ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION

In Case No. TP-72/16-17-COMPLIANCE

ORDER OF THE COMMISSION IN REGARD TO DIRECTIONS GIVEN IN THE TARIFF ORDER FOR THE YEAR 2017 - 2018.

PRESENT:
SHRI SUTIRTHA BHATTACHARYA, CHAIRPERSON
SHRI DURGADAS GOSWAMI, MEMBER
SHRI PULAK KUMAR TEWARI, MEMBER

DATE: 02.03.2020

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1. In the tariff order for the year 2017 – 2018 in respect of CESC Limited, the Commission, inter-alia directed CESC in paragraph 8.23 of the order as follows:

"8.23 CESC is further directed to submit the following sets of information, in absence of which the Commission is seriously constrained to deal with the APR petitions for the year 2013-14 onwards filed by CESC. In this connection, it is pertinent to mention that CESC was asked to furnish these documents on several occasions, but complete details are yet to be made available by them to this Commission. The particulars required to be furnished are given below:

A) For arriving at the price of washed coal:
   i) Input cost of raw coal.
   ii) Yield % of raw to washed coal with relevant documents.
   iii) Washing charge based on Capital invested in washery and relevant supporting documents.
   iv) Other charges relevant for pricing of the washed coal upto the end consumption point i.e. CESC Budge Budge plant.
   v) Quality of washed coal in terms of GCV, ash content (%) and total moisture.

B) Copy of Power Purchase Agreement between Crescent Power and other generator/traders from whom CESC has been procuring power for their licensed areas.

C) Balance Sheet, Profit & Loss account with necessary schedules for the areas pertaining to mining & washery for last 5 years (2012-13) onwards.

D) Documents on quality of coal of their captive mine located at Sarisatoli and GCV of such coal raised by them, duly certified by the appropriate/competent authority.

E) A declaration to the effect that quantity of coal consumed in Metric Ton is not less than procurement, with relevant document after adjusting and taking care of opening and closing stock."
Order of the commission in regard to directions given in the tariff order for the year 2017 - 2018

All such inputs shall be furnished by CESC within 30 days of issuing this order, failing which the Commission will have no other alternative but to follow:

a) The bench mark cost/price followed in respect of similar activities for washed coal;

b) The GCV as has been documented in the mining plan/other documents earlier furnished by CESC to this Commission; and/or impose penalty/take further appropriate action, at the time of disposal of APR petitions of CESC for 2013-14 onwards.

Unquote

2. CESC Limited submitted the documents as sought for in paragraphs (B), (C), (D) and (E) above. CESC Limited also submitted the information / data regarding washed coal as sought for in (A) above.

OBSERVATIONS

3. It is seen that CESC has complied with the directives issued in the tariff order for 2017 – 2018 and impact on tariff for washed coal is within the range of 0.69% to 0.82% in 2013 – 2014.

4. It is found from the information / data furnished by CESC Limited regarding washed coal that the washing of coal from their captive mines at Sorisatolli is a mandatory requirement as per directions of the Pollution Control Board and this Commission has no jurisdiction to take any other decision regarding washing of coal. The cost of washing by CESC Limited and its consequent impact on the cost of power has been compared with similar activities of other utilities and found to be economic. Moreover, the tariff impact is insignificant.

5. It is noted that the washability is a characteristic of the coal and varies from mine to mine. Under Government of India guidelines, the coal is to be washed if it contains more than 34% ash and is to be transported beyond 500 K.M. By that guidelines, washing of coal should not have been essential in the case of CESC because of the distance being less than 500 K.M. However, in the case of CESC, washing has been made mandatory by WBPCB for running Budge Budge generating station. It is another issue that across the world other than in India, the coal is not sold without being sized and washed.
6. Another issue is that CESC buys power almost continuously but on short term procurement basis from Crescent Power. In 2013 – 2014 since power procurement price from M/s Crescent is less than the CESC’s purchase price of power from WBSEDCL on long term PPA, such procurement comes within the ambit of the regulation 7.5.2 of the Tariff Regulations, 2011.

7. However, from Regulators perspective continuous procurement of power from a source on short terms basis is imprudent. The Government of India has given clear guidelines on procurement of power by distribution licensees. Mid-term or long-term power procurement should be through competitive bidding using standard bidding documents and the power on short term basis should be procured through participation in DEEP portal.

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8. In view of the above observations, the Commission directs that CESC Limited shall,

a) Start procuring power only through the process as prescribed by the Government of India in a transparent manner;

b) Evolve a transparent mechanism of disposal of the rejects duly following extant guidelines; and

c) Submit report of compliance on the points as above to the Commission within 90 days of the date of issue of the order.

The Commission further directs CESC to note that any non-compliance will entail –

i) Disallowing of the cost of power procurement in future APR order covering the period of violation; and

ii) Imposition of penalty as per the provisions of the Electricity Act, 2003.