

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Dr. Pramod Deo, Chairperson  
Shri S.Jayaraman, Member  
Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member**

**File No. Eco 1/2010-CERC**

**Date: 23.9.2010**

**In the matter of**

Validation of the Escalation Factors and other Parameters notified vide CERC Notification No. Eco 1/2010-CERC dated 31.3.2010 for a period of two months beyond 30.9.2010

**ORDER**

Ministry of Power, Govt. of India vide its Notification No. 23/11/2004-R&R (Vol. II) dated 19.1.2005 (as amended from time to time) has issued the "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees". As per clause 5.6(vi) of the Guidelines, CERC has been entrusted with the task of notifying and updating the different escalation rates, inflation rates, discount rate, exchange variation rate, etc. every six months. In pursuance of the said provision, the Commission has last notified the annual escalation rates for bid evaluation and other parameters vide notification No. Eco 1/2010-CERC dated 31.3.2010 applicable from 1.4.2010 till 30.9.2010.

2. The next Notification applicable for the period 1.10.2010 to 31.3.2011 is due to be published by 30.9.2010. The Commission is proposing to revise the

methodology for computation of escalation rates for evaluation of bids and for purposes of payment as per the power purchase agreement. Since it will take some more time to finalise the new methodology and to notify the escalation rates, there is a requirement to extend the validity of the existing notification till the issue of fresh notification.

3. Regulation 116 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 provides as under:

***“Extension or abridgement of time prescribed***

*116. Subject to the provisions of the Act, the time prescribed by these Regulations or by order of the Commission for doing any act may be extended (whether it has already expired or not) or abridged for sufficient reason by order of the Commission.”*

4. The escalation rates have been notified by the Secretary of the Commission after obtaining the prior approval and order of the Commission. The rates are effective for a period of six months from 1.4.2010 to 30.9.2010 and can be adopted for calculating the annual escalation for bid evaluation and for payment purposes. The rates for the next six months need to be notified prior to 30.9.2010 in order to ensure that the bid evaluation and payment are not affected. Since notification of escalation rates is likely to be delayed this time due to change of methodology for computation of escalation rates, we extend the validity of the notification dated 31.3.2010 under Regulation 116 of Conduction of Business Regulations, 1999 till 30.11.2010 or till the issue of fresh notification whichever is earlier.

5. It is clarified that the escalation rates for the purpose of payment as per power purchase agreement during the extended period of the existing

notification shall be provisional in nature and the escalation rates as and when notified for the period from 1.10.2010 to 31.3.2011 shall be adopted for final settlement of payment.

sd/- <b>(M.DEENA DAYALAN)</b> MEMBER	sd/- <b>(V.S.VERMA)</b> MEMBER	sd/- <b>(S.JAYARAMAN)</b> MEMBER	sd/- <b>(Dr. PRAMOD DEO)</b> CHAIRPERSON
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