CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 12/SM/2023

Coram:
Shri Jishnu Barua, Chairperson
Shri I.S. Jha, Member
Shri Arun Goyal, Member
Shri P.K. Singh, Member

Date of order: 25th September, 2023

In the matter of

Review of the Composite Index used for Computing the Escalation Rate for Imported Coal for Bid Evaluation and Payment.

ORDER

Clause 5.6 (vi) of the Government of India, 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" and paragraph 5.4 and 5.5 of the MOP Resolution dated 22.7.2020 (as amended from time to time) on "Guidelines for Tariff Based Competitive Bidding Process for Procurement of Round-the-Clock Power from Grid Connected Renewable Energy Power Projects, complemented with Power from Coal Based Thermal Power Projects" enjoin on the Central Electricity Regulatory Commission (CERC) to notify various escalation rates for bid evaluation and payment purposes. In pursuance of the said provisions, the CERC has been notifying the escalation rates annually for the purpose of bid evaluation and six monthly and monthly for the purpose of payment.

2. The CERC has been notifying various escalation rates, including the escalation rate for imported coal, since 2005. A composite index has been used for computing the escalation rate for imported coal. The present methodology for the composite index for imported coal considers the price of Australian Coal with a 25% weightage, the price of South African Coal with a 25% weightage and the price of Indonesian Coal with a 50% weightage. The methodology for the composite index was developed in 2013, and the same is used for computing the escalation rate for imported coal w.e.f. 1.4.2014. Since 2013, there have been many developments in the international coal market, changes in the quantum of steam coal imports in India and the availability of credible and reliable coal price indices that represent steam coal imports in India. In view of these developments, a need was felt to review the composite index used for computing the escalation rate for imported coal and to specify a new methodology for the composite index. A new methodology for the composite index was proposed through a staff paper of CERC on the "Review of Composite Index used for Computing the Escalation Rate for Imported Coal for Bid Evaluation and Payment", issued vide public notice dated 9.6.2023, as under:

*"**E: Proposed Methodology for development of composite index***

17. In the proposed methodology, the price indices have been suggested based on the following criteria:

(i) the price indices should reflect the volume of steam coal imports in India (the countries having a consistent share of 5% and above in total steam coal imports in India);

(ii) the price indices should have credibility, reliability, and availability of historical data; and

(iii) the price indices should be representative of the calorific value of steam coal imports in India.

18. Based on the above criteria, the proposed methodology contains three major changes: (i) incorporation of two new price indices in place of the existing coal price index used for

Australian coal; (ii) incorporation of a new price index in place of the existing coal price index used for South African coal, and (ii) changes in the weight assignments based on the trends in steam coal imports in India. The proposed methodology for the composite index is as under:

*a. **South African Coal:** Except in 2022-23, the share of South African coal in total steam coal imports in India consistently varied between 16% and 29%. Keeping this in view, the price index of South African coal is proposed as part of the composite index with the same weightage. Among the available price indices, API3 5500 kcal/kg NAR of Argus/McCloskey has a very high correlation with API4 (presently used in the CERC composite index) and is more representative of steam coal imports into India. Therefore, the same is proposed as part of the composite index as a representative index for South African coal, with a weightage of 25%.*

*b. **Australian Coal:** While formulating the mechanism for the coal price index in 2013, 25% weightage was given to Australian coal, considering that the share of steam coal imports from Australia may increase. However, it is observed that the steam coal imports from Australia were not significant till 2019-20. It is only in the last three years that the share of coal imported from Australia increased. Considering this trend in imports and its acceptability for contracts, the price index of Australian coal is retained as part of the proposed composite index, but with a lower weightage of 10% (presently it is 25%). Historical data on the two new price indices (i) API5 of Argus and IHS McCloskey 5500 kcal/kg NAR and (ii) Platts Newcastle index 5500 kcal/kg NAR is now available. These indices represent lower-CV coal, which is more representative for imports into India and are being used as reference prices for coal contracts. Therefore, in place of the GlobalCoal Newcastle Index, these two new indices are proposed to be considered as part of the composite index as representative indices for Australian coal, with a weightage of 5% to each index and an overall weightage of 10% to Australian coal.*

