

E.T. 20-10-2016

# UMPPs to be Insulated from Swings in Fuel Cost

## Govt decides to factor in indexed imported coal prices into tariff for such power plants

Sarita.Singh@timesgroup.com

**New Delhi:** New ultra mega power projects (UMPPs) based on imported coal may be insulated from uncertainties in fuel costs, with the power ministry deciding to factor in indexed imported coal prices into tariff for such plants.

The ministry has agreed to use an index of prices of imported coal from Indonesia, South Africa and other coal exporting countries for calculation of electricity tariff from such plants, a government official said.

While the ministry has agreed to provide for the escalation clause in bid rules, the final go-ahead has to be given by the Cabinet, said the official, who did not wish to be identified.

This will safeguard companies against unexpected changes in fuel costs that have adversely impacted the existing UMPPs based on imported coal.

The ministry had in December last year issued draft bid guidelines for imported coal-based UMPPs that contained provisions for unforeseen events related to coal imports. The ministry had sought stakeholders' comments on the draft norms.

"The bid documents for both imported coal-based and domestic coal-based UMPPs will be sent to the Union Cabinet for approval. The provision to index tariff with international coal prices was included in the draft bid rules and has been agreed to," the official said.

Association of Power Producers director general Ashok Khurana welcomed the move saying, "No company can foresee

## Reducing Risk

Index of coal prices from Indonesia, South Africa and other exporting countries to be used to calculate UMPP power tariff

- Decision to help cos from unexpected changes in coal costs that have impacted existing UMPPs
- PowerMin in Dec 2015 issued draft bid guidelines for UMPPs that had provisions for unforeseen events on coal imports
- Change in Indonesia's coal regulations led to losses for Tata Power's Mundra UMPP. Reliance Power has stalled work on Krishnapatnam UMPP
- Govt also proposes to offer environmental clearances to UMPPs, in-principle water allocation, transmission connectivity, land title and stage-I forest clearances



No company can foresee commodity risk for a period of 25 years

Ashok Khurana, Association of Power Producers

commodity risk for a period of 25 years." The association has been advocating linking the tariff with international coal price index.

The draft documents had provided that imposition of sanctions by foreign countries on India with regard to exporting of coal, resulting in the cessation of coal supply to developers of UMPPs and the consequent inability of the companies to locate coal from any other source, shall be construed as an indirect non-natural force majeure event.

The government also proposes to offer environmental clearances, in-principle water allocation, transmission connectivity,

land title and stage-I forest clearances to the UMPPs, in line with its plan to offer the projects in plug-and-play mode.

A change in coal sourcing regulations in Indonesia resulted in losses to Tata Power, which operates the Mundra UMPP in Gujarat. While Tata Power awaits compensatory tariff for the project, Reliance Power has stalled work on its Krishnapatnam UMPP.

The Appellate Tribunal for Electricity had in April allowed imported coal-based power plants of Tata Power and Adani Power in Mundra to recover higher fuel costs from consumers under force majeure provisions.