

EXPLANATION FOR CORRIGENDUM TO THE NOTIFICATION DATED 3.7.2009 ON ESCALATION FACTORS AND OTHER PARAMETERS FOR THE PURPOSE OF BID EVALUATION AND PAYMENT

The Commission, in its notification dated 3.7.2009, has notified the escalation factors and other parameters as per the Amendment to the Competitive Bidding Guidelines dated 27.3.2009 for the purpose of bid evaluation and payment applicable for the period between 1.4.2009 to 30.9.2009.

A. Escalation for Normative Transmission Charges:

One of the escalation factors notified was the escalation rate for normative transmission charges. The escalation rate for normative transmission charges was computed based on the time series data on annual transmission charges of all assets of PGCIL, i.e. inclusive of income tax, incentive and FERV, for the period from 1997 to 2008.

The escalation rate for normative transmission charges is to be computed based on per unit transmission charges taking the data on transmission charges and corresponding energy during the period. Since PGCIL was in a position to submit the data on per unit transmission charges for the period of 5 years the same could not be used because all the escalation factors for the purpose of bid evaluation have been computed based on the time series data for the latest 12 years as per the adopted methodology. The rationale behind using 12 year time series data was mainly to cater for the bid evaluation for the tariff of 25 years. There is no published data available on transmission charges, therefore, we have relied completely on the data submitted by PGCIL. Due to limitations on availability of the data, the escalation rate for normative transmission charges has been computed based on the total annual transmission charges and not on annual per unit transmission charges.

With reference to the CERC notification on the escalation factors and other parameters, dated on 3.7.2009, Gujarat Urja Vikas Nigam Ltd has expressed its views in a letter to Secretary, CERC dated 14.7.2009 as under:

- The time series data on transmission charges of PGCIL also includes transmission charges of new transmission assets created for evacuation of power/system strengthening for newly added generation capacity in the network. Thus the total increase in absolute transmission charges cannot be considered as escalation in transmission charges.
- Per unit transmission charges has to be considered while computing the escalation rate for transmission charges.

The Commission has considered the suggestion of Gujarat Urja Vikas Nigam Ltd and decided to consider per unit charges for computing the escalation rate for normative transmission charges and accordingly directed PGCIL to submit per unit transmission charges. PGCIL has now submitted region-wise and All India per unit transmission charges for the latest 12 years (i.e. excluding ULDC charges).

Keeping the above background amendment is made on escalation for Normative Transmission Charges as below.

Based on the revised data on per unit transmission charges submitted by PGCIL the escalation rate for normative transmission charges has been computed as under:

ESCALATION FOR NORMATIVE TRANSMISSION CHARGES (FOR EVALUATION)			
Year	Normative Transmission Charges (Rs/kwh)	3 year moving average	Annual Escalation Rate
1997	0.0973		
1998	0.1085		
1999	0.1202	0.1087	
2000	0.1313	0.1200	10.44%
2001	0.1285	0.1267	5.56%
2002	0.1358	0.1319	4.10%
2003	0.1455	0.1366	3.59%
2004	0.1313	0.1375	0.67%
2005	0.1369	0.1379	0.26%
2006	0.1543	0.1408	2.12%
2007	0.1733	0.1548	9.95%
2008	0.2010	0.1762	13.81%
Mean			5.61%

B. Transmission Charges Matrix:

The transmission charges matrix was computed based on the data on region-wise per unit transmission charges for the latest 5 years submitted by PGCIL which included ULDC charges. Since ULDC charges do not part of transmission charges the same has now been excluded. Based on the revised data submitted by PGCIL on region-wise per unit transmission charges i.e. excluding ULDC charges, the transmission charges matrix is computed as under:

TRANSMISSION CHARGES MATRIX					
Year	Region-wise Transmission Charges (Rs/Unit)				
	NR	WR	ER	NER	SR
2004	0.11	0.10	0.12	0.33	0.19
2005	0.11	0.10	0.11	0.34	0.20
2006	0.14	0.11	0.14	0.33	0.21
2007	0.16	0.13	0.20	0.33	0.22
2008	0.19	0.17	0.20	0.34	0.24
Average	0.14	0.12	0.16	0.33	0.21