*c. **Indonesian Coal:** It is noted from the analysis that Indonesian coal consistently forms a significant part of the steam coal imports in India. Therefore, it is worth assigning more weightage to the Indonesian coal indices as part of the composite index. Considering the relative merits, the indices published by Platts (5000 kcal/kg GAR) and Argus (ICI3 5000 kcal/kg GAR) are proposed to be retained as part of the composite index as representative indices for Indonesian coal. with a weightage of 32.5% to each index and an overall weightage of 65% to Indonesian coal.*

19. As specified above, the proposed Composite Index for Imported Coal is as under:
20.

Proposed Composite Index for Imported Coal			
Name of the Country	***Description of the Index***	***Publisher***	***Weightage***
South Africa	*API3 - FOB Richards Bay at 5500 kcal/kg NAR*	*Argus/McCloskey*	*25%*

Australia	*API5- FOB Newcastle 5500 kcal/kg NAR*	*Argus/McCloskey*	*5%*
	Platts FOB Newcastle 5500 kcal/kg NAR	*S&P Global Platts*	*5%*
Indonesia	*ICI3 - FOB Kalimantan 4600 kcal/kg NAR (5000 kcal/kg GAR)*	*Argus/CoalIndo*	*32.5%*
	Platts CI - FOB Kalimantan 4700 kcal/kg NAR (5000 kcal/kg GAR)	*S&P Global Platts*	*32.5%*

*20. **Calorific value harmonisation across indices and normalisation.** In this regard, no change is proposed. The calorific values shall be harmonised across indices by normalising for 5000 kcal/kg and assuming a linear trend across indices of different calorific values of coal.*

*21. **Use of the composite index:** The composite index proposed shall be used for computing the escalation rate for imported coal both for the purposes of bid evaluation and payment.*

*22. **Review of the composite index:** The volatility in international coal prices has been quite significant in the recent past, and coal imports from other countries have increased. Thus, the composite index may need to be reviewed periodically, and indices of other coal exporting countries may need to be added once they have at least a 5% share in the total steam coal imports and subject to the availability of credible/reliable price indices. Keeping this in view, it is proposed to review the composite index every three years or as and when the need arises, whichever is earlier."*

3. Comments/suggestions/objections of the stakeholders and other interested persons on the above-proposed methodology were invited through a public notice dated 9.6.2023. In response to the public notice, various comments/suggestions have been received from the following:

(i) Tata Power Company Ltd (TPCL)
(ii) Gujarat Urja Vikas Nigam Ltd (GUVNL)
(iii) PTC India Ltd (PTC)
(iv) Prayas Energy Group (Prayas)
(v) Argus Media Singapore Group (P) Ltd (Argus)
(vi) McCloskey

4. The comments submitted by these stakeholders are discussed in brief in the following paras (para 4.1 to 4.9).

4.1 Price of South African Coal:

(a) TPCL submitted that they have been importing coal from various countries, including South Africa. TPCL suggested considering the API4 index (6000 Kcal/kg NAR) with 12.5% weightage and the API3 index (5500 Kcal/kg NAR) with 12.5% weightage in the composite index instead of considering the API3 index with 25% weightage. This will help to maintain a balance between coal sourcing for high GCV (6000 Kcal/kg NAR) and mid-GCV (5500 Kcal/kg NAR) in order to optimise the cost of coal at the CIF level.

(b) PTC submitted that while proposing the price index for South African coal, the CERC has examined the correlation between API4 (6000 Kcal/kg NAR) and API3 (5500 Kcal/kg NAR) and not the correlation between API4 and Platts Index (5500 Kcal/kg NAR). In this regard, PTC suggested doing a similar analysis between API4 and Platts Index.

(c) Argus submitted that API3 accurately captures the value of South African coal that would typically be imported and consumed in India. The index is widely accepted as a representative of the FOB price of 5500 Kcal/kg NAR.

4.2 Price of Australian Coal:

(a) TPCL suggested considering the combination of GlobalCoal 6000 Kcal/kg NAR and Platts Newcastle index 5500 Kcal/kg NAR, with 5% weightage to each in place

of API5 index of Argus and McCloskey 5500 Kcal/kg NAR and Platts Newcastle index 5500 Kcal/kg NAR with 5% weightage to each. This will help to maintain a balance between coal sourcing for high GCV (6000 Kcal/kg NAR) and mid-GCV (5500 Kcal/kg NAR) in order to optimise the cost of coal at the CIF level.

