

Ref.: APMuL/CERC/16052022

Date: 16.05.2022

To

The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chanderlok Building,
36 Janpath, New Delhi – 110001

Sub.: Comments on Staff Paper on the "Methodology for Computing the Escalation Rates for Imported Coal for Payment on Monthly Basis" sought vide Public Notice No. Eco-1/2022-CERC dated 06.05.2022.

Dear Sir,

With reference to the comments invited by the Hon'ble Commission, on the above-mentioned Notification, we hereby submit our comments on the same with a request to kindly take the same on record.

Thanking You,

Yours Sincerely,

For **Adani Power (Mundra) Limited**



M. R. Krishna Rao
Joint President

Encl: As mentioned above

Adani Power (Mundra) Limited.
Adani House
Shantigram, S G Highway
Ahmedabad 382 421
Gujarat India
CIN : U40300GJ2015PLC082295

Tel +91 79 2656 7555
Fax +91 79 2555 7177
info@adani.com
www.adanipower.com

APMuL Comments on Staff Paper issued by CERC on 06.05.2022 reg. methodology for computing the Escalation Rates for Imported Coal for Payment on Monthly Basis

- 1) From the sample calculation provided at Para 9 of Staff Paper, it is noted that the Escalation Index value of 105 of May-2022 is computed from the variation of CERC Escalation Index value of Mar-2022 (Base month) vis-a-vis CERC Escalation Index value of Apr-2022 (Current month).

In this context, following is submitted:

- a. As per the provisions of PPAs signed under Section 63 of Electricity Act, 2003, the value of Escalation Index at the end of month shall be used for payment for the next month. In other words, for raising the invoice towards power supplied in the month of Jun-2022, the Escalation value “p” at the end of May-2022 shall be adopted. In the process, there will be lag of 2 months. Since the Index value of 105 of May-2022 is actually based on the coal data of Apr-2022.
 - b. Since the main intention of notifying monthly index is to reduce the time lag between Energy Cost determined and it’s dispatchability under MOD, Hon’ble CERC may consider notifying monthly escalation index in the first week of every month duly capturing data of previous month. This will enable reduction in the lag to 1 month as the escalation index based Mar-2022 (Base month) vis-a-vis Apr-2022 (Current month) data would be available in the first week of May-2022 and the same shall be used for supply of power in May-2022, to be billed in Jun-2022. This will bridge any mismatch in actual units consumed, duly taking into account concurrent and prevalent prices of Energy Cost, on account of merit order dispatch.
- 2) As per the Staff Paper, the monthly escalation index can be used for existing PPA also with mutual agreement. Therefore, to take care of such requirement, it is necessary to notify a correction factor for the existing PPAs from present six monthly escalation index to monthly escalation index, on account of the very point emphasized that the dispatch must be for MUs, as close to the concurrent EC numbers, as it qualifies under Merit Order Dispatch.
 - 3) For existing PPAs, the adoption of this methodology as per MoP letter is left for mutual agreement between generating company and procurer. Existing plants using imported coal are the worst affected due to the present escalation methodology which has been recognized by MoP. There may be disagreement between generating company and procurer on adoption

of monthly escalation rate, therefore it is suggested that implementation of monthly escalation methodology shall be made applicable for the existing PPAs also from the date of notification and nothing shall be left to parties thereby causing mismatch between actual EC and Merit order dispatch.