

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

1. **Shri Ashok Basu, Chairperson**
2. **Shri Bhanu Bhushan, Member**
3. **Shri A.H. Jung, Member**

**Petition No.18/2006  
With  
IA No.50/2006**

**In the matter of**

Application for grant of transmission licence

**And in the matter of**

Northeast Power Transmission Company Pvt. Ltd.

**...Applicant**

**The following were present:**

1. Shri A.K. Deb, DGM (E), ONGC
2. Shri H.V. Karamchandani, SE(E), ONGC
3. Shri R.K. Madan, ONGC
4. Shri V.M. Kaul, PGCIL
5. Shri S. Garg, PGCIL
6. Shri Hazio Beg, IL&FS
7. Shri S.C. Misra, IL&FS
8. Shri Alok Verma, IL&FS
9. Shri Mukund Dhar, Senior Advocate, Amarchand Mangaldas
10. Shri V.R. Neelakantan, Associate, Amarchand Mangaldas

**ORDER  
(DATE OF HEARING: 8.8.2006)**

The application has been made by Northeast Power Transmission Company Pvt. Ltd. (NEPTC) for grant of licence for construction and maintenance of inter-state transmission system in North-eastern region.

2. It has been stated that ONGC Tripura Power Company Limited (OTPC) is developing and implementing a gas-based combined cycle generating station (the

generating station) at Pallatana in Udaipur District in the State of Tripura, whose shares are held by ONGC, Government of Tripura and Infrastructure Leasing & Financial Services Ltd (IL&FS) in the ratio of 26:24:50. OTPC in due course of time is likely to become 100% subsidiary of ONGC or be amalgamated with ONGC. It was stated in the application that the generating station was to have the gross capacity of 1100 MW. Out of the net capacity of 1050 MW, 300 MW was proposed to be sold to the States in North-eastern Region, namely, Assam, Tripura and the balance 750 MW of power to the States in Northern Region. It was further stated that MOUs have been signed with Tripura State Electricity Corporation Ltd., ASEB, UPPCL, RRVPNL, HPGC and PSEB and comfort letter has been received from DTL.

3. The applicant proposes to construct, develop and maintain 400 kV transmission system for evacuation of power from the generating station at Pallatana upto Bongaigaon in State of Assam, with a total length of about 680 kms. The power for sale to the States in Northern Region has been proposed to be transmitted from Bongaigaon to Siliguri and thereafter through the Eastern and Northern Regional Grids. It is proposed that transmission charges for the applicant's system will be paid by the generating company and beneficiaries will pay composite tariff at Bongaigaon point. In the original application, it has been stated that the applicant is 100% owned subsidiary of OTPC. However, future share holding pattern of NEPTC is proposed to be as under:

Powergrid	:	26%
ONGC	:	15%

Partner to be selected through tariff based bidding: 59%.

4. Applicant has stated that presence of Powergrid and ONGC would provide comfort to the majority partner.

5. The scope of transmission system indicated by the applicant in its application for grant of licence is as under:

- (a) 400 kV D/C line (with twin Lapwing conductor) from Pallatana to Silcher
- (b) 400 kV D/C line (with twin Lapwing conductor) from Silcher to Bongaigaon with 40% series compensation
- (c) Establishment of new 400/220 kV sub-station at Silcher as per details given below:
  - (i) 2X 315 MVA, 400/220 kV transformer and associated bays
  - (ii) 4 Nos of 400 kV line bays
  - (iii) 4 Nos 220 kV line bays
- (d) Extension of Bongaigaon 400/220 kV sub-station of POWERGRID with 2 Nos of 400 kV line bays and establishing 1x315 MVA transformer with 400 kV and 220 kV bays.

6. During pendency of the application for grant of licence, the applicant filed an interlocutory application (No.50/2006) wherein it has been stated that based on subsequent results of gas exploration, ONGC has decided to limit the project size to 740 MW in first phase. In view of reduction in generation capacity from 1100 MW to 740 MW, the revised scope of the inter-state transmission system proposed to be constructed as given in the interlocutory application is as under:

- (a) 400 kV D/C line from Pallatana to Bongaigaon via Silcher with twin Moose conductors.

(b) New 400 kV sub-station at Silchar in Assam

7. In the interlocutory application it has been submitted that the applicant proposes to select developer for the transmission system through a tariff based international bidding process. The selection of the developer has been proposed in two steps. The financial proposals of only those bidders who satisfy the minimum requirements on the technical, organizational, managerial and financial parameters would be opened and the bidder quoting the least transmission charge (NPV of the annual transmission charges plus the discounted buyout price at specified discount factor) would be invited for execution of requisite contracts. As stated in the interlocutory application, the selected developer would take over 59% equity stake in the applicant at par value. The balance equity stake is proposed to be picked up by ONGC (15%) and Power Grid Corporation of India Limited (26%). The applicant has outlined the detailed methodology for selection of developer designed by IL&FS. The applicant has prayed for approval of the Commission for nomination of IL&FS on behalf of Government of Tripura, as agency for preparation of bid documents, bid invitation, felicitation for bid evaluation for selection of developer and policy for approval for tariff based bidding methodology.

8. The applicant has published the details of the application for grant of licence in the newspapers having circulation in North-eastern and Northern Regions in terms of sub-section (2) of Section 15 of the Electricity Act, 2003 (the Act). However, no objections or suggestions have been received from any quarters.

9. Power Grid Corporation of India Limited in its capacity as the Central Transmission Utility has given its recommendations in terms of sub-section (3) of

Section 15 of the Act under its letter dated 26.4.2006. CTU has confirmed that inter-state transmission system for which application has been made forms part of the inter-state transmission system as well as Transmission Plan.

10. We have considered the applicant's substantive prayer for grant of licence for construction, operation and maintenance of the inter-state transmission system. From the facts placed on record, it is clear that the majority shareholder of the applicant is yet to be selected, though the process for this purpose has been initiated. Before granting licence, the Commission will like to satisfy itself about the status of the majority shareholding. Therefore, the application for grant of licence at this stage is considered to be premature. The applicant may make an appropriate application for grant of licence after selection of the majority shareholder and allotment of equity shares to all the shareholders.

11. We have noted that on 17.4.2006, Central Government in Ministry of Power has issued guidelines for encouraging competition in development of transmission projects. The said guidelines provide for constitution of an Empowered Committee. One of the functions of the Empowered Committee is to identify projects to be developed under the Scheme. Presumably, the "scheme" refers to the process of competitive bidding. The Central Government has also issued guidelines for "Tariff Based Competitive Bidding for Transmission Service". These guidelines apply to tariff-based bidding for selection of execution agency and not a joint venture partner. The transmission system for which licence has been sought falls into the latter category as per the application.

12. In the licence application, the applicant had informed that the time schedule for completion of the transmission project is November 2008. However, subsequently during the hearing, applicant informed that the generating station was scheduled to be commissioned in 2<sup>nd</sup> Quarter of 2009 and the activities are proceeding according to this time schedule. This leaves a timeframe of less than 35 months for various activities, including selection of JV partner, grant of licence and execution of the transmission project. This time schedule is considered to be very tight considering the terrain, shorter working season and law and order problems prevalent in some parts of North-eastern Region. The applicant needs to complete all formalities and clearances so that the work starts at the earliest. This project has to be, therefore, treated on a special footing and accordingly we have considered the prayers in the interlocutory application, namely, approval of the process of selection of JV partner and allowing IL&FS to prepare bid documents, invite bids and facilitation of bid evaluation on behalf of Government of Tripura/ONGC.

13. We have noted that the qualifying requirements proposed by the applicant in para 5 of the interlocutory application are on the lines approved by the Commission for WRSSS-II (Projects B and C). Similarly, the bid evaluation criteria is also in line with the advice given by the Commission to Power Grid Corporation of India Ltd. for WRSSS-II (Projects B &C). Therefore, the methodology for selection of majority JV partner is considered to be fair, transparent and aligned with the procedure already approved by the Commission for WRSSS-II (Projects B & C) with the exception that in instant case selection of partner is for picking 59% equity. Since the selection of majority partner is through tariff based competitive bidding process, the project satisfies the objective of developing transmission projects in an efficient and

economical manner as laid down in the guidelines issued by Ministry of Power. Accordingly, we approve the procedure proposed by the applicant.

14. We have noted that Government of Tripura has recognized IL&FS as competent agency for assisting in the process of project development and accordingly has signed Memorandum of Agreement with IL&FS. In view of this and also considering the fairness of the procedure proposed for selection, we agree to allow IL&FS to develop bid documents, invite bids and carry out bid evaluation for facilitating selection of the majority joint venture partner and order accordingly.

15. The directions contained in para 12 and 13 above are subject to following conditions:

- (i) Any change in the shareholding pattern of the applicant, including that of ONGC and POWERGRID shall be only with the approval of the Commission.
- (ii) IL&FS shall submit bid documents for approval of the Commission before issuing.
- (iii) Any amendment in the bid documents shall be made only after prior approval of the Commission.
- (iv) IL&FS shall have to establish reasonability of the tariff coming out of the competitive bidding.
- (v) The applicant shall address the issues raised by CTU in its recommendation regarding anchoring arrangement at Silchar as also necessary arrangement for supply to Tripura.

- (vi) The applicant shall firm up and submit to the Commission prior to issuance of bid documents, the arrangement for transmitting power beyond Bongaigaon to the beneficiary States in Northern Region.

16. With the above directions, the application 18/2006 and IA No 50/2006 are disposed of, with the liberty to file application for grant of licence after selected JV partner joins NEPTC.

Sd/-  
**(A.H. JUNG)**  
**MEMBER**

Sd/-  
**(BHANU BHUSHAN)**  
**MEMBER**

Sd/-  
**(ASHOK BASU)**  
**CHAIRPERSON**

**New Delhi dated the 11<sup>th</sup> September, 2006**