(b) PTC submitted that while proposing the price index for Australian Coal, API5 of Argus and McCloskey (5500 Kcal/kg NAR) and Platts Newcastle index (5500 kcal/kg NAR) have been compared with GlobalCoal price index (6000 Kcal/kg NAR). However, a correlation between the API5 and Platts Newcastle index may also be examined if both indices need to be included in the composite index, as was done in the case of South African coal.

(c) Argus submitted that API5 (5500 Kcal/kg NAR) is widely accepted by the market as a representation of the fair value of the grade for Australian coal. This grade of coal has been imported and consumed by Indian end-users in substantial volumes over recent years.

(d) McCloskey submitted to consider only API5 5500 Kcal/kg NAR and not any other indices for Australian coal since it is the physical benchmark for that quality with many physical cargoes priced against it.

4.3 Price of Indonesian Coal:

(a) GUVNL submitted that considering the high import of steam coal from Indonesia for electricity generation in India, the proposed methodology for the composite index should consider only Indonesian steam coal indices provided by Argus/Coalindo and S&P Global Platts. To accurately reflect the import of steam

coal in India, it is recommended to consider 5000 Kcal/kg GAR and 4200 Kcal/kg GAR for the Indonesian coal. The inclusion of these two indices reflects the actual price movements of the coal grades being imported in India specifically for electricity generation.

(b) Prayas submitted that currently, the ICI3 5000 Kcal/kg GAR and ICI4 4200 Kcal/kg GAR may have a high correlation and Platts 5000 Kcal/kg GAR and Platts 4200 Kcal/kg GAR may have a high correlation. However, the indices ICI4 4200 Kcal/kg GAR and Platts 4200 Kcal/kg GAR may reflect better on the coal imported to India in future. Therefore, it is suggested that the revised index be composed of ICI4 4200 Kcal/kg GAR of Argus and Platts 4200 Kcal/kg GAR with equal weightage of 32.5% to each.

(c) Argus submitted that the proposal to continue to use ICI3 also makes sense, given the quantities of this type of coal imported and consumed in India. Argus also submitted that there is a significant amount of lower-quality coal (4200 Kcal/kg GAR) imported from Indonesia to India; the benchmark price for this coal would be ICI4.

(d) McCloskey submitted that:

(i) McCloskey is now part of Dow Jones and is widely viewed as a premium source of pricing information for coal from Indonesia. However, McCloskey's Indonesian benchmarks were not considered in the proposed composite index despite their significance in the international thermal coal market.

(ii) McCloskey's M42 index (4200 Kcal/kg GAR) is a listed derivative for Indonesian coal. API series with Argus partnership, the McCloskey coal price

indices account for 80% of all derivative thermal coal globally. McCloskey has been publishing the M50 index (4700 Kcal/kg NAR or 5000 Kcal/kg GAR) for Indonesian coal since 2002. It is also a listed derivative for Indonesian coal, launched in November 2010 on the Singapore Exchange (SGX) and later on the Inter-Continental Exchange (ICE) and the Chicago Mercantile Exchange (CME). It is used for physical contracts by major South-East Asian buyers, a growing number of Chinese generators and major coal producers in Indonesia.

(iii) McCloskey indices are used by the industry for both physical contracts and derivative contracts. McCloskey suggested including the M50 index, a proven and actively used price index for Indonesian coal, in the CERC composite index.

(iv) McCloskey submitted that the most relevant one to India is McCloskey's M42 index for Indonesian coal, which has a very strong correlation of 0.95 with the M50 index.

4.4 Proposed Composite Index

(a) The composite index proposed by TPCL is as follows:

Name of the Country	Composite index proposed in the Staff Paper	Composite index proposed by TPCL	Changes
South Africa	API3 5500 NAR @ 25%	API3 5500 NAR @ 12.5% API4 6000 NAR @ 12.5%	Both API3 & API4 with split weightage of 12.5%
Australia	API5 5500 NAR @ 5%	GlobalCoal 6000 NAR @ 5%	Replacement of API5 5500 NAR with GlobalCoal 6000 NAR
	Platts NewC 5500 NAR @ 5%	Platts NewC 5500 NAR @ 5%	
Indonesia	ICI3 Argus 4600 NAR @ 32.5%	ICI3 Argus 4600 NAR @ 32.5%	No change
	Platts CI 4700 NAR @ 32.5%	Platts CI 4700 NAR @ 32.5%	

