



DB POWER LIMITED

CIN: U40109MP2006PLC019008

Corporate Office: 3rd Floor, Naman Centre, C-31, 'G' Block, Opp. Dena Bank, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051
Tel No +91-22-3930 6000 Fax No +91-22-3930 6008

Annexure – 1 : Comments from DB Power

Sl	Section	Remarks																																																																																																																																															
1	Section 8.1 Escalation Rate for domestic coal (for Evaluation):	<p>The methodology of computing the escalation for the purpose of payment has evolved substantially to reflect more closely the actual escalation witnessed in grades of coal primarily procured by power generation companies, which is reflected in the Order dated 18.10.2019 in the matter of Methodology for Compilation of Coal Price Index applicable for Power Sector. While CERC envisages to begin publishing the escalation rates for evaluation, years after discontinuation of the same in 2014, it may be necessary to adopt a similar approach to ensure the escalation reflects G10- G14 viz. grades of coal that is mostly consumed by power generation, or at least the range of G7- G14 grades, reflected in the above-mentioned Order.</p> <p>Non- availability of time series data on CERC coal price index as a constraint may not be reasonable ground to rely on a methodology which is outdated and whose outcome is flawed to the extent that the said WPI (for non-coking coal of constituting 17 different grades) is far from the escalation witnessed in G10- G14 or G7- G14 grades of coal</p> <p>Under the new series (Base Year 2011-12), Non-Coking Coal has been trifurcated into the following categories as separate items based on Gross Calorific Value (GCV) grades.</p> <p>a. Non-Coking Coal G1 to G6 [GCV >5500 Kcal/kg.]</p> <p>b. Non-Coking Coal G7 to G14 [GCV 3100 Kcal/kg to 5500 Kcal/kg]</p> <p>c. Non-Coking Coal G15 to G17 [GCV < 3100 Kcal/kg.]</p> <p>In addition, the escalation factor to be used for evaluation should be most relevant, i.e. more recent and more reflective of the escalation in the actual grade of commodity being consumed. CERC's own index based on the price of non-coking coal applicable for power sector available from April 2018 onwards can be the best option to compute the escalation as the same is nearly reflective to the recent price trends of coal. Taking a historical price trend of coal for last 12 years wherein coal prices were influenced by the GAP in demand and supply of domestic coal; now, the major coal producer, the Coal India is already past the half way to achieve 1 Bn Production Target by FY 2023 – 24 and by operationalization of commercial mines, coal availability is expected to improve significantly. Keeping the above and significant reduction in thermal power generation due to energy transition from coal to renewable (Ref Table for diminishing Thermal share), the <u>projected annual escalation of 7.51 % based on historical trend is likely to be wrong by a large margin</u> and also will lead to undue inflated Levellised Tariff for bidders with domestic coal based alternate power under the subject mentioned scheme.</p>																																																																																																																																															
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2	Section 3	Bids for supply of thermal power historically have stipulated source of coal i.e. domestic or import for the purpose of evaluation. As the GoI making efforts towards ZERO import in coal, evaluation and selection may be done on separate buckets for import and domestic coal-based bidders.
3	Section 9: Discount Rate for Bid Evaluation	Equity Market Risk Premium (ERP) of 2.47% appears to be extremely low based on RFR of 6.99% and Sensex values for the past eleven years have been used to arrive at rate of return on the market portfolio for the past 10 years. It is requested if the time period and date can be disclosed for better understanding of the methodology.

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