
NTPC R&R Colony, Darlipali


NTPC Bhadla


NTPC Kudgi

Submissions before Hon’ble Commission on Draft 2nd Amendment to Tariff Regulations, 2019


NTPC Koldam


NTPC Kayamkulam


NTPC Rojmal

CUF for recovery of Annual Fixed Cost

- Recovery of Annual Fixed Cost at production 100% of Mine Plan

Submissions

- Mandate in Tariff Policy
  - Suitable performance norms of operations **together with incentives and disincentives** would need to be evolved
  - The norms should be efficient, **relatable to past performance, capable of achievement** and progressively reflecting increased efficiencies
- The above is also consistent policy of Hon'ble Commission since 1999
- Historical Data
  - Actual CUF of CIL for 2018-19 was 78%
  - CIL (where coal price is charged on cost plus basis) considers 85% CUF
  - CIL uses 85% CUF while working out viability of new mine
  - 85% CUF was allowed to NLC
- 330 days working considered in Mine Plans of CIL/NTPC is to take care of planned/ scheduled works
- With 100% Normative CUF there can only be disincentive, no possibility of incentive
- Expert Committee constituted by Hon'ble Commission also suggested a CUF of 85%.

So, recovery of Annual Fixed Cost may be allowed at 85%. For production beyond 85%, proportionate fixed charges may be allowed

Rate of RoE

- Proposed 14% rate of RoE

Submissions

- Risks are high in mining business
  - Working in Open – Large area of working (about 4700 acres in PB)
  - Law & Order issues
- Return should be commensurate with risks
- In the past, NLC has been allowed 15.5% rate of RoE
- Coal India IRR for new projects: 12%
- CIL uses IRR of 12% in while charging price on cost plus basis.
- For solar projects, Hon'ble Commission recently allowed a ROE of 14%.

Therefore it is submitted that Return on Equity of 15.5% may be allowed in Mining area

Adjustment due to GCV shortfall

- Annual weighted average GCV lower than declared GCV, proportionate adjustment in input price

Submissions

- Expenditure depends upon quantity handled
- There should be no quality adjustment in regulations
- MDO contract has provisions to ensure quality
  - Conditions of MDO may be adopted
- Grade is declared by coal controller on yearly basis
- If adjustment is to be kept
  - It should be both sides
  - Margin of +/- one grade w.r.t. declared grade should be provided
  - Adjustment should be corresponding to variation beyond +/- one grade

Adjustment due to OB shortfall

- Shortfall/Excess of OB removal allowed to be adjusted against excess/shortfall removal of OB, during subsequent three years.
- Adjustment on O&M and MDO

Submissions

- There should be no OB adjustment as quantity of total OB to be removed is fixed & adjustment in MDO charges shall be automatically passed through
- If adjustment is to be kept
  - Carry over may be allowed for 5 years
  - Formula & other provisions should be in line with MDO formula
  - Adjustment should be on MDO charges only

Terms & Conditions of MDO

- MDO contracts awarded through competitive bidding
- Awarded before notification of Regulations
- Mining Fee is with certain Terms & Conditions
- The draft provides for adopting Mining Fee
- Mining Fee may be adopted with entire Terms & Conditions

O&M Cost

- 2% of Capital cost with 3.5% escalation subject to truing up

Submissions

- Based on actuals for 19-20, 2% O&M would not be sufficient. Actuals in the range of 3.5%
- Based on provisions for Hydro Generating Stations: 3.5% of capital cost
- To avoid interest liability at the time of true up, actual O&M based on last year may be allowed
- Security expenses & Third Party sampling expenses may be allowed separately
- For Departmental mines, the O&M Exp, as a % of capital cost, would be significantly higher.
  - 28% O&M for Barsingsar allowed by Hon'ble Commission. It rose to 51% in 2018-19.
  - 11.5% annual escalation

Provisionally O&M Exp may be kept as 3.5% of capital cost for MDO model OR
May be allowed to be charged based on previous year's audited O&M expenditure

Mine Closure Expenses

- Mine closure is undertaken by the generating company,
  - Amount deposited in the Escrow account would be part of yearly coal cost
- Mine closure in the scope of MDO
  - Difference between borrowing cost & Escrow Account Interest is admissible
- **Submissions:**
  - Progressive Mine Closure: MDO scope
  - Final mine closure: NTPC scope
  - During operating life, 50% from escrow account can be withdrawn at every five year interval
  - For 50% of amount deposited in escrow account
    - May be pass through
  - Balance 50%
    - Differential borrowing cost may be allowed

Provisional may be kept in Regulations for cases where progressive mine closure is done by MDO and final closure is by mine owner

Reduced CUF due to Low Scheduling & Forcer Majeure

Low Scheduling

- PLF of coal plants is reducing
- In view of renewable penetration, expected to reduce further.
- In case of low offtake/CUF due to low scheduling from the associated generating station, full fixed cost may be allowed at a lower CUF, based on a Petition by the generating company.