(b) The composite index proposed by GUVNL is as follows:

Name of the Country	Description of the Index	Publisher	Weightage
Indonesia	ICI3-FOB Kalimantan 5000 Kcal/kg GAR	Argus/Coalindo	XXXX
	ICI4-FOB Kalimantan 4200 Kcal/kg GAR	Argus/Coalindo	XXXX
	Platts CI-FOB Kalimantan 5000 Kcal/kg GAR	S&P Global Platts	XXXX
	Platts CI-FOB Kalimantan 4200 Kcal/kg GAR	S&P Global Platts	XXXX

4.5. Review of composite index: TPCL, GUVNL, and PTC suggested reviewing the composite index every two years or earlier.

4.6 Use of actual Steam Coal Imports for Electricity Generation: GUVNL suggested considering the actual steam coal imported in India used for electricity generation.

4.7 Coal measurement: GUVNL submitted that the Indonesian steam coal is commonly traded on a GAR (Gross as received) basis. Considering the high import of steam coal from Indonesia and the higher weightage of Indonesian coal, GUVNL suggested to normalize the calorific values to 5000 Kcal/kg GAR instead of 5000 Kcal/kg NAR (Net as received).

4.8 Data repository on imported coal: GUVNL submitted that the data on the procurement of coal from the country of origin, gross calorific value, shipping cost, statutory levy, etc., are relevant for ascertaining the cost of power. Keeping this in view, in the interest of electricity consumers, GUVNL suggested developing and maintaining a data repository on the import of coal for electricity generation.

4.9 Calorific value harmonisation across indices and normalisation: Prayas suggested bringing clarity on the calorific value normalisation to 5000 kcal/kg GAR or NAR and providing an illustration of linear normalisation.

5. The comments discussed in para 4.1 to 4.9 were received from a few stakeholders. Keeping in view the requirement for wider public consultation on such an important issue, the Commission conducted a public hearing on 10.8.2023. About 16 representatives from various organisations attended the public hearing (as per the list Annexed to this order). Oral submissions were made by the representatives of the following organisations:

(i) Gujarat Urja Vikas Nigam Ltd (GUVNL)

(ii) McCloskey

(iii) Argus Media Singapore Group (P) Ltd (Argus)

(iv) Dr. Sudarshan Kumar Babu Valluru (Dr. S.K.Babu)

(v) S&P Global Platts (Platts)

6. The submissions made during the public hearing are briefly discussed in the succeeding paragraphs.

6.1. The representative from GUVNL, in his presentation during the public hearing, reiterated the views of GUVNL already submitted in response to the public notice dated 9.6.2023 issued by the CERC and emphasised the following points:

(i) The Indonesian coal price indices representing 4200 Kcal/kg GAR and 5000 Kcal/kg GAR published by Argus and Platts shall be considered as part of the composite index.

(ii) Considering the high import of steam coal from Indonesia on a GAR basis and the high weightage of Indonesian coal, it is suggested to normalise the calorific values to 5000 Kcal/kg GAR instead of 5000 Kcal/kg NAR.

(iii) Considering the low share of steam coal imports from Australia in the last ten years, the suitability of including the Australian coal price index in the composite index is unclear.

6.2. The representative from McCloskey, in his presentation, emphasised on the following points:

(i) In the case of Indonesian coal, the McCloskey coal price indices M42 (4200 GAR) and M50 (5000 GAR) are the listed benchmark indices and are used by the industry for physical contracts and derivative contracts. They should be considered as part of the composite index.

(ii) In the case of Australian coal and South African coal, the high CV price indices (GlobalCoal 6000 NAR and API4 6000 NAR, respectively) have become increasingly decoupled from mid CV price indices (API5 5500 NAR and API3 5500 NAR, respectively). Therefore, API5 for Australian coal and API3 for South African coal should be considered for being part of the composite index.

6.3. The representative from Argus, in his presentation, emphasised on the following points:

(i) 90% of the coal is being traded globally based on benchmark price indices of the API series, which represents Australian coal and South African coal and the ICI series, which represents Indonesian coal.

(ii) ICI3 (5000 Kcal/kg GAR) is the true reflection of the Indonesian coal market. However, based on its high liquidity, ICI4 (4200 Kcal/kg GAR) is recommended to be included in the composite index in addition to 5000 Kcal/kg GAR for Indonesian coal.

