APP Comments on Concept Note on Pooling of Tariff of 25 years plus Thermal/Gas stations

The Draft National Electricity Plan 2022 as circulated by CEA, has estimated an additional requirement of around 43 GW of thermal generating capacity is required by 2032. Due to concerns with sustainable operations in the light of growing RE influx into the grid and the impact of large carbon footprint, many lenders and financing institutions are unwilling to commit funds for new thermal generating capacities. In this backdrop it is essential that investments already made on the ground are utilized to the full extent. However, the proposal needs to be looked at from various aspects such as environmental consequences, impact on the stressed plants on the ground, whether it benefits only certain category of plants (NTPC) and its effect on market dynamics.

Our concerns with the concept note are as follows:

1. **Regarding usage of existing coal linkages for sale of power in Power Exchanges:**

   Para 3(d) of the concept note states that *'balance power for which there are no willing beneficiaries shall remain at the disposal of the generating company and shall be sold by the generating company through alternate arrangements including Power Exchanges. The existing coal linkage and supply of coal as per the present FSA provisions at notified rate shall be continued and allowed for the balance power available with the generating company.'*

   The above para 3(d) appears to indicate that existing linkage coal at notified price shall be allowed to be utilized by the generating company even for sale of balance un-requisitioned power in the Power Exchanges. **This provision is contrary to the present coal allocation policy wherein linkage coal at notified price is allowed only for sale of power through long term/medium term PPAs. Para A(v) of the SHAKTI Policy states that actual linkage coal supply to power plants will be to the extent of long term PPAs with Discoms/State Designated Agencies and medium term PPAs to be tied up in the future.**

   At present, IPPs which sell power on the power exchanges can procure coal linkage under Para B(viii)(a) of SHAKTI Policy wherein they have to pay a premium over the notified price of coal. Due to discontinuation of SFEA for Power, premiums in the SHAKTI B(viii)(a) auctions have risen to more than 300% in the recent past. Allowing the older 25 years plus generating stations to utilize their notified price coal linkage for sale of power in the Power Exchange will completely disrupt the level playing field and will result in severe market distortion wherein more efficient IPPs will be unable to compete with the older stations and lose market share.

   Therefore, it is requested that a clarification may be added in Para 3(d) that existing coal linkages (at notified rate) cannot be used for sale of power in the Power Exchanges.

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2. Impact on stressed power projects which are without coal linkage/PPAs

The scheme as outlined in the concept note may add to further stress in the sector. We presently have more than 8 GW of plants which are financially struggling due to lack of coal linkage and absence of long term/medium term power procurement tenders from the States. Many of these plants are based on fuel efficient super-critical technology, and instead of promoting higher utilization of these plants, the proposed pooled tariff scheme may instead tilt the market towards older fuel-inefficient and polluting plants in view of their low capacity charge after 25 years of operation. This could work against GoI's overall policy objective of reducing the power sector's carbon footprint gradually.

In view of the above, it is suggested that MoP may consider the following:

a. Utilize the 25 years plus stations as part of RRAS units for grid balancing (ancillary services), wherein payment can be made out of regional DSM pool as per extant mechanism.

b. Ensure that more fuel efficient plants are dispatched first in the power markets, especially during peaking hours.

3. Possible contradiction between Paras 3(b),(c) and 3(l) in the concept paper

Para 3(b) and 3(c) appear to indicate that requisition and allocation of power from the common pool will be available for 'willing' State/DISCOMs. However, Para 3(l) talks about withdrawing the unilateral right to States/DISCOMs to exit from PPAs of Stations which have completed 25 years of service. If the States/DISCOMs are mandatorily forced to continue with their PPAs after the stations complete 25 years of service, then it may be clarified as to how the mechanism of requisition and allocation of power from the common pool to willing State/DISCOMs would work.