CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

Petition No. 156/AT/2016

Coram:

Shri Gireesh B.Pradhan, Chairperson Shri A.K. Singhal, Member Shri A.S.Bakshi, Member Dr. M.K. Iyer Member

Date of Order: 11th of November, 2016

In the matter of

Application under Section 63 of the Electricity Act, 2003 for adoption of transmission charges with respect to the Transmission System established by Khargone Transmission Limited.

And In the matter of

Khargone Transmission Limited F-1, The Mira Corporate Suites 1 & 2 Ishwar Nagar, Okhla Crossing, Mathura Road, New Delhi-110 065

..... Petitioner

Vs

- Madhya Pradesh Power Management Company Ltd.
 M-13, Green Park Main,
 New Delhi-110016
- 2. Chhattisgarh State Power Distribution Company Ltd. 4th Floor, Vidyut Seva Bhawan, Daganiya, Raipur, Chhattisgarh-492013
- 3. Gujarat Urja Vikas Nigam Ltd. Vidyut Bhawan, Race Course, Vadodara-390007

- 4. Maharashtra State Electricity Distribution Company Prakashgad, 5th Floor, Bandra (East), Mumbai-400051
- Electricity Department, Govt. of Goa
 KV Road, Amli,
 Near Secretariat, Silvassa-396230
- 6. DNH Power Distribution Corporation Ltd.
 66 kV, Amli Road,
 Silvassa-396230
- 7. Electricity Department, Daman and Diu Vidyut Bhavan, Kachigam Road, Daman-396215

.....Respondents

The following were present:

Shri TAN Reddy, KTL Shri Rohit Dwivedi, KTL Shri Pulkit Sharma, KTL Shri Rajeev Kumar Gupta, MPPCL Shri Dubey, MPPCL

ORDER

The petitioner, Khargone Transmission Limited (KTL), has filed the present petition under Section 63 of the Electricity Act, 2003 (hereinafter referred to as the 'Act') for adoption of transmission charges in respect of "Transmission System Strengthening in WR associated with Khargone TPP (1320 MW)" on Build, Own, Operate and Maintain (BOOM) basis (hereinafter referred to as "Transmission System").

- 2. The Section 63 of the Electricity Act, 2003 provides as under:
 - "Section 63. Determination of tariff by bidding process: 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."

- 3. Government of India, Ministry of Power has notified the Guidelines under Section 63 of the Act vide Resolution No. 11/5/2005-PG(i) dated 17.4.2006. The salient features of the Guidelines 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 Organization or any Central Public Sector Undertakings 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.

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- (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 RfQ notice. The bidding shall be by way of International Competitive Bidding.
- (f) Standard documentations 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 transmission licence and other technical and safety criteria to be met by the bidder/TSP including the provisions of Indian Electricity Grid Code (Grid Code).
- (g) Standard documentations to be provided by 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 shall 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 ten days from the date of issue of LoI subject to further extension of time as provided under para 2.4 of the RFP. 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 along with the certification of BPC shall be forwarded to the Appropriate Commission for adoption of tariff in terms of section 63 of the Act.
- 4. In the light of the above provisions of the Guidelines, we have to examine whether the transparent process of international competitive bidding has been adopted in the present case for arriving at the lowest levelized transmission charges and for selection of the successful bidder.
- 5. Ministry of Power, Government of India, vide its Notification No. 2454, dated 17.11.2015, notified the REC Transmission Projects Company Limited (hereinafter referred to as RECTPCL) as the Bid Process Coordinator (BPC) for the purpose of

selection of bidder as Transmission Service Provider (TSP) to establish the project through tariff based competitive bidding process.

6. Khargone Transmission Limited was incorporated on 28.11.2015 under the Companies Act, 2013 as a wholly owned subsidiary of RECTPCL with the objective to establish the "Transmission System Strengthening in WR associated with Khargone TPP (1320 MW)" and to act as the Transmission Service Provider after being acquired by the successful bidder. The main objectives of the petitioner company in its Memorandum of Associations 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, substations, load dispatch stations and communication facilities and appurtenant works, coordination of integrated operation of regional and national grid system, execution of turn-key jobs for other utilities/organizations and wheeling of power in accordance with the policies, guidelines and objectives laid down by the Central Government from time to time".

