Lanco Amarkantak Power Ltd., Dist. Korba, Chhattisgarh

Comments on Definitions:

(31) **'GCV as received' means** the GCV of coal or lignite as measured at the unloading point of the thermal generating station through collection, preparation and testing of samples from the loaded wagons, trucks, ropeways, Merry-Go-Round (MGR), belt conveyor and ship in accordance with the IS 436 (Part-1/ Section 1)- 1964:

Provided that the measurement of coal or lignite shall be carried out through Third party sampling to be appointed by the generating companies in accordance with the guidelines, if any, issued by Central Government;

It is suggested that the 1st proviso in the above definition be modified/amended as follows:
Provided that the measurement of coal or lignite shall be carried out through Third party to be appointed by mutual consultation between the generating companies and the beneficiaries which may inter alia include appointment of NABL accredited private companies apart from government companies in the business of sampling and analysis of coal,

A new proviso to be inserted below the modified proviso as follows:
Provided that the measurement of coal or lignite shall be carried out in the labs of the generating station or in the labs of Third Party such that the results of such analysis shall be made available on the 2nd day of the following month for the generating company to raise timely monthly bills to the beneficiaries;

Rationale for change/addition of Proviso:
Currently, as per guidelines of the Central Govt., for most IPPs, the sampling and analysis of coal at the coal mine loading point is being done by M/s CIMFR in its own laboratories as per the Tripartite Agreement signed between coal company, generating company and CIMFR. The sampling and analysis of coal purchased under spot e-auction (non-FSA coal) is not covered under this Tripartite Agreement as the coal company does not agree to the same. The reports of analysis of coal at the loading point is currently received by the generating company from CIMFR after about a month from the date of sampling. In case of dispute in the results of the analysis, either the coal company or the generating company requests for re-analysis of the referee sample which is sent to laboratories outside CIMFR. The results of such referee samples are received from CIMFR in 3-6 months timeframe. The results of as received GCV analysis at the coal loading point is the basis of credit/debit by the coal company to the generating company based on the differential between as Billed GCV and as Received GCV analysed on equilibrated basis at the loading point of the coal mine. It would not be possible to send the as received GCV report from CIMFR to the beneficiaries along with the monthly bill as the analysis reports of the coal received upto the last date of the previous month are not received on 2nd/3rd day of the following month. The bills are raised usually on 2nd/3rd day of the following month. Waiting for CIMFR analysis report at the unloading point will delay the submission of monthly bill to the beneficiaries. Unless and until the analysis reports of the previous month are submitted to the generating company on the 2nd day of the following month, there would be difficulty in raising monthly bills.

Comments on Regulation 25. Additional Capitalisation beyond the original scope:

The following provision needs to be inserted in Regulation 25 (1) (e):
The capital expenditure incurred by the generating station on account of raising of ash dyke as part of ash disposal system shall be allowed after prudence check by the Commission in case of insufficient utilisation of fly ash by the generating station in the years following the COD of the Unit/power station due to reasons beyond the control of the generating company.

Rationale for above provision:
The Korba Cluster in Chhattisgarh State has cement plants with capacity of approx. 12-15 MTPA. The requirement of fly ash of these cement plants is approx. 8,000 -10,000 Tonnes on Daily basis, whereas the actual generation of fly Ash in Korba Cluster from a sizeable no. of thermal power plants is about 1,00,000 Tonne per day. Therefore, low ash utilization in these Cement Plants in this region is a big hindrance for disposal of fly ash to cement plants. Abandoned coal mines can be one of the biggest sources of utilization of fly Ash. However, till date, there is no clear policy for allocation of abandoned coal mines to private generating companies. Even after allocation of abandoned mine, starting of fly ash filling in this mine is a very slow and prolonged procedure, requiring clearances from various government agencies. The road infrastructure for transportation of fly ash through Bulkers in this region is very poor. For smooth plying of heavy ash bulkers, the roads need to properly maintained at regular intervals which is the responsibility of the municipality of the region. Due to the above genuine reasons, the TPPs in Korba cluster region are not able to utilise 100% fly ash. The only alternative for these TPPS is to incur capital expenditure to raise the ash dyke as part of ash disposal system.