Force Majeure

- Mining is subject to maximum risks
- Production may effect due to various conditions
- In case of disruption of mining due to Force Majeure reasons, there may be provisions in the Regulations, based on which Hon’ble Commission may lower the CUF for full fixed cost recovery

Rate of Depreciation

- Straight line depreciation allowed

Submissions

- Based on Straight Line Method, Depreciation in initial years not sufficient for loan repayment
- For first 12 years, 5.83% depreciation may be allowed.
- Some assets are to be left at site, after mine closure
  - Salvage value should be zero

Additional Charges- Reg 36(C)

- Proposed Regulation provides as follows

  "(2) Where crushing, transportation, handling or washing are within the scope of the Mine Developer and Operator engaged by the generating company, **no additional charges shall be admitted**, as the same shall be recovered through mining charge of the Mine Developer and Operator."

- In case of Pakri mine, the fixed assets for carrying out these activities are provided by NTPC and operation & maintenance of the same are carried out by MDO.
- To cover this situation, the draft Regulations may be fine-tuned.
- It is suggested that capital expenditure on transporting/ handling assets in incurred by mine owner, may be serviced through the mine capex.

Interest on Working Capital

- **Provisions of Regulation**
  - 7 days stock
  - 15% of Annual O&M towards stores and spares (Excluding MDO)
  - 1 Month O&M charges (Excluding MDO)
- **Submissions:**
  - In line with pit head and non pit head generating stations, coal stock
    - 10 days for mines in the vicinity of Generating Station
    - 20 days for mines far from Generating Station
  - 20% of Annual O&M for Stores & Spares

Rebate: Reg 58

- Regulations provide for 45 days for payment of energy bills
- Reg 58 of Principal Regulation provides as follows

  "(1) For payment of bills of the generating company and the transmission licensee through letter of credit on presentation or through National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) payment mode within a period of 5 days of presentation of bills by the generating company or the transmission licensee, a rebate of 1.50% shall be allowed.

  (2) Where payments are made on any day <u>after 5 days and within a period of 30 days</u> of presentation of bills by the generating company or the transmission licensee, <u>a rebate of 1%</u> shall be allowed."

- As per above Regulation,
  - Getting 1% rebate by advancing payment by 15 days (from 45th day to 30th day), 24% Per annum.
  - The beneficiaries are getting only 0.5% rebate by advancing payment by 24 days (from 30th to 6th day), 6% Per annum
- This gradation of payment seems to be disproportionate and may be corrected.

Migratory Birds at NTPC Dadri

Thank You

NTPC Ramagundam

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Quality Obligation: Moisture

- PB MDO
  - Weighted average of Total Moisture shall be between 8-10%. If outside band, adjustment in quantity shall be as follows

Total Moisture	Increase/ Decrease in quantity	Formula
<8%	Increase	DQ * [((1-TM)/(1-.08)) – 1]
8% to 10%	No Adjustment	No Adjustment
>10%	Decrease	DQ * [((1-TM)/(1-.1)) – 1]
>16%	Decrease	DQ * 4* [((1-TM)/(1-.1)) – 1]

DQ: Delivered Quantity

- Dulanga MDO
  - If surface moisture exceeds the limit prescribed for that month (7% for Oct to May & 9% for June to September) monthly delivered quantity for that month shall be adjusted as follows:
  - Adjustment = - DQ* (actual moisture – moisture limit)

Quality Obligation: Ash Content

PB MDO

- Ash content shall be in 31-35% range. If outside band, adjustment in quantity shall be as follows

Total Moisture	Increase/ Decrease in quantity	Formula
< 31%	Increase	DQ * [((1-Actual Ash)/(1-0.31)) – 1]
31% to 35%	No Adjustment	No Adjustment
35% to 37%	Decrease	DQ * [((1-Actual Ash)/(1-0.35)) – 1]
37% to 38%	Decrease	DQ * 4* [((1-Actual Ash)/(1-0.35)) – 1]
> 38%	Monthly Delivered Quantity is rejected	No payment to MDO for the month

Quality Obligation: GCV

- Dulanga MDO
  - For determination of GCV of coal to be delivered by MDO, weighted average GCV (G) of all coal seams shall be measured in each quarter.
  - In the event, GCV of delivered coal is lower than GCV determined as above, MDO fess shall be adjusted as follows:

S.No.	GCV (Kcal/Kg.)	Rate of Compensation for Shortfall as % of MF_{Total} for the month
1	Upto G-150	NIL
2	Less than (G-150) but up to and including (G-300)	
3	Less than (G-300) but up to and including (G-450)	12%
4	Less than (G-450) but up to and including (G-600)	16%
5	Less than (G-600)	No payment to the Mine Operator for the coal delivered during the month