7. RECPTL as the BPC 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. The BPC started the process of selection of TSP with the publication of Global Invitation for Qualification on 30.11.2015 for selection of developer on BOOM basis for the project. The notice for RfQ was published on 30.11.2015 in all the editions of Times of India, Nav Bharat Times (Hindi) and Financial Times (Global Editions) with the last date of submission of response to RfQ as 30.12.2015 Intimation regarding the initiation of the bid process was given to the Central Commission in

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accordance with para 4.2 of the Guidelines vide letter No. RECTPCL/Khargone/RFQ/2015-16/1803, dated 30.11.2015.

8. The key milestones in the bidding process were as under:

S. No.	Events	Date
1.	Global Invitation for Tender	30.11.2015
2.	Submission of Request for Qualification	30.12.2015
3.	Issuance of Request for Proposal	11.2.2016
4.	Opening of financial bid	23.5.2016
5.	Issuance of Letter of Intent to successful bidder	26.5.2016
6.	Submission of Contract Performance Guarantee in favour of LTTCs	8.7.2016
7.	Signing of Share Purchase Agreement	22.8.2016

9. The scope of the Project as per the Request for Proposal (RfP) and the Transmission Service Agreement is as under:

S. No.	Scheme/Transmission Works Connectivity system for Khargone TPP	Completion Target in months from effective date	Percentage of Quoted Transmission Charges recoverable on Scheduled COD of the Element of the Project	
1.	LILO of one ckt of Khandwa-Rajgarh 400 kV D/C line at Khargone TPP (The LILO shall be used for start-up power and commissioning activities requirement. After commissioning of balance transmission system, the LILO would be bypassed at Khargone generation switchyard and may be utilized only under contingency condition)	20 months (February- 2018)	0.39%	
2.	Khargone TPP Switchyard-Khandwa pool 400 kV D/C (Quad) line.	, ,	8.34%	
	System strengthening in WR in time frame of Khargone TPP			
3.	Khandwa Pool-Indore 765 kV D/C line	37 months (July-2019)	29.62%	
4.	Khandwa Pool-Dhule 765 kV D/C line	37 months (July-2019)	40.62%	
5.	Establishment of 765/400 kV, 2x1500 MVA	37 months (July-2019)	17.20%	

	pooling station at Khandwa.		
	765 kV :		
 ICTs: 7X500 MVA 765/400 kV (1 spare unit) ICT bays: 2 no. Line bays: 4 no. (2 no. for Khandwa pool-Indore 765 kV D/C & 2 no. for Khandwa pool-Dhule 765 kV D/C) Bus Reactor: 3X80 MVAr Bus Reactor Bay: 1 no. Switchable Line reactors: 7X 80 MVAr (1 unit is as a spare unit) for Khandwa Pool-Dhule 765 kV D/C (each 240 MVAR reactor with 800 Ω NGR along with its auxiliaries) Space for line bays (future): 4 no. Space for ICT bays (future): 3 no. Space for 1500 MVA, 765/400 kV ICTs (future): 3 no. 			
	400 kV:		
	 ICT Bays: 2 Nos. Line Bays for termination of Khargone TPP- Khandwa PS 400 kV D/C line: 2 Nos. Bus Reactor: 1 X 125 MVAr Bus Reactor bay: 1 Space for line bays (future): 6 nos. Space for ICT bays (future): 3 nos. 		
6.	2 nos. of 765 kV line bays and 7 X 80 MVAR Switchable line reactors (1 unit as spare) along with 800 Ω NGR and its auxiliaries for Khandwa Pool-Dhule 765 kV D/C at Dhule 765/400 kV substation of M/s BDTCL (shall mean M/s Bhopal Dhule Transmission Company Limited).	37 months (July-2019)	3.83%

10. The identified Long Term Transmission Customers (LTTCs) of the project are as under:

S No.	Name of the Long Term Transmission Customer		
1	Madhya Pradesh Power Management Company Ltd.		
2	Chhattisgarh State Power Distribution Company Limited		
3	Gujarat Urja Vikas Nigam Limited		
4	Maharashtra State Electricity Distribution Company Limited		
5	Electricity Department, Govt. of Goa		

