

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1436
ANSWERED ON:27.11.2009
RISE IN FUEL COST OF POWER PROJECTS
Scindia Smt. Yashodhara Raje

Will the Minister of POWER be pleased to state:

- (a) whether there has been rise in the cost of fuel for the National Thermal Power Corporation Limited power plants in the country;
- (b) if so, the details thereof and the reasons therefor;
- (c) the variation in the cost of fuel noticed during the last three years and the current year; and
- (d) the corrective measures taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) to (d): NTPC Ltd. uses coal, natural gas or naphtha as primary fuel in their power plants.

A major portion of coal is procured at prices notified by Coal India Limited (CIL) and its subsidiaries. During the past three years, the prices were increased twice i.e. in December, 2007 and October, 2009. Coal prices, as notified by CIL, during the last three years and the current year is at Annex-I. The hike in price was essential for CIL due to the following reasons:

i) General increase in price of commodities in the market leading to increase in the cost of input in the production of coal since the previous increase in coal price. Cost of major inputs like steel, diesel and power for coal production had increased by 22.5%, 28.9% and 3% to 11% respectively, during the same period.

ii) Revision in salary of non-executive through execution of National Coal Wage Agreement – VIII (NCWA VIII) and of executives as per guidelines issued by Department of Public Enterprises.

iii) To generate additional resources for fresh investments in new projects to augment coal production to achieve planned production target.

iv) To make some new coal projects financially viable which in absence of increase in coal price would have become unviable due to rise in cost of inputs including recent wage hike under NCWA – VIII leading to shortfall in coal availability which would have put additional strain on the energy security of the country.

v) The price of coal in international market both for coking and non-coking coal has increased between 81% to 112% in the corresponding period.

In addition, imported coal has been procured through STC/MMTC at prices discovered in bidding and which have been linked to indices in the recent procurement.

Natural gas procurement has been at administered prices. However, to overcome the shortage of gas supplies, NTPC Ltd. has procured Spot Re-liquefied Natural Gas (RLNG) / fallback RLNG, the prices of which fluctuate based on market conditions. NTPC has also signed long-term agreements on commitment basis with Gas Authority of India Ltd. (GAIL) for supply of RLNG at 2.0 MMSCMD on firm basis and 0.5 MMSCMD on fallback basis for Anta, Auraiya, Dadri & Faridabad upto December, 2019.

Naphtha procurement by NTPC station has been on import parity price basis, wherein the cost of fuel has fluctuated over the last three years.

The Empowered Group of Ministers (EGOM) on commercial utilization of gas under NELP has allocated 4.46 MMSCMD gas to existing NTPC Plants.

The year-wise price variations are given in the Annex-II.