

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION**  
**SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH**

**Petition No. 55 of 2024**  
**Date of Hearing: 23.04.2025**  
**Date of Order: 25.04.2025**

Petition under Section 61, 62, and 86 of the Electricity Act, 2003, read with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2021, for approval of Input price of coal supplied from the Pachwara Central coal mine from its date of commercial operation i.e. 01.09.2023.

In the matter of: Punjab State Power Corporation Limited (PSPCL), The Mall, Patiala- 147001.

...Petitioner

Commission: Sh. Viswajeet Khanna, Chairperson  
Sh. Paramjeet Singh, Member

Petitioner: Sh. Anand K Ganesan, Advocate (through VC)  
Sh. Harjeet Singh, ASE/TR-5  
Sh. S.M Chopra, Dy.CE/Fuel-1  
Sh. Balwinder Kumar, ASE/Fuel-4

**ORDER**

Vide order dated 13.01.2025, PSPCL was directed to provide the information/details as mentioned in the order. PSPCL provided the information vide memo no. 5512 dated 28.03.2025. The petition was taken up for hearing as well as public hearing. However, neither any has objection been received nor has anybody appeared from the public in the public hearing.

After examining the submissions of PSPCL, PSPCL is directed to provide further information as under:

1. PSPCL in its Petition has claimed capital cost of Rs. 421.52 Crore including IDC of 173.96 Crore. However, PSPCL has not provided any details of the same. Further, PSPCL has given the mine development and operation contract to M/s DBL. It is also noticed that the capital cost submitted by PSPCL in the petition is at variance with respect to the following:  
PSPCL, vide Memo No. 5512 dated 28.03.2025, submission in para 5(a) has mentioned the Capital cost as Rs. 421.52 Crore including IDC of Rs. 173.96 Crore, while in Annexure-B of ibid document the capital cost has been submitted as Rs. 372.2 Crore. At the same time, in Annexure-P, PSPCL has claimed the total capitalized amount to be Rs. 290.64 Crore.

PSPCL to submit the head wise detailed breakup of capital cost claimed by it in the Petition. PSPCL to further justify with proper rationale for claiming the said expenses as capital expenditure, when a contract for mine development and operation has been allotted.

2. The coal mining agreement attached as Annexure-C, its clause 24.4.1 specifies as under:

*“It is expressly agreed by the Parties that the Mining charge and the Transportation & handling Charge payable by PSPCL, under this Article 24 shall be exclusive of all royalties, Reserve Price, statutory levies, Taxes, cesses and duties in respect of excavation of Coal and Delivery thereof, which shall be payable by the Mine Developer cum Operator. It is further agreed that such royalties, Reserve Price, statutory levies, Taxes, cesses and duties, if any, paid by the Mine Developer cum operator shall be reimbursed by PSPCL upon submission of supporting documents evidencing the payment by the Mine Developer cum Operator. However, any penalties on account of late payment shall not be reimbursed by PSPCL.”*

From the perusal of the above clause, the statutory levies and taxes like GST are to be reimbursed by PSPCL to the Mine Developer cum operator on submission of documentary evidence of the payments made. PSPCL has claimed 18% of GST on payment of mining and transportation charges. PSPCL to submit the requisite documentation based on which it has claimed 18% GST alongwith the documentary evidences submitted by the MDO in compliance to the ibid clause. PSPCL should also verify and ensure that any input credits or set-offs claimed by the MDO has been correctly adjusted in the claim.

3. Further in Annexure-F, clause 2(a) of the Notification dated 17.09.2015 issued by the Ministry of Mines specifies that DMF shall be at the rate of 10% of the royalty paid in terms of the Second Schedule to the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957) in respect of mining leases or, as the case may be, prospecting licence-cum-mining lease granted on or after 12<sup>th</sup> January, 2015. Further, in para 21 of the petition, PSPCL has submitted that mine has been allocated on 07.03.2019 and lease agreement has been signed with the Government of Jharkhand on 05.08.2019. In view of clause 2(a), DMF is required to be paid as 10%. However, PSPCL in para 16.2 of the petition has submitted that it is paying DMF at a rate of 30% of the royalty being paid. PSPCL to review and resubmit the same.
4. PSPCL in the petition has shown Rs. 1.62 Crore as O&M expenses for 7 months. PSPCL to provide the justification for claiming O&M expenses when the mine operation contract has been allocated to the MDO.
5. PSPCL has booked Rs. 1.78 Crore as mine closure expense for 7 months. PSPCL to provide the details of the same.
6. PSPCL to provide the calculation of non-refundable GST charged to input cost.
7. **Details on Loans:**
  - PSPCL was directed to provide a detailed year-wise breakup of long-term loans, including the rate of interest on loans taken for capital

expenditure related to the Pachwara Central Coal Mine. PSPCL responded by indicating the use of funds from a common pool of capital borrowings but did not provide the specific breakdown.

- PSPCL must submit a comprehensive year-wise list of long-term loans (organized by the institution), including the amounts borrowed and the rates of interest applicable to each loan. Additionally, PSPCL should calculate and provide the year-wise weighted average rate of both long-term loans and working capital loans.

#### **8. Normative Equity Justification**

- PSPCL has claimed a normative equity of 30% for calculating the input price of coal, despite stating in its previous tariff petitions that the capital expenditure would be 100% funded through loans.
- Given the persistent cumulative losses experienced by PSPCL in the previous years, the rationale behind claiming normative equity needs to be justified.
- PSPCL is directed to justify its claim for normative equity at the rate of 30%. This justification should include an analysis of the financial implications of operating with such equity, especially in light of its historical financial performance. PSPCL should consider revising its claim in alignment with the actual funding structure (i.e., 100% loan financing).

PSPCL shall provide the above information within two weeks (through hard & soft copy). The petition shall be taken up for hearing on 28.05.2025 at 11.30 AM.

Sd/-  
(Paramjeet Singh)  
Member

Sd/-  
(Viswajeet Khanna)  
Chairperson

Chandigarh

Dated: **25.04.2025**