

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Dr. Pramod Deo, Chairperson**
2. **Shri R. Krishnamoorthy, Member**
3. **Shri S. Jayaraman, Member**
4. **Shri V. S. Verma, Member**

**Petition No.109/2006
With
IA No 39/2009**

In the matter of

Petition for `in principle` acceptance of project capital cost and financing plan of 1000 MW Thermal Power Project at Chandannagar, Surguja District, Chattisgarh proposed to be set up by IFFCO Chattisgarh Power Limited.

And in the matter of

IFFCO Chhattisgarh Power Limited, New Delhi.... **Petitioner**

Vs

1. Chhattisgarh State Electricity Board, Raipur
2. Madhya Pradesh Power Trading Co. Ltd., Jabalpur **Respondents**

The following were present:

Shri S.E.Yadav, IFFCO Chattisgarh Power Ltd
Shri D.K.Srivastava, IFFCO Chattisgarh Power Ltd

**ORDER
(DATE OF HEARING: 26.2.2009)**

This application was made on 29.9.2006 under clause (b) of sub-section (1) of section 79 of the Electricity Act, 2003 (the Act) read with the second proviso to Regulation 17 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, as amended, for 'in principle' approval of project capital cost and financing plan of 1000 MW thermal power project it proposes

to set up at Chandannagar, Surguja District, Chattisgarh. The generating station is envisaged as a Mega Power Project and the petitioner proposes to sell power to more than one State as under -

Chhattisgarh State Electricity Board (CSEB)	900 MW
Madhya Pradesh Power Trading Co. Ltd (MPPTCL)	100 MW

2. The petitioner has signed PPA on 26.9.2006 with CSEB for the supply of power to the extent of 90% of the gross capacity of the project. The PPA provides that the fixed charge would be fully recoverable at 80% availability of the contracted power as per the Commission's norms and the capital expenditure is also subject to the Commission's approval. The petitioner signed a Memorandum of Understanding with MPPTCL on 26.9.2006. As per the Memorandum of Understanding, MPPTCL is to pay the tariff charges as per mutually agreed terms and conditions of PPA and as approved by the Commission.

3. The petitioner has identified approximately 820 Hectares (2026 acres) of land for the purpose of setting up the power project and associated facilities (colony, coal transportation system, raw water reserve, power evacuation system, ash disposal etc.). The land would be acquired through the State Government of Chhattisgarh. The petitioner was yet to obtain environmental clearance, forest clearance, coal linkage, stake height clearance from National Airport Authority when the application was made. The Central Government does not seem to have granted mega power project status for the power project. The petitioner has proposed the debt-equity ratio of 70:30 for the financing of the power project.

4. The petitioner has submitted that based on the initial estimates the project cost is currently expected to be around Rs.5039 crore. The petitioner has further stated in the application that detailed feasibility report (DFR) has been prepared and it will initiate the process of inviting offers to be appoint EPC contractor through International Competitive Bidding (ICB) process. The break-up of the capital cost as furnished by the petitioner is as follows:

Sl. No.	Major Works	Rs. in crore
1	Land	26
2.	Preliminary Investigation	8
3.	Mechanical Works	2459
4	Civil Works	389
5.	Electrical Works	397
6.	C&I	63
7.	Overhead Construction Cost	165
8.	Water Retaining Structure	200
9.	EHV Transmission System	400
10.	Coal Transportation System	200
11.	Contingency	185
	Sub-total	4,492
12	Working Capital Margin	37
13.	IDC including Financing Charges	510
14.	Aggregate Project Cost	5,039

5. It has come on record that the estimated project cost is not based on the suppliers' offers for main plant package, etc since the bids for the power project had not been invited till the time of making the application. For this reason, it was not found appropriate to consider the estimated project cost for 'in principle' approval, as in the opinion of the Commission, consideration of the estimated project cost could prove counter-productive which could adversely influence the bidding process. The Commission further felt that there was also possibility of wide variation between the estimated project cost for which 'in principle' approval had been sought and the cost to be worked out on the basis of bids actually received. The Commission was of the

view that clear picture regarding the project cost was likely to emerge after proper evaluation of the bids to be invited by the petitioner. The Commission, therefore, by its order dated 27.6.2007 directed the petitioner to place on record the project capital cost, emerging after complete evaluation of the bids for the main plant packages. The relevant portion of the Commission's order is extracted below:

