

Sembcorp's Comments on Staff Paper on the Methodology for computing the Escalation Rates for Imported Coal for Payment on Monthly Basis

1. MoP has rightly acknowledged the need for publication of escalation indices on monthly basis, considering this will be more representative and will reduce the time lag between incurred cost and recovery through revenue. However, the proposal of continuing both publication (on six monthly as well as on monthly basis) and leaving it to mutual agreement between procurer and seller will not solve the purpose. Procurers (Discoms) may not be interested to amend any of the existing provision considering the inclination of Discom officials towards maintaining status quo.

It is therefore suggested that CERC should issue directive that under all the existing PPAs have to mandatorily amend relevant clauses suitably to incorporate use of proposed monthly escalation rates.

2. Considering present fluctuation in Imported Coal Indices/Prices MoP has recommended for it, however the said monthly publication of escalations for Domestic Coal and its transportation should also be published at the same frequency to avoid any time gap and mismatch for Domestic Coal component also.