6	DNH Power Distribution Corporation Limited
7.	Electricity Department, Daman and Diu

- 11. As per the decision of the Empowered Committee on Transmission, the Bid Evaluation Committee (BEC) comprising of the following was constituted:
 - (a) Shri P.K Nair, S. Vice President and Head, SBI Capital Markets

.Chairman

(b) Shri Pankaj Batra, Chief Engineer (F&CA), CEA

.Member

(c) Shri Awdhesh Kumar Yadav, Director (SP&PA-I), CEA

.Member

(d) Shri Dinesh Kumar, Chairman, Khargone Transmission Limited

Convener- Member

12. Responses to RfQ were received from five bidders as per details given below:

S.No.	Name of Bidders
1.	Adani Transmission Limited
2.	Essel Infraprojects Limited
3.	Kalpataru Power Transmission Limited
4.	Power Grid Corporation of India Limited
5.	Sterlite Grid 4 Limited

- 13. The responses to the RfQ were opened on 30.12.2015 in the presence of Bid Evaluation Committee and the representatives of the bidders. Evaluation was undertaken by Bid Process Consultant, namely M/s ABPS Infrastructure Advisory Private Limited, Mumbai in consortium with M/s Abacus Legal Group, New Delhi (Bid Process Consultant) and presented to the Bid Evaluation Committee which recommended five bidders as qualified at RfP stage.
- 14. The following three bidders submitted RfP:

S.No.	Name of Bidders		
1.	Adani Transmission Limited		
2.	Power Grid Corporation Limited		
3.	Sterlite Grid 4 Limited		

15. Bid Evaluation Committee opened RfP (Financial) bids on 23.5.2016 in the presence of the representatives of the bidders. The levelised charges for each bidder, as per the bid evaluation model and the methodology specified in RfP, were found to be in order. Based on the evaluation of the RfP, the levelised transmission charges were worked out as under:

S.No	Name of the Bidder	Levellised Transmission	
		charges in Indian Rupees (Millions/annum)	
1.	Sterlite Grid 4 Limited	1591.1334	
2.	Power Grid Corporation of India Ltd	1687.4535	
3.	Adani Transmission Limited	1798.5041	

- 16. Based on the evaluated levelised transmission charges, the Bid Evaluation Committee recommended Sterlite Grid 4 Limited with the lowest evaluated annual levelised transmission charges of Rs.1591.1334 million/annum as the successful bidder.
- 17. Letter of Intent was issued by the BPC on 26.5.2016 to the successful bidder i.e Sterlite Grid 4 Limited. In accordance with para 12.3 of the Guidelines, the BPC has hosted on the website of RECTPCL the final results of the evaluation of the bids for selection of developer for the project.
- 18. In accordance with the provisions of the bid documents and LoI issued in its favour, the petitioner has prayed for adoption of the transmission charges for the project which has been discovered through the process of competitive bidding.
- 19. In accordance with para 2.4 of RfP, the selected bidder shall within 10 days of issue of the Letter of Intent accomplish the following tasks:

- (a) Provide Contract Performance Guarantee in favour of the LTTCs;
- (b) Execute the Share Purchase Agreement
- (c) Acquire, for the acquisition price, one hundred percent equity shareholdings of Khargone Transmission Limited from RECTPCL, along with all its related assets and liabilities;
- (d) Make an Application to the Central Electricity Regulatory Commission for adoption of charges under Section 63 of the Electricity Act, 2003;
- (e) Apply to Central Electricity Regulatory Commission for grant of transmission licence.
- 20. The proviso to para 2.4 of the RfP further provides that "if for any reason attributable to the BPC, the above activities are not completed by the Selected Bidder within the above period of ten (10) days as mentioned in this clause, such period of 10 days shall be extended, on a day for day basis till the end of the Bid validity period". Though Lol was issued on 26.5.2016, BPC, vide its letter dated 1.8.2016, in terms of proviso to clause 2.4 of RfP extended the date upto 26.8.2016 for completion of all activities by the successful bidder. The selected bidder furnished the Performance Guarantee to the Long Term Transmission Customers of the project for an amount of Rs. 70.62 crore and has acquired hundred percent equity holding in the applicant company on 22.8.2016 after execution of the Share Purchase Agreement. The TSP on behalf of the selected bidder filed the application for adoption of tariff on 24.8.2016.