(iii) Keeping in view the decoupling between high CV coal (6000 Kcal/kg NAR) and mid CV coal (5500 Kcal/kg NAR), the price index representing 5500 Kcal/kg NAR is appropriate to be considered for Australian coal and South African coal.

6.4. Dr. S.K. Babu, in his oral submission, questioned the reliability of the coal price indices published by private entities. In this regard, he suggested that the price of imported coal based on the quantum and value of coal published by the Ministry of Commerce & Industry should be considered in place of country-specific price indices published by various price index developers for the purpose of composite index.

6.5. The representative from Platts, in his oral submission, has made the following points:

(i) The cost of transportation of coal makes a huge difference in the composite index. Therefore, CFR India prices (which reflect the value of coal at the discharge port) should be considered in place of FOB prices.

(ii) The 4200 Kcal/kg GAR is the highest traded grade of coal in Asia, and it represents 50%-60% of imports by Indian power plants. Therefore, the same should be considered for the Indonesian coal in addition to 5000 Kcal/kg GAR.

(iii) The assessment of Platts' 5500 Kcal/kg NAR index is done on a daily basis, based on interaction with a large number of market participants. Therefore, it is suggested to include this Platts index in the composite index for South African coal by giving equal weightage, as considered in the case of Indonesian coal and Australian coal.

7. We have considered the submissions of the stakeholders, as summarised in the preceding paragraphs. The following broad points have emerged: -

(a) *Weight assignments:* Most of the stakeholders have agreed on the weights assigned to each country as proposed by the CERC in the staff paper. However, some of the stakeholders differed on the specific weights assigned to various price indices. All the index developers (Argus, McCloskey and Platts) have recommended their own indices for Indonesian coal, South African coal, and Australian coal to be incorporated in the composite index. In the case of Indonesian coal, all the index developers and some of the stakeholders have recommended the indices representing 5000 Kcal/kg GAR and 4200 Kcal/kg GAR.

(b) *Calorific value harmonisation across indices and normalisation:* The stakeholders have suggested calorific value harmonisation across indices and normalisation. In this regard, in view of the high weightage of Indonesian coal, GUVNL suggested to normalize to 5000 Kcal/kg GAR in place of 5000 Kcal/kg NAR.

(c) *Review of composite index:* In view of volatility in the price of imported coal in recent years, all the stakeholders have suggested reviewing the composite index every two years or earlier.

8. The Commission, after considering the views received in response to the public notice, views expressed during the public hearing, additional submissions made by some of the stakeholders, and also considering the composition of steam coal imports in India, and the importance and acceptability of the price indices in international coal contracts, has decided that the weights and corresponding indices shall be as under:

(A) **Weight Assignments:** The weights of different origins of coal in the composite index shall be: 25% South African Coal; 10% Australian Coal; and 65% Indonesian Coal. Australian coal has been retained in the composite index for the following main reasons:

(i) Australian coal represents about 20% of the global supply of coal; (ii) Australian coal price indices are highly credible indices and are widely used for international coal contracts; (iii) the share of Australian steam coal imports in India was varying between 6% and 13% during the latest three years, i.e., from 2020-21 to 2022-23;

and (iv) the composite index should be more diversified and representative of the steam coal imports in India.

(B) **Indices:** The following indices shall be used for computing the escalation rate for imported coal: -

(a) **South African Coal:** The following relevant indices are available for South African coal:

(i) *Argus and McCloskey:* API4 6000 kcal/kg NAR is part of the existing composite index. It is a well-established benchmark reference price/price index widely used for coal contracts for imports from South Africa. It is used for contracts with adjustments to lower-CV coal. API3 5500 kcal/kg NAR was launched in 2013, expecting more imports by Asian countries, particularly from China and India. A high correlation has been observed between API4 and API3 during the last ten years. The assessment of these indices is done by both Argus and McCloskey.

(ii) *Platts:* Platts 5500 kcal/kg NAR was launched in 2013. The assessment of the index is done on a daily basis, based on interaction with a large number of market participants.

In the case of South African coal, API3 5500 kcal/kg NAR of Argus and McCloskey and Platts 5500 kcal/kg NAR are available indices reflecting coal imports in India. However, the correlation between API3 and API4 (the

benchmark index mostly used for coal contracts) is relatively high when compared with the correlation between Platts index and API4. API series are developed based on the assessments by both Argus and McCloskey. Considering the relative merits of the above indices, API3 5500 kcal/kg NAR shall be included in the composite index as the representative index for South African coal with a weightage of 25%.

