

To  
The Secretary  
Telangana State Electricity Regulatory Commission  
5<sup>th</sup> floor, Singareni Bhavan, Red Hills  
Hyderabad - 500 004

October 12, 2023

Respected Sir,

**Sub : Submissions in OP Nos. 25 and 26 of 2023 of Singareni Collieries Company Limited relating to its capital investment plan and business plan for Singareni thermal power project for the period FY 2024-25 and 2029-29**

With reference to the public notice on the subject issues, we are submitting the following points for the consideration of the Hon'ble Commission:

1. SCCL is not a licensee of the Hon'ble Commission. As such, business plan and capital investment plan of SCCL are not within the purview of the Hon'ble Commission. As and when PPAs are entered into with SCCL by TSDISCOMs and submitted to the Hon'ble Commission for its consideration, the latter examines the same after holding public hearings and gives its orders. The Hon'ble Commission determines permissible capital cost and tariff for the power plant concerned in the regulatory process, considering applicable regulations and norms. Business plan and capital investment plan of SCCL are an internal matter of the utility and the Hon'ble Commission has nothing to do with it. In other ERCs, especially in APERC, there is no such regulation providing for submission of business plan and capital investment plan of APGENCO for the consideration of the Commission. The clause in TSERC Regulation 1 of 2019 providing for the said arrangement is unwarranted and without jurisdiction for various reasons. Similarly, TSDISCOMs have nothing to do with business plan and capital investment plan of SCCL and vice versa in terms of the regulatory process of the Hon'ble Commission. Similar is the case with private power generation companies with whom TSDISCOMs enter into PPAs and the Hon'ble Commission has nothing to do with business plan and capital investment plan of those private power generation companies. As such, the Hon'ble Commission is once again requested to examine the legal position and dispense with the questionable provisions in its regulation concerned which is providing for submission to and consideration of business plan and capital investment plan of SCCL by the Hon'ble Commission. The Hon'ble Commission is considering long-term load forecast, procurement plan and investment plan of TSDISCOMs and TSTRANCO as its licensees and issuing multi-year tariff order for transmission business and distribution business, after holding public hearings, for the control period concerned. There is no such arrangement in the case of TSGENCO relating to its plans for adding installed capacity, except considering renewal of its PPAs with TSDISCOMs periodically, considering all relevant factors, as decided by the Hon'ble Commission in its orders. The same holds good in the case of SCCL also.

- 2. Even while admitting that applicability of the said Regulation of the Commission was not extended beyond the current control period of 2019-24, SCCL has referred to filing of capital investment and business plans of TSGENCO for the next control period and acceptance of the same by the Commission and holding public hearing thereon. In view of the same, SCCL has submitted that based on the presumption that applicability of the said regulation is being extended for the next control period, it has submitted the subject plans to the Hon'ble Commission.**
- 3. Except for the year 2024-25 for which a PLF of 81.43% for the second unit of STPP (600 MW) is projected, SCCL has projected a PLF exceeding the threshold level for both the units for all the years of the next control period. We request the Hon'ble Commission to take into consideration threshold level of PLF as approved by it only into consideration. Whether generation exceeding the threshold level of PLF is to be considered for taking the same should be left to the discretion of the TSDISCOMs, depending on their requirement periodically, especially in view of the principle of merit order dispatch coming into play when abnormal quantum of surplus power is projected to be available during the next control period.**
- 4. SCCL has requested the Hon'ble Commission to consider normative auxiliary energy to 6.25% in line with the norms of CERC for 600 MW units, even while submitting that during the last four financial years, the recorded auxiliary consumption of the subject project ranges from 5.83% to 6.12%. It confirms our contention over the years that the normative parameters being determined by the ERCs for generation of power are very much liberal, providing for concealed profits, thereby imposing avoidable burdens on consumers of power. We have been submitting repeatedly over the years that normative parameters should be prescribed with the rider that normative parameter or actual performance whichever is lower shall be applicable. We once again request the Hon'ble Commission to consider the point accordingly. The yearly variations in actual percentage of auxiliary consumption of power by the subject project confirms that the performance is not consistent due to unexplained factors and that there has been no special efficiency due to measures being taken by the project.**
- 5. As a result of flue gas de-sulpherization (FGD) plant to meet emission standard as per applicable environmental stipulation after obtaining in principle approval from the Commission, and commissioning of the FGD plan in August, 2024 as expected, SCCL has estimated that there would be 1% additional auxiliary consumption to run its different systems. Nevertheless, that SCCL has requested the Hon'ble Commission to consider auxiliary consumption, including for the FGD plant, at a rate of 6.75% shows that the additional auxiliary consumption is considered 0.5% only. Here, too, we request the Hon'ble Commission to examine the auxiliary consumption required for running a FGD plant based on experience elsewhere and determine a normative parameter accordingly, with the rider that normative parameter or actual performance whichever is lower shall be applicable.**

