

CENTRAL ELECTRICITY REGULATORY COMMISSION

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PRESS RELEASE

CERC INDICATES CRITERIA FOR ONGOING PROCUREMENT OF POWER

1. The Tariff Policy issued by Government of India on 06th January, 2006 under the Electricity Act, 2003, provides in Para 5.1 as under :-“.....
All future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developer for this purpose would be restricted to one time addition of not more than 50% of the existing capacity.

Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.”

2. There are some private sector projects which have made considerable progress before announcement of the Tariff Policy. It may not be advisable to discard all such projects and start the process of competitive bidding, in view of the prevailing shortages in the country. The developers of a couple of such projects have filed petitions before the Central Commission. CERC has, therefore, sought to interpret the expression “future procurement” to distinguish it

from existing firm procurement, so that there may not be any uncertainty in this regard.

3. The Central Commission is of the view that in cases where one of the following conditions for procurement of power has been fulfilled prior to the date of issue of the Tariff Policy, i.e., 06th January, 2006, such procurement shall be construed as firm procurement, and the provision of Para 5.1 of the Tariff Policy shall not be attracted for such procurement :

(i) Where Power Purchase Agreement (PPA) has been signed and approved by the Appropriate Commission.

(ii) Where PPA has been signed and is pending before the Appropriate Commission, but subject finally to approval of the PPA by the Appropriate Commission.

(iii) Where 'in principle' clearance of the project cost and financing plan has been given by the Central Commission, but subject finally to approval of the PPA by the Appropriate Commission.

(iv) Where financial closure has been achieved.

4. In its order dated 10th February, 2006 on the petition of Torrent Power Generation Limited, Ahmedabad, the Central Commission has already highlighted the above interpretation. The Central Commission has also sought confirmation of this interpretation from the Ministry of Power.

5. The Central Commission has written to Ministry of Power to confirm this interpretation.

Sd/-

(A.K. SACHAN)

SECRETARY