“4. We feel that no useful purpose would be served by considering the estimated project cost for ‘in principle’ approval in the present case. In our view, consideration of this cost may even prove to be counter-productive, as it may adversely influence the competitive bidding. Further, there could be wide variation between the estimated cost and the cost to be worked out on the basis of offers actually received. A much clearer picture regarding the project cost is likely to emerge after the bids to be invited by the petitioner have been opened. Financial tie-up etc. could also be finalized only when the project capital cost is worked out based on the bids for the main plant packages. The petitioner is, therefore, directed to place on record the project capital cost, emerging after complete evaluation of the bids received for the main plant packages.”

6. The Commission further directed the petitioner to furnish the following additional details, namely -:

- (i) Complete list of contract packages;
- (ii) Prices quoted by qualified L-1 bidders;
- (iii) Summary evaluation reports for all main packages;
- (iv) Detailed basis for deriving the project cost;
- (v) Proposed financing plan;
- (vi) Latest status of the power project and clearances;
- (vii) Any special features of the generating station proposed, and their impact on the project cost; and
- (viii) Unit-wise MW rating and the expected date of commercial operation.

7. The information called for from the petitioner was also directed to be supplied to the respondent who was granted liberty to file its reply to the petition.

8. The petitioner by its letter dated 24.3.2008 requested for extension of time up to 31.12.2008. The extension sought was granted by the Commission and was conveyed to the petitioner under letter dated 7.4.2008.

9. The petitioner has filed the interlocutory application (Ia No. 39/2009) praying for extension of time up to 31.12.2009 for furnishing the details of the capital cost and other details to the Commission as called for vide order dated 27.6.2007 read with letter dated 7.4.2008.

10. At the hearing the representatives of the petitioner submitted that the petitioner had issued the Request for Qualification (RFQ) and Request for Proposal (RFQ) to the qualified bidders and that the bidders were taking unusually longer time in submitting their bids, causing the delay in the submission of the required information to the Commission. They further submitted that coal block/linkages were available and the bids were expected to be submitted by March 2009. The petitioner would require some more time for obtaining statutory clearances and for the finalization of the capital cost of the project, it was explained. The representatives of the petitioner informed that the financial closure of the project could not be achieved on account of delays in the submissions of the bids which were expected to be finalized by July 2009, after submission of bids by the bidders in March 2009. For these reasons the petitioner prayed for extension of time up to 31.12.2009, for furnishing the information.

11. The Commission, after the hearing directed the parties to file its submissions on the maintainability of the petition for determination of tariff in the light of the provisions of the tariff policy notified by the Central Government. For this purpose two weeks time was allowed. The petitioner's prayer for grant of extension of time was to be considered along with the issue of maintainability of the petition. However, the petitioner has submitted its response to Commission's directions passed after the hearing.

12. The petition was filed on 29.9.2006. Even after nearly three years, the petitioner has not firmed up the project cost and financing plan. The petitioner has repeatedly been granted time extension. The information called for has not been supplied so far. The capital cost has not been firmed up. It does not seem to be worthwhile to keep the petition pending.

13. Accordingly, the petition is dismissed for default and non-prosecution. The petitioner is, however, at liberty to approach the Commission for approval of tariff in accordance with law after completion of the power project. We make it clear that we have not expressed any opinion on the maintainability of the application in the context of the tariff policy notified by the Central Government.

Sd/-	Sd/-	Sd/-	Sd/-
(V. S. VERMA)	(S. JAYARAMAN)	(R. KRISHNAMOORTHY)	(DR. PRAMOD DEO)
MEMBER	MEMBER	MEMBER	CHAIRPERSON

New Delhi dated the 2nd July 2009