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- 21. On receipt of the present petition, the staff of the Commission vide its letter dated 30.8.2016 directed the BPC to submit the relevant documents regarding complete process of competitive bidding through affidavit. The necessary details have been filed by the BPC under affidavit dated 6.9.2016.
- 22. Notices were issued to all the respondents who are the Long Term Transmission Customers of the project. No reply has been filed by the respondents. Notice was also issued to RECTPCL in its capacity as Bid Process Coordinator. RECTPCL has filed the copies of all relevant documents pertaining to the bidding process.
- 23. The petition was heard on 6.10.2016. During the course of hearing, it was observed that in Schedule 3 of the TSA, effective date has been mentioned as June, 2016. However, in terms of Clause 2.1 of the TSA, the effective date works out to 22.8.2016 and after considering the completion period of 38 months, SCOD works out as 21.10.2019. Accordingly, BPC, namely REC Transmission Projects Company Ltd. was directed to clarify that which date should be taken as scheduled COD for adoption of levelised tariff.
- 24. BPC, vide its affidavit dated 19.10.2016, has submitted as under:
 - ".... this transmission project is linked to Generation Project of NTPC and schedule COD of Transmission Line/System is fixed to match commissioning schedule of Generation Project as provided by Generation Company. Accordingly, the scheduled COD of Transmission System has been qualified in

the TSA stating that in case there is delay in achieving effective date as per Clause 2.1 of TSA, the scheduled COD of element 1 shall be February, 2018 and for element 2 to 6 including scheduled COD of the overall project shall be July, 2019. Therefore, we submit that the scheduled COD for the project be considered as July 2019 for adoption of Levelised Tariff."

It is noticed that in Schedule 6 of the TSA dealing with transmission charges, the Scheduled COD has been indicated July, 2019. Therefore, the transmission charges shall be payable from July 2019. It is, however, mentioned under Schedule 3 that in case there is delay in achieving effective date, the schedule shall be compressed to achieve the SCOD of element 1 by February 2018. In the event, element 1 achieves its COD on or after February 2016 but before July 2019, the transmission charges shall be paid @ 0.39% of the quoted transmission charge recoverable on SCOD in accordance with the provision of Schedule 3 of the TSA.

25. Under the Guidelines, BPC has to certify that the tariff has been discovered through a transparent process of bidding and the tariff discovered is in line with prevailing market prices. The Bid Evaluation Committee, vide para 13 to 16 of the minutes of meeting held on 25.5.2016, has recorded as under:

"Levelised Transmission Charges: The Levelised Transmission Charges for each Bidder (in ascending order) as per the Bid Evaluation model and the methodology specified in the RFP documents is as under:

S. No.	Name of the Bidder	Levelised Tariff (Rs. In million)
1.	Sterlite Grid 4 Limited	1591.1334
2.	Power Grid Corporation of India Limited	of 1687.4535
3.	Adani Transmissic	n 1798.5041

- 13. The calculation sheet for the levelised Transmission Charges for each Bidder as per the Bid Evaluation model is annexed at Annexure-3.
- 14. As per the above table, M/s Sterlite Grid 4 Limited emerges as the successful Bidder with the lowest Levelised Transmission Charges of Rs. 1591.1334 million.
- 15. After detailed discussions on the evaluation report and verification of the bids, wherever required, the Bid Evaluation Committee took the following decisions:
- a) M/s Sterlite Grid 4 Limited emerges as the successful Bidder with the lowest Levelised Transmission Charges of Rs. 1591.1334 million.
- b) The levelised tariff for this project based on CERC norms for the same period works out to Rs. 3103.1894 million, which has been computed based on the estimated cost as communicated by CEA and methodology for calculation of tariff as per CERC norms.
- c) Thus, light of the above, the levelised tariff computed on the basis of rates quoted by the successful Bidder is in line with prevailing prices.
- d) 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 the Transmission projects" issued by Ministry of Power, Govt. of India under Section 63 of the Electricity Act, 2003 and as amended from time to time.
- e) In view of (a) to (d) above, M/s Sterlite Grid 4 Limited may be issued Letter of Intent (LOI).
- 26. Bid Evaluation Committee vide its certificate dated 25.5.2016 has certified as under:

