

Ref.: APL/CERC/08072024

Date: 08.07.2024

To  
The Secretary,  
Central Electricity Regulatory Commission,  
World Trade Centre, 6th, 7th and 8th floor, Tower -B,  
Nauroji Nagar, New Delhi - 110029

**Sub.:** Submission of comments on CERC Staff Paper on "Methodology for Transition from Six-Monthly Escalation Rates to Monthly Escalation Rates for Imported Coal", sought vide Notification No. Eco-1/2022-CERC dated 24.05.2024.

Dear Sir,

With reference to the comments invited by the Hon'ble Central Electricity Regulatory Commission on the Staff Paper on "Methodology for Transition from Six-Monthly Escalation Rates to Monthly Escalation Rates for Imported Coal", 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 Limited**



**M. R. Krishna Rao**  
**President**

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## **APL Comments on CERC Staff Paper on Methodology for Transition from Six-Monthly Escalation Rates to Monthly Escalation Rates for Imported Coal**

1. In the methodology suggested by CERC's staff paper, there are mainly following concerns:

- (i). The Correction factor is based on six monthly **average values** and not based on monthly data. As a result, it is not avoiding the time lag even after advancing by six (6) months. **Time gap of about three (3) months still persists on account of considering average of six months data.**

The above aspect is illustrated in **Annexure-1**.

- (ii). The proposed methodology does not consider the full effect of Dec'2021, Jan'2022 and Feb'2022 data in computing the correction factor.

As per the proposed methodology, in the first step, the escalation rates for six months period between Oct-2021 to Mar-2022 is to be derived based on the **six months average data of Feb-2021 to Aug-2021 v/s Sep-2021 to Feb-2022** (escalation is to be applied for the current period instead of future period as proposed by CERC staff paper). Further, the monthly escalation rate for the month of Apr-2022 is to be arrived based on monthly data of Mar-2022 v/s Feb-2022.

Since, the Sep'2021 – Feb'2022 when averaged effectively becomes Nov'2021 and since the monthly escalation rate for Apr'2022 considers data of Mar'2022, we are of the view that the proposed methodology does not take into account the months of Dec'2021, Jan'2022 and Feb'2022. The aforesaid issue is illustrated at **Annexure-2**.

- (iii). The proposed methodology, which is based on the average of six monthly escalation rate, cannot be implemented for determining the correction factor for the escalation rates towards transportation of imported coal/ocean freight. This is because, the Hon'ble CERC pursuant to the MARPOL Regulation had already notified the correction factor applicable for Jan'2020. The Hon'ble CERC for the purpose of applying the correction factor applicable from Jan'2020 (being the effective date of MARPOL Regulation) had split the Oct'2019 to Mar'2020 period into two quarters and notified quarterly escalation rates for the two quarters. As a result, the six-monthly methodology proposed by the CERC Staff Paper cannot be made applicable to the escalation rates of the transportation of imported coal/ocean freight.
- (iv). Moreover, the proposed methodology takes away the flexibility of transitioning from six monthly to monthly escalation rates anytime during the block of six monthly period commencing from any particular month as may be mutually agreed to by the parties.

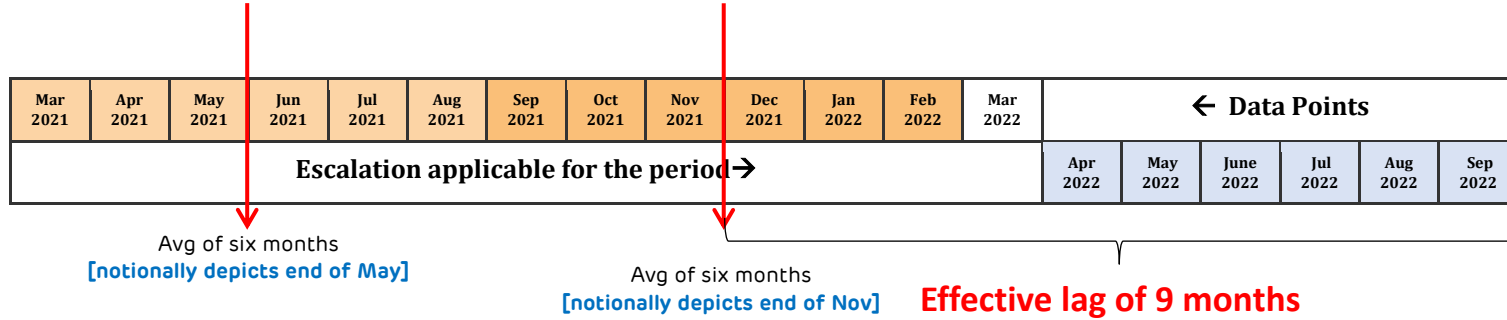
2. In our view, advancing of array of data for the period from start date of PPA to the switch over month does not reflect in accuracy of correction factor. To rectify the above discrepancy, the

following option which eliminates three (3) months gap as well as utilizes the entire array of the data, may be considered.

