

**EXPLANATION FOR CORRIGENDUM TO THE NOTIFICATION DATED 28.12. 2010
ON ESCALATION FACTORS AND OTHER PARAMETERS FOR THE PURPOSE OF
BID EVALUATION AND PAYMENT**

The Commission, in its notification dated 28.12.2010, has notified the escalation factors and other parameters for the purpose of bid evaluation and payment applicable for the period from 1.10.2010 to 31.3.2011. The escalation factors and other parameters are notified in pursuance of Clause 5.6 (vi) of Ministry of Power (MOP) Notification dated 19.1.2005 (as amended from time to time) on “*Guidelines for Determination of Tariff by Bidding Process for procurement of Power by Distribution Licensees*”.

The data on Wholesale Price Index (new WPI series, 2004-05 as base) published by Ministry of Commerce and Industry (MOCI) has been used for arriving at some of the escalation factors notified in the notification dated 28.12.2010. In the month of April 2011, MOCI has revised the new WPI series. Consequent to the change in input data (Revised new WPI series) used for determination of escalation factors and other parameters, certain changes were necessitated in the rates notified on 28.12.2010.

The escalation rates at Sr.No. 3.3, 6.3, 7 and 8 of Table II of the notification dated 28.12.2010 (II: Annual Escalation Rates applicable for the purpose of payment as per the Power Purchase Agreement for the period between 01.10.2010 and 31.03.2011) are computed as under:

(3.3) Escalation Rate for Inland Handling of Imported Coal (For Payment)

The escalation rate for inland handling of imported coal has been computed based on the data on WPI and CPI-IW for the period from July 2009 to June 2010. Composite series, 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 website of Ministry of Commerce & Industry and Labour Bureau, respectively. The escalation rate for inland handling of imported coal has been computed as under:

Table-3.3: ESCALATION RATE FOR INLAND HANDLING OF IMPORTED COAL (FOR PAYMENT)			
Period	WPI	CPI	Composite Series*
Jul-09	128.2	160.0	140.92
Aug-09	129.6	162.0	142.56
Sep-09	130.3	163.0	143.38
Oct-09	131.0	165.0	144.60
Nov-09	132.9	168.0	146.94

Dec-09	133.4	169.0	147.64
Jan-10	135.2	172.0	149.92
Feb-10	135.2	170.0	149.12
Mar-10	136.3	170.0	149.78
Apr-10	138.6	170.0	151.16
May-10	139.1	172.0	152.26
Jun-10	139.8	174.0	153.48
Average Index (July 09-Dec 09)			144.34
Average Index (Jan 10-Jun 10)			150.95
Half-Yearly Inflation			4.58%
Annual Inflation			9.16%
*Composite series using weightage of 60% to Wholesale Price Index (WPI) and 40% to Consumer Price Index (CPI).			

The annual inflation computed in the above table (9.16%) is notified as escalation rate for inland handling charges of imported coal for payment.

(6.3) Escalation rate for inland handling of imported gas (for Payment)

The escalation rate for inland handling of imported gas has been computed based on the data on WPI and CPI-IW for the period from July 2009 to June 2010. Composite series, 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 website of Ministry of Commerce & Industry and Labour Bureau, respectively. The escalation rate for inland handling of imported gas has been computed as under:

Period	WPI	CPI	Composite Series*
Jul-09	128.2	160.0	140.92
Aug-09	129.6	162.0	142.56
Sep-09	130.3	163.0	143.38
Oct-09	131.0	165.0	144.60
Nov-09	132.9	168.0	146.94
Dec-09	133.4	169.0	147.64
Jan-10	135.2	172.0	149.92
Feb-10	135.2	170.0	149.12
Mar-10	136.3	170.0	149.78
Apr-10	138.6	170.0	151.16
May-10	139.1	172.0	152.26
Jun-10	139.8	174.0	153.48
Average Index (July 09-Dec 09)			144.34

Average Index (Jan 10-Jun 10)	150.95
Half-Yearly Inflation	4.58%
Annual Inflation	9.16%
*Composite series using weightage of 60% to Wholesale Price Index (WPI) and 40% to Consumer Price Index (CPI).	

The annual inflation computed in the above table (9.16%) is notified as escalation rate for inland handling charges of imported gas for payment.

