

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

At the outset, we would like to extend our thanks for bringing up the methodology for computing the escalation rates for imported coal for payment on monthly basis. As represented earlier, methodology based on six monthly escalation rates specifically in cases related to imported coal has been creating a lead/lag in recovery of prices. With the introduction of a methodology based on monthly escalation rates, lead/lag would be minimized and the cost would be reflective of the immediate trend thereby reducing the burden on thermal generators based on imported coal.

We would like to put forth the following points as our suggestions/request:

- **Implementation of monthly rates April 2022 onwards**

It is our humble request to notify the escalation index for imported coal on monthly basis April 2022 onwards. This would help the generators in transitioning from six monthly index to monthly index in a smooth manner as the regular notification (based on six monthly escalation rates) is also notified in the month of April for implementation. Also, the Ministry of Power (MoP) letter was issued on 13.04.2022 enabling the monthly escalation rates to be issued from April 2022 onwards.

- **One time escalation**

Assuming that the monthly escalation rates are going to be announced from April 2022 onwards, such a rate for April 2022 shall be applied on the base which is the March escalated index. This March escalated index is based on escalation rate notified in October 2021 (for the period Oct'21-Mar'22) considering the data series from September 2020 to August 2021. Or in other words, it can be safely concluded that the March 2022 escalated index (which becomes the base for application of the monthly escalation rate for April, 2022) is based on data series as on August 2021 and is not capturing the data series for the period September 2021 to March 2022. The same would not reflect the price trend in the immediate preceding period and the whole idea of capturing the lead/lag would be defeated. In order to capture the escalation in imported coal price without any gap period it is requested to allow **one time escalation** for the generators opting for monthly escalation rates, when they transition from March 2022 to April 2022.

It is requested to consider the above points while finalizing the methodology. This would address the lag between the actual price paid and the billing price, which will be beneficial for the DISCOMS too. In a situation when coal prices have fallen, the DISCOMS continue to pay higher price since the escalation rates are based on the past higher prices.