

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 145/2010

**Coram: Dr. Pramod Deo, Chairperson
Shri V.S.Verma, Member**

Date of Hearing: 8-7-2010

Date of Order: 4-11-2010

In the matter of:

Application under Section 63 of the Electricity Act, 2003 for adoption of Transmission charges with respect to transmission system being established by Talcher II Transmission Company Limited.

And

In the matter of:

Talcher II Transmission Company Limited, New Delhi

.....**Petitioner**

Vs

1. Eastern Power Distribution Company of Andhra Pradesh Limited, Visakhapatnam
2. Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati
3. Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad
4. Northern Power Distribution Company of Andhra Pradesh Limited, Warangal
5. Bangalore Electricity Supply Co. Ltd., Gulbarga
6. Gulbarga Electricity Supply Co. Ltd., Gulbarga
7. Hubli Electricity Supply Co. Ltd., Hubli
8. Mangalore Electricity Supply Co. Ltd., Mangalore
9. Chamundeshwari Electricity Supply Co. Ltd., Mysore
10. Kerala State electricity Board, Thiruvananthapuram
11. Tamil Nadu State Electricity Board, Chennai
12. Secretary (Power), Govt. of Puducherry, Puducherry
13. Grid Corporation of Orissa, Bhubaneswar
14. Power Grid Corporation of India Ltd., New Delhi
15. Rural Electrification Corporation Transmission Project Co. Ltd., New Delhi

... **Respondents**



The following was present:

1. Shri Subodh Garg, RECTPCL
2. Shri LN Mishra, RPTL
3. Shri Anil, RPTL

ORDER

The Applicant, Talcher II Transmission Company Limited has filed the present application under section 63 of the Electricity Act, 2003 (the Act) for adoption of tariff in respect of the Transmission Systems-Augmentation of Talcher-II Transmission System comprising the following elements:

(a) Transmission lines:

S.No.	Name (end-points location)	Voltage Class (kV)	Length (Km)	Type (S/C or D/C)
1.	Talcher II- Rourkela	400 kV	161	D/C, Quad
2.	Talcher II- Behrampur	400 kV	220	D/C
3.	Behrampur- Gazuwaka	400 kV	290	D/C

(b) Sub-stations:

S.No.	Name (Location)	Voltage Level (kV)	Transformer (Nos. and MVA capacity)	Reactive/ capacity compensation (Device with MVAR capacity)	No. of bays
1	Behrampur	400/220 kV	2 Nos X 315 MVA	4 Nos.- 50 MVAR Switchable Line Reactors b) 1 No- 63 MVAR 400 kV bus reactor	10

(c) Scope of work

S. No.	Scope of work	Completion target
1.	Talcher II- Rourkela 400 kV D/C Quad line	30 months or earlier
2.	Talcher II Behrampur-400 kV D/C line	30 months or earlier
3.	Behrampur-Gazuwaka 400 kV D/C line	30 months or earlier
4.	Behrampur-400/220kV Sub-station with (a) 400/220 kV Transformer-2x315 MVA (b) 4 number of 400 kV line bays each with 50 MVAR switchable reactor that is 4x50 MVAR switchable line reactors (c) 63 MVAR 400 kV bus reactor (d) 220 kV line bays:4 nos. with space for 2 nos. of bays (e) 400 kV:1½ breaker scheme; 220 kV Double Bus scheme	30 months or earlier

2. The applicant has submitted that the Central Government in exercise of powers under section 63 of the Act has notified the “Tariff Based Competitive Bidding Guidelines for Transmission Service” (hereinafter “the Guidelines”) vide Government of India Ministry of Power Resolution No.11/5/2005-PG(i) dated 17.4.2006. The applicant has further submitted that in accordance with the guidelines, Rural Electrification Corporation Transmission Projects Company Limited (RECTPCL) was notified by Government of India, Ministry of Power vide Notification No. F.No.11/12/2006-PG dated 26.6.2007 as the Bid Process Coordinator (BPC) for the purpose of selection of a Transmission Service Provider (TSP) to establish the Transmission System-Augmentation of Talcher II Transmission system (hereinafter referred to as the “project”) through tariff-based competitive bidding on “Build, Own, Operate and Maintain” (BOOM) basis following the process laid down in the Guidelines. Talcher II Transmission Company Limited (TTCL) having its registered office at New Delhi was incorporated on 1.5.2007 by RECTPCL as its wholly owned subsidiary to initiate the work on the project and subsequently to act as Transmission Service Provider (TSP) after being acquired

