

Submission of the Barmer Lignite Mining Company Limited (BLMCL) petition for approval of the proposed lignite transfer price for FY 2026-27 for supply from the Jalipa and Kapurdi mines to the linked generating stations.



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1. Introduction

Barmer Lignite Mining Company Limited (BLMCL) has submitted a petition for approval of the Transfer price of lignite for F.Y. 2026-27 from Kapurdi and Jalipa Lignite Mines of BLMCL, before the Rajasthan Electricity Regulatory Commission (RERC), hereafter Commission, in accordance with previous transfer price orders issued by the Commission and other applicable regulatory provisions. The Commission has made the petition available on its website for public objections and suggestions.

This submission is being made in response to the Transfer Price Petition filed by BLMCL, as published on the Commission's website. We respectfully request the Commission to take this submission on record.

2. Comments and Suggestions

2.1 Disposal of Transfer Price Determination

This continued non-determination of the transfer price, even after 12 years of plant operations, is a matter of serious concern and dismay for consumers in Rajasthan. It is imperative that the transfer price of lignite is finalized without further delay so that any adjustments arising from excess payments made thus far can be duly accounted for.

Further, the jurisdiction of the RERC in determining this price has been contested, and it is necessary that the same is clearly established, while appropriately drawing upon the frameworks for such determination prescribed by the CERC or adopted in other states.

In view of the above, it is respectfully requested that the Implementation Agreement between Raj West Power and the Government of Rajasthan, the documents pertaining to the formation of BLMCL, and the documents related to the award of the mining contract be shared.

2.2 Reliance on Bohra–Sonari Benchmark

The petitioner continues to rely on the mining cost benchmark derived from the Bohra's report based on Sonari mine as the foundational basis for determination of lignite transfer price. As recorded in the Commission's transfer price orders of 2011, this benchmark was placed on record and considered in the context of interim price determination, at a time when Jalipa and Kapurdi mines were not fully mature and mine-specific cost data was limited. Besides this, the continued use of this benchmark as a primary reference, without any actual data recalibration or validation against present-day conditions, significantly weakens its relevance for determining transfer price in the current period.

The Commission, while determining interim transfer price in 2011, clearly distinguished between scrutiny of material placed on record and provisional price determination for operational continuity. Bohra's report itself did not undertake a mine-specific analysis of Jalipa and Kapurdi, and primarily borrowed figures from the Sonari mine without providing

independent justification for their applicability. These limitations were specifically noted by the Commission at the time.

The continued reliance on such a benchmark, without revisiting its relevance or curing the original analytical deficiencies, raises concerns regarding the robustness of the proposed methodology. The petition does not place on record any analysis of contemporaneous benchmarks, including recent mining tenders floated by state mining entities, comparable lignite or coal mining contracts executed in recent years, or regulated benchmarks from operational lignite mines such as NLC Barsingsar. The absence of such a comparison is particularly material given that these sources reflect current market conditions, updated cost structures, and contemporary risk allocation frameworks.

Therefore, it is hereby requested that the reliance on such benchmark be immediately stopped and direct the petitioner to place on record fresh and contemporaneous benchmark comparisons, or alternatively to re-examine the base price methodology using updated reference points reflective of current mining and cost conditions, before approving the proposed transfer price.

2.3 Deviation from the cost-plus principle and non-adoption of mine-specific actual extraction cost

Under a cost-plus framework, determination of transfer price is expected to proceed from the actual, mine-specific cost of extraction, derived on an annual basis and normalised by corresponding production, so that the per-tonne cost reflects the Run of Mine (ROM) cost of the specific mine. In absence of suitable framework for such estimation at state level, the CERC framework for determination of input or transfer price, 2020 can be used as reference. This approach requires a clear and transparent linkage between actual mining expenditure incurred during the year and the resulting per-tonne transfer price.

In the present petition, while the petitioner has placed extensive financial schedules on record covering cost components such as depreciation, interest, return on equity, and other expenditure, the methodology adopted for determining the base extraction cost does not adhere to this ROM-based sequence. The computation continues to commence with an extrapolated and escalated per-tonne mining cost derived from the Sonari mine benchmark, which is then treated as the base for further cost aggregation.

Accepted principles for cost-plus determination of input or transfer price from integrated mines emphasise that the per-tonne price should emerge as an outcome of annual mine-specific cost and production parameters, rather than being introduced as a starting assumption. In the absence of a clear ROM-based derivation of extraction cost, the Commission may be constrained in undertaking an effective prudence review of the proposed transfer price.

2.4 Lack of Information on outsourced mining expenditure

Mining operations at Jalipa and Kapurdi are carried out through outsourced arrangements, and payments to the mining contractor constitute a significant component of the overall extraction cost. While the computation table in the petition indicates that the mine extraction cost (MDO fee) has been adopted based on the Sonari benchmark, the petition does not clearly establish how this per-tonne extraction cost is related to the actual payment made to the mining contractor, or a normative proxy adopted in lieu of disclosure of mine-specific contractor payments.

