

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri K.N.Sinha, Member**
2. **Shri Bhanu Bhushan, Member**

Petition No.95/2003

In the matter of

Approval of Tariff for 2000 MW Thermal Power Station to be located at pithead in Sonabhadra District of the State of Uttar Pradesh

And in the matter of

ISN International Company, Maryland, USA

... Petitioner

Vs

1. Uttar Pradesh Power Corporation Limited, Lucknow
2. Haryana Vidyut Prasaran Nigam Limited, Panchkula
3. Punjab State Electricity Board, Patiala
4. Power Grid Corporation of India Limited, Gurgaon

...Respondents

The following were present:

1. Dr. R. Kumar, ISN
2. Shri Y.K. Sehgal, DGM, PGCIL
3. Shri Chander Mohan, GM (Hydro), PSEB
4. Shri T.P.S. Bawa, OSD (Comml.), PSEB
5. Shri V.K. Gupta, Consultant, PSEB
6. Shri Padamjit Singh, Advisor, PSEB
7. Shri R.K. Arora, XEN, HVPN

**ORDER
(DATE OF HEARING 24.5.2004)**

The petition was listed for hearing on admission.

2. The petitioner, ISN International Company, Maryland, USA has made this application under Section 63 of the Electricity Act, 2003 (the Act) for approval of tariff in

respect of a 2000 MW generating station proposed to be established in Sonbhadra Distt., near Singrauli in Uttar Pradesh.

3. The State Govt of Uttar Pradesh in 1995 had invited international bids for a 2000 MW Thermal Power Project to be located at Partabpur in Allahabad, Uttar Pradesh. The petitioner is stated to have been selected as the lowest bidder in 1996, with the date of commercial operation of the project during 2000, subsequently revised to 2003, at a levelised tariff of Rs.2.96 per kWh. However, the petitioner has stated that final PPA could not be executed. The petitioner has stated that the location of the project is now proposed to be changed from Partapur in Allahabad Distt. to a place near Singrauli in Sonbhadra Distt. In the present petition, the petitioner has proposed the tariff for the first 15 years' period. The levelised fixed charges proposed by the petitioner are Rs.2.146694/kWh, which are subject to adjustment based on annual OMI. The petitioner has also proposed variable charges.

4. It is stated that the project was to be considered as an inter-state project. The Govt of Uttar Pradesh has guaranteed an off take of 500 MW of power and the remaining power would be available for use by other states with Uttar Pradesh having the first option to purchase another 500 MW. Thus, despite the fact that the petitioner's bid was the lowest, the project has not been selected and the project remained at the proposal stage.

5. From the records, it is noticed that Secretary, Ministry of Power, Govt. of India, took a meeting on 23.5.2003 regarding the proposed thermal power project by the petitioner. In the said meeting it was decided that sale of power from the proposed project would be through PTC and the project would be accorded the status of a mega power project. The Govt. of India is stated to have agreed to facilitate finalizing the transmission arrangements through PGCIL.

6. Uttar Pradesh Power Corporation Ltd. on 7.2.2004 has issued a Letter of Intent for purchase of power at tariff of Rs.2.00 kWh for this project. However, none was present on its behalf at the hearing. The representatives of PSEB stated at the hearing that the fixed charges quoted by the petitioner were on very high side. The charges quoted are subject to further escalation, because of OMI adjustment, thereby leading to still higher tariff. It was stated that the proposal at such a high cost was not acceptable. No submissions were made on behalf of HVPNL on the issue.

7. The petitioner has sought approval of tariff under Section 63 of the Act, which provides that the Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government. On perusal of the records, it is noticed that Ministry of Power vide DO letter dated 12.8.1996 had advised the State Government of Uttar Pradesh to develop the project in accordance with the guidelines contained in its circular dated 18.1.1995 regarding competitively bid projects. Does it imply that the bids that were invited in 1995, were not in terms of the guidelines issued by the Central Government,

prevalent at that time? The Commission can find answer to this question only after verifying all records of competitive bidding exercise undertaken by U.P. for this project. There are no other guidelines issued by the Central Government on competitive bidding, even after promulgation of the Act. It is also not known as to why the bid of the petitioner was not accepted. If the project has to be considered under Section 63 of the Act, the Commission has to find satisfactory answer to all these questions. Respondent No.1 UPPCL is, therefore, directed to submit a detailed report before the Commission on all these issues with necessary papers before the next date of hearing.

8. Further, the following issues need to be clarified by the petitioner:

(a) The petitioner has quoted tariff for 15 years, though the normal life of the generating station should not be less than 25 years. The proposal for tariff may have to be revised based on 25 years life.

(b) The petitioner proposes to change the location of the project from Partabpur to a place near Singrauli, that is, from non-pit head location to pit head location. The proposed change will have its implications on tariff. For this reason also, the tariff proposed needs to be given a fresh look.

(c) The tariff proposals contained in the petition are based on the bids invited during 1995 after factoring in the changes in prices during the intervening period. Detailed justification behind various escalation factors is required to be submitted.

9. The petitioner may also note that all inter-state thermal generating stations in India are now operating on Availability Based Tariff (ABT), and all new inter-state generating

stations shall have to adopt the same tariff format, basically comprising of (i) capacity charge, (ii) Energy charge, (iii) Incentive and (iv) Unscheduled interchange charge. The petitioner may study the Commission's notification dated 26.3.2004 to see how these charges are to be billed and paid, and may also specify the proposed fixed charge in terms of annual capacity charge payable on achieving an annual average plant availability of 80%.

10. The petitioner is directed to file the revised tariff proposals by 25.6.2004, with advance copy to the respondents who may file their responses by 10.7.2004. List this petition on 20.7.2004 for further directions. A view on admission of the petition will be taken after hearing on that date.

**Sd/-
(BHANU BHUSHAN)
MEMBER**

**Sd/-
(K.N. SINHA)
MEMBER**

New Delhi dated the 2nd June 2004