

GOVERNMENT OF INDIA
MINISTRY OF POWER

RAJYA SABHA
UNSTARRED QUESTION NO.199
ANSWERED ON 05.12.2023

OVERPRICING OF COAL IMPORTS BY ADANIS

199 SHRI JAWHAR SIRCAR:

Will the Minister of **POWER** be pleased to state:

- (a) whether Government has examined the report published by Financial Times on 12th of October, 2023 regarding the overcharging of coal imports by Adanis, directly or through associates or by other means;
- (b) whether Government has compared the relevant costs of imported coal with prevailing international costs of comparable grades of coal;
- (c) whether Government has found the additional outgo of foreign exchange due to over-invoicing;
- (d) how much power plants who were compelled to mix this overcharged imported coal lost; and
- (e) the action is being done for this deliberate loss of foreign exchange and the overcharging of electricity bills by customers?

A N S W E R

THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY

(SHRI R.K. SINGH)

(a) to (e) : The concern of Ministry of Power is to ensure sufficient availability of coal at TPPs so that the demand of electricity may be met. Coal, whether domestic or imported, is procured by Thermal Power Plants (DCBs or ICBs) separately and as per their requirements. As Coal is under open general licence (OGL) since 1993, thermal power plants/generators have been regularly importing coal as per their preference (imported coal has high GCV value and therefore is of better quality) and need based on their commercial prudence. There are a number of Power Plants based exclusively on imported coal. In addition, the Domestic Coal Based (DCBs) plants have been importing coal for blending purpose since 2009. The imports for blending varied between a peak of 47.6 MT in 2015-16 to 23.8 MT in 2019-20. In 2020, Ministry of Power advised States to reduce imports for blending, as a result the imports declined to 8.1 MT in the year 2021-22. Information regarding coal imports by DCBs and ICBs is regularly collected and monitored by CEA.

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2. The import of coal by the thermal Power Plant during last 14 years and in the current year (up to Oct 2023) is as follows:

Import of coal by power sector			
Fig in Million Tonnes			
Year	Import for Blending	Import by Imported coal based plants	Total Import
2009-10	18.8	4.4	23.2
2010-11	21.1	9.4	30.5
2011-12	27.3	17.6	44.9
2012-13	31.1	31.6	62.7
2013-14	38.6	40.9	79.5
2014-15	47.6	42.5	90.1
2015-16	37.1	44.0	81.1
2016-17	19.8	46.3	66.1
2017-18	17.0	39.4	56.4
2018-19	21.4	40.3	61.7
2019-20	23.8	45.5	69.3
2020-21	10.4	35.1	45.5
2021-22	8.1	18.9	27.0
2022-23	35.1	20.5	55.6
2023-24 (Apr-Oct)	13.6	21.7	35.3

The above table clearly shows that Import of coal, for DCBs, was on decline since 2019-20 primarily due to increased availability of domestic coal on account of various policy measures taken to increase domestic coal production. Accordingly, the Ministry of Power, in FY 2020-21, gave advisory to GENCOs to reduce their imports as Ministry of Coal informed that sufficient domestic coal was available. However, from July'21 onwards the consumption of coal in Thermal Power Plants increased because of increased demand and the supply of domestic coal on a daily basis was less than consumption which resulted in depletion of coal stock and stocks at Plants end came down from 28.7 Million Tonnes (MT) as on 30.06.2021 to about 8.1 Million Tonnes (MT) as on 30.09.2021. Therefore, in December 2021, Ministry of Power advised State GENCOs and IPPs to import @4% and Central GENCOs @10% of their requirements during 2022-23. During the month of April, 2022, the Power Demand and the coal consumption in power plants grew by about 12% as compared to April' 2021. In view of the high demand for power and receipt of coal being less than consumption leading to depletion of coal stock, Ministry of Power on 28.04.2022 advised States and IPPs to import coal @ 10% of their requirement in order to maintain sufficient coal stock during the monsoon season. The gap between receipt of domestic coal and consumption continued and shortages partially met through Imported Coal.

3. During April-Sep' 2022 (Q1, Q2 of FY 2022-23) the receipt of domestic coal was about 355 MT against the consumption of 385 MT (Dom: 359 MT +Imp: 1.4 x 18.9 MT). **The gap between supply of domestic coal and consumption of coal was about 1.6 lakh tonnes/ day during this period.** On the improvement of the situation, Ministry of Power advised GENCOs on 01.08.2022 to take decision regarding blending at their level taking into account the domestic coal supply and stock position (need based blending) with continuous monitoring of stock levels.

The gap between daily coal consumption and daily arrival of domestic coal ranged between 2.65 Lakh Tonnes to 0.5 Lakh Tonnes between the months of September'2022 and January'2023. **If the imports for blending had not been made, the coal stocks in thermal power plants would have reduced to ZERO in September'2022 and would have continued so, leading to widespread power cuts and blackouts.** Therefore, Ministry of Power advised Central, State Gencos and Independent Power Producers (IPPs) on 09.01.2023 to import coal @ 6% by weight through a transparent competitive procurement for blending so as to have sufficient coal stocks at their power plants for smooth operations till September' 2023.

