

# Private power plants can bid for coal with states

fe Bureau

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**P**RIVATE power plants can now procure coal from state governments' coal reserve, which is allocated for power production. The move aims to enhance the efficiency in utilisation of domestic coal.

Under the arrangement, the state supplying coal will invite tariff bids from the prospective independent power generating stations for domestic coal. The move is in sync with the government's earlier initiative of making the utilisation of domestic coal more flexible, wherein the fuel would be allotted to the power plants on the basis of efficiency.

Currently, there are instances where efficient power stations have shortage of coal while there are plants



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with low utilisation rates possessing abundant fuel. This development is expected to minimise the disparity.

Under the new guidelines, the landed cost of power from the private power station should be lower than the variable cost of generation of

the generating plant of the state, whose power is to be replaced by the private plant. The landed cost of power would be inclusive of the transmission charges.

It also said that if the railways finds that transfer of coal to a private power sta-

tion is not feasible, then that plant would not be eligible to participate in bidding.

While making an earlier announcement on the relaxation of domestic coal usage norms on May 4 last year, power minister Piyush Goyal had said that the process could result in bringing down cost of power by ₹0.40 to ₹0.50 per unit, which could lead to savings of ₹25,000 crore to ₹30,000 crore per year.

Power Plants are having different efficiency levels for conversion of coal to electricity depending upon their technology, unit capacity etc. At present, there are situations where efficient power plants have shortage of coal while some other Power Stations have adequate coal available with them because of less capacity utilisation.