

**EXPLANATION FOR AMENDMENT TO THE NOTIFICATION DATED 31.3.2010
ON ESCALATION FACTORS AND OTHER PARAMETERS FOR THE PURPOSE
OF BID EVALUATION AND PAYMET
(Explanation to the Amendment Dated December 20, 2010)**

The Commission, in its notification dated 31.3.2010, has notified the escalation factors and other parameters as per the Competitive Bidding Guidelines dated 19.1.2005 (as amended from time to time) for the purpose of bid evaluation and payment applicable for the period between 1.4.2010 to 30.9.2010.

After the issue of the notification by CERC, a change has been made in the Ministry of Commerce and Industry (eaindustry.nic.in) notified Wholesale Price Index (WPI) and some of its disaggregated series (i.e. for WPI-All commodities; and for Non-coking coal; Matches, Explosives & Other Chemicals; and Heavy Machinery & Parts) for the months of November and December 2009. This has necessitated amendments being made to the rates notified on 31.3.2010. Accordingly the following amendments are made.

Between the date of notification of the escalation rates on 31.3.2010 and the date of this amendment, evaluation of many bids under Case-1 and Case-2 bidding mechanism would have got completed. Considering this, if the escalation rates for evaluation purpose are now amended retrospectively, the evaluations done till date would have to be reopened. To avoid such re-opening and considering that as a result of changes in WPI and some of its disaggregated series, the changes in the escalation rates for evaluation purpose are in decimal points and that too in second decimal place and beyond, amendment is not being issued for escalation rates for evaluation purpose.

Therefore, **the amendments to the notification dated 31.3.2010 are made only in escalation rates for the purpose of payment.**

A. Escalation rate for domestic coal (for Payment)

The escalation rate for domestic coal for payment has been computed based on the data on WPI for Non-Coking coal for the period from Jan 2009 to Dec 2009. The escalation rate for domestic coal has been computed as under.

Table-1: ESCALATION RATE FOR DOMESTIC COAL (FOR PAYMENT)	
Period	WPI (Non-Coking Coal)
Jan-09	254

Feb-09	254
Mar-09	254
Apr-09	254
May-09	254
Jun-09	254
Jul-09	254
Aug-09	254
Sep-09	254
Oct-09	254
Nov-09	254
Dec-09	292
Average Index (Jan 09-Jun 09)	254
Average Index (July 09-Dec 09)	260.25
Half-Yearly Inflation	2.46%
Annual Inflation Rate	4.92%

The above computed escalation rate (4.92%) is notified as escalation rate for domestic coal for payment.

B. Escalation Rate for inland handling of imported coal (for Payment)

The escalation rate for inland handling of imported coal has been computed based on the data on WPI and CPI-IW for the period from Jan 2009 to Dec 2009. A hybrid index of WPI with 60% weight and CPI-IW with 40% weight is used while computing the escalation rate. The data on WPI and CPI-IW has been taken from the website of Ministry of Commerce & Industry and Labour Bureau, respectively. The escalation rate for inland handling of imported coal has been computed as under:

Period	WPI	CPI
Jan-09	228.9	148.0
Feb-09	227.6	148.0
Mar-09	228.2	148.0
Apr-09	231.5	150.0
May-09	234.3	151.0
Jun-09	235.0	153.0
Jul-09	238.7	160.0
Aug-09	240.8	162.0
Sep-09	242.6	163.0
Oct-09	242.5	165.0
Nov-09	247.2	168.0

Dec-09		248.3	169.0
Average Index (Jan 09-Jun 09)		230.92	149.67
Average Index (July 09-Dec 09)		243.35	164.50
Half-Yearly Inflation		5.38%	9.91%
Annual Inflation		10.77%	19.82%
		WPI Component	CPI Component
Weights	1	0.6	0.4
Half-Yearly Inflation	7.19%	3.23%	3.96%
Annual Inflation Rate	14.39%	6.46%	7.93%

The annual inflation computed in the above table (14.39%) is notified as escalation rate for inland handling charges of imported coal for payment.

C. Escalation Rate for inland handling of imported gas (for Payment)

The escalation rate for inland handling of imported gas has been computed based on the data on WPI and CPI-IW for the period from Jan 2009 to Dec 2009. A hybrid index of WPI with 60% weight and CPI-IW with 40% weight is used while computing the escalation rate. The data on WPI and CPI-IW has been taken from the website of Ministry of Commerce & Industry and Labour Bureau, respectively. The escalation rate for inland handling of imported gas has been computed as under:

Period		WPI	CPI
Jan-09		228.9	148.0
Feb-09		227.6	148.0
Mar-09		228.2	148.0
Apr-09		231.5	150.0
May-09		234.3	151.0
Jun-09		235.0	153.0
Jul-09		238.7	160.0
Aug-09		240.8	162.0
Sep-09		242.6	163.0
Oct-09		242.5	165.0
Nov-09		247.2	168.0
Dec-09		248.3	169.0
Average Index (Jan 09-Jun 09)		230.92	149.67
Average Index (July 09-Dec 09)		243.35	164.50
Half-Yearly Inflation		5.38%	9.91%

Annual Inflation		10.77%	19.82%
		WPI Component	CPI Component
Capacity Esc Weights	1	0.6	0.4
Half-Yearly Inflation	7.19%	3.23%	3.96%
Annual Inflation Rate	14.39%	6.46%	7.93%

The annual inflation computed in the above table (14.39%) is notified as escalation rate for inland handling charges of imported gas for payment.

