EXPLANATION TO
THE NOTIFICATION DATED 29-5-2025
ON
MONTHLY ESCALATION RATES FOR IMPORTED COAL

In pursuance of Clause 5.6 (vi) of the Ministry of Power (MOP) Notification dated 19.01.2005, as amended from time to time, on "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees", the Central Electricity Regulatory Commission (CERC) notifies various escalation rates including the escalation rate for imported coal, every six months, for the purpose of payment.

2. The MOP, vide its letter dated 13th April 2022, has highlighted the need for notification of escalation rate for imported coal for payment on a monthly basis to avoid the lag in the notification of escalation rate with reference to actual variation in the price of imported coal. The relevant extract from the communication from the Ministry of Power is as under:

> *"After careful consideration, Government have decided that the escalation index for imported coal may be notified on a monthly basis by CERC, in addition to the present six-monthly escalation index. In existing PPAs where the generating company and the procurer agree, they can use the monthly index. For future PPAs, Government proposes to make provisions in the bidding guidelines and bidding document for use of the monthly Escalation index for imported coal. The present practice of notifying escalation rates every six months, in addition to notification on monthly basis, should also be continued, to be used by sellers and procurers, in the context of concluded PPAs."*

3. In view of the above, the Commission issued an Order in Petition no. 7/SM/2022 dated 6.6.2022 specifying the methodology for computing the escalation rates for imported coal for payment on a monthly basis.

4. As per the specified methodology, the escalation rates for imported coal for payment on a monthly basis have been computed for the present notification as under:

(a) The following escalation rates have been notified

(i) escalation rate for imported coal;

(ii) escalation rate for transportation of imported coal; and

(iii) escalation rate for inland handling of imported coal

(b) The data on price/price indices and their composition used for computing the escalation rates notified on a six-monthly basis has been used for computing the escalation rates notified on a monthly basis. The escalation rates on a monthly basis have been computed based on the latest available two months' data.

(c) The escalation rates notified on a monthly basis have been computed using the following formula:

{(Current month price index - Previous month price index) / Previous month price index} X 100

5. The CERC is required to notify the escalation rates, on a monthly basis, as per the Amendment dated 11.07.2022 to the MOP "Guidelines for long term Procurement of Electricity from Thermal Power Stations set up on Design, Build, Finance, Own and Operate (DBFOO) basis and sourcing fuel as provided under Model Bidding Documents including allocation of coal under B (I), B(III) and B(IV) of SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India) Policy" dated 6.03.2019. The relevant extract of the Amendment is as under:

2.0 The following Amendments are hereby made in the said guidelines notified on 06th March, 2019 namely:-

The following shall be inserted after Para 5

"6. Central Electricity Regulatory Commission shall notify the escalation rates, on a monthly basis, for computation of fuel charges as mentioned in paras 22.2.3 and 22.2.5 of the MPSA(Model Power Supply Agreement)-DBFOO.

Provided that the Amendment in the Guidelines and the bidding documents shall be effective for the bidding to be done after the date of this notification."

6. **Monthly Escalation Rates for Payment**

6.1 **Escalation Rate for Imported Coal**

The escalation rate for imported coal for payment has been computed based on the price of South African Coal, Australian Coal and Indonesian Coal for the period from March 2025 to April 2025, as per the revised formula for the composite index for imported coal specified by the CERC in its Order dated 25th September 2023 in Petition No. 12/SM/2023, is as under:

Table-1: ESCALATION RATE FOR IMPORTED COAL		
Component Index	**Data Series**	**Monthly Escalation Rate**
Composite series using weight of 25% to API-3 (Price of South African Coal), 10% to API-5 (Price of Australian Coal), 16.25% to Argus ICI-3 (Price of Indonesian Coal), 16.25% to Argus ICI-4 (Price of Indonesian Coal), 16.25% to Platts CI 5000 GAR (Price of Indonesian Coal) and 16.25% to Platts CI 4200 GAR (Price of Indonesian Coal).	Weekly/Daily data from March 2025 to April 2025	**(-)2.16%**

The monthly escalation rate computed in the above table (-2.16%) is notified as an escalation rate for imported coal for payment.

6.2 **Escalation Rate for Transportation of Imported Coal**

The escalation rate for transportation of imported coal for payment has been computed based on the price of VLSFO published by Clarksons Research for the period from March 2025 to April 2025 as under:

Table-2: ESCALATION RATE FOR TRANSPORTATION OF IMPORTED COAL		
Component Index	**Data Series**	**Monthly Escalation Rate**
Singapore Bunker Price (VLSFO price, basis maximum sulphur content of 0.5%) ($/t)	Weekly data from March 2025 to April 2025	**(-)3.00%**

The monthly escalation rate computed in the above table (-3.00%) is notified as an escalation rate for transportation of imported coal for payment.

6.3 **Escalation Rate for Inland Handling of Imported Coal**

The escalation rate for inland handling of imported coal has been computed based on the data on WPI-All commodities and CPI-IW for the period from January 2025 to February 2025. A composite index, based on WPI with 60% weight and CPI-IW with 40% weight, has first been developed, which then has been used for computing the escalation rate. The data on WPI and CPI-IW has been taken from the websites of the Ministry of Commerce & Industry and Labour Bureau, respectively. The escalation rate for inland handling of imported coal has been computed as under:

Table 3: ESCALATION RATE FOR INLAND HANDLING OF IMPORTED COAL			
Period	**WPI (Base 2011-12=100)**	**CPI-IW (Base 2016=100**	**Composite Index**
Jan-25	155.0	143.2	150.28
Feb-25	154.9	142.8	150.06
Monthly Inflation			**(-)0.15%**

*Composite index with weight of 60% to WPI and 40% to CPI-IW.

The monthly inflation computed in the above table (-0.15%) is notified as an escalation rate for inland handling of imported coal for payment.

7. The data series for API-3, API-5, Argus ICI-3, Argus ICI-4, Platts CI, and Singapore VLSFO Bunker Fuel Price Index have been analysed by CERC. The data is not made available for public dissemination since it is paid for and sourced on a single-user subscription.

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