



## GE Gas Power

Deepesh K Nanda  
Chief Executive Officer  
GE Gas Power  
South Asia

Building 7A, 6<sup>th</sup> Floor,  
DLF Cyber City, DLF Phase III,  
Gurgaon 122002, Haryana  
CIN: U31500DL1992PTC194724

T: +91 124 4808073  
[nanda.deepesh@ge.com](mailto:nanda.deepesh@ge.com)

February 26, 2021

To,  
Shri P K Pujari  
Chairperson,  
Central Electricity Regulatory Commission ("CERC")  
3rd & 4th Floor, Chanderlok Building 36,  
Janpath, New Delhi -110 001, INDIA

Dear Shri Pujari,

**Subject: Request for review and revision in escalation indexes reference to imported gas.**

### References:

1. SECI RFS RTC – II for bundling of Renewable Power with any other Power Capacity 2500MW.
2. Amendments to the Guidelines for Tariff Based Competitive Bidding Process for Procurement of Round-The Clock Power from Grid Connected Renewable Energy Power Projects. Issued by MoP on November 4, 2020.
3. Bi-annual publication of escalation indexes for different types of fuels and respective components per Ministry of Power notification on "Guidelines for Determination of Tariff by Bidding Process for procurement of Power by Distribution Licensees", dated 19.1.2005, amended from time to time.

We commend the ministry for its vision on issuance of amended Guidelines for Tariff Based Competitive Bidding Process for Procurement of Round-The Clock Power from Grid Connected Renewable Energy Power Projects, complemented with power from any other source or storage and hence, allowing Gas-based Power projects to participate.

Gas-based power plants would help decarbonising the power sector and smooth energy transition for India with being the idle support to renewable growth by proving the needed flexibility-reliability in operations. Gas supply and its pricing is a very important factor in determining the competitiveness of gas-based power projects. Right indexation of variation in fuel pricing and other components in the

3811/2021  
11/03/2021

11/3

Spy  
T. Chet (Elo)

82  
12/03/2021

509/264  
12/3/2021

11



## GE Gas Power

tariff computation, would help gas-based power projects to offer the optimized cost of electricity, increase gas-based power off take and in-turn drive natural gas consumption to contribute to vision of gas share in the energy mix of 15% vs. 6% currently.

In this regard, we also welcome the amendment of MoP to compensate Developers for the variations in fuel and transportation charges for the Non - Renewable Component. The MoP amendment issued on November 4, 2020, refers to CERC guideline for payment purpose in relation to Clause No. 2.13. However, as the guideline stands today, it doesn't reflect the prevalent scenario of the indexation of Imported Gas component.

Since 2009, the escalation rate for imported gas sub-component for evaluation has been computed based on the time series data on Japan JCC LNG, subscribed from Platts. While the reference of using JCC linked LNG prices was correct in past, LNG global market dynamics have significantly evolved since then.

Globally and in India, there is diversification in the pricing structure with shift away from the traditional fixed-destination, long-term, oil-linked imported gas contracts. In this decade, benchmark index has evolved, and pure gas-based LNG pricing indexes have matured their offerings with relatively less volatility compared to oil-linked Index, thus offering price stability to customers. Currently market is moving towards more relevant pure gas-based indexes like Henry Hub (HH), and Asia specific indices like Japan/Korea marker (Platts JKM™) and West India Marker (Platts WIM) being the dominant ones. With USA emerging as one of the largest exporter of LNG across the globe and majority of volumes exported by USA to various countries including India are based on gas indexes like Henry Hub (HH). Henry Hub is one of the most liquid Gas hubs used for Natural Gas price discovery in USA.

In addition, Dated/ ICE Brent linked pricing is more prevalent compared to JCC linked imported gas pricing since Brent based crude indexes are easily tradable in various geographies around the world, and be easily optimized through hedging with no time lag in pricing.

Coal also experienced a shift, where earlier the prices were linked to Barlow Jonker Index (2007) but were later revised to include more broader markets like South African Coal, Australian Coal and Indonesian Coal (since 2014) to reflect the market realities

We request CERC to please consider revising the **escalation indexes for imported gas** in line with current market practices. Following are the recommendations proposed.

1. Escalation indexes to be linked to pure gas-based indexes including Japan/Korea marker (Platts JKM™) and West India Marker (Platts WIM). The recent Reliance R3 Cluster gas auction date February 5, 2021 was linked to JKM.
2. Escalation indexes to be linked to mix of crude-based indexes including (Dated Brent, ICE Brent, Japan Customs-clear Crude JCC) vs. a standalone JCC index.



## GE Gas Power

We firmly believe gas pricing is an important element of the power generation equation and would help improve the economics of the project and protect the interest of the end consumer.

We are confident that you will carefully consider our proposal and the rational it brings to the overall imported gas escalation indexes. We remain available with relevant stakeholders including gas supplier and developers to discuss and answer any questions on the subject.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Deepesh Nanda'.

**Deepesh Nanda**

Chief Executive Officer – South Asia  
GE Gas Power  
General Electric Company

Copy to:

1. Shri. Alok Kumar – Secretary, Ministry of Power
2. Shri. Indu Shekhar Chaturvedi – Secretary , MNRE
3. Shri. Tarun Kapoor – Secretary , MoPNG
4. Shri. Ghanshyam Prasad – Joint Secretary, Ministry of Power
5. Shri. Praveen Kumar – Chairman, SECI
6. Shri. Sanjay Sharma – General Manager (Contracts & Procurement), SECI.
7. Shri. Jatindra Nath Swain, MD, SECI