

Central Electricity Regulatory Commission

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Press Release

‘In-principle’ approval of project cost by CERC to promote investment in thermal generation

The Central Electricity Commission (CERC) has announced procedure for granting ‘in-principle’ acceptance to the estimated cost of a thermal generation project. It is hoped that the regulatory comfort in the form of upfront ‘in-principle’ acceptance of estimated project cost would help the Independent Power Producers (IPPs) intending to generate and supply electricity in more than one State and companies owned or controlled by the Central Government to achieve financial closure expeditiously. Once the CERC has accorded ‘in-principle’ approval to the estimates of project capital cost and financing plan, the same shall be the guiding factor for applying prudence check on the actual capital expenditure. However, the tariff shall be determined on the basis of actual audited expenditure for the project found prudent by the Commission. The draft regulation was earlier published for comments from stakeholders in May, 2005, which has now been finalised after considering response received.

The guidelines for competitive bidding for procurement of generation issued by the Central Government in January, 2005 do not stipulate that all future projects will come through the competitive bidding route. The projects can continue to come under regulated tariff regime. Accordingly, applications have been made before the Commission by IPPs for determination of tariff prior to commencement of construction of the generation station since it would give them a level of comfort. The Commission considered the matter and it was felt that existing tariff regulations should be amended to provide for ‘in-principle’ acceptance of the capital cost of the project before commencement of construction. Request for grant of "in-principle" acceptance to project capital cost and financing plan would have to be made in the form of a petition with requisite details and a copy served to all prospective beneficiaries of the project. The application shall be posted on website of the applicant and a notice to that effect shall be published in the newspapers for inviting comments/suggestions from stakeholders/general public.

A.K. Sachan, Secretary, CERC