

Tata Power's Mundra Unit may Need Only a Small Tariff Hike

Cheaper local coal helps do away with costlier Indonesian imports

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Tata Power's 4,000 MW Mundra project would need a smaller increase in tariff to compensate for import costs as global coal prices have fallen significantly. The plant runs on Indonesian coal, which became more expensive because of an unexpected change in the country's law, which forced Tata Power to seek compensation from regulatory authorities.

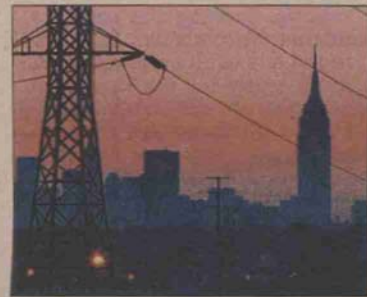
"The relative compensatory tariff from Mundra will be lesser now since coal prices have come down. This tariff when announced, was 52 paise and after adjustment its now 42 paise and will go down further to 32 paise," Anil Sardana, CEO and MD, Tata Power told ET. "If coal prices continue to fall it helps Mundra as the under-recovery portion becomes lower and the compensatory tariff will continue to shrink," he added.

The Central Electricity Regulatory

Commission (CERC) had allowed compensatory tariff of 52 paise a unit of power for its Mundra project and provided for ₹329.45 crore compensation from the electricity procurers for the FY13 which has to be paid in 36 monthly installments. Tata Power had approached the CERC in 2012 to consider an increase in its power tariffs for its Mundra project to compensate it for the additional fuel costs it was incurring on account of coal imports becoming expensive due to changes in Indonesian law. The Mundra project has agreements to sell electricity to various discoms in Gujarat, Maharashtra, Haryana, Punjab and Rajasthan at ₹2.26 per unit.

This CERC order was promptly challenged by an NGO Energy Watchdog and the Punjab, Haryana and Rajasthan discoms who approached the Appellate Tribunal for Electricity saying that these tariffs were fixed in a competitive bidding process and there cannot be any re-examination of costs after the bidding process was over.

In April 2014, APTEL sought replies from the CERC and Tata Power on the issue and the case is currently being heard. "As of now APTEL has divided the hearing in two parts. The first part of the hearing pertaining to the



stay demanded by the discoms has been completed; the next part is on the merits of the case where all stakeholders will present their side, we are hoping for a speedy solution," added Sardana. As the matter is in court now, the company is not charging compensatory tariff as of now, said a Tata Power spokesperson.

"This situation where coal prices are falling and there is a decline in compensatory tariffs is actually good as now it gives the discoms and Tata Power an opportunity to decide the matter out of court and arrive at a mutually beneficial arrangement," said a senior coal expert.

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