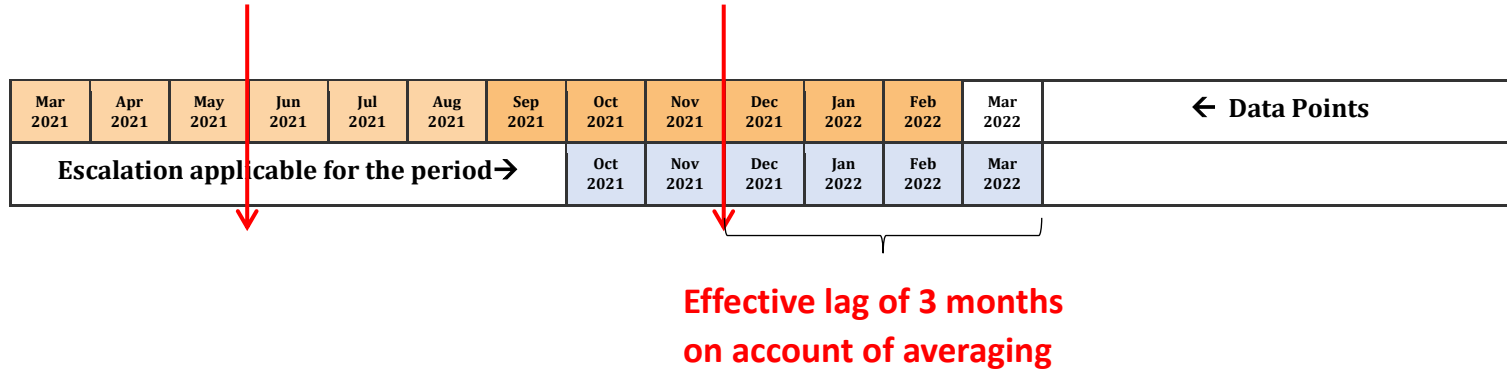
- (i). The monthly escalation rates from the respective period of PPA commencement date of each of the developer may be computed for the period up to Mar'2024 (i.e. switch over month as proposed in the staff paper) based on the same methodology being notified and being adopted by the CERC for monthly escalation rates from Apr'2022 onwards.
  - (ii). The methodology proposed by APL is simple and results in more accurate correction factor as this does not involve any data being ignored or time gap being continued. It will also help in dealing with the quarterly escalation rates and the correction factor notified from Jan'2020 onwards (as explained in point 1 (iii) above) in respect of MARPOL Regulation. Moreover, usage of monthly escalation rate right from the beginning of the PPA commencement (or any other date from which the escalation rates are being used by the parties for the purpose of payment of energy charge component), being generic in nature will provide the flexibility to the parties to shift from six monthly to monthly escalation rates from any particular month as may be mutually agreed.
3. **In view of the above, we humbly request the Hon'ble Commission to consider determination of correction factor based on monthly escalation rates as explained in foregoing paragraphs.**

**Annexure-1: Illustration for time gap**

**Six Monthly Esc.: effective lag of 9 months**



**Six Monthly Esc. (applying to current period instead of future period as proposed by CERC): effective lag of 3 months**



**Annexure-2: Illustration for non-factorization of the entire period data up to the switch over month on account of average**

Month	Monthly Esc	Monthly p Value	Published CERC Esc Rates	Six Monthly p Value	Diff in p Value
	%	p	%	p	p
A	B	C	D	E	F
Mar-20	-10.35%	100.00	-4.94	100.00	100.00
Apr-20	-11.07%	89.65	-41.79	96.52	
May-20	-9.33%	79.73		93.04	
Jun-20	0.16%	72.29		89.55	
Jul-20	-2.67%	72.41		86.07	
Aug-20	-0.19%	70.48		82.59	
Sep-20	2.55%	70.34		79.11	-8.76
Oct-20	8.66%	72.14	63.89	83.32	
Nov-20	9.59%	78.39		87.53	
Dec-20	31.15%	85.91		91.74	
Jan-21	14.12%	112.67		95.95	
Feb-21	-5.70%	128.57		100.16	
Mar-21		121.24		104.38	16.86

In the above illustration, it is observed that the six-monthly methodology does not reflect the correct “p” value as derived using monthly basis at the end of Sep-2020 and Mar-2021. Accordingly, as evident from column ‘f’, the actual increase / decrease in imported coal price is not reflected on account of averaging.