

**Sembcorp's comments on Staff Paper on
Methodology for Computing the Escalation Factors and other Parameters for the Purpose of Bid Evaluation and Payment for
Procurement of Power from Renewable Energy Projects Complemented with Firm Power from any other source through Competitive
Bidding**

Sr No.	Para No.	CERC Staff Paper Proposal	Suggestion / Clarification sought
1)	Para. 3	3. As per above-mentioned Paragraphs 2.1, 5.1, 5.4, 5.5 and 6.4 of the amended 2020 MOP Guidelines, CERC is required to notify various escalation factors and other parameters for the purpose of bid evaluation as well as payment as under: <ol style="list-style-type: none"> (1) Escalation Rate for Domestic Coal (2) Escalation Rate for Domestic Gas (3) Escalation Rate for Inland Transportation Charges of Coal (4) Escalation Rate for Inland Transportation Charges of Gas (5) Escalation Rate for Imported Coal (6) Escalation Rate for Imported Gas (7) Escalation Rate for Transportation of Imported Coal (8) Escalation Rate for Transportation of Imported Gas (9) Discount rate 	Staff paper has proposed to notify the escalation factors for various components of tariff for purpose of bid evaluation. Other than the mentioned components, escalation rate for following components would also be necessary for bid evaluation: <ol style="list-style-type: none"> (1) Escalation rate for inland handling of imported coal (2) Escalation rate for inland handling of imported gas CERC in its half yearly notifications also provides escalation rates for the above-mentioned tariff components for payment purpose. It is suggested to also notify the escalation rate of above-mentioned components for bid purpose of bid evaluation.
2)	Para. 3	Same as above.	Also please clarify, whether the escalation rate mentioned for inland transportation of coal will be applicable for both imported as well as for domestic coal (which will be based on distance of plant from respective coal mine or the port).
3)	Para 8.1 to 8.7	The escalation rate shall be computed based on "latest 12 years"	Staff paper proposes to consider latest 12-year data for computing the escalation rate for various components of variable tariff. The latest 12 years would mean years 2009-2020, however illustration

			for domestic coal given in para 8.1 considers years 2008-2019 for computation. It is suggested to consider the data from 2009 to 2020 as the latest 12 years for computation of escalation rates.
4)	Para 8.5	<p>8.5 Escalation Rate for Imported Coal (For Evaluation): CERC has been using composite index, assigning 25% weightage to price/ price index of Australian Coal, NEWC (Global Coal Index), 25% weightage to South African Coal (API4), 25% weightage to Indonesian Coal (ICI3 of Argus) and 25% weightage to Indonesian Coal (Platts Index), for computing the escalation rate for imported coal for payment. The same composite index for latest 12 years is proposed to be used for computing the escalation rate for imported coal for evaluation.</p> <p>Name of the Index: Composite index based on Global Coal Index, API4, ICI3 of Argus and Platts index. Source/Publisher: global COAL, Argu Media Ltd (API4 and ICI3) and Platts</p> <p>Reasons: Use of Composite index based on Global Coal Index, API4, ICI3 of Argus and Platts index is proposed for the following reasons:</p> <ul style="list-style-type: none"> • The four indices are internationally acceptable indices. • Coal is imported by power producers from different countries. • A similar trend is observed in the prices/ price indices of Australian Coal, South African Coal and Indonesian coal. <p>Description: The Escalation Rate for imported coal shall be computed based on the time series data on composite index based on Global Coal Index, API4, ICI3 of Argus and Platts index for the latest 12 years.</p>	<p>Considering that coal import in India from Indonesia is low calorific value coal, ICI4 (4200 GAR) would be a better representative over the ICI3 (5000 GAR). Further ICI4 is also an established index which started in August-2008 and more than 12 years data is available.</p> <p>In view of the above, it is suggested to consider ICI4 index instead of the proposed ICI3 index for computing escalation on imported coal.</p>