"It is certified that:

- a. 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 the Transmission Projects" issued by Ministry of Power, Govt. of India under Section 63 of the Electricity Act, 2003 and as amended from time to time.
- b. M/s Sterlite Grid 4 Limited has emerged as the successful bidder with the lowest levelised Transmission Charges of Rs. 1591.1334 million for the above project.

- c. The rates quoted by the successful bidder are in line with the prevailing prices."
- 27. In the light of the discussions in the preceding paragraphs, it emerges that selection of the successful bidder and the process of arriving at the levelised tariff of the project through competitive bidding has been carried out by the Bid Process Coordinator through a transparent process in accordance with the Guidelines and Standard Bid Documents. The Bid Evaluation Committee has certified that the process is in conformity with the MOP Guidelines. The BPC in its certificate dated 25.5.2016 has certified that the rates quoted by the successful bidder are in line with the prevalent market prices. The Commission is not required to go into the cost details of the bids as per the bidding guidelines and has to adopt the tariff if the same has been discovered in accordance with the Guidelines. Based on the certification of the BEC, we approve and adopt the levelised transmission charges for the project as per the *Appendix* to this order. The sharing of the transmission charges by the LTTCs shall be governed by the provisions of the Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.
- 28. A copy of this order shall be sent to CTU and Long Term Transmission Customers of the transmission system.
- 29. The Petition No. 156/AT/2016 is disposed of in terms of the above.

sd/- sd/- sd/- sd/- (Dr. M. K. lyer) (A.S. Bakshi) (A.K. Singhal) (Gireesh B.Pradhan) Member Member Chairperson

Appendix

Year (Term of	Commencement Date of Contract	End Date of Contract Year	Quoted Non- Escalable	Quoted Escalable Transmission
License)	Year		Transmission Charges (Rs. Millions)	Charges (Rs. Millions)
1	Scheduled COD July 2019	31-March	1860.82	17.05
2	1-April	31-March	1860.82	Same as Above
3	1-April	31-March	1817.10	Same as Above
4	1-April	31-March	1774.40	Same as Above
5	1-April	31-March	1732.70	Same as Above
6	1-April	31-March	1691.99	Same as Above
7	1-April	31-March	1652.23	Same as Above
8	1-April	31-March	1613.41	Same as Above
9	1-April	31-March	1575.50	Same as Above
10	1-April	31-March	1538.47	Same as Above
11	1-April	31-March	1502.32	Same as Above
12	1-April	31-March	1467.02	Same as Above
13	1-April	31-March	1432.55	Same as Above
14	1-April	31-March	1398.89	Same as Above
15	1-April	31-March	1366.02	Same as Above
16	1-April	31-March	1333.92	Same as Above
17	1-April	31-March	1321.18	Same as Above
18	1-April	31-March	1321.18	Same as Above
19	1-April	31-March	1321.18	Same as Above
20	1-April	31-March	1321.18	Same as Above
21	1-April	31-March	1321.18	Same as Above
22	1-April	31-March	1321.18	Same as Above
23	1-April	31-March	1321.18	Same as Above
24	1-April	31-March	1321.18	Same as Above
25	1-April	31-March	1321.18	Same as Above
26	1-April	31-March	1321.18	Same as Above
27	1-April	31-March	1321.18	Same as Above
28	1-April	31-March	1321.18	Same as Above
29	1-April	31-March	1321.18	Same as Above
30	1-April	31-March	1321.18	Same as Above
31	1-April	31-March	1321.18	Same as Above
32	1-April	31-March	1321.18	Same as Above
33	1-April	31-March	1321.18	Same as Above
34	1-April	31-March	1321.18	Same as Above
35	1-April	31-March	1321.18	Same as Above
36	1-April	35 th anniversary of scheduled COD	1321.18	Same as Above