(b) **Australian Coal:** The following relevant indices are available for Australian coal:

(i) *GlobalCoal:* GlobalCoal price index of 6000 kcal/kg NAR is part of the existing composite index. The price index is mostly used as a benchmark price for coal imports in Japan.

(ii) *Argus and McCloskey:* API5 of Argus and McCloskey 5500 kcal/kg NAR was launched in 2012. Sufficient historical data is available for this index, and the index represents a low CV of coal compared to the GlobalCoal index.

(iii) *Platts:* Platts Newcastle index 5500 kcal/kg NAR was launched in 2012. Sufficient historical data is available for this index, and the index represents a low-CV of coal compared to the GlobalCoal index.

In the case of Australian coal, API5 of Argus and McCloskey 5500 kcal/kg NAR and Platts Newcastle index 5500 kcal/kg NAR are available indices reflecting coal imports in India. The correlation between API5 and

the GlobalCoal index (the benchmark index mostly used for coal contracts) is relatively high when compared with the correlation between the Platts New Castle index and the GlobalCoal index. API series are developed based on the assessments by both Argus and McCloskey. The Commission, in its public hearing dated 10.8.2023, directed the index developers to submit additional information in support of their submissions. In this context, Argus and Platts have made additional submissions. Platts could not provide sufficient justification for the usage of their index for Australian coal contracts. Considering the relative merits of the above indices, the API5 5500 Kcal/kg NAR index, being one of the benchmark indices, shall be included in the composite index as the representative index for Australian coal with a weightage of 10%.

(c) **Indonesian Coal:** The following relevant indices are available for Indonesian coal:

(i) *Argus:* Indonesian Coal Index (ICI3) 5000 kcal/kg GAR is part of the existing composite index, which was launched in June 2006. Argus has other Indonesian coal indices, including ICI4 (4200 kcal/kg GAR), launched in August 2008, and ICI5 (3400 kcal/kg GAR), launched in November 2011.

(ii) *Platts:* Platts FOB Kalimantan 5000 kcal/kg GAR is part of the existing composite index, which was launched in 2006. Platts has another

Indonesian coal index, i.e., FOB Kalimantan 4200 kcal/kg GAR, launched in June 2012.

(iii) *Government of Indonesia:* The HBA index 6322 kcal/kg GAR is a composite index available since January 2009. The Government of Indonesia changed the methodology for computing the HBA index in February 2023. It started publishing two new indices, namely the HBA1 Index (5200 kcal/kg GAR) and the HBA2 Index (4200 kcal/kg GAR) in March 2023, besides the HBA index. The Government of Indonesia introduced a new index, HBA3 (3400 Kcal/kg) in August 2023.

(iv) *McCloskey:* M50 Indonesian sub-bituminous coal index 4700 Kcal/kg NAR (5000 Kcal/kg GAR) launched in 2002. It is responsible for listed derivatives for Indonesian coal launched in November 2010 on the Singapore Exchange (SGX) and, later on, the Inter-Continental Exchange (ICE) and the Chicago Mercantile Exchange (CME). It is used for physical contracts by major South-East Asian buyers, a growing number of Chinese generators and major coal producers in Indonesia. McCloskey's other benchmark index, M42 (4200 Kcal/kg GAR), is also responsible for the listed derivatives for Indonesian coal.

In the case of Indonesian coal, the Commission, in its staff paper, has proposed the coal price indices published by Argus (5000 Kcal/kg GAR/4600 NAR) and Platts (5000 Kcal/kg GAR/4700 Kcal/kg NAR) as part of the composite index. In this regard, the index developers (Argus, McCloskey and Platts) and some of

the stakeholders have suggested to consider the coal price indices representing 4200 Kcal/kg GAR, in addition to 5000 Kcal/kg GAR, as part of the composite index. Most of the stakeholders have suggested to include the indices published by Argus and Platts in the composite index. Therefore, considering the relative merits, the coal price indices, namely ICI3 5000 Kcal/kg GAR, ICI4 4200 Kcal/kg GAR, Platts CI 5000 Kcal/kg GAR and Platts CI 4200 Kcal/kg GAR, shall be used as the representative indices for Indonesian coal with weightage of 16.25% to each.