by the successful bidder. The Applicant has submitted that subsequent to the process of competitive bidding conducted by the Bid Process Coordinator, Reliance Power Transmission Limited (RPTL) has emerged as the successful bidder and the Letter of Intent was issued to it by the BPC on 18.12.2009. Subsequently the Applicant has been acquired by the successful bidder on 27.4.2010 after execution of the Share Purchase Agreement (SPA) and completing all procedural requirements specified in the bid documents. Accordingly, the Applicant as the TSP has approached the Commission for adoption of tariff. The applicant has made the following prayers:

(a) Adopt the transmission charges payable to the Applicant under TSA including other terms and conditions.

(b) Pass such other order as the Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

3. No reply from the Long Term Transmission Customers (LTTCs) of the project has been received.

4. The present application has been filed under section 63 of the Act for adoption of tariff of the project as mentioned in para 1 of this order. Section 63 of the Act provides as under:

“63. Notwithstanding anything contained in section 62, the Appropriate 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.”

5. The salient features of the Guidelines issued by the Central Government under section 63 of the Act vide Resolution No.11/5/2005-PG(i) dated 17.4.2006 are discussed in brief as under:

- a) The Guidelines are applicable for procurement of transmission services for transmission of electricity through tariff based competitive bidding and for selection of transmission service provider for new transmission lines and to build, own, maintain and operate the specified transmission system elements.
- b) For procurement of transmission services, required for inter-State transmission, the Central Government shall notify any Central Government Organisation or any Central Public Sector Undertaking as the Bid Process Coordinator (BPC) who would be responsible for coordinating the bid process.
- c) The BPC shall prepare the bid documentation in accordance with the Guidelines and obtain approval of the Appropriate Commission or alternatively, the BPC can use the standard bid documents notified by the Ministry of Power. Approval of the Appropriate Commission would be necessary if any material deviation is proposed to be made in the Standard Bid Documents. Intimation about the initiation of the bid process shall be sent by the BPC to the Appropriate Commission.
- d) For procurement of transmission charges under the Guidelines, the BPC may adopt at its option either a two-stage process featuring separate Request for

Qualifications (RFQ) and Request for Proposal(RFP) or adopt a single stage two envelope tender process combining both RFQ and RFP processes.

- e) RFQ or combined RFQ and RFP notice shall be issued in at least two national newspapers, website of the BPC and the appropriate Government and preferably in the trade magazines also to provide wide publicity. For the purpose of issue of RFQ minimum conditions to be met by the bidder shall be specified in the RFQ notice. The bidding shall be by way of International Competitive Bidding.
- f) Standard documentation to be provided in the RFQ stage shall include definitions of requirements including the details of location and technical qualifications for each component of the transmission lines, construction milestones, and financial requirements to be met by the bidders; proposed Transmission Service Agreement; period of validity of offer of bidder; conditions as specified by the Appropriate Commission for being eligible to obtain a transmission licence; and other technical and safety criteria to be met by the bidder/TSP including the provisions of IEGC.
- g) Standard documentations to be provided by the BPC in the RFP shall include specified target dates/months for commissioning and commercial operations and start of providing transmission services; TSA proposed to be entered with the selected bidder; bid evaluation methodology to be adopted by the BPC; Discount Factor to be used for evaluation of the bids; specification regarding the bid bond and project completion guarantee to be furnished by the bidders; proposed

indemnification agreement between the TSP and the utilities; amount of contract performance guarantee as percentage of the project cost; and the liquidated damages that would apply in the case of delay in start of providing the transmission services.

- h) To ensure competitiveness, the minimum number of qualified bidders will be two. The BPC shall constitute a committee for evaluation of the bids with at least one member from Central Electricity Authority (CEA) and the concerned Regional Power Committees. The member from CEA shall have expertise in the cost engineering of transmission projects. The bids shall be opened in public and the representative of the bidders shall be allowed to remain present. The technical bids shall be scored to ensure that only the bids that meet the minimum technical criteria set out in the RFQ shall be considered for further evaluation on the transmission charge bids. The transmission charge bid shall be rejected if it contains any deviation from the tender conditions for submission of the same. The bidder who has quoted the lowest transmission charge as per the evaluation procedure shall be considered for the award.
- i) The Guidelines provide for suggested time tables for the bid process. The timeline suggested for a two stage bid process is 240 days and single stage two envelope bid process is 180 days. The BPC is empowered to give extended time-frame based on the prevailing circumstances and such alterations shall not be construed as the deviation from the Guidelines.

