Fwd: NTPC Comments on CERC Staff Paper on Blending of Imported coal

From : Awdhesh Kumar Yadav <awdhesh@nic.in> Tue, Jun 14, 2022 03:45 PM
Subject : Fwd: NTPC Comments on CERC Staff Paper on Blending of Imported coal 3 attachments
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 2:37:15 PM
Subject: Fwd: NTPC Comments on CERC Staff Paper on Blending of Imported coal

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From: PBVENKATESH@NTPC.CO.IN
To: "Harpreet Singh Pruthi" <secy@cercind.gov.in>
Sent: Monday, June 13, 2022 6:23:26 PM
Subject: NTPC Comments on CERC Staff Paper on Blending of Imported coal

Dear Sir,

A Staff Paper titled "Blending of imported coal with domestic coal to mitigate the domestic coal shortage" has been circulated by the Hon'ble Commission seeking comments / suggestions from concerned stakeholders. In this regards, NTPC comments are enclosed herewith for consideration please.
As required, NTPC comments have been uploaded on CERC SAUDAMINI Portal.

Regards,
P.B.Venkatesh,
AGM (Comml.)
NTPC Ltd.

75 Azadi Ka Amrit Mahotsav

75 Azadi Ka Amrit Mahotsav

NTPC Comments - CERC Staff Paper.pdf
939 KB

Covering Letter dt. 13.6.22__Secy_Staff Paper.pdf
386 KB

NTPC Comments - Blending of Imported coal.docx
25 KB

एनटीपीसी लिमिटेड
(भारत सरकार का उद्यम)
NTPC Limited
(A Govt. of India Enterprise)

केन्द्रीय कार्यालय/ Corporate Centre

Ref. No.01/CD/701
Date: 13 June 2022

To,

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

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

Dear Sir,

A Staff Paper titled "Blending of imported coal with domestic coal to mitigate the domestic coal shortage" has been circulated by the Hon'ble Commission seeking comments / suggestions from concerned stakeholders. In this regard, NTPC comments are enclosed herewith for consideration please.

Thanking you,

Yours sincerely,

(Ajay Dua)
CGM (Commercial)

NTPC Comments on Blending of imported coal with domestic coal to mitigate the domestic coal shortage

1. **Comments on Issues sought by the Staff Paper:**

    a. ***To what extent of blending of imported coal be allowed without the permission or consultation of the beneficiaries?***

    Comments:

    In light of the depleting domestic coal stock (from 28.9 MMT on 31.03.2021 to 7.3 MMT on 07.10.2021 sufficient for 4 days only), CEA vide letter dated 11.10.2021 issued advisory to all thermal power plants using domestic coal to immediately import coal up to 10% blending to meet increased power demand in the country.

    MOP vide its letter dated 07.12.2021 to the CMD of NTPC asked to take necessary action immediately to import the quantity required for blending 10% imported coal with domestic coal. Further, MOP vide its letter dated 28.04.2022 revised the NTPC's target of imported coal for blending purpose to 20 million metric tonnes in FY 2022-23 with specific timelines for the import action plan.

    The Central Government has issued directions vide letter dated 18.05.2022 to the Central Commission under section 107 of the Electricity Act 2003 to allow immediately allow higher amount of blending of up to 30% with imported coal in compliance with the decision of the Ministry of Power, subject to technical feasibility, without beneficiaries' consultation for the period up to 31st March 2023, to maintain resource adequacy and 24×7 supply to consumers. Para (5) & (6) of the MOP direction have highlighted the need for higher blending of imported coal and the practical difficulty of generators in using higher proportion of imported coal due to the provision in CERC Tariff Regulations 2019 regarding crossing the ceiling limit of ECR.

    There is practical difficulty in controlling the blending proportion such that the ECR does not exceed the specified limits. The extent of blending cannot be fixed upfront as actual generation pattern and domestic coal supply would be subject to variations on day-to-day basis and cannot be anticipated. Moreover, generating stations' priority in these times is maximization of generation and making power available to Discoms. In this regard, we have communicated to beneficiaries that NTPC is making all efforts to maximise availability of power at topmost priority and asked them to continue scheduling power in such cases. It may be further appreciated that implementation of prior consultation at least three days in advance shall have practical difficulties due to above reasons and involvement of multiple beneficiaries. Withholding of consent by any one beneficiary would make blending difficult as per the extant regulatory provisions.

Therefore, blending of imported coal up to 30%, subject to technical feasibility, as directed by MOP vide direction dated 18.05.2022 may be permitted with no requirement of prior consultation with the beneficiaries.

b. 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?