(C) As specified above, the composite index for imported coal shall be as under:

Composite Index for Imported Coal			
Name of the Country	**Description of the Index**	**Publisher**	**Weightage**
South Africa	API3 - FOB Richards Bay 5500 Kcal/kg NAR	Argus/McCloskey	25%
Australia	API5- FOB Newcastle 5500 Kcal/kg NAR	Argus/McCloskey	10%
Indonesia	ICI3 5000 Kcal/kg GAR (4600 Kcal/kg NAR)	Argus/CoalIndo	16.25%
	ICI4 4200 Kcal/kg GAR (3800 Kcal/kg NAR)	Argus/CoalIndo	16.25%
	Platts CI 5000 Kcal/kg GAR (4700 Kcal/kg NAR)	S&P Global Platts	16.25%
	Platts CI 4200 Kcal/kg GAR (3800 Kcal/kg NAR)	S&P Global Platts	16.25%

9. The other issues need clarification in the context of the indices decided by us in this order:

(a) *Price/Price Indices for Imported Coal:* The price/price indices for imported coal used in the composite index are reflective of the prices based on actual trade. Therefore, the suggestion made by Dr. S.K. Babu for using the derived prices

based on the quantum and value of imported coal published by the Ministry of Commerce & Industry instead of price/price indices published by the private price reporting agencies is not being considered. Further, it is observed that the Ministry of Commerce & Industry does not provide grade-wise details of imported coal.

(b) *Free on Board (FOB)/Cost Insurance and Freight (CIF)/Cost and Freight (CFR) Price:* Platts has recommended the price at the Indian port (CIF/CFR) for the composite index. However, as required under the MOP guidelines dated 19.1.2005 in the case of imported coal, the Commission is required to notify the escalation rate for imported coal, transportation of imported coal and inland handling of imported coal separately. Therefore, FOB prices/price indices have been considered for the purpose of the composite index for computing the escalation rate for imported coal.

(c) *Coal measurement:* Keeping in view the international best practice, we have been using NAR (net as received) as the basis for coal pricing. In this regard, GUVNL, in view of the high weightage of Indonesian coal, suggested using GAR (gross as received) in place of NAR. However, it is noted that though index developers provide Indonesian coal price indices in both GAR and NAR, the API3 for South African coal and API5 for Australian Coal are available only in NAR. Therefore, keeping in view the availability of data, the need to maintain consistency across the indices being used, and considering international practice, NAR shall continue to be used as a basis for the indices in the composite index.

(d) *Calorific value harmonisation across indices and normalisation:* Calorific values shall be harmonised across the indices by normalising the values to 5000 Kcal/Kg

NAR by assuming a linear trend across the indices of different calorific values of coal.

10. Keeping in view the stakeholder's suggestions, it is decided that the composite index shall be reviewed every two years or as and when the need arises.

11. We direct that the escalation rates for the purpose of payment (either six monthly escalation rates or monthly escalation rates) applicable for the period commencing 1.10.2023 and the escalation rates for the purpose of evaluation (annual escalation rates) applicable for the period commencing 1.4.2024 shall be notified in accordance with the composite index discussed in Para 8 of this order.

Sd/-	Sd/-	Sd/-	Sd/-
(P.K. Singh)	**(Arun Goyal)**	**(I.S. Jha)**	**(Jishnu Barua)**
Member	**Member**	**Member**	**Chairperson**

ANNEXURE

Parties Present

1. Shri Jasmin J. Gandhi, GUVNL
2. Shri John Howland, McCloskey
3. Shri Scott Dendy, McCloskey
4. Shri Freddie Staermose, Argus Media Ltd
5. Shri Rakesh Dubey, McCloskey
6. Shri Saurabh Chaturvedi, Argus Media Ltd
7. Dr. Sudarshan Kumar Babu Valluru
8. Shri Pritish Raj, S&P Global Platts
9. Shri Deepak, Kannan, S&P Global Platts
10. Shri Chintan Mankad, Mahan Energen Ltd
11. Shri Pavan Basam, Lanco Anpara Power Ltd
12. Shri Abhay Kardani
13. Shri Saurabh S
14. Shri Mrinal Navendu, India Power Corporation Ltd
15. Shri Kavita Parihar
16. Shri Jalpesh Trivedi
17. Shri Megha Bajpeyi, BSES Rajdhani Power Ltd