(7) Inflation Rate to be applied to Indexed Capacity Charge Component (For Payment)

The Inflation Rate to be applied to Indexed Capacity Charge Component has been computed based on the data on WPI and CPI-IW for the period from July 2009 to June 2010. Composite series, 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 website of Ministry of Commerce & Industry and Labour Bureau, respectively. The inflation rate has been computed as under:

Table-7: INFLATION RATE TO BE APPLIED TO INDEXED CAPACITY CHARGE COMPONENT (FOR PAYMENT)			
Period	WPI	CPI	Composite Series*
Jul-09	128.2	160.0	140.92
Aug-09	129.6	162.0	142.56
Sep-09	130.3	163.0	143.38
Oct-09	131.0	165.0	144.60
Nov-09	132.9	168.0	146.94
Dec-09	133.4	169.0	147.64
Jan-10	135.2	172.0	149.92
Feb-10	135.2	170.0	149.12
Mar-10	136.3	170.0	149.78
Apr-10	138.6	170.0	151.16
May-10	139.1	172.0	152.26
Jun-10	139.8	174.0	153.48
Average Index (July 09-Dec 09)			144.34
Average Index (Jan 10-Jun 10)			150.95
Half-Yearly Inflation			4.58%
Annual Inflation			9.16%
*Composite series using weightage of 60% to Wholesale Price Index (WPI) and 40% to Consumer Price Index (CPI).			

The annual inflation computed in the above table (9.16%) is notified as Inflation Rate to be applied to Indexed Capacity Charge Component.

(8) Inflation Rate to be applied to indexed energy charge component in cases of captive fuel source (For Payment)

Using Consumer Price Index for industrial workers (CPI-IW), Wholesale Price Index for all commodities (WPI-All Commodities) and disaggregated WPI series for various commodities used in the captive mining, the inflation rate to be applied to indexed energy charge component in cases of captive fuel source has been computed. Before computing the escalation rate, composite series has been arrived at by giving weight of 10% to WPI; 20% to CPI; 10% to Tyres; 10% to Matches, Explosives & Other Chemicals; 25% to Machinery & Machine Tools; and 25% to HSD Oil and the same has been used for computing the escalation rate.

Table-8: INFLATION RATE TO BE APPLIED TO INDEXED ENERGY CHARGE COMPONENT IN CASE OF CAPTIVE MINE COAL SOURCE (FOR PAYMENT)							
Period	WPI	CPI	Wholesale Price Index				Composite Series*
			Tyres	Matches, Explosive & Other Chemicals	Machinery & Machine Tools	High Speed Diesel Oil	
Jul-09	128.2	160.0	128.0	121.9	117.8	133.9	132.74
Aug-09	129.6	162.0	128.0	122.2	118.0	133.9	133.36
Sep-09	130.3	163.0	128.0	123	117.1	133.9	133.48
Oct-09	131.0	165.0	128.1	122.8	117.4	133.9	134.02
Nov-09	132.9	168.0	128.7	123.5	117.8	133.9	135.04
Dec-09	133.4	169.0	129.2	125.8	117.8	133.9	135.57
Jan-10	135.2	172.0	131.2	126.5	118.4	133.9	136.77
Feb-10	135.2	170.0	131.8	126.1	118.5	136.6	137.09
Mar-10	136.3	170.0	134.4	127.4	119.5	144.6	139.84
Apr-10	138.6	170.0	135.1	127.6	120.5	145.6	140.66
May-10	139.1	172.0	139.5	128	120.2	145.6	141.51
Jun-10	139.8	174.0	140.2	127.8	120.4	147.4	142.53
Average Index (July 09-Dec 09)							134.03
Average Index (Jan 10-Jun 10)							139.73
Half-Yearly Inflation							4.25%
Annual Inflation							8.50%
*Composite series using weightage of 10% to Wholesale Price Index (WPI), 20% to Consumer Price Index (CPI), 10% to WPI-Tyres, 10% to WPI-Matches, Explosives & other chemicals, 25% to WPI-Machinery & Machine Tools and 25% to WPI-HSD Oil.							

The annual inflation computed in the above table (8.50%) is notified as inflation rate to be applied to indexed energy charge component in cases of captive fuel source.