Comments –

To mitigate the shortage of domestic coal as directed by Ministry of Power to ensure resource adequacy and 24×7 supply to consumers, NTPC Group has already placed order of 15.47 MMT imported coal and further placement of order of 2.53 MMT is in the process. Blending with domestic coal has already started in many stations. It is submitted that blending would result in increase in ECR, which would vary from station to station. The increase in ECR in percentage terms, due to blending of imported coal would depend on the landed price of imported coal, landed price of domestic coal, and the extent of blending.

i. **Landed Price of Imported Coal** - Coal is being imported following transparent process of tendering to ensure competitive pricing. However, these prices are subject to market dynamics and geo-political situations, country of origin of imported coal and exchange rate variation (USD to INR). The CERC Staff Paper has also rightly observed that with a high price of imported coal as compared to domestic coal, blending of even less than 10% also increases the ECR substantially. Further, the landed price of imported coal will be higher in stations far away from the port due to incremental cost of inland transportation.

ii. **Landed Price of domestic coal -** In case of pithead stations with relatively lower ECR based on less landed cost of domestic coal, the percentage increase in ECR will be higher as compared to other station with higher landed price of domestic coal. Even a small blending of 10% imported coal may cause a breach in 30% ceiling limit of base ECR. However, absolute ECR would still be lower than a non-pithead station based on domestic coal or alternate purchase from PX. In case of non-pithead stations, percentage increase in ECR would be relatively lower as ECR on domestic coal itself is higher.

iii. **Extent of blending –** It is anticipated the extent of blending in various stations may reach 30%, subject to technical feasibility, with availability of imported coal as well as domestic coal at the stations, lower materialization of domestic coal expected in the coming monsoon months and the anticipated growth in demand for power. It is expected that few stations may cross 30% blending level due to poor quality of domestic coal and the need for meeting the demand.

To illustrate the above points (i), (ii) and (iii), the percentage variation in ECR due to blending imported coal in different types of stations (based on ECR on domestic coal) is tabulated as under:

STATION --->	**A**	**B**	**C**	**D**	**E**	**F**	**G**
APC (%)	7.04	7.13	7.04	6.25	5.75	6.25	6.25
Heat Rate (kcal/kwh)	2401	2410	2401	2374	2390	2237	2359
ECR (on domestic coal)	1.39	1.51	2.81	2.81	2.93	3.08	3.09
Price of coal (Rs/ 1000 Kcal)	0.54	0.58	1.09	1.11	1.16	1.29	1.23
Blending (%)	**Blended ECR (Rs. per kwh)**						
0%	1.39	1.51	2.81	2.81	2.93	3.08	3.09
5%	1.79	1.90	3.13	3.13	3.24	3.36	3.39
10%	2.18	2.29	3.46	3.44	3.55	3.63	3.69
15%	2.58	2.68	3.78	3.76	3.86	3.91	3.99
20%	2.97	3.08	4.11	4.07	4.17	4.18	4.28
30%	3.76	3.86	4.76	4.70	4.79	4.73	4.88
Blending (%)	**Increase in ECR (%)**						
5%	28%	26%	12%	11%	11%	9%	10%

10%	57%	52%	23%	22%	21%	18%	19%
15%	85%	78%	35%	34%	32%	27%	29%
20%	114%	104%	46%	45%	42%	36%	39%
30%	171%	156%	69%	67%	63%	54%	58%
Note: Landed Price of imported coal is assumed as Rs. 18,000 per MT							

It can be seen from the above that 5% blending of imported coal can result in 9% to 28% increase in ECR and 30% blending can cause an impact ranging from 54% to 171%.

It is submitted that the above factors would result in wide variation of increase in ECR from station to station. Further, as mentioned in aforesaid Paras, price of imported coal is beyond the control of generating stations. Therefore, in present scenario of less availability of domestic coal and higher power demand scenario, prior consultation has practical difficulties that would make blending of imported coal difficult to operationalize as elaborated in 1(a) above. It would be difficult to prescribe uniform ceiling limits for ECR increase required for prior consultation.

In view of increased demand and the shortfall in domestic coal scenario, blending of imported coal may continue beyond 31.03.2023. It is submitted that the blending of imported coal up to 30%, without prior consultation may be permitted till the end of the current tariff period, i.e., up to 31.03.2024. This would obliviate the need for going through the process again. However, if domestic coal situation becomes normal earlier, the hon'ble Commission may consider restoration of the existing dispensation.

I. **It is therefore suggested that blending of imported coal up to 30% subject to technical feasibility may be allowed in line with MOP direction dated 18.05.2022.**

II. **In view of the circumstances, it is suggested to dispense / waive the present requirement in the Tariff Regulations 2019 of prior consultation with beneficiaries in case of increase in ECR beyond 30% of base ECR / 20 % of ECR of last month due to blending of imported coal.**

III. Further, it is expected that the above conditions shall continue beyond 31.03.2023. Therefore, need for prior consultation in case of increase in ECR over the 20%/30% ceiling may be kept in abeyance till 31.03.2024 i.e., the end of control period of present tariff regulations.