Ref No: PEG/2023/08

Before the Maharashtra Electricity Regulatory Commission, Mumbai

Rejoinder in Case no: 227 of 2022
Date: 2nd February 2023

REJOINDER BY PRAYAS (ENERGY GROUP)

The public hearing on MSPGCL's MTR petition for the control period FY20-FY25 (Case 227 of 2022) was held on 31st January 2023. In response to matters discussed as part of the hearing, Prayas (Energy Group) has the following additional comments:

1. Regarding coal quality:

During the public hearing, MSPGCL stated that it is taking steps toward more thorough and comprehensive sampling to better determine the coal quality as billed. It is understood that MSPGCL is pursuing the dispute resolution mechanism as provided in the FSA and exploring other avenues such as approaching relevant ministries towards addressing this issue. We request the Commission to direct MSPGCL to make public the related correspondences and credit notes of these measures as they are crucial to ensure coal quality. If these measures fall short, as MERC has suggested in Para 29 of Order 112 of 2022 and as MSPGCL has done in the past, it can consider legal recourse, such as representation to the Competition Commission of India to address challenges in procuring coal of agreed upon quality.

However, since the responsibility of coal procured transfers completely to MSPGCL at the loading point, according to Para 7 of the FSA signed by MSPGCL, we request MERC to disallow any variation in GCV between loading and unloading points beyond the extent mentioned in the MYT 2019 regulations.

2. Status of compliance to non-SOx norms:

As per the September 2022 amendment of the MoEFCC Environment (Protection) Rules, category A thermal plants were required to comply with the non-SOx emission norms by 31st December 2022 though they have two extra years to comply with SOx emission norms. In MSPGCL's TPP fleet Khaparkheda, Koradi, and Nashik fall into this category. A penalty (environmental compensation) of Rs. 0.2/kWh is applicable for non-compliant generation for six months beyond the stipulated deadline. As shown in table 1, if MSPGCL's category A plants are non-compliant to the other norms, penalties of about Rs. 40 Crore have already accrued on MSPGCL by 30th January 2023.

Table 1. Penalty impact of MSPGCL's category A TPPs if not compliant

Category	TPP	Capacity (MW)	Generation up to Jan 30, 2023 (MU)	Deadline for non-retiring units to comply with non-SOx emission norms	Non-compliant operation beyond timeline	Penalty accrued up to Jan 30, 2023 (Rs. Crore)
A	Khaparkheda	1340	651.98	31st Dec 2022	0-180 days	13
A	Koradi	2400	1203.7	31st Dec 2022	0-180 days	24.1
A	Nashik	630	196.61	31st Dec 2022	0-180 days	3.9

Source: Prayas (Energy Group) compilation based on CEA generation reports and MoEFCC Environment (Protection) Second Amendment Rules, 2022

It is unclear if MSPGCL's category A TPPs are currently adherent to the revised environmental norms and the extent of applicability of penalty is also unknown. Therefore, we submit that the Commission

- direct MSPGCL to publicly report station-wise, month-wise status of compliance and penalty levied on account of non-compliance on its website.
- direct MSPGL to ensure that its category A TPPs comply at the earliest if they are non-compliant, and other plants to comply before their respective deadlines to minimise financial impact on MSPGCL
- ensure that such costs on account of penalties for non-compliance to the revised environmental norms are not passed on to consumers.

3. FUP formats:

The FUP is useful towards tracking contracted coal and alternative sources. However, the current FUP format does not track the expected quality of the coal procured. Tracking this would bring clarity to this often disputed matter. The revised suggested format for FUP is included as Annexure 1. We request the Commission to accept these additions and direct MSPGCL to publish the requisite data on their website on a monthly basis, in accordance to the suggested format.

4. Tracking overdue amounts:

As discussed in Section 5 of our main submission dated 19th January 2023, a significant amount is overdue from MSEDCL to MSPGCL. As per CIL data[1], sometimes, the reason for short supply of coal to MSPGCL is on account of dues owed by MSPGCL. Such dues beyond the permitted period impact MSPGCL's working capital and its ability to generate and is therefore important to track. The suggested format to do so is included in Annexure 2. We request MERC to direct MSPGCL to publish this information in the suggested format on a quarterly basis on its website.