4. In the current Financial Year, Power Supply position has been regularly reviewed by the Ministry of Power and it has been observed that there is consistent rising trend in the power demand in the country coupled with inadequate supply of domestic coal which has resulted in rapid depletion of coal stocks at Domestic Coal Based (DCB) Plants across the country. **During April-October'23, the average growth in coal based generation, with respect to corresponding period of FY 23, was 8.6% and the depletion in DCB plants stocks was 15.3 MT (Month wise position is shown in table):**

Summary of, Growth in Coal Based Generation, Receipt of Domestic Coal and Consumption in DCB Plants during 2023-24 (up to Oct' 2023) is as under:

Summary of Growth in Coal based generation, receipt of Domestic Coal and consumption in DCB Plants							
Month	% Growth coal based generation w.r.t FY23	Receipt of domestic coal (MT)	Consumption of Domestic Coal (MT)	Consumption of Imported coal for blending (MT)	Total Consumption (Dom + 1.4 x Imp) (MT)	Gap (Receipt – Consumption) (MT)	Total Stock at DCB plant Level (MT)
Apr-23	0%	65.4	66.4	2.2	69.5	-4.1	34.6
May-23	2%	67.5	66.3	2.2	69.4	-1.9	33.8
Jun-23	3%	63.9	64.7	2.2	67.7	-3.9	35.0
Jul-23	8%	63.0	63.2	1.6	65.4	-2.4	33.6
Aug-23	14%	61.8	66.1	2.0	68.9	-7.1	33.1
Sep-23	12%	59.9	65.5	1.9	68.1	-8.3	28.2
Oct-23	25%	65.5	68.8	2.3	72.0	-6.5	21.8
2023-24 (Till Oct 2023)	8.6%	447.0	460.9	14.4	481.1	-34.2	19.3

On Per-day basis

Summary Growth in coal based generation, receipt of domestic coal and consumption in DCB Plants						
Month	% Growth in coal-based generation w.r.t FY23	Receipt of domestic coal (MT/day)	Consumption of Domestic Coal (MT/day)	Consumption of Imported coal for blending (MT/day)	Total Consumption (Dom + 1.4 x Imp) (MT/day)	Gap (Receipt - Consumption) (MT/day)
Apr-23	0%	2.18	2.21	0.07	2.32	-0.14
May-23	2%	2.18	2.14	0.07	2.24	-0.06
Jun-23	3%	2.13	2.16	0.07	2.26	-0.13
Jul-23	8%	2.03	2.04	0.05	2.11	-0.08
Aug-23	14%	1.99	2.13	0.06	2.22	-0.23
Sep-23	12%	2.00	2.18	0.06	2.27	-0.28
Oct-23	25%	2.11	2.22	0.07	2.32	-0.21
	8.6%					

5. About 14% fall of Hydro Generation has been recorded in H1 of FY24 compared to the corresponding period of FY23 due to variable monsoon rainfall. Approximately 2 GW of hydro capacity is out because of recent floods in Sikkim. The Reservoir levels in Northern, Eastern and Southern regions are less compared to the previous year as on 09th Oct' 2023, which has resulted in lower reservoir energy content at pan India level. This has put additional burden on Coal Based Thermal Generation.

Therefore, in order to ensure un-interrupted power supply across the country, after careful consideration, Ministry of Power vide letter dated 25.10.2023 directed all GENCOs (Central, State and IPPs) to continue import coal for blending at 6% (by weight) minimum for the rest period of FY 2023-24 till March'2024.

6. The price of the imported coal is not comparable with the price of domestic coal due to difference in calorific value. The pricing of imported coal is linked with international indices for import coal, source of origin, other factors like ocean freight, insurance etc which is purely dynamic and vary with international demand supply scenario. Every generating company imports coal as per its requirements. Further, the cost of generation of electricity is dependent upon the quantity of imported coal used and the price of imported coal.

7. DISCOMS procure power from generators on tariff fixed by the SERCs/CERC under section 62 of the Electricity Act. The Regulator fixes the tariff after examining all input costs – fuel / transport / O&M costs / administrative costs etc according to norms. If any cost which is claimed by the generator is found to be excessive by the SERCs/CERC they do not allow it to be passed through in tariff. Therefore, if any generator inflates the fuel cost, the Regulator – SERCs/CERC – will not pass it in tariff. The Regulator also lays down norms for various costs – and do not allow costs in excess of the norms to be passed through. The issue of the fuel costs and the resultant tariff is between the GENCO and the Regulator – the Government has no role to play. If a DISCOM or GENCO is aggrieved by the order of a Regulator, they can appeal to the APTEL – Appellate Tribunal.

8. The other methodology for procurement of power by DISCOMs from GENCOs is under Section 63 – by an open competitive bid. The Regulator will adopt the tariff if the bid has been competitive and transparent. The DISCOMs can sign the Power Purchase Agreement only after the tariff has been concurred in and adopted by the Regulator.

9. The third option for the Generator is sale through the exchange – which functions on the basis of open competition. In case of open competition input costs are irrelevant – if some generator's power cost is high it will not sell.
