

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri K.N. Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**
- 4. Shri A.H. Jung, Member**

Petition No.154/2005

In the matter of

‘In principle’ acceptance of project capital cost and financing plan of 1100 MW
SUGEN CCPP of Torrent Power Generation Limited.

And in the matter of

Torrent Power Generation Limited, Ahmedabad

..Petitioner

Vs

1. Torrent Power AEC Limited, Ahmedabad
2. Torrent Power SEC Limited, Surat
3. PTC India Limited, New Delhi

...Respondents

The following were present:

1. Shri Markand Bhatt, MD, TPGL
2. Shri Sudhir Shah, Dir, TPGL
3. Shri Deepak Dalal, ED, TPGL
4. Shri Mohan Ram, VP, TPGL
5. Shri T.C. Upreti, VP, TPGL
6. Shri Vibhuti TPGL

**ORDER
(DATE OF HEARING: 31.1.2006)**

The petition was listed for preliminary hearing. Heard Shri Markand
Bhatt for the petitioner.

2. M/s Torrent Power Generation Limited, the petitioner, has made this
application for ‘in principle’ approval of the capital cost and financing plan for 1100

MW power project proposed to be installed in Surat Distt., State of Gujarat. The application has been made under Regulation 17 of the CERC (Terms and Conditions of Tariff) Regulations 2004, as amended. According to proviso to Regulation 17, any person intending to establish, operate and maintain a generating station may make an application before the Commission for 'in principle' acceptance of the project cost and financing plan in accordance with the procedure specified in the Central Electricity Regulatory Commission (Procedure for making application for determination of tariff, publication of the application and other related matters) Regulations, 2004. The Commission's regulations governing procedure for making of applications provide that the petitioner is to supply a copy of the petition to all the beneficiaries and is also required to publish notices in the newspapers of all the States to which the generating station will be supplying power. The petitioner has published notices in the newspapers in circulation in the State of Gujarat and NCT of Delhi.

3. As per the petition, the power generated from the generating station to be set up by the petitioner is proposed to be sold to Torrent Power AEC Limited, Ahmedabad (first respondent) (282 MW) and Torrent Power SEC Limited, Surat (second respondent) (564 MW), the sister companies of the petitioner granted licence for distribution of electricity. Another 100 MW is proposed to be sold to PTC (third respondent) and the residual power on short-term contract basis. The cost of the project is estimated at Rs.3096 crore which translates to Rs.2.74 crore per MW. The petitioner has annexed a copy of the Ministry of Power letter dated 1.9.2005 along with a certificate dated 31.8.2005. According to this certificate, the proposed

generating station is an inter-State thermal power plant and the power purchasing States have constituted the Regulatory Commissions with full powers to fix tariff and that these States have undertaken, in principle, to privatize distribution in all cities in that State each of which has a population of more than one million. The certificate, however, does not disclose the names of the “power purchasing States”, though State of Gujarat is one such State. The petitioner has clarified that it has executed an agreement with PTC for sale of power in the States outside the State of Gujarat and it is “expected” that PTC will be able to identify the States before the stage of making application for approval of tariff is arrived at.

4. With a view to affording the beneficiaries and the consumers the opportunity of representation on the proposed capital cost which ultimately forms the basis for computation of tariff, this Commission would prefer that the States which propose to buy the power may be identified at the stage of making of application for ‘in principle’ acceptance of the capital cost and the financing plan. It is necessary to obtain the consent of such parties in advance for transparency in the matter of in principle acceptance of the capital cost. At the hearing representative of the petitioner submitted that PTC proposes to enter into an agreement with Madhya Pradesh State Electricity Board for sale of power generated at SUGEN CCPP. However, nothing is on record before us. In any case if the power from the generating station of the petitioner is sold to Madhya Pradesh State Electricity Board, the concerned SEB will have to be impleaded and notices published in the newspapers.

5. We, therefore, direct the petitioner to make efforts to get the agreement/ consent for sale/purchase of power between PTC and MPSEB and apprise the Commission about the progress made in this regard. The petitioner has firmed up 846 MW for sale within Gujarat. Another 100 MW is reportedly to be purchased by PTC. This leaves a balance of 182 MW, about which, there is no firm commitment by any State. The petitioner should clearly indicate the treatment of this balance power.

6. We also note that, as per the tariff policy notified by the Central Government on 6.1.2006, all future requirements of power should be procured competitively by the distribution licensees, subject to certain exceptions mentioned therein. The Commission has sought confirmation from Ministry of Power about its understanding of the expression "future procurement". The Commission feels 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 Para 5.1 of the Tariff Policy shall not attract for such procurement :

- (a) Where Power Purchase Agreement (PPA) has been signed as approved by the Appropriate Commission prior to 06th January, 2006.
- (b) Where PPA has been signed and is pending before the Appropriate Commission, but subject finally to approval of the PPA by the Appropriate Commission.
- (c) 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.
- (d) Where financial closure has been achieved prior to 06.01.2006.

7. In conclusion, we give the Petitioner 60 days' time to complete the formalities as above. We also hope that MOP will in the meanwhile confirm the understanding of the expression "future procurement".

Sd/-
(A.H. JUNG)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(K.N.SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 10th February, 2006