Shell Energy India Private Limited
(Formerly known as Hazira LNG Private Limited)

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SEI/CERC/2021/001
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Mr. Sanoj Kumar Jha,
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001

Sub: Comments on CERC Staff Paper on the "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"

Dear Sir,

This has reference to the public notice 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, soliciting views on the methodology and escalation factors for the purpose of bid evaluation.

As a brief introduction, Shell Energy India Private Limited (SEI) owns and operates a 5 MTPA LNG regasification terminal at Hazira, Gujarat. The Hazira LNG terminal set up with an investment of USD 700 million has been in operation since 2005 and is connected to all major gas pipelines in the country. SEI also provides reliable and competitive natural gas supplies to Indian customers from sectors like Power, Refinery, Fertilizer and City gas distribution through Shell's world-leading LNG portfolio. Shell is a major player in power markets globally, from generation, trading to distribution. In India too, Shell has invested in multiple renewable generation companies including Cleantech Solar, Orb Energy and Husk Power systems.

We deeply appreciate the efforts of CERC and the Ministry of Power in issuing the draft paper and seeking comments from the industry stakeholders to enable natural gas to partner renewables in RTC tenders.

We notice that the CERC seems to have retained the categorisation of domestic gas/ imported gas fuel pricing and transportation (offshore and inland) in line with the Guidelines for Determination

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of Tariff by Bidding Process for Procurement of Power by Distribution Licensees (2005) and its subsequent amendments. However, we have reviewed this classification in view of the market evolution and the reforms undertaken by the Ministry and the sector regulator (PNGRB) to recommend suitable escalation factors (fuel and transportation) for bid evaluation and payments.

Parameter	Recommendation for evaluation of bids	Recommendation for payments to gas generators/suppliers
Price escalation for imported gas	We propose that this be linked to a global marker such as JCC (historical average) with high liquidity and relatively less volatility instead of LNG markers such as JKM/ WIM. The escalation may be applied on delivered (DES) LNG prices (excluding taxes) on the non-RE variable price bid for the first year.	We proposed that this be linked to JCC prices (monthly average) on an annual basis (trailing 12 months). The fuel cost payments should be paid on monthly basis based on the applicable annual escalation rate. The bidding parameter (first-year tariff) should be the delivered (DES) LNG price (excluding taxes).
Price escalation for market-priced domestic gas	We propose that this be linked to a global marker such as JCC (historical average) as above. While the Government determines the ceiling on semi-annual basis, the price discovery is typically based on linkage to marker like JCC.	We propose that this be linked to JCC prices (monthly average) on an annual basis (trailing 12 months). The fuel cost payments should be paid on monthly basis based on the applicable annual escalation rate. The bidding parameter (first-year tariff) should be domestic gas price at the onshore land-fall point.
Price escalation for domestic (nomination) gas	We believe that this is not relevant for RTC tenders under the extant gas utilisation/ allocation policy (2014). If domestic (nomination) gas is planned to be diverted or pooled for RTC tenders in the future, then the PPAC notified prices on semi-annual basis should be considered for determination of escalation factor.	We believe that this is not relevant under the extant policy. If domestic (nomination) gas is planned to be diverted or pooled for RTC tenders in the future, then the PPAC notified prices on semi-annual basis should be considered for payment fuel(gas) procurement costs.

Parameter	Recommendation for evaluation of bids	Recommendation for payments to gas generators/suppliers
Price escalation for transportation of imported gas (sea-based)	We recommend dropping this element as the same is included in the DES LNG price reference level.	We recommend dropping this element as the same is included in the DES LNG price reference level.
Price escalation for inland transportation of gas (RLNG/APM market-priced domestic gas)	We recommend considering WPI as the escalation factor and the applicable tariff (unified or specific pipeline tariff) as the base, which would be included in the non-RE transportation cost bid for the first year.	We recommend that this be based on the actual transportation cost incurred by suppliers as per PNGRB notified tariffs and other charges, either from the domestic gas land-fall point or regas terminals.

We would be happy to provide any further clarifications that you may require.

Yours sincerely,
For **Shell Energy India Private Limited**

Nakul Raheja
Director

CC:

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, MoP
5) Shri Praveen Kumar - Chairman, SECI
6) Shri Jatindra Nath Swain - MD SECI
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