

**MADHYA PRADESH ELECTRICITY REGULATORY  
COMMISSION  
BHOPAL**

**Subject:-In the matter of Approval and Adoption of tariff for procurement of 600  
MW under section 63 of the Electricity Act, 2003.**

**ORDER**

**(Passed on 07<sup>th</sup> March, 2008)**

Madhya Pradesh Power Trading Company Ltd. (MPPTCL) - **Petitioner**

The present application has been made by Madhya Pradesh Power Trading Company Limited under Section 63 of Electricity Act, 2003 for adoption / approval of tariff determined through international competitive bidding process for supply of electricity at Madhya Pradesh State Transmission Utility (STU) network.

2. Section 63 of the Electricity Act, 2003 (hereinafter referred to as 'the Act') envisages that the Appropriate Commission shall adopt the tariff if such tariff has been determined through the transparent process of bidding in accordance with the guidelines issued by the Central Government. The Central Government in Ministry of Power has issued the guidelines contemplated under Section 63 of the Act, titled "Guidelines for Determination of Tariff by bidding Process for Procurement of Power by Distribution Licensees" (hereinafter referred to as 'the guidelines') vide Resolution No.23/11/2004-R&R(Vol.II) dated 19.1.2005 which have been further modified vide amendments dated 30/03/2006, 18/08/2006 and 27/09/2007.

3. MP Power Trading Co. Ltd. had applied to the Commission for approval of its Request For Proposal (RFP) document vide its petition filed in March 2007. The

petition was registered as Petition No. 10 of 2007. The document was prepared for procurement of power on long term basis from developer / generