



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO:

FPPCA – 35 / 09 – 10

**IN RE APPLICATIONS OF THE WEST BENGAL
POWER DEVELOPMENT CORPORATION
LIMITED FOR AD HOC INCREASE OF THE FUEL
COST INBUILT IN THE EXISTING TARIFF FOR
THE YEAR 2009- 2010 IN ACCORDANCE WITH
REGULATION 2.8.7.3 OF THE WEST BENGAL
ELECTRICITY REGULATORY COMMISSION
(TERMS AND CONDITIONS OF TARIFF)
REGULATIONS, 2007, AS AMENDED.**

DATE: 25.11.2009



CHAPTER – 1 INTRODUCTION

- 1.1 The West Bengal Power Development Corporation Limited, (hereinafter referred to as “WBPDCCL”) has submitted an application to the West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”) on 15 September, 2009, praying for an ad hoc increase of the fuel cost inbuilt in the existing tariff for the financial year 2009 – 2010 in terms of regulation 2.8.7.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007, as amended (hereinafter referred to as the “Tariff Regulations”). It has been submitted that the inadequacy of coal supply, both in quality and quantity, by the subsidiaries of Coal India Limited (in short “CIL”) through the Fuel Supply Agreement (in short “FSA”) is resulting in considerable shortfall in the target generation of electricity in its different power stations in operation. The Ministry of Coal, Government of India, issued notes of cautions in this respect on several occasions and finally directed for meeting up such shortfall in supply of coal by CIL by way of procurement through e-auction / import. WBPDCCL had earlier apprised the Commission of the situations being faced by it on account of such short supply of coal, vide its letter no. WBPDCCL/WBERC-12/09/47 dated 9 February, 2009, requesting for granting ‘in principle’ clearance for the procurement of coal through import to bridge the gap between requirement and available supply from the indigenous sources. ‘In-principle’ clearance, as requested for by the WBPDCCL, was given by the Commission, vide its letter no. WBERC/B-2/4/1560 dated 13 February, 2009, subject to the condition that overall fuel cost does not increase by more than 10%.
- 1.2 In the meantime the Eastern Coalfields Limited (in short “ECL”), a subsidiary of CIL and one of the suppliers of coal to the generating stations of WBPDCCL, had introduced a new policy under which supply of superior grades of coal (i.e. A and B grades) from its underground mines would be only at a negotiated price (almost double the price notified earlier).
- 1.3 The situations arising on account of the non-availability of requisite coal supply, in both quality and quantity, from the different indigenous sources through the FSA route was also considered by the Government of West Bengal. In its Memorandum No. SP-1520/09 dated 6 May, 2009, issued in the public interest and in exercise of the power conferred by Section 11(1) of the



Electricity Act, 2003 (in short the "Act"), the Government of West Bengal directed WBPDC to ensure optimal generation of their plants against available capacity and, for that purpose, procure superior quality thermal coal from other available sources including imports following a bidding process and through negotiations with subsidiaries of CIL, to balance the supply shortfalls.

- 1.4 Finding no other alternative source and option, WBPDC had to enter into an arrangement with ECL, in the line as was done by other generating companies, and sign a Memorandum of Understanding (in short "MOU") accordingly for getting supply of A and B grades of coal. Moreover, WBPDC had to resort to import of superior grades of coal following the direction given by the Ministry of Power, Government of India and the Government of West Bengal as referred to above. The estimated prices for getting supply of superior grades of coal through MOU route and import works out to Rs. 5200.00 per tonne and Rs. 4380.00 per tonne respectively.
- 1.5 During the pendency of the above referred application of WBPDC, CIL revised the prices of different grades of coal with effect from 16 October, 2009, whereby the average prices of applicable coal categories increased by about 11% to 15%. WBPDC, therefore, has submitted another application on 22 October, 2009 with the request to consider the effect of the referred hike in the administered prices of coal also along with the price hike as referred to in the application submitted by it on 15 September, 2009. The Notification No. CIL.S&M:GM(F):Pricing/1181 dated 15 October, 2009 issued by the CIL has been referred to by WBPDC in this regard.
- 1.6 Such a hike in the price of coal due to a significant change in the policy by the ECL for the supply of requisite superior grades of coal, the necessity of depending on the import and purchase of coal through MOU route at such higher rates as well as due to considerable upward revision of the prices of coal across all the grades by the different subsidiaries of the CIL was not envisaged when the Aggregate Revenue Requirements (in short "ARR") of different power stations of WBPDC were determined by the Commission for



the year 2009 – 2010, vide its order dated 26 September, 2008 in Case No. TP-39/08-09.

1.7 As a result of the development as explained above in paragraphs 1.1 to 1.5, there is a considerable hike in average price of coal due to the following reasons:

- i) necessity of depending on import of coal at higher prices as per the policy decision of the Government of India and direction of the Government of West Bengal;
- ii) purchase of superior grades of coal at much higher prices than the administered price under FSA route through negotiation in MOU route; and
- iii) hike in notified coal price for all the grades of coal by the different subsidiaries of the CIL.

1.8 After careful consideration of all the related aspects, the Commission feels that such a sharp rise in the prices of coal will result in a significant upward adjustment in the current tariff through the Fuel Cost Adjustments (in short "FCA"). The accumulation of the resultant effect till the time FCA falls normally due would be against the interest of the energy recipients as well as the generating company, as cash flow crunch will ultimately affect the company's operational effectiveness and survival and ultimately will affect the interest of the consumers also. Moreover, such accumulation may result in need of higher amount of working capital loan which will further increase the tariff in future. As per the provision made in section 11(2) of the Act, the Commission also feels it prudent to offset the adverse financial impact of the direction given by the State Government under section 11(1) of the Act as referred to above. The Commission, therefore, in terms of regulation 2.8.7.3 read with regulation 4.8.8 of the Tariff Regulations, considers it a fit case for allowing an ad hoc increase of the fuel cost provisionally subject to final adjustment of the same in the FCA of 2009-2010. The rates of above fuel cost



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should be based on a rational estimate without diluting any of the fuel consumption norms and other operational efficiencies considered for the respective power stations of WBPDCCL in the tariff order dated 26 September, 2008 of the Commission in respect of Tariff Application for the years 2008-09, 2009-10 and 2010-11 in Case No. TP-39/08-09 This aspect is being examined in the next part of this order.



CHAPTER – 2

ESTIMATION OF THE RATE OF AD HOC RECOVERY OF ADDITIONAL FUEL COST

2.1 Major changes in the policy in regard to supply and pricing of coal by the subsidiaries of the CIL, have necessitated WBPDCCL to find alternative sources of import and coal purchase through MOU route in addition to the existing FSA route of linkage allocation, as highlighted in the previous part of this order. The Commission, therefore, feels that a reasonable hike in the fuel costs of different power stations of WBPDCCL has become inevitable. After due consideration of all the related aspects and based on certain information, as provided by WBPDCCL, the Commission is set to arrive at the reasonable rate of such hike in the fuel costs separately for each of the old power stations / units at Kolaghat, Bakreswar (Units I to III), Bandel and Santaldih (Units I to IV). The detailed computations in this regard are given in Annexure 2A. A perusal of the same will reveal the following points.

- i) no dilution in the operational efficiency norms as were considered in the tariff order has been allowed;
 - ii) average Heat Value (UHV) of coal for each of the power stations has been assessed based on the grade mix of coal now being considered to be available; and
 - iii) the weighted average prices of coal for the power stations have been considered with reference to estimated cost of import, change in the pricing policy of superior grades of coal based on the negotiated price in MOU route and the latest upward revisions in the price of coal by the subsidiaries of the CIL through FSA route.
- 2.2 The total additional fuel cost as will be required for realization by WBPDCCL, separately for each of its old power stations considering full year impact, from its energy recipients works out as under:



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Rupees in Lakh

Power Station	Fuel Cost as allowed in the Tariff Order	Revised Fuel Cost	Additional Fuel Cost
Kolaghat	98652.61	141817.46	43164.85
Bakreswar (Units I to III)	45386.63	66658.64	21272.01
Bandel	33490.60	39724.87	6234.27
Santaldih (Units I to IV)	20627.75	28696.86	8069.11
Total	198157.59	276897.83	78740.24

- 2.3 The unit rate of ad hoc increase of the fuel cost for different power stations (old units) of WBPDCCL will be as under:

Power Station	Quanta of Ex-bus Supply (Million Units)	Additional Fuel Cost (Rs. in Lakh)	Rate of Ad hoc increase of Fuel Cost (Paise / kWh)
Kolaghat	7152.365	43164.85	60.35
Bakreswar (Units I to III)	4017.686	21272.01	52.95
Bandel	2153.337	6234.27	28.95
Santaldih (Units I to IV)	1331.686	8069.11	60.59

- 2.4 In regard to new generating units at Sagardighi, Bakreswar (Units IV & V) and Santaldih (Unit V), WBPDCCL asked for an average increase of 61.00 paise / kWh as ad hoc fuel cost over the existing rate of 111.31 paise / kWh. It is to be noted that the cost of fuel to be incurred during the pre-commercial operation periods of the referred units and the incomes to be derived by the sale of infirm power during that periods require to be adjusted in the capital construction costs and as such are not to be charged to the revenue accounts. The existing rate of recovery was provisionally allowed subject to final adjustment on fixation of electricity tariff for the referred units on submission of required audited information / data. In this regard, the Commission's directives for adjustment, if any, for purchase of power by WBSEDCL from any of the new units of WBPDCCL



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shall be effected only after tariff for each of those new units is determined by the Commission. The paragraph 8.5 of the Tariff Order dated 26 September 2008 in Case No. TP-39/08-09 may be referred to in this regard. The Commission, therefore, does not allow any hike in the existing rate of recovery till the time tariffs for the new units of WBPDCCL are determined by the Commission on submission of tariff applications by WBPDCCL for the respective new units in this regard.



ITEM	UNIT	FUEL COST OF DIFFERENT GENERATING STATIONS OF WBPDCCL FOR THE YEAR 2009 - 2010							
		FUEL COST OF KOLAGHAT THERMAL POWER STATION		FUEL COST OF BAKRESWAR THERMAL POWER STATION		FUEL COST OF BANDEL THERMAL POWER STATION		FUEL COST OF SANTALDIH THERMAL POWER STATION	
		ADMITTED	REVISED	ADMITTED	REVISED	ADMITTED	REVISED	ADMITTED	REVISED
Generation	MU	7947.072	7947.072	4415.040	4415.040	2404.620	2404.620	1497.960	1497.960
Auxiliary Consumption Rate	%	10.00	10.00	9.00	9.00	10.45	10.45	11.10	11.10
Auxiliary Consumption Rate	MU	794.707	794.707	397.354	397.354	251.283	251.283	166.274	166.274
Ex-Bus Generation	MU	7152.365	7152.365	4017.686	4017.686	2153.337	2153.337	1331.686	1331.686
Station Heat Rate	Kcal/kwhr	2725.00	2725.00	2560.00	2560.00	2955.00	2955.00	3150.00	3150.00
Total Station Heat	M.Kcal	21655771.20	21655771.20	11302502.40	11302502.40	7105652.10	7105652.10	4718574.00	4718574.00
GCV of Oil	Kcal/lit	9200.00	9200.00	9475.00	9475.00	9226.37	9226.37	9400.00	9400.00
Specific Oil Consumption	MI/kwh	2.10	2.10	1.50	1.50	3.00	3.00	3.75	3.75
Oil Consumed	KL	16688.851	16688.851	6622.560	6622.560	7213.860	7213.860	5617.350	5617.350
Average Price of Oil	Rs/KL	46108.46	46108.46	47733.96	47733.96	46717.25	46717.25	46867.82	46867.82
Cost of Oil	Rs(Lakh)	7694.97	7694.97	3161.21	3161.21	3370.12	3370.12	2632.73	2632.73
Heat generated from Oil	M.Kcal	153537.43	153537.43	62748.76	62748.76	66557.73	66557.73	52803.09	52803.09
Heat generated from Coal	M.Kcal	21502233.77	21502233.77	11239753.64	11239753.64	7039094.37	7039094.37	4665770.91	4665770.91
Heat value of Coal	Kcal/Kg	4221.02	3968.75	4703.83	4502.83	4997.34	4741.73	4998.88	4324.27
Coal required	MT	5094080.65	5417887.86	2389490.78	2496154.39	1378082.61	1484500.13	933363.26	1078972.25
Coal required with Transit Loss	MT	5171655.47	5486468.72	2413627.05	2521368.07	1395526.69	1503291.28	945177.98	1092630.13
Weighted Average Price of Coal	Rs/MT	1758.77	2444.61	1749.46	2518.37	2111.65	2418.34	1903.88	2385.45
Cost of Coal	Rs. (Lakh)	90957.64	134122.49	42225.42	63497.43	30120.48	36354.75	17995.02	26064.13
Total Cost of Fuel	Rs. (Lakh)	98652.61	141817.46	45386.63	66658.64	33490.60	39724.87	20627.75	28696.86

The revised heat value of coal in Kcal/kg and the Weighted Average Price of coal in Rs./MT for different generating stations have been computed on the basis of information, submitted by WBPDCCL in their petition, regarding gradewise quantity of coal, gradewise UHV and gradewise price of coal for each of the generating stations



CHAPTER – 3 ORDERS

- 3.1 In consideration of the facts as brought out in the foregoing chapters, the Commission decides to allow WBPDCCL for recovery of additional ad hoc fuel cost from WBSEDCL subject to final adjustment in determination of FCA for the year 2009 – 2010 at a rate as given in the following table:

Sl. No.	Power Station	Rate (Paise / kWh)
1	Kolaghat	60.35
2	Bakreswar (Unit I to III)	52.95
3	Bandel	28.95
4	Santaldih (Unit I to IV)	60.59

- 3.1.1 Such ad hoc additional recovery at the rate as stated above will be effective from the consumption month of November, 2009 and will continue till the time the tariffs for the year 2010 – 2011 are determined.
- 3.1.2 As a part of the financial year 2009 – 2010 is already over by this time, the admissible amounts of ad hoc fuel cost for the past period of 2009 – 2010 are not being allowed to be recovered now and recoverable amount, if any, for this period will be considered while determining the final FCA for the year 2009 – 2010.
- 3.1.3 The ad hoc increase of the fuel cost allowed for each power station of WBPDCCL as mentioned in the table under paragraph 3.1 above, shall be added to the energy charges of 2009 – 2010 as mentioned in the tariff order for the purpose of merit order despatch decision to be taken by the SLDC / ALDC of WBSEDCL. The effective energy charge after considering the above are given in the following table:

