Shri Sanoj Kumar Jha
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building
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Sub: **Comments and Suggestions on Staff Paper on the "Methodology for computing the Escalation Factors and other parameters for the purpose of Bid Evaluation and Payment for Procurement of Power from Renewable Energy Projects Complemented with Firm Power from any other source through Competitive Bidding".**

Ref:
- CERC Public Notice dated 23 February 2021
- CERC Staff Paper dated 23 February 2021

We wish to introduce ReNew Power Private Limited ("ReNew") which is among top and fastest growing renewable IPPs in the country. ReNew is in the business of setting up wind, solar and roof-top power plants and has more than 8,000 MW of operational and under construction wind and solar projects spread over multiple states. ReNew has 1.4 Billion USD investment by marquee equity investors - Goldman Sachs, Abu Dhabi Investment Authority, JERA, Canadian Pension Plan Investment Board and Global Environment Fund that makes us the best capitalized renewable IPP in India.

This is with reference to the public notification issued by the Hon'ble Commission on 23rd February 2020 and has invited comments/suggestions from various stakeholders on the *"Staff Paper on the "Methodology for computing the Escalation Factors and other parameters for the purpose of Bid Evaluation and Payment for Procurement of Power from Renewable Energy Projects Complemented with Firm Power from any other source through Competitive Bidding".* Accordingly, we are hereby enclosing our comments and suggestions on the Staff Paper, enclosed as Annexure for your reference.

We believe this is a very important step taken by the Hon'ble Commission as it helps in streamlining the process for the Bid Evaluation and Payment for Procurement of power from Round-The Clock Power from Grid Connected Renewable Energy Power Projects, complemented with Power from Coal Based Thermal Power Projects.

We request the Hon'ble Commission to kindly consider our comments/suggestions while finalizing the Staff Paper.

Lastly, should there be any requirement, it would be a privilege for us to support the Hon'ble Commission by providing information/data relevant to the matter.

Yours Sincerely,

Authorised Signatory
ReNew Power Private Limited

Annexure

ReNew Power Comments and Suggestions

Sr. No.	Clause Mentioned in Staff Paper	Observations/Comments/Suggestions
1	**Clause 8. Escalation Factors for Bid Evaluation** After consulting various experts and a study conducted by the Indian Statistical Institute (ISI), Kolkata, CERC had decided to use the method of Minimum Mean Square Error for determining the escalation factors for the purpose of evaluation of bids. Using the method of Minimum Mean Square Error on the time series data for latest twelve calendar years, the annual escalation factors for bid evaluation have been computed for the Notification dated 28.12.2010 and subsequent notifications.	The Coronavirus (COVID-19) has had a major impact commodity prices across all sectors. Energy and metals commodities are the most affected by the sudden stop to the economic activity and the serious global slowdown and recession phase that most global economies have entered. The global spread of COVID-19 has led to the sharpest economic decline since World War II and has affected all countries in unprecedented ways. Monthly average crude oil prices plunged 50 percent between January and March 2020. Prices reached a historic low in April with some benchmarks even trading at negative levels. All these factors have contributed to sharp declines and high volatility in commodity prices. Therefore, on account of an aberration due to a pandemic not seen in any of our lifetimes, it is only fair to exclude such data from evaluation purposes in a competitive bidding scenario. **However, currently, the Commission has left it open for the offtaker to decide on the choice of the period to be included to compute the escalation rate for domestic coal based on the time series data of WPI for non-coking coal. However, given that the commodity prices have been impacted severely during the pandemic year 2020, we would like to request the Commission to specifically exclude 2020 WPI for non-coking coal for the computation of escalation rate for domestic coal.** Comparing several fuel sources under the same bid is not reasonable and should therefore, be avoided. The energy markets are neither transparent nor efficient yet. So, fuels are not comparative either by virtue of their calorific value or any other parameter. Similarly, while domestic coal prices are typically administered, other fuels are open to vagaries of market. At the same time, private coal mines shall open new

		avenues. Under such an evolving scenario, comparing multiple fuels basis their historical price points is not going to provide a fair evaluation matrix. The Commission needs to evolve an entirely new matrix if there is a need to compare multiple fuels under the same bid, so that the resultant evaluation matrix reflects best possible future fuel price scenario which is not influenced by aberrations of historical prices. Several such realities of the last few years that have influenced prices of fuels are as below: 1. Reduced interest in coal based thermal power in international markets 2. Enhanced interest in natural gas production and utilization as a relatively clean fuel, globally **However, entirely new scenario is likely to evolve with opening of private coal mining in India, focus on Green Hydrogen and Electric Vehicles. Therefore, using an evaluation matrix based on historical prices may not be a relevant construct anymore. An ideal construct would be such that uses same number for evaluation as well as for payment, which could rather be a fixed escalation index.** Additionally, the government is also trying to deregulate the fuel side of conventional power by supporting launch of the gas exchange and a coal exchange in future. So together with the commercial mining development, stress on decentralization and exchange formation, the fuel pricing should now move away from the regulated regime of indexation and cost pass throughs. Ultimately, the power reforms envisage an open market on both the sell and buy side and while RE has already entered the deregulated regime, this tender gives a good opportunity for formulating the right template for future bids. So, a new contemporary methodology needs to be thought of starting from this unique multi-fuel tender.

2	**Clause 2 e) Paragraph 6.4:** **"Weighted Average Levelised Tariff as the Bidding Parameter:** *"The bidding evaluation parameter shall be the weighted average levelised tariff per unit supply of RTC power. The Procurer shall invite bids wherein the bidder shall quote the first year weighted average levelised Tariff in Rs./kWh. The quoted tariff shall comprise of four part – Fixed component [RE power (fixed), non-RE power (fixed)] and Variable component [Non -RE power (escalable for fuel), and non-RE power (escalable for transportation)]. The Fixed component of tariff of the RE power and Non-RE power shall be quoted for each year of the term of PPA. The variable component of the Non-RE power shall be quoted as on scheduled date of commissioning. The levelised tariff shall be arrived at using the CERC escalation indices for the type of fuel quoted by the bidder and the discount factor to be specified in the bidding document. The bidder shall also quote the proportion of energy from RE sources and non-RE source that he wishes to supply. The weighted average levelised tariff per unit supply shall be arrived at for the term of PPA and proportion of energy from RE sources and Non RE source."*	In the tariff model, it is proposed that the variable cost component has an escalation that shall be as per the methodology to be approved by the Hon'ble Commission. The challenges with this approach are as follows: (i) Discom and consequentially, the retail end consumer gets exposed to an unknown escalation. (ii) The exposure is particularly for commodities such as coal and gas wherein the Indian consumer is also exposed to changes in foreign jurisdictions which are beyond anyone's reasonable control. It is therefore, proposed that the tariff model be modified as follows: **(i) Bidders be allowed a flat escalation index in the range of 1.5-2.0%, applicable to all bids, irrespective of the technology/ fuel choice. In such a scenario, the bidders be asked to quote a fix cost and a variable cost, of which, the variable cost to be indexed to the given escalation index. Such a simplistic method would ensure that pay-outs from discoms are known well in advance, and the evaluation would not go wrong.** For all unknown variations in fuel costs, and foreign country risks, the bidders take a commercial call and therefore, Indian consumer remains insulated from such risks.
3	**Clause 10** Foreign Exchange Risk	The Staff paper has not provided any clarity on the Currency variations for Computing the Escalation Factors and other Parameters for the Purpose of Bid Evaluation and Payment for imported fuels. For e.g. there can be any variation in currency pricing due to geo-political factors, most of which are beyond the control of internal stakeholders.

		The current construct results in the entire risk being borne by the distribution company and end consumers while Generator enjoys fixed cash flow for the complete PPA tenure with zero risk. We would, therefore, suggest that currency risk if any be borne by the Generator so as to avoid any future tariff shocks for the end consumer.