D. Inflation rate to be applied to indexed capacity charge component (for Payment)

The Inflation Rate to be applied to Indexed Capacity Charge Component has been computed based on the data on WPI and CPI-IW for the period from Jan 2009 to Dec 2009. A hybrid index of WPI with 60% weight and CPI-IW with 40% weight is used while computing the escalation rate. The data on WPI and CPI-IW has been taken from the website of Ministry of Commerce & Industry and Labour Bureau, respectively. The inflation rate has been computed as under:

Table-7: INFLATION RATE TO BE APPLIED TO INDEXED CAPACITY CHARGE COMPONENT (FOR PAYMENT)			
Period		WPI	CPI
Jan-09		228.9	148.0
Feb-09		227.6	148.0
Mar-09		228.2	148.0
Apr-09		231.5	150.0
May-09		234.3	151.0
Jun-09		235.0	153.0
Jul-09		238.7	160.0
Aug-09		240.8	162.0
Sep-09		242.6	163.0
Oct-09		242.5	165.0
Nov-09		247.2	168.0
Dec-09		248.3	169.0
Average Index (Jan 09-Jun 09)		230.92	149.67
Average Index (July 09-Dec 09)		243.35	164.50
Half-Yearly Inflation		5.38%	9.91%
Annual Inflation		10.77%	19.82%
		WPI Component	CPI Component
Capacity Esc Weights	1	0.6	0.4

Half-Yearly Inflation	7.19%	3.23%	3.96%
Annual Inflation Rate	14.39%	6.46%	7.93%

The annual inflation computed in the above table (14.39%) is notified as Inflation Rate to be applied to Indexed Capacity Charge Component.

E. Inflation rate to be applied to indexed energy charge component in cases of captive fuel source

Using Consumer Price Index for industrial workers (CPI-IW), Wholesale Price Index for all commodities (WPI-All Commodities) and disaggregated WPI series for various commodities used in the captive mining, the inflation rate to be applied to indexed energy charge component in cases of captive fuel source has been computed.

Table-8: INFLATION RATE TO BE APPLIED TO INDEXED ENERGY CHARGE COMPONENT IN CASE OF CAPTIVE MINE COAL SOURCE (FOR PAYMENT)							
Period		WPI	CPI	Wholesale Price Index			
				Tyres	Matches Explosive	Heavy Machinery & Parts	High Speed Diesel Oil
Jan-09		228.9	148.0	151.0	160.8	222.1	476.1
Feb-09		227.6	148.0	151.0	159.4	222.1	451.1
Mar-09		228.2	148.0	151.0	155.9	222.1	452.2
Apr-09		231.5	150.0	153.9	155.9	221.8	452.2
May-09		234.3	151.0	154.9	157.0	221.6	452.2
Jun-09		235.0	153.0	155.0	157.0	222.7	452.2
Jul-09		238.7	160.0	154.9	157.0	224.7	481.4
Aug-09		240.8	162.0	154.9	157.1	224.8	481.4
Sep-09		242.6	163.0	155.0	157.5	224.6	481.4
Oct-09		242.5	165.0	155.0	158.8	224.4	481.4
Nov-09		247.2	168.0	155.0	158.8	224.4	481.4
Dec-09		248.3	169.0	155.0	157.8	224.7	481.4
Average Index (Jan 09-Jun 09)		230.92	149.67	152.80	157.67	222.07	456.00
Average Index (July 09-Dec 09)		243.35	164.50	154.97	157.83	224.60	481.40
Half-Yearly Inflation		5.38%	9.91%	1.42%	0.11%	1.14%	5.57%
Annual Inflation		10.77%	19.82%	2.84%	0.21%	2.28%	11.14%
		WPI Component	CPI Component	Tyres Component	Explosives Component	Machinery Component	HSD Component
Weights	1	0.1	0.2	0.1	0.1	0.25	0.25
Half-Yearly Inflation	4.35 %	0.54%	1.98%	0.14%	0.01%	0.29%	1.39%
Annual Inflation	8.70 %	1.08%	3.96%	0.28%	0.02%	0.57%	2.79%

Rate							
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The annual inflation computed in the above table (8.70%) is notified as inflation rate to be applied to indexed energy charge component in cases of captive fuel source.