6. Projection of generation by the two units of the subject project made by SCCL for the next five years shows an increasing trend from 9331.2 MU during 2024-25 to 9607.68 MU for the remaining years, except 9635.328 MU for 2027-28. We request the Hon'ble Commission to consider availability of power from the two units as per threshold levels of PLF for the reasons explained above.
7. It may be noted that the period required for overhauling is normally considered and based on that only the threshold level of PLF, not 100% PLF, is being determined. New plants can exceed threshold level of PLF for generation of power. Similarly, variations in approved capacity for generation within prescribed limits are being approved in techno-economic clearances given for the plants concerned. In other words, due to unforeseen forced outages of the plants, the resultant reduction in generation can be compensated by achieving higher PLF, exceeding threshold level of PLF, and higher generation due to the above-mentioned factors. Therefore, we request the Hon'ble Commission to consider generation at threshold level of PLF only.
8. SCCL has projected a capital investment of Rs.1090 crore for the next five financial years, with the proposed investment for the year 2024-25 as Rs.889 crore. Out of the total CIP, the lion's share of Rs.844 crore pertains to FGD system, in-furnace modifications for Nox mitigation and operation and maintenance of modules, Rs.240 crore for railway works and Rs.6 crore for township civil works. The basis for the estimates is not explained by SCCL. SCCL has submitted that approval for FGD and furnace modification for NOx were already given by the Hon'ble Commission in its order dated 28.8.2020, that the works of FGD for STPP was awarded to PES Engineering Pvt. Ltd. on 28.12.2021 and that the work is under progress scheduled to be completed in August, 2024. Based on market trends and ensuring real and transparent competitive bidding, ensuring as wider a participation of bidders as possible in the bidding, the proposed works and purchase of materials need to be taken up. Without that, the basis for the proposed capital investment and approval, if given, for the same cannot be understood. In other words, prudence check and regulatory process of the Hon'ble Commission should play a crucial role in ensuring real, wider and transparent competitive bidding, with required terms and conditions, to ensure prudence in expenditure. SCCL has maintained that it is difficult to project the actual capital expenditure for 2024-29 and as such it has sought the permission from the Commission to submit these expenditures during mid-term review and end of control period review for its consideration. Then what is the purpose of submitting the subject plans now to the Hon'ble Commission?
9. SCCL has maintained that it is observed from the past experiences that it is utmost important to keep necessary capital spares, which are prone to failure, available during the coming control period for successful execution of generation plan. When such equipment fails, original equipment manufacturer (OEM) requires a time of around one year either to supply a new one or at least four months for refurbishment, it has explained. If such failures take place, apart from replacement

cost, the project cannot be run for six months to one year, thereby causing loss of fixed charges, etc., to SCCL and non-supply of power from the project to TSDISCOMs, forcing the latter to go in for market purchases of power at higher costs, SCCL has explained. Therefore, it has submitted, it should be allowed to purchase one set of LP rotor and excited assembly which would cater to the needs of both the units of the project. SCCL has projected a capital cost of Rs.32 crore for 2023-25 and Rs.36 crore for 2025-26 for this purpose. SCCL has not explained whether there has been any warranty from the OEM when it placed and received the equipment, installed and running it, especially in view of the fact stated by itself that “these modules will definitely improve the plant availability not only for the coming control period but for the entire life of the plant.” Plant availability is one of the inherent aspects to be ensured by supplier of equipments, with an enforceable warranty. When SCCL claims that the said modules to be purchased afresh will definitely improve the plant availability for the entire life of the plant, i.e., for another 18 years till expiry of the PPA and even later, if the useful lifespan of the plant can be continued, presuming failures after a span of seven years from the year of COD looks self-contradictory.

10. Regarding capitalization plan for railway siding, SCCL has explained that to facilitate unloading of rakes from BOXN wagon installation of 2 numbers wagon tippler and laying track lines for wagon tippler are necessary. Once coal production from Naini block, Odisha, commences, it will be difficult to transport coal through BOBRN rakes, as railways prefer to transport coal through BOXN wagons only considering the travel distance, SCCL has maintained. When SCCL is taking up these works, it implies that efforts to get coal from its mines in Telangana to the subject proposal are given up in view of the adamant attitude and intransigence of the Modi government to the requests of SCCL and GoTS to allocate coal to the subject project from its mines in Telangana, which would save thousands of crores of Rupees in the long run by bringing such costs to a nominal level, besides avoiding the capital investment proposed by SCCL for the above works to the minimum level. It is despite the fact that the Hon’ble Commission had directed SCCL and authorities concerned in the GoTS long time back to get allocation of coal to the subject project from the mines of SCCL in Telangana. In other words, the continued Tuglaquian approach of the Modi government to continue allocation of coal from Naini block to the subject project, despite SCCL expressing its ability and readiness to supply coal from its mines in Telangana to its own subject project, after meeting requirements of allocations made to others, shows failure or inability of SCCL and GoTS to make the authorities concerned in the GoI to see reason and act reasonably. The result is that, consumers of power will continue to be saddled with avoidable burdens of costs of transportation of coal from Naini block and capital investment proposed by SCCL for the said railway works on a long-term basis. This is another glaring example of the Modi government harming the interests of the state of Telangana and its people.
11. SCCL has proposed a capital investment of Rs.6 crore for civil works for township. SCCL has projected profit after tax every year during the next control period