- j) The selected bidder shall make an application for grant of transmission licence to the Appropriate Commission within one month of selection. The TSA shall be signed with the selected bidder in accordance with the terms and conditions as finalized in the bid document before the RFP stage.
- k) The BPC shall make evaluation of the bid public by indicating the terms of the winning bid and anonymous comparison of all other bids. All contracts signed with the successful bidder shall also be made public. The final TSA alongwith the certification of BPC shall be forwarded to the Appropriate Commission for adoption of tariff in terms of section 63 of the Act.

6. In the light of the above provisions of the Guidelines, we have examined in the succeeding paragraphs the transparent process of international competitive bidding adopted in the present case for selection of the successful bidder on the basis of the lowest levelised transmission charges.

7. Talcher II Transmission Company Limited (TTCL) was incorporated on 1.5.2007 by RECTPCL as its wholly owned subsidiary to initiate the work on the project. The main objective of TTCL on its incorporation are as under:

“To plan, promote and develop an integrated and efficient power transmission system network in all its aspects including planning, investigation, research, design and engineering, preparation of preliminary, feasibility and definite project reports, construction, operation and maintenance of transmission lines, sub-stations, load dispatch stations and communication facilities and appurtenant works, coordination of integrated operation of regional and national grid system, execution of turnkey jobs for other utilities/ organizations, wheeling of power,

purchase and sale of power in accordance with the policies, guidelines and objectives laid down by the Central Government from time to time.”

8. RECTPCL as the BPC has prepared the bidding documents such as RFQ and RFP in accordance with the Standard Bid Documents issued by the Ministry of Power, Government of India vide letter 28.1.2008 as amended on 18.9.2008 and project specific inputs furnished by Central Electricity Authority. As per the RFQ, allocation from the Talcher II (4x500 MW) generation project was as under:

State	Allocation(MW)
Andhra Pradesh	375
Karnataka	350
Kerala	247
Tamil Nadu	477
Pudducherry	51
Orissa	200
Unallocated	300
Total	2000

9. The BPC started the process of selection of TSP with the publication of Global Invitation for pre-qualification on 6.10.2008 for selection of Transmission Service Provider for augmentation Talcher II Transmission System on 'build, own, operate and maintain' basis. Intimation regarding the initiation of the bid process was given to the Commission in accordance with para 4.2 of the Guidelines vide its letter No.REC TPCL/co/2008 dated 10.6.2008. The key milestones in the bid process were as under:

Event	Date
Submission of RFQ bids	11.12.2008
Issuance of RFP	8.5.2009
Issue of signed RFP documents	10.9.2009
Submission of bids	28.10.2009
Opening of financial bids	11.12.2009
Issue of Letter of Intent to successful bidder	18.12.2009

10. On evaluation of the responses received, six bidders were found qualified at the RFQ stage. RFP bids comprising of Non-Financial Bids and Financial Bids were submitted by four bidders such as (1) Reliance Power Transmission Limited; (2) Sterlite Technologies Limited; (3) Lanco Deepak Consortium and (4) L & T Transco Private Limited. The RFP bids were opened on 11.12.2009 in the presence of Bid Evaluation Committee and the representatives of the bidders. The evaluation of the RFP bids was carried out by the Bid Process Management Consultant and the Bid Review Consultant based on the financial model provided to the bidders alongwith the RFP documents. Based on the evaluated levelised transmission charges, the Bid Evaluation Committee recommended Reliance Power Transmission Limited with the lowest evaluated annual levelised transmission charges of ₹ 1440.0215 million as the successful bidder. Minutes of the Bid Evaluation Committee are extracted as under:

“It is hereby certified that:

- a. M/s Reliance Power Transmission Limited has emerged as the Successful Bidder with the lowest Levelised Transmission Charges of ₹1440.0215 Millions per annum for the above project.*
- b. The rates quoted by the Successful Bidder are in line with the prevalent market prices.*
- c. The entire bid process has been carried out in accordance with the “Tariff Based Competitive Bidding Guidelines for Transmission Service” and “Guidelines for Encouraging Competition in Development of Transmission Projects” issued by the Ministry of Power, Government of India under Section 63 of The Electricity Act, 2003 and as amended from time to time.”*

11. In accordance with para 12.3 of the Guidelines, the BPC has posted on the website of Power Finance Corporation the final results of the evaluation of the bids, indicating the lowest levelised transmission charges of Rs.1440.0215 Millions per annum quoted by the successful bidder and anonymous comparison of the other bids.