Further, the petition does not place on record adequate transparency regarding payments made to the mining contractor, including the billing structure, per-tonne charges, and actual expenditure incurred under the outsourced mining arrangement. The costs attributable to outsourced mining appear to be embedded within aggregate cost figures, without clear segregation or disclosure of contractor-wise payments.

In the absence of such disclosure, it is not possible to assess whether the mining charges reflect efficient and competitive outcomes, or to benchmark them against other contemporaneous mining contracts. This lack of transparency assumes particular significance in a cost-plus framework, where determination of transfer price depends critically on the prudence and efficiency of underlying costs. Without clear disclosure of outsourced mining expenditure, the Commission may be constrained in undertaking an effective prudence review of the proposed extraction cost.

2.5 Lack of Plan for Mining and Overburden Removal

A core feature of the CERC framework for determining the input price of lignite is the linkage of extraction cost to physical mining parameters, including year-wise lignite production, quantities of overburden removal, and the stripping ratio. The framework envisages that extraction cost should be demonstrably derived from these physical inputs.

The transfer price petition does not place on record a detailed year-wise mining plan and overburden removal schedule linking physical parameters to the cost claimed. While approved mining plans are referred to, the petition does not disclose how year-wise overburden quantities, stripping ratio, and mining progression translate into the proposed per-tonne extraction cost.

In the absence of such linkage, it is difficult to verify whether the extraction cost claimed is consistent with the physical realities of the mines, as required under the integrated mine framework. In this context, the Commission may consider directing the petitioner to submit a detailed overburden removal plan, and its historical trend and any such cost associated with it.

2.6 Reliance on Tariff Regulations

The petitioner has relied upon provisions and principles of the RERC Tariff Regulations in support of its proposed transfer price methodology. While transfer price ultimately feeds into

tariff determination, the exercise of determining the input price of lignite from an integrated mine is conceptually distinct from tariff fixation for electricity supply.

Tariff regulations are designed to govern cost recovery and normative parameters for generation, transmission and distribution, whereas determination of transfer price for lignite requires scrutiny of mine specific physical and financial parameters such as extraction cost, overburden removal, stripping ratio, and contractor payments. Reliance on tariff regulations, without first establishing actual mine-specific cost through an appropriate cost-plus framework, risks conflating tariff principles with mining cost determination.

The Commission may therefore consider clarifying the applicable framework for transfer price determination and require the petitioner to demonstrate that the proposed lignite price is derived from mine level cost parameters, independent of tariff norms, before such price is admitted for downstream tariff recovery.

2.7 Further Data Requirement and Third Party Reports

Fuel quality parameters such as Gross Calorific Value and moisture content have a direct bearing on lignite requirement, mining effort, and overall extraction cost. In addition, physical mining parameters such as mine sequencing and reserve assessment directly influence year-wise production and cost outcomes. However, the petition does not place on record adequate contemporaneous trend data to enable verification of these key inputs.

In particular, while the petition provides for recovery of third-party sampling costs, it does not place on record recent third-party certified laboratory reports. Further, detailed year-wise mining plan data and updated quantity or reserve assessment reports relevant to the period under consideration have not been placed on record in a manner that allows correlation between physical mining parameters and the cost claimed.

In the absence of such data, it is difficult to assess whether the assumptions adopted in the petition accurately reflect present operating conditions and mine characteristics. The Commission may therefore consider directing the petitioner to place on record year-wise third-party laboratory reports on lignite quality, along with relevant mining plan and quantity assessment data, to enable proper verification of cost inputs underlying the proposed transfer price.

2.8 Future Planning and Expansion

It is hereby submitted that Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL) recently filed a petition before the Rajasthan Electricity Regulatory Commission (RERC; the Commission), seeking approval to initiate a competitive bidding process for the transfer and revival of the 250 MW Giral Lignite Thermal Power Plant (GLTPP), as well as for setting up an additional 1,100 MW lignite based thermal power station on a Design, Build, Finance, Own and Operate (DBFOO) basis. In the petition, it was submitted that there is a surplus of 230 million metric tonnes of lignite at the Jalipa and Kapurdi mines, with sulphur content reportedly below 1% (one per cent).

Therefore, the petitioner is requested to furnish comprehensive details of the lignite resources utilised to date, the quantum of surplus reserves available, and the long-term mine development plan, including the feasibility of expanding mining operations to supply lignite to other plants. While considering such expansion, the Hon'ble Commission may take a prudent view by weighing the potential consumer benefits, subject to strict compliance with the applicable regulatory framework, statutory approvals, and due process.