
Karnataka Power Corp begins blending Indonesian coal

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BL reported that the State Government owned power utility Karnataka Power Corporation Limited has begun blending imported Indonesian coal for its thermal plants.

KPCL officials said that the blending was up to 20% of the coal consumption of the thermal plants. KPCL currently operates 2 thermal plants the 1470 MW Raichur Thermal Power Station and the 500 MW Bellary Thermal Power station.

However, the fuel needs of both these plants are estimated at about 12 million tonne a year of domestic coal, assuming a plant load factor of 85%. This was on the basis of fuel consumption from domestic sources that are of inferior quality.

Domestic thermal coal has a calorific value of just 3,000 kilo calories per kilogram. Consequently, the officials said that imported coal blending therefore brought down fuel consumption. This was because imported coal, mostly from Indonesia has a calorific value of about 6,100 kilo calories per kilogram.

The officials said they were not in a position to increase the content of imported coal. This was in view of the high international prices. KPCL's current imports are entirely through the spot markets. Consequently, this made the power utility vulnerable to fuel price volatility.

The officials said that given the current international price structure, there was little scope for hedging fuel prices. This was because hedging would imply that the utility would get locked into high prices over a long period. The best option, therefore, was to blend domestic coal with imported coal.

Besides, there was also little scope for increasing power tariffs. This was because the original tariffs were worked out on the assumption of usage of domestic coal. Therefore, the officials explained that higher coal imports would not be viable unless international coal prices dropped below current domestic prices.

Coal from Singareni Collieries, where KPCL has its fuel linkage is currently priced at about INR 900 tonne. Inclusive of transportation costs, the landed costs were close to about INR 1,400 tonne or less than half the price of Indonesian steam coal.

(Sourced from Business Line)

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