12. Under the terms of the RFP and Letter of Intent dated 18.12.2010, the successful bidder is required to accomplish the following tasks within the time set out in the LOI or within the extended period as the BPC may allow in terms of proviso to clause 2.4 of the RFP:

- (a) Provide Contract Performance Guarantee in favour of the LTTCs as per the provisions of Clause 2.21 of the RFP;
- (b) Execute the Share Purchase Agreement and Transmission Service Agreement;
- (c) Acquire for the acquisition price, one hundred percent equity shareholding of TTCL alongwith all its related assets and liabilities;
- (d) Execute the RFP project Documents including the Transmission Service Agreement with LTTCs;
- (e) Make an application to the Central Electricity Regulatory Commission for adoption of charges;
- (f) Apply to Central Electricity Regulatory Commission for grant of transmission licence.

13. The successful bidder, Reliance Power Transmission Limited has given its unconditional acceptance to the LOI. The BPC in its letter dated 11.9.2009 had intimated to the bidders who qualified at the RFQ stage that the Acquisition Price payable by the Selected Bidder for acquisition of one hundred percent of equity shareholding of Talcher II Transmission Company Limited alongwith all its related assets and liabilities was ₹.1838.54 lakh. The BPC in its letter dated 26.4.2010 intimated the successful bidder, M/s Reliance Power Transmission Limited that the Acquisition Price in terms of the Share Purchase Agreement and Clause 2.4(c) of the final RFP has been finalized as ₹.186758194.00 (Rupees Eighteen Crore Sixty Seven Lakh Fifty Eight Thousand One Hundred Ninety Four Only) as per the accounts of the TTCL closed on the mutually agreed closing date i.e.27.4.2010.

14. As per Article 12.2.1 of the Transmission Service Agreement, during the construction period, the impact of increase/decrease in the cost of the Project in the Transmission Charges shall be governed by the formula given below:

“For every cumulative increase/decrease of each Rupees Four Crores Fifty Lacs(₹ 4.5 Crores) in the cost of the Project upto the Scheduled COD of the Project, the increase/decrease in non-Escalable Transmission Charges shall be an amount equal to Zero Point Three One Three percent (0.313%) of the Non-Escalable Transmission Charges.”

15. Accordingly, the amount of increase in acquisition price (i.e..₹ 29 lakh approximately) will be admissible only when the cumulative impact reaches ₹.4.5 Crores in terms of Article 12.2.1 of the TSA.

16. The breakup of the allocated capacity from the project for the purpose of contract performance guarantee was communicated to the the successful bidder by the BPC vide its letter dated 1.1.2010. The list of LTTCs alongwith the allocated project capacity in percentage is as under:

S.No.	Name of the Long Term Transmission Customer	Allocated project capacity (%)
A	ANDHRA PRADESH	
1.	Eastern Power Distribution Company of Andhra Pradesh Ltd.	3.43
2.	Southern Power Distribution Company of Andhra Pradesh Ltd.	4.83
3.	Central Power Distribution Company of Andhra Pradesh Ltd.	10.00
4.	Northern Power Distribution Company of Andhra Pradesh Ltd.	3.45
B	KARNATAKA	
5.	Banglore Electricity Supply Co Ltd.	8.69
6.	Gulberga Electricity Supply Co Ltd.	2.89
7.	Hubli Electricity Supply Co Ltd.	3.86
8.	Mangalore Electricity Supply Co Ltd.	1.65
9.	Chamundeshwari Electricity Supply Co Ltd.	1.83
C	KERALA	
10	Kerala State electricity Board	20.75
D	TAMIL NADU	
11.	Tamilnadu State Electricity Board,	24.93
E	PUDUCHERRY	
12.	Electricity Department, Govt of Puducherry,	3.49
F	ORISSA	
13.	Grid Corporation of Orissa	10.00
14.	Power Grid Corporation of India Limited	0.20

17. RPTL provided the Contract Performance Guarantee on 23.4.2010 to the LTTCs in proportion to the percentage of allocated capacity as given above and acquired TTCL on 27.4.2010 as its 100% subsidiary after executing the Share Purchase Agreement and paying the Acquisition Price. The applicant has applied for adoption of tariff on 5.5.2010 in terms of Clause 2.4 of the RFP.

