international coal market prices have soared significantly in the last 2-3 months and have reached levels of $300/MT. Calling for blending of imported coal in such a situation where the prices in international market have reached all time high will result in sky rocketing of energy charge rate of all generating stations. This would put an exorbitant burden on the consumers of the country and the State. As seen from the given Table considering the imported price of coal at $275/MT has resulted into increase of energy charge by 3.27 times (i.e. by 227%) as compared to the existing energy charge with 30% blending. Such a huge increase in energy charge rate of all generating stations would break the backbone of the consumers and distribution companies as well. It is further submitted that the recent directions given by MoP to mandate **minimum 10%** of coal blending for domestic coal plants is also expected to impact the approved base energy charge by more than 30%. Hence, it can be concluded that under such situation the blending of 10% of imported coal can be implemented only after taking necessary consent from the beneficiary. It is therefore requested to kindly retain the cap of 30% of increase from the base approved energy charge rate

	without prior consent and any increase beyond 30% should call for a consent from the procurer, irrespective of the percentage of blending, as the impact on energy charge rate varies with the international prices of coal and with the changes in blending ratio. On the other hand, some relief in terms of energy charge rate may be provided by the Centre/State Govt./CERC to the consumers as it would be difficult to pass on the entire cost to the consumers under the existing FAC mechanism. Centre/State/CERC may cap price of imported coal for computation of energy charge rate so that significant burden is not passed to consumers. The incremental cost above ceiling price may be adjusted in subsequent months upto ceiling price. Generators shall according levy FAC to Distribution Licensees according to the mechanism devised by such formula. Centre/State/CERC can also come up with a mechanism of pass through of increase in energy charge rate due to blending of imported coal, in such a way that the consumers do not experience tariff shock and the surge in energy charge rate is passed on to the consumers in a smoothly manner.
However, seen in the context of the prevailing coal shortage scenario and the price trends in the Power Exchange market, the weighted average ECR as reflected in the above analysis, is less than the current level of market clearing price for several blocks in the Day Ahead Market or the Real Time Market in the	It is submitted that though the impact of coal blending will result in prices which are still below the rates discovered currently in DAM and RTM on power exchanges, it is necessary to consider the fact that passing

Power Exchange	on such huge burden of cost is definitely not in the interest of consumer, which is one of the important intent of Electricity Act 2003. MSEDCL agrees to the fact that such a situation has arisen wherein the consumers have to either avail power at significantly high cost or face distress load shedding in coming months, which is beyond control. However, one of the significant factor which needs to be considered is the ceiling energy charge rate at which such power would be made available to consumers. The present staff paper does not speak about any ceiling of energy charge rate which needs to be passed on to the consumers, nor any maximum increase in percentage to be allowed from the existing base energy charge rate. Such a ceiling rate may be defined for better clarity to consumers on the amount of financial burden that they would be facing in the coming months.
At the same time, the above analysis also shows that with a high price of important coal, blending of even less than 10% also increases the ECR substantially.	It is submitted that the existing situation of coal blending has arisen due to unavailability of sufficient coal from Coal India Limited (CIL). The inefficiency of CIL to provide required quantum of domestic coal has resulted into need of imported coal blending and subsequently will result in passing of additional cost to the consumers. The inefficiencies of CIL shall not be passed on to the consumers of the Country/State.

	Hence, it is requested that any increase in energy charge rate beyond 30%, due to imported coal blending shall be borne by CIL. Blending of imported coal is being forced to be done by generators due to inefficiency of CIL and therefore CIL shall bear the additional cost of importing coal Also, Centre/State/CERC may cap price of imported coal for computation of energy charge rate so that the impact of the cost increase do not put a financial burden on the consumers. The incremental cost above ceiling price may be adjusted in subsequent months upto ceiling price.
If further flexibility is to be provided to the generators to blend imported coal without the permission or consultation of the beneficiaries, then • *to what extent of blending of imported coal be allowed without the permission or consultation of the beneficiaries?*	As discussed earlier, blending shall be allowed only to the extent that the increase in approved base energy charge shall be limited to 30%. Blending which results into increase in energy charge rate beyond 30% may not be passed on to the consumers. It is submitted that imported coal blending is being forced to be implemented due to shortage of coal from domestic sources i.e. in particular from CIL. Hence, it is submitted that blending to the extent of increase in cost up to 30% may be passed on to the consumers, while any further blending which results increase in cost beyond 30% may be recovered from CIL due to its inefficiencies in providing coal as per the

	contracted quantum. With regards to the increase in 30% cost of energy charge rate to the consumers, it is requested that CERC may design a formula for standardizing the energy charge rate for remaining months of FY 2022-23 so that the cost can be equally distributed till March 2023 instead of burdening the consumers in near term of 1-2 months
• *to what extent the increase in energy charge rate over and above base energy charge rate, approved by the Commission for that year, be allowed upon blending of imported coal without the consent or consultation of the beneficiaries?*	The existing Regulations provides for increase up to 30% in base energy charge rate without consent and consultation of the beneficiaries. As discussed earlier, the blending ratio shall be decided in such a way that the increase in energy charge rate may be allowed to a maximum of 30%. Any increase beyond 30% may not be allowed to passed on to the consumers and shall be borne by CIL due to its ineffectiveness in providing sufficient coal as per contracted volume. Further, for passing on the increase in cost up to 30% to the Discoms/consumers, CERC to set up a formula on equilibrated basis, so that the increase in cost is normalized over a period of time. The generators shall accordingly levy FAC charge to the Discoms and Discoms ultimately levy the same to the consumers.