

Comments on Draft amendments proposed in the Guidelines and Model Bidding Documents (MBDs) for long term Procurement of Electricity from Thermal Power Stations set up on Design, Build, Finance, Own and Operate (DBFOO) basis

S.No.	DBFOO Guidelines	Amendments proposed by MoP vide letter dated 12.05.2022	Remarks
1	<p>22.2.3 (c)</p> <p>For imported Fuel, its price, Free on Board (FOB), shall be computed as the lower of, (i) the cost arrived at on the basis of the arithmetic mean of coal indices comprising (a) API4 (South Africa), (b) Coalfax (Australia), and (c) Global Coal (Australia), or any substitute thereof, or any index that the Parties may mutually agree upon, and (ii) the actual cost. For the avoidance of doubt, the indices referred to herein shall be reckoned with reference to the date on which the Fuel is loaded at the port of origin, as evidenced by the documents to be furnished by the relevant shipping company.</p>	<p>22.2.3 (c)</p> <p>For imported Fuel, its price, Free on Board (FOB), shall be computed as the lower of, (i) the cost arrived at on the basis of escalation rates notified by CERC on monthly basis and the quoted price by the bidder as per para 3.5.2 of MRFP-DBFOO and (ii) the actual cost.</p>	<ol style="list-style-type: none"> 1. The basic premise of DBFOO guidelines is to ensure complete pass through of fuel cost, which is beyond control of Supplier. 2. Original guidelines compute the FOB price using the indices as on the date of loading, whereas in the proposed amendment quoted price (FOB) will be escalated with monthly CERC index which will have time lag of 2 months. 3. The proposed amendment would not result in recovery of actual cost as escalation index will be determined with time lag of 2 months. 4. The proposed amendment will not benefit the generator or discoms as recovery under proposed methodology will move away from the principle of

			<p>actual pass-through because of the time lag involved in the monthly indices.</p> <p>5. The existing methodology is perfect, precise, and reflects actual cost. Hence there is no need for amendment.</p> <p>6. In light of above, it is suggested to keep FoB coal cost pass-through as per original DBFOO guidelines dated 05.03.2019.</p>
2	<p>22.2.3 (d)</p> <p>The price of Fuel procured from Captive Mines situated outside India, or from a long-term fuel supply contract in respect thereof, shall be the lower of, (i) the indicative price of the Fuel at the normative GCV applicable to the Index named herein, and in case more than one Index is used the arithmetic mean thereof, as the case may be, Free on Board (FOB), as specified in the Bid, in US cents; and (ii) 80% (eighty per cent)/ 85% (eighty five per cent)/ 90% (ninety percent) of the</p>	<p>22.2.3 (d)</p> <p>The price of Fuel procured from Captive Mines situated outside India, or from a long-term fuel supply contract in respect thereof, shall be computed on the basis of the indicative price of the Fuel as specified in the Bid, in US cents; and the escalation rate notified by the CERC, on monthly basis.</p>	<p>It may be expressly stated that the quoted price is to be escalated based on CERC Escalation Rates for imported coal.</p>

	<p>price of Fuel computed with reference to the arithmetic mean of</p> <p>API4 Index (South Africa) or a substitute thereof as may be mutually agreed by the Parties, for a period of 180 (one hundred eighty) days immediately preceding the date which is one month prior to the Bid Date , and the price of Fuel so determined in US cents shall be increased every year at a compounded annual rate of 4% (four per cent), commencing from the Accounting Year following the Accounting Year in which the Bid was received.</p>		
3	<p>22.2.5</p> <p>The total cost of transportation of imported Fuel, forming part of the Landed Fuel Cost, shall be the lower of, (a) the indicative cost of transportation as specified in the Bid, in US cents, and (b) [20% (twenty per cent)] of the price of Fuel, as specified in the Bid, to which 110% (one hundred and ten per cent) of the freight payable to the Indian Railways shall be added for inland transportation, if</p>	<p>22.2.5</p> <p>The total cost of transportation of imported Fuel, forming part of the Landed Fuel Cost, shall be the lower of, (a) the indicative cost of transportation as specified in the Bid, in US cents, and (b) [20% (twenty per cent)] of the price of Fuel, as specified in the Bid, to which 110% (one hundred and ten per cent) of the freight payable to the Indian Railways shall be added for inland transportation, if</p>	<p>Quoted price is to be escalated based on CERC Escalation Rates for transportation of imported coal.</p> <p>Since cost of transportation has linked to CERC escalation rates, it is suggested to delete below mentioned para(s).</p>

<p>any, and the total freight charges so determined as on the Bid Date shall be revised from time to time to reflect the variation occurring in the Freight Index:</p> <p>Provided that the Supplier shall normally undertake shipment of Fuel, comprising no less than 90% (ninety per cent) of its annual import, under long term contracts which have a duration of one year or more, and the cost of transportation hereunder shall be computed and paid at the rate specified in such contracts.</p> <p>Provided further that the freight charges payable under such long term contracts shall not exceed the lower of, (i) the freight charge determined as on the Bid Date and adjusted to reflect the variation in Freight Index from time to time, and (ii) the average freight payable under similar contracts entered into during a period of 180 (one hundred and</p>	<p>any, and the total freight charges so determined as on the Bid Date shall be revised based on escalation rates notified by CERC on monthly basis:</p> <p>Provided that the Supplier shall normally undertake shipment of Fuel, comprising no less than 90% (ninety per cent) of its annual import, under long term contracts which have a duration of one year or more, and the cost of transportation hereunder shall be computed and paid at the rate specified in such contracts.</p> <p>Provided further that the freight charges payable under such long term contracts shall not exceed the lower of, (i) the freight charge determined as on the Bid Date and adjusted to reflect the variation in Freight from time to time, and (ii) the average freight payable under similar contracts entered into during a period of 180 (one hundred and eighty) days</p>	<p>Provided that the Supplier shall normally undertake shipment of Fuel, comprising no less than 90% (ninety per cent) of its annual import, under long term contracts which have a duration of one year or more, and the cost of transportation hereunder shall be computed and paid at the rate specified in such contracts.</p> <p>Provided further that the freight charges payable under such long term contracts shall not exceed the lower of, (i) the freight charge determined as on the Bid Date and adjusted to reflect the variation in Freight from time to time, and (ii) the average freight payable under similar contracts entered into during a period of 180 (one hundred and eighty) days preceding the date of that contract, and where information relating to such contracts is not available,</p>
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<p>eighty) days preceding the date of that contract, and where information relating to such contracts is not available, then 90% (ninety per cent) of the amount computed under sub-clause (i) hereinabove.</p> <p>Provided also that the cost of transportation due and payable by the Utility to the Supplier shall in no case exceed the actual cost incurred by the Supplier.</p>	<p>preceding the date of that contract, and where information relating to such contracts is not available, then 90% (ninety per cent) of the amount computed under sub-clause (i) hereinabove.</p> <p>Provided also that the cost of transportation due and payable by the Utility to the Supplier shall in no case exceed the actual cost incurred by the Supplier.</p>	<p>then 90% (ninety per cent) of the amount computed under sub-clause (i) hereinabove.</p>
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