

EXPLANATION FOR THE NOTIFICATION DATED 22.1.2020 ON ESCALATION FACTORS AND OTHER PARAMETERS

In pursuance of Clause 5.6 (vi) of Ministry of Power (MOP) Notification on “Guidelines for Determination of Tariff by Bidding Process for procurement of Power by Distribution Licensees”, dated 19.1.2005, as amended from time to time, the Central Electricity Regulatory Commission (CERC) has been notifying various escalation factors and other parameters, every six months, for the purpose of payment. The escalation factors and other parameters are as under:

1. Escalation rate for domestic coal.
2. Escalation rate for domestic gas.
3. Escalation rates for different escalable sub-components of energy charge for plants based on imported coal.
 - (3.1) *Escalation Rate for Imported Coal*
 - (3.2) *Escalation Rate for Transportation of Imported Coal*
 - (3.3) *Escalation Rate for Inland Handling of Imported Coal*
4. Escalation rates for inland transportation charges for coal.
5. Escalation rates for inland transportation charges for gas.
6. Escalation rate for different escalable sub-components of energy charge for plants based on imported gas.
 - (6.1) *Escalation Rate for Imported Gas*
 - (6.2) *Escalation Rate for Transportation of Imported Gas*
 - (6.3) *Escalation Rate for Inland Handling of Imported Gas*
7. Inflation rate to be applied to indexed capacity charge component.
8. Inflation rate to be applied to indexed energy charge component in cases of captive fuel source.

2. The Commission, through its notification No.Eco-2/2019-CERC dated 30.10.2019, had notified all the above escalation rates applicable for the period from 1.10.2019 to 31.3.2020 except the Escalation Rate for Transportation of Imported Coal (Sr.No.3.2) and Escalation Rate for Transportation of Imported Gas (Sr.No.6.2). Keeping in view implementation of the MARPOL regulation on Low Sulphur Fuel Oil w.e.f. 1.1.2020, the Commission, through the same notification, notified the escalation rates for transportation of imported coal and gas applicable for the period from 1.10.2019 to

31.12.2019. The escalation rates for transportation of imported coal and gas applicable for the period from 1.1.2020 to 31.3.2020 are notified through the present notification. These escalation rates are computed as per the CERC order on “Methodology for computing the escalation rate for transportation of imported coal/gas on account of implementation of MARPOL regulation with effect from 1.1.2020”, dated 15th January, 2020 in Suo Motu Petition No.11/SM/2019 and explanation provided in the following paras.

3. The annual escalation rates for payment have been computed based on latest twelve months data. The steps followed while computing the escalation rates are as under.
 Step 1: Average index values for the appropriate six months period computed.
 Step 2: A half-yearly escalation rate computed based on the average six months index.
 Step 3: Annual escalation rate computed by multiplying half-yearly escalation rate by two.

4. Escalation Rate for Transportation of Imported Coal

The escalation rate for transportation of imported coal for payment applicable for the period from January to March 2020 has been computed based on LSFO Price of Argus Fuel Oil bunker 0.5%S 380cst Singapore dob (USD/Tonne) for the period from September, 2018 to August, 2019. The LSFO Price of Argus is not available for the month of September, 2018, therefore, the price for the month has been extrapolated using the price on 1st October, 2018. The escalation rate for transportation of imported coal has been computed as under:

| ESCALATION RATE FOR TRANSPORTATION OF IMPORTED COAL | | |
|--|---|-------------------------------|
| Component Index | Data Series | Annual Escalation Rate |
| LSFO Price of Argus Fuel Oil bunker 0.5%S 380cst Singapore dob | Daily data from September, 2018 to August, 2019 | -9.14% |

The annual escalation rate computed in the above table (-9.14%) has been notified as escalation rate for transportation of imported coal for payment applicable for the period 1.1.2020 to 31.3.2020.

5. Escalation rate for transportation of imported gas

The escalation rate for transportation of imported gas for payment applicable for the period from January to March 2020 has been computed based on LSFO Price of Argus Fuel Oil bunker 0.5%S 380cst Singapore dob (USD/Tonne) for the period from September, 2018 to August, 2019. The LSFO Price of Argus is not available for the month of September, 2018, therefore, the price for the month has been extrapolated using the price on 1st October, 2018. The escalation rate for transportation of imported gas has been computed as under:

| ESCALATION RATE FOR TRANSPORTATION OF IMPORTED GAS | | |
|--|---|-------------------------------|
| Component Index | Data Series | Annual Escalation Rate |
| LSFO Price of Argus Fuel Oil bunker 0.5%S 380cst Singapore dob | Daily data from September, 2018 to August, 2019 | -9.14% |

The annual escalation rate computed in the above table (-9.14%) has been notified as escalation rate for transportation of imported gas for payment applicable for the period 1.1.2020 to 31.3.2020.

6. The escalation rate applicable for changeover to LSFO as on 1.1.2020 has been computed as the percentage variation of LSFO price published by Argus Media Ltd (average of daily price) over Singapore 380cst Bunker Price published by Clarksons (average of weekly price) for December 2019. The computed escalation rate (83.94%) is notified as escalation rate applicable for changeover to LSFO as on 1.1.2020.

7. The Commission's order dated 15th January, 2020 in Suo Motu Petition No.11/SM/2019 is enclosed.