5. High generation projections:

At the public hearing, MSPGCL stated that they could meet over 95% of MSEDCL's demand from them in FY22 and have hence used optimistic availability values for the future. However, the projected generation from MSPGCL's coal fleet as per the petition is well in excess of MSEDCL's projected power purchase from MSPGCL's total generation as given in Order 322 of 2019, for the remaining control period, which is clearly irrational. This is shown in table 2.

Table 2. MSPGCL coal-based generation vs. MSEDCL projected MSPGCL power purchase

(MU)	FY22	FY23	FY24	FY25
MSEDCL projected power purchase from MSPGCL total	49106.4	48582.5	48054.4	48112.6
MSPGCL coal-based generation	47919.7	61701.6	70736.2	70736.2
MSPGCL generation in excess of total MSEDCL demand	-	13119.1	22681.8	22623.6

Source: Prayas (Energy Group) compilation based on MERC Order 322 of 2019 and MSPGCL petition in Case 227 of 2022

As it has done in past orders, we submit that Commission should disallow unrealistic considerations of availability and PLF and direct MSPGCL to adopt realistic, analysis-based projections for the remaining control period.

[1] For example, see:
https://www.coalindia.in/media/documents/Status_of_coal_stock_at_Power_Plant_dated_25.06.2022.pdf

6. Scrutiny of import and washed coal procurement:

Imported coal impacts the finances of MSPGCL and, as elaborated in Section 2 of PEG's main submission to MSPGCL's petition in Case 227 of 2022, MSPGCL could accrue significant savings in revenue requirement by avoiding the high amounts of imported coal procurement projected in the remaining control period. MSPGCL, during the hearing, stated that it would limit its procurement of imported coal to 6% by weight for blending as mentioned in MoP letter dated 9th January 2023. However, even with this, there will be significant cost impacts[2]. Given that it is unclear whether MoP's letter is legally binding on MSPGCL and whether even 6% imports will be required, we request the Commission to strictly scrutinise the need for procurement of imported coal, and approve such procurement after due prudence checks.

Similarly, if MSPGCL can fulfil its responsibility of maintaining coal quality as billed, the need for washed coal becomes questionable, as the quality of washed coal as shared by MSPGCL in its response to PEG's original submission is comparable to the as-billed quality of coal procured by it. Therefore, we request the Commission to approve the cost of washed coal subject to due prudence checks.

Maria Chirayil and Ashok Sreenivas
Prayas (Energy Group), Pune

Place: Pune
Date: 2nd February 2023

---

[2] https://www.crisil.com/en/home/newsroom/press-releases/2023/01/blending-order-to-raise-discom-cost-by-rs-11000-cr-in-h1-next-fiscal.html

Annexure 1

<table>
<tr><th rowspan="2">Name of the unit</th><th rowspan="2">Month</th><th colspan="3">Fuel Requirement of the unit (MT/MCM)</th><th colspan="6">Details of Contracted Source</th><th colspan="3">Alternate Arrangement in case of Shortage</th><th rowspan="2">Plan for Swapping of Fuel Source for Optimizing Cost</th><th rowspan="2">Net Cost Savings in Variable cost after optimum Utilisation</th></tr>
<tr><th>Raw Coal</th><th>Washed Coal</th><th>Imported Coal</th><th>Name of Source</th><th>Annual Contracted Quantity</th><th>Expected Coal Quality</th><th>Variable cost/unit</th><th>Estimated Availability</th><th>Expected Shortage</th><th>Name of Alternate Source</th><th>Expected Rate of Alternate Source</th><th>Impact on Variable Cost per unit</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Annexure 2

Entity	Undisputed amount overdue to(+)/from(-) MSPGCL(Rs. Crore)	Disputed amount overdue to(+)/from(-) MSPGCL (Rs. Crore)