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Govt must address deep-rooted ills in coal, power sectors

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India has a long way to go in providing electricity security to its people. Its per capita electricity consumption is still only a third of the global average. Coal-fired Thermal Power Plants (TPPs) contributed 72% of the 1,490 billion units (BU) of electricity generated by utilities during FY 2021-22 though they account for only 53% of the total installed generation capacity of about 400 GW. The coal-fired power plants at the pithead are the least-cost sources of 24x7 power in India. Coal will therefore continue to play a critical role in raising the living standards of all Indians over the next three decades even as the generation capacity of other non-fossil fuel sources (solar, wind, hydro, and nuclear) increases to decarbonize the power sector. So, the government should ensure that coal is mined, transported and used in an environment friendly manner.

The criticality of ensuring uninterrupted supply of coal of the right quality in the required amounts at the right time to generate electricity at affordable prices is becoming more evident today. Ultra-low coal stocks in power plants located away from the pithead have also created similar power shortages in the past. However, this is the first time that Indian Railways, which carries more than 60% of nearly one billion tons of coal consumed in India, is forced to cancel more than 1000 train trips to transport coal to power plants, despite the record level of 595 MT of coal supplied to power plants from the Coal India Limited and the Singareni Collieries Company Limited in FY 2021-22 in addition to the coal dispatched by captive mines to the power plants. The national peak demand of 207 GW realized till date is substantially lower than the Central Electricity Authority's projection of 226 GW peak for FY 2021-22, which could not be achieved due to the Covid-19 second wave.

The Centre and the State Governments must utilize this crisis as an opportunity to address some deep-rooted ills of the coal and power sectors instead of reverting to the status quo once the weather gods help us out of the current predicament.

The state-owned DISCOMs distribute 95% of the electricity in India. However, most of them are so poorly managed that their combined accumulated losses have crossed Rs 5.22 lakh crores at the end of FY 2019-20. The undisputed overdue amounts of the DISCOMs to the GENCOs have crossed Rs 1.06 lakh crores at the end of April 2022. The Independent Power Producers (IPPs) are severely affected since the undisputed overdue amounts from the DISCOMs to the IPPs have crossed Rs 59,000 crores. The IPPs are hence unable to import sufficient coal from 'over-heated' international markets due to the ongoing Russia-Ukraine conflict.

Most of the key targets for operational and financial turnaround of the state-owned DISCOMs could not be achieved by FY 2019-20 even after 16 states took over 75% of the DISCOMs' debts (Rs 2.1 lakh crores) by issuing the UDAY bonds and transferring the proceeds to the DISCOMs. The managements of the State-owned DISCOMs enjoy absolute protection from any accountability due to the lack of will and capability in the State Electricity Regulators, who are normally retired bureaucrats, again without any accountability to the consumers.

The Ministry of Power has introduced another reform scheme (RPDS) for the State-owned DISCOMs with an outlay of more than Rs. 3 Lakh crores to reduce their Aggregate Technical and Commercial (AT & C) losses despite acknowledging the fact that the high AT&C losses are largely due to managerial deficiencies and governance deficit in the state-owned DISCOMs. This situation can be corrected only if the State Electricity Regulatory Commissions convince the respective Governments to introduce some form of Public-Private-Partnership in loss-making DISCOMs to improve their operational and financial performance as well as customer service.

The Ministry of Coal (MoC) and the Coal India Limited (CIL) are responsible for unduly delaying construction of non-coking coal washeries planned to be set up on a Build-Operate-Maintain basis in the coalfields of Chhattisgarh and Odisha, which supply 300 MT of high-ash thermal coal to power plants all over India. Consequently, 23–52% of the coal samples drawn from coal supplied by the CIL from these States to power plants are below the declared grade.

Modern washeries can increase energy content (Gross Calorific Value) of coal by reducing the ash content of raw coal from as high as 40% to 32-34%. The washed coal can lessen the load on the already stretched Indian Railways.

However, the NTPC and the Ministry of Power (MoP) have resisted the use of washed coal because the price of washed coal supplied from the CIL reduces the competitiveness of the TPPs (like, NTPC Dadri) located away from the pithead. Using washed coal with higher GCV than ROM coal can yield multiple benefits to a power plant by increasing its energy efficiency, lowering operations and maintenance costs, reducing pollution from ash ponds and stack emissions besides reducing transportation cost. This requires the MoC and the MoP to work with the NITI Aayog and external experts to develop an integrated coal policy to ensure sustainable development of the country without compromising on energy security. Otherwise, we are condemned to repeat history.

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