18th March 2021
CFI-LRA-LRA-REN-LETR-0004

Shri Sanoj Kumar Jha
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building
36, Janpath, New Delhi- 110001

Subject: Additional Comments on behalf of Tata Power Mumbai Distribution (TPC-D) on Staff Paper "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"

Dear Sir,

This is in reference to above Staff Paper issued on 23.02.2021 and our letter (Ref No: CFI-LRA-LRA-REN-LETR-0004) dated 10.03.2021. In this regard, we would like to submit some additional comments, on behalf of Tata Power Mumbai Distribution (TPC-D). The comments are enclosed for your consideration.

Thanking you,

Yours sincerely,

For Tata Power Company Limited

Paramita Sahoo

(Paramita Sahoo)

Head - Advocacy

TATA POWER
The Tata Power Company Limited
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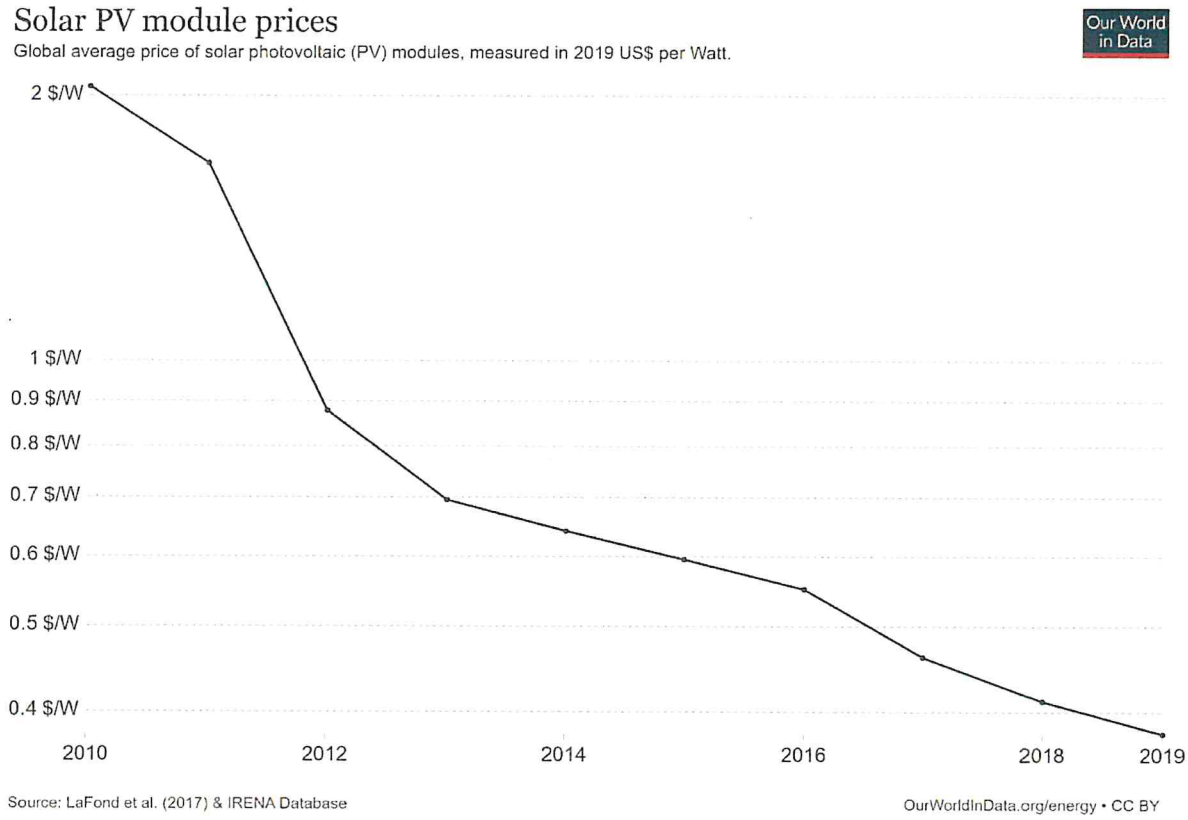
Additional Comments from Tata Power Company Limited on behalf of Tata Power Mumbai Distribution (TPC-D) on CERC Staff paper on "Methodology for Computing the Escalation Factors and other Parameters for the Purpose of Bid Evaluation and Payment for Procurement of Power from Renewable Energy Projects Complemented with Firm Power from any other source through Competitive Bidding"

1. **For calculation of escalation indices, time series data for latest 12 years is being used**

TPC-D Comment – The Staff Paper proposes to use time series data of latest 12 years for computation of various escalation indices. The usual practice followed while deciding tariff principles is to exclude abnormal expenses/costs. Similar approach is being requested to be followed while deciding on the escalation indices. As is evident from the chart below, the solar module prices were abnormally high prior to 2013 and have stabilised due to economics of scale. Similar trends would be applicable for wind turbines as well. As the bidding process envisages sale of Renewable Energy predominantly, the representative period for computation of escalation factors should be last 7-8 years only.



Source: https://ourworldindata.org/grapher/solar-pv-prices?yScale=log&time=2010..latest

2. **Clause 8.5 – Escalation rate for imported coal**

TPC-D Comment - The tariff being quoted in the RTC tender is denominated in INR/kWh, while the escalation rate would be calculated on the basis of coal prices which are quoted in US$

terms. It is requested that the escalation factors should be worked in comparable INR terms for imported coal as well as freight. Hence, while calculating the escalation indices, the coal prices should be converted into INR. This would ensure that there is no mismatch in parameters on which bid is evaluated and on which the actual payments would be made.

Further, the Staff Paper mentions that CERC has been using a composite index, assigning 25% weightage to price/ price index of Australian Coal, NEWC (Global Coal Index), 25% weightage to South African Coal (API4), 25% weightage to Indonesian Coal (ICI3 of Argus) and 25% weightage to Indonesian Coal (Platts Index), for computing the escalation rate for imported coal for payment. The same composite index for latest 12 years has been proposed to be used for computing the escalation rate for imported coal for evaluation. While the consumption basket of imported coal by generating stations in India was in infancy earlier, we now have a detailed report of the actual proportion of coal being used over the last 10-12 years. Accordingly, the representative indices be used for the purpose of determination escalation factors.