



Ref: PTC/CERC/

Date: 27<sup>th</sup> June' 2023

To  
**Shri. Harpreet Singh Pruthi**  
Secretary  
Central Electricity Regulatory Commission  
3<sup>rd</sup> and 4<sup>th</sup> Floor, Chanderlok Building  
36, Janpath, New Delhi -110001

**Subject: Comments on Staff Paper on “Review of Composite Index used for Computing the Escalation Rate for Imported Coal for Bid Evaluation and Payment”**

Dear Sir,

This is with reference to the public notice Eco-12/2/2023-CERC dated June 9, 2023 regarding seeking comments and suggestions of the stakeholders on the **Staff Paper on “Review of Composite Index used for Computing the Escalation Rate for Imported Coal for Bid Evaluation and Payment”**

You are requested to kindly consider the enclosed annexure (Annexure-A) of our comments for your kind reference and perusal. If deemed appropriate, we are also available for an in-person interaction to clarify any aspect.

Thanking you,

Yours faithfully,  
For **PTC India Ltd.**

(Rajesh Cherayil)  
**Chief Strategy Officer**

**PTC India Limited**

(Formerly known as Power Trading Corporation of India Limited)

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(Annexure-A)

**Comments on Staff Paper on “Review of Composite Index used for Computing the Escalation Rate for Imported Coal for Bid Evaluation and Payment”**

1. **Background:** We believe that this initiative of review of the Composite Index for computing the escalation rate for imported coal for bid evaluation and payment is being taken at an opportune time. The impact of the Covid-19 pandemic and the subsequent economic recovery formed the backdrop of energy sector participants which was further exacerbated by geo-political tensions affecting the global fuel supply chain. Therefore, the issue of plotting the price and volume trends of key indices during these “not normal” periods is always a concern. Therefore, we do believe that a near-term review post finalization of this index within a year should be carried out before setting out a standard review period. We have some additional comments on the Staff Paper for your consideration.
2. For South African Coal, a correlation of Platts 5500 kcal/kg NAR with respect to API4 6000 kcal/kg NAR may also be examined (it may have been carried out already but the paper omits to mention the same). Given that the calorific value of 5500 Kcal/kg NAR for the Platts index is the same as the API3 of Argus/McCloskey, the exclusion of the Platts index may be validated through an examination.
3. Both the Australian Coal indices namely, API5 of Argus and IHS McCloskey 5500 kcal/kg NAR (API5) and Platts Newcastle index 5500 kcal/kg NAR (Platts) have been compared with Global Coal Price Index of 6000 kcal/kg NAR. A correlation between the above two indices API5 & Platts may also be examined to determine if both indices need to be included in the composite index as was done in the case of South African coal. Since the overall weightage of Australian coal is proposed at 10%, this may assist in the construct of the index.
4. 16% of the imports for FY 2022-23 were from geographies other than the three being used to construct the index. Therefore, it may be evaluated if the inter-se weightages may be normalized to a lower base than 100.
5. Given the volatility in coal prices especially with the experience of recent years, it may be prudent to review the composite index in every two years instead of three and in case of tail risk events like a natural calamity or geo-political tensions, the index may be reviewed on the occurrence of such event irrespective of the trigger for the review period.