

PRESS RELEASE

The news about the efficiency and competitiveness of Mahagenco thermal plant has been appearing in certain sections of the Media in the recent times. It would be necessary to understand various technical and commercial imperatives while evaluating the efficiency and competitiveness of any generating units.

Coal Quality Issues

The performance of any coal based power plant is majorly dependent on the quality of input coal. The poor quality of coal received, the unfair practices in sampling, the failure to supply the contracted quantity as per FSA and its resultant effect on performance has been repeatedly highlighted by MSPGCL since several years. MSPGCL's position stands vindicated both in the recent orders passed by Competition Commission of India (CCI) as well as the order of the Hon' Mumbai High Court. CCI has castigated and penalised CIL for abuse of its dominant position and imposition of unjust and unfair terms in FSA particularly in matter of sampling procedure on the customers. The CCI has ruled that CIL should modify the FSA to provide for fair and joint sampling and testing procedure and may consider sampling at unloading end. The High Court has ordered sampling through independent third party at both loading & unloading end. As per directives of High Court Order,

MSPGCL had appointed Central Institute of Mining & Fuel Research (CMFRI) to undertake the third party sampling, who's results have revealed that the ash content at both loading & unloading end on an average is around 45% as against the ash content of around 28% which has routinely been declared by CIL, which has been submitted to the Court. The GCV of coal as per the independent sampling on an average is around 3250 Kcal/kg, as against the GCV of around 4750 Kcal/kg as declared by the CIL based on loading end results. This grade slippage has a huge financial implication in terms of differential coal cost.

Tariff Competitiveness

Contrary to the general perception about high tariff of Mahagenco plants, the overall Tariff of MSPGCL as per latest tariff Order is only Rs 3.06 / unit. It would be pertinent to note that tariff largely depends on the cost of coal and transportation charges which in turn depends on the distance of the station from the coal mine. The tariff of 2340 MW Chandrapur TPS which contributes 30% of MSPGCL's total capacity, is only Rs. 2.59 / Unit considering that it is situated closer to the coal mine. This is even less than the NTPC tariff which are predominantly Pit head Stations. The overall tariff of any Generating Utility also depends on the proportion of newer units which tends to push the overall cost up due to the initial higher capital recovery through Depreciation & Interest cost. The tariff are also often erroneously compared between plants without considering the relative distance of the plant from the coal mines. For e.g. the tariff of Parli Station which is around 1000 kms from the mine cannot be compared to the plants situated in Nagpur area. Further, MSPGCL's newer plants are often unjustly compared to the overall tariff of other utilities thereby giving a wrong picture of the competitiveness of MSPGCL's plants. In order to have a meaningful comparison of tariff, it would be essential to compare the comparable stations in terms of vintage and capacity. MSPGCL's Paras Unit 3 & 4 of 250 MW each has a tariff of Rs 3.60/u and Rs 3.57/u respectively, whereas the 250 MW of Tata Power Unit 8 at Trombay has a tariff of Rs 5.53/u. Similarly, the tariff of MSPGCL's recently commissioned Unit of 500 MW at Khaperkheda is Rs 3.72 / Unit. This is much less than the NTPC's 500 MW unit at Mauda wherein the tariff is Rs 4.86 /unit and is also comparable with the Reliance's Butibori unit at Rs 3.50/ Unit. The above comparison would make it evident that the MSPGCL's tariff is very much in tune with the power market.

Capital Cost of New Generating Unit

The capital cost of MSPGCL units inclusive of tax component are often wrongly compared with capital cost of other units without considering the tax component. The reasonability and competitiveness of any newer plant can be ascertained by benchmarking the cost to that of the norms prescribed by Central Electricity Regulatory Commission (CERC) on a like to like basis. CERC has stipulated Rs 5.08 Crs/MW for the hard cost (excl taxes) for a 500MW capacity unit. As against the above norms, the capital cost of MSPGCL's Khaperkheda unit 5 is fairly on lower

side at Rs 4.91 crs/ MW. Similarly, the recently commissioned 4 units of 250 MW at two locations of Paras and Parli are all between Rs 4.48 crs/MW to Rs. 4.78 crs/ MW, which goes on to establish the competitiveness of MSPGCL's newer plants in a very unequivocal terms.

PLF & Efficiency

The actual overall PLF of Mahagenco's coal based plants for FY 12-13 is 68% contrary to that being erroneously reported at 50 to 60% in certain sections of the press. While this PLF is still definitely lower than the target level of 80%, it should be understood that the lower PLF is largely attributable to the shortage of coal being experienced with respect to Mahagenco plants. The coal shortage scenario applies not only to Mahagenco but also to other power utilities in rest of the country. The PLF of Utilities across the country has shown declining trend due to coal shortage, with the national average of PLF of 69.93% in FY 12-13. If the shortage of coal as above is taken into consideration, the effective PLF of MSPGCL Plants after factoring coal deficit, would 84%. While making its best endeavour to augment the coal receipts and increase level of generation, Mahagenco would like to dispel a commonly held mis-conception with regard to lower PLF and its impact on consumer. Mahagenco would like to emphatically state that a lower PLF vis-a-vis the target level does not translate to increase in tariff on the end consumers, inasmuch as the burden of lower PLF is eventually borne by Mahagenco as part of the regulatory process and tariff to consumer remains the same level.

Some of the reports in the print medium with regard to PLF, efficiency, tariff levels, capital cost of Mahagenco plants were not based on facts and it is therefore essential to bring the factual position mentioned above on the various aspects and also clear some of the misconceptions generally being carried both in the public domain and Newspapers.