18. As per Clause 2.5 of the RFP, after the date of acquisition of the equity shareholding of Talcher II Transmission Company Limited alongwith its related assets and liabilities, by the selected bidder:

(a) the authority of the BPC in respect of Bid Process shall forthwith cease and any actions to be taken thereafter will be undertaken by Long Term Transmission Customer;

(b) all rights and obligations of Talcher II Transmission Company Limited shall be that of the TSP;

(c) any decision taken by the BPC prior to the Effective Date shall continue to be binding on the Long Term Transmission Customers; and

(d) contractual obligations undertaken by the BPC shall continue to be fulfilled by the TSP.

19. After acquisition of Talcher II Transmission Company Limited alongwith its related assets and liabilities by M/s Reliance Power Transmission Limited, the applicant has approached the Commission for adoption of tariff. In the light of foregoing discussion, we are satisfied that selection of the successful bidder and the process of arriving at the levelised tariff of the project mentioned in para 1 has been carried out by the Bid Process Coordinator through a transparent process competitive bidding in accordance with the Guidelines and Standard Bid Documents. Accordingly we approve and adopt the transmission charges of the transmission system arrived through the process of competitive bidding to be charged by the applicant company from the LTTCs. The approved and adopted transmission charges are given at **Appendix** to this order.

The sharing of the transmission charges by the LTTCs shall be governed by the relevant provisions of the RFP and TSA and the regulations of the Commission.

20. The tariff adopted for the project is valid for a period of 25 years. The tariff of the transmission assets of the project beyond the period of 25 years will be governed in accordance with the provisions of clause (4) of Regulation 13 of Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Transmission Licence and other related matters) Regulations, 2009 as amended from time to time.

21. Petition No.145/2010 is disposed in terms of the above.

**Sd/-
(V.S.VERMA)
MEMBER**

**sd/-
(DR. PRAMOD DEO)
CHAIRPERSON**



APPENDIX

Levelised Transmission Charges				
Year (Term of License)	Commencement Date of Contract Year	End Date of Contract Year	Non-Escalable Transmission Charges (₹ in Millions)	Escalable Transmission Charges (₹ in Millions)
1	(9-June-10)#	31-Mar-11		
2	01-Apr-11	31-Mar-12		
3	Scheduled COD	31-Mar-13	1814.34	0.00
4	01-Apr-13	31-Mar-14	1814.34	Same as Above
5	01-Apr-14	31-Mar-15	1814.34	Same as Above
6	01-Apr-15	31-Mar-16	1814.34	Same as Above
7	01-Apr-16	31-Mar-17	1814.34	Same as Above
8	01-Apr-17	31-Mar-18	1270.04	Same as Above
9	01-Apr-18	31-Mar-19	1270.04	Same as Above
10	01-Apr-19	31-Mar-20	1270.04	Same as Above
11	01-Apr-20	31-Mar-21	1270.04	Same as Above
12	01-Apr-21	31-Mar-22	1270.04	Same as Above
13	01-Apr-22	31-Mar-23	1270.04	Same as Above
14	01-Apr-23	31-Mar-24	1270.04	Same as Above
15	01-Apr-24	31-Mar-25	1270.04	Same as Above
16	01-Apr-25	31-Mar-26	1270.04	Same as Above
17	01-Apr-26	31-Mar-27	1270.04	Same as Above
18	01-Apr-27	31-Mar-28	1270.04	Same as Above
19	01-Apr-28	31-Mar-29	1270.04	Same as Above
20	01-Apr-29	31-Mar-30	1270.04	Same as Above
21	01-Apr-30	31-Mar-31	1270.04	Same as Above
22	01-Apr-31	31-Mar-32	1270.04	Same as Above
23	01-Apr-32	31-Mar-33	1270.04	Same as Above
24	01-Apr-33	31-Mar-34	1270.04	Same as Above
25	01-Apr-34	31-Mar-35	1270.04	Same as Above
26	01-Apr-35	25th Anniversary of the issue of licence	1270.04	Same as Above

Levelised Tariff (₹ in millions): 1440.0215