ranging from the highest Rs.428.07 crore for 2024-25 to the lowest Rs.373.37 crore for 2028-29. These civil works have nothing to do with generation of power. Cannot SCCL bear the proposed amount from its profits, instead of seeking to recover it, with interest, from consumers of the DISCOMs as a part and parcel of tariffs to be revised, if the said investment plan is approved by the Hon'ble Commission? This applies to TSGENCO also.

12. **In O.P.No.13 of 2023, TSDISCOMs have submitted that** the present coal price being paid to SCCL as a part of variable cost for the subject project is more than three times the coal price accepted as normative by the CERC, which is burdening the end consumer with additional cost. The DISCOMs have maintained that they are at the receiving end for the reason at the coal price being the fuel cost is a pass through and has to be paid for under the PPA. They have made it clear that cost of coal from Naini block as a captive mine for the subject project would be much less even after including the transportation charges. The coal cost of such coal mine is in accordance with the CERC Regulation and would be beneficial to the petitioners. Even after including transportation costs of coal from Naini block to the normative price determined by CERC, the cost of coal would be only 30% of the present cost being charges by SCCL, the DISCOMs have made it clear. The DISCOMs have criticised that the attitude of SCCL seems to be to enrich itself at the cost of the power consumers. It has not been making efforts to start production in the captive coal mine and draw coal for generation of power. Due to exorbitant fuel cost, the consumers of the power are being mulcted with unnecessary cost, the DISCOMs have made it clear. They have requested the Hon'ble Commission to regulate the price of coal used for the subject project as per the normative price determined in accordance with regulations of CERC. **It is obvious that SCCL, taking undue advantage of the anarchic policy of the Modi government of deregulating pricing of coal, has been abusing its position of monopoly by increasing the price of coal indiscriminately, as if it were doing so to recover in this manner the component of its claimed capital cost of the subject project disallowed by the Hon'ble Commission. Is SCCL increasing the price of coal being supplied to other allottees accordingly? What is the GoTS, which has a share of 51% in SCCL, doing to exercise its authority to bring round the Company to fix price of coal for the subject project reasonably?**
13. **SCCL has pointed out that a review petition is filed in the Commission, seeking revision upwards of the capital cost approved by the Hon'ble Commission in its order dated 23.3.2023. O.P.No.77 of 2022 filed by SCCL seeking true up of a hefty sum of Rs.782.18 crore for the period 2019-22 and revised tariff for 2022-24 is already pending before the Hon'ble Commission. A spree of claims for enhancing capital cost and seeking true up of hefty sums is being facilitated by the questionable and unwarranted clauses in the Commission's Regulation 1 of 2019. We once again request the Hon'ble Commission to examine such clauses before it considers the said Regulation for extending its validity and bringing about any changes to the same and take appropriate measures and decisions to curb claims for exorbitant increase in capital investments and expenditures, revision of tariffs and true up claims by generators of power with whom TSDISCOMs had and enter into PPAs. Otherwise, continued and repetitive claims of generators would lead to increasing burdens on**

consumers as a permanent process. We expect SCCL as a responsible and prestigious public sector utility to keep in mind larger public interest and need for serving the people in an efficient manner and act accordingly maintaining prudence in its decisions and actions.

14. We request the Hon'ble Commission to direct the TSDISCOMs to submit their responses to the subject petitions, if not already done so, and get the same uploaded in its web site. It is the responsibility of the DISCOMs to protect their interests, which, in turn, means interests of their consumers.
15. We request the Hon'ble Commission to consider the above submissions, among others, and take appropriate decisions to protect larger consumer interest.
16. We request the Hon'ble Commission to provide us an opportunity to make further submissions after receiving responses of SCCL to our submissions and during the scheduled public hearing.

Thanking you,

Yours sincerely,

**M. Venugopala Rao**  
Senior Journalist & Convener, Centre for Power Studies  
H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony,  
Serilingampally Mandal , Hyderabad - 500 032

Cell No.9441193749

Email : vrmummareddi@gmail.com

Copy to :  
Chief (E&M) Power Projects,  
SCCL.