Comments on Regulation 35. Operation and Maintenance expenses:

Normative O&M expenses for generating stations (in Rs. Lakh/MW)

Year	No.	200/210/250 MW Series	300/330/350 MW Series	500 MW Series	600 MW Series	800 MW Series and above
2017-18	1	28.70	23.96	19.22	17.30	-
2018-19	2	30.51	25.47	20.43	18.38	-
Escalation Rate (%) 3=((2-1)/1)	3	6.31%	6.30%	6.30%	6.24%	-
2019-20	4	30.59	24.22	20.38	17.39	15.65
Escalation Rate (%) 5=((4-2)/2)	5	0.26%	-4.91%	-0.24%	-5.39%	-
2020-21	6	31.57	24.99	21.03	17.94	16.15
Escalation Rate (%) 7=((6-4)/4)	7	3.20%	3.18%	3.19%	3.16%	3.19%

It has been observed from the above extract taken from the table in Regulation 35 (1) of the draft Tariff Regulations that the O&M expenses for FY 2019-20 have been drastically reduced as compared to the O&M expenses specified for FY 2018-19 in the CERC Tariff Regulations, 2014. In fact, the O&M expenses specified for FY 2019-20 are about the same level as was specified for FY 2017-18 in the CERC Tariff Regulations, 2014. One notable point which merits immediate attention is that the reduction for 300/330/350 MW series and 600 MW series is 4.91% and 5.39% which is much higher as compared to increase of 0.26% for 200/210/250 MW series and reduction of 0.24% for 500 MW series. This anomaly needs to be corrected. It is suggested that to avoid any discrimination in normative O&M expenses between different Unit sizes, the same percentage reduction/increase be applied for 300/330/350 MW series and 600 MW series as has been applied for 200/210/250 MW series and 500 MW series. Further, the annual escalation rate of 6.24%-6.30% in O&M expenses in CERC Tariff Regulations, 2014 has been further curtailed to 3.16%-3.20% for all series. It is submitted that the Hon'ble Commission decides the normative O&M expenses but every year service charges of most of the service contracts increase w.r.t. upward revision in changes in Govt. minimum wage policies due to higher inflation. The cost of the spares and repair and maintenance increases about @ 6-7 % year on year which is much higher than the annual escalation rate of 3.16%-3.20% considered in the draft Tariff Regulations. It is suggested that in case the Hon'ble Commission decides to apply moderate increase in O&M expenses for FY 2019-20, then at least the annual escalation rate should be maintained at the previous level of 6.24%-6.30% so that the generating companies do not end up in under recovery of O&M expenses.

Comments on Regulation 53. Declaration of Availability and Dispatch in case of thermal generating station:

The model FSA approved by the Board of Coal India Ltd. which has been signed by all IPPs specifies the obligation of Coal Company to supply coal under FSA upto the trigger level (presently at 75% of Annual Contracted Quantity (ACQ)). The ACQ specified by CEA was considering 90% of the normative PLF of 85% for power stations commissioned after 2009-10. Most of the IPPs power stations were commissioned after 2009-10. Therefore the supply of FSA coal is currently restricted to only 75% of 90% of 85% which comes to meagre 57.3% PLF. Further, the FSA specifies that the coal supplies to be made in Q1, Q2, Q3 and Q4 of a financial year shall be in the ratio of 25%, 22%, 25% and 28% of ACQ respectively. Therefore, the FSA coal supply varies between 54%-59% in a financial year.

The FSA coal is not received from a single mine instead it is received from different coal mines (as much as 11 mines) of Coal Company with distances varying widely (from 27 km to 320 km) either through rail mode or road mode depending upon the discretion of the Coal Company. The transportation cost through road mode is substantially higher as compared to railway mode. Further, the shortfall quantity of coal required for declaration of 100% availability is met by procuring from alternate sources viz. e-auction or open market coal for which prior-approval is sought from the beneficiaries. Here again, the procurement cost of coal depends on source of mine, the mode of transportation as well as the GCV grade of coal. The prices of alternate coal (non-FSA) both in e-auction and open market are highly dynamic in nature depending on the quality and quantity of e-auction coal on offer, demand-supply gap in the market, aggressiveness by the procurers to purchase e-auction coal based on the PPAs signed by them

through Case 1 competitive bidding, participation of traders of coal etc. The e-auctions are highly irregular, sometimes no e-auctions consecutively for 2 months. The private generating companies do not have any control on the e-auction/open market coal rates. The current non-FSA coal rates discovered in the latest e-auctions (last 6 months) are almost 300%-350% of the FSA coal prices. The third party sampling system introduced in the last two years has resulted in only monetary compensation in the form of credit/debit due to the difference in Billed GCV and as Received GCV at the loading end. However, there is no adjustment in the quantity i.e. the Coal Company does not supply any enhanced quantity in metric tonne of coal due to grade slippages in the supply of coal.

As FSA coal, e-auction coal and open market coal having similar GCV is received on a daily basis from different sources, it is stored at the same place in the coal yard. The stacking of coal cannot be differentiated unless the GCV is known beforehand (GCV analysis takes 2 days). In most of the cases, the coal received from railway rakes is fed directly to the bunkers, other coal received through road mode is fed to the bunkers after blending it in a calculated ratio when the GCVs of the coal vary to meet the design GCV before firing in the boilers. The private generating companies cannot estimate the price and calorific value of the coal when it is not sure when and from which source (mines having different declared GCVs) and mode (rail/road) the FSA coal or non-FSA coal will be supplied to the power station. Any guesstimation of price and calorific value of coal before the actual receipt of coal could be highly erroneous and lead to unnecessary lower scheduling of the power station. The current system of merit order dispatch by RLDCs/SLDCs based on the last month's ECR which is based on wtd. avg. landed price of coal & wtd. avg. GCV of coal received from all sources (FSA and non-FSA coal) at the station during the month is presently working fine. The current CERC/SERC Tariff Regulations which provide for declaration of availability based on the availability of coal without distinguishing the FSA coal Vs. Non-FSA coal is more appropriate at this stage. The new proposed system of declaration of availability should not be implemented in the tariff period 2019-24 until the coal scarcity is over in the country and the model FSA is amended by the Coal India Board such that the coal companies are able to supply FSA coal of at least 100% ACQ level without other glitches such as insufficient railway wagons and further sufficient quantity of non-FSA coal is easily available at prices comparable to FSA coal to the private generating companies.

Comments on Regulation 59 E Auxiliary Energy Consumption:

A new proviso needs to be inserted in Regulation 59E:

Provided that in case a generating station is supplying power to the beneficiaries in accordance with these regulations and has commissioned a dedicated transmission line, then the Auxiliary Energy Consumption shall be increased by the transmission line loss as provided in the CERC (Rates, Charges and Terms and Conditions for use of intervening Transmission Facilities) Regulations, 2010 depending upon the voltage and line length of the dedicated transmission line to compensate for the dedicated transmission line loss incurred by the generating station provided that the Energy Accounting of the generating station is based on the metering system installed at the electrical boundary of the regional entity and not at the switchyard bus-bar of the generating station.

Rationale for insertion of above provision:

The above shall compensate those generating stations who initially had started long term supply of power to the beneficiaries with LTA granted on LILO point and later had to commission their dedicated transmission line due to direction of this Hon'ble Commission. Now, after commissioning of their dedicated transmission line, the metering point has shifted from the earlier switchyard bus-bar to the electrical boundary of the regional entity at the PGCIL ISTS Pooling Station. The monthly energy accounting is now done at the regional periphery (at the point where the dedicated transmission line terminates to the ISTS Pooling Station) whereas the regulated Tariff of the generating station is determined ex-bus bar of the generating station. Thus, presently, there is under recovery in tariff to the extent of dedicated transmission line loss which the generating station has to incur (of approx. 0.75%) as its injection point has shifted from the earlier switchyard bus-bar to the ISTS pooling station. In case this anomaly is not corrected, the generator will continue to incur transmission line loss of approx. 0.75% for 25 years (life of the project and term of the PPA). Therefore, it is suggested to incorporate the above stated Proviso as a compensation to the generator due to change of metering point pursuant to the direction of Hon'ble Commission.

Comments on Regulation 66. Recovery of Statutory Charges:

The PPA signed between the generating company and the beneficiaries provides for reimbursement of electricity duty and water charges on actuals on submission of proof for payment to the State Government bodies. The statutory charges such as electricity duty and water charges/cess is levied by the State Govt. based on the actual auxiliary consumption or actual water consumption of the Unit/power station. In case the electricity duty is computed based on normative auxiliary energy consumption of the generating station and is accordingly billed to the beneficiaries, then the beneficiary should not insist on the proof as well as payment made by the generating station to Govt. authorities. Further, the Hon'ble Commission has also allowed compensation in Gross Station Heat Rate and Auxiliary Energy Consumption in the event of backing down by the Beneficiaries below the 85% normative PLF. In such circumstances, when the Unit/power station achieves a lower scheduled PLF due to backing down by the Beneficiaries, then the generating station will have to pay higher electricity duty due to higher auxiliary consumption whereas the billing to beneficiary if computed based on the normative auxiliary consumption would lead to under recovery for the generator. Similarly, the Water Resource Department (WRD) of many states have allocated water on annual basis with minimum monthly Charges for given monthly allotment. Even in case of shutdown of the Unit (during the Annual Overhaul) during the month, the minimum 90% of the amount specified in the water charges bills raised by WRD have to be paid by the generating station.

In view of the above, it is suggested that the recovery of electricity duty and water charges/cess not be linked with the normative parameters and instead be considered on actuals as reimbursement to the generating company by the beneficiaries after submission

of proof of payment made to the State Govt. authorities in proportion to their schedule dispatch during the month.

Comments on Regulation 69. Late payment surcharge:

As the overdues of the Discoms have increased in the last few years, it is suggested that the rate of Late Payment Surcharge should be retained at the same level of 1.50% per month as was specified in the CERC Tariff Regulations, 2014 instead of 1.25% per month specified in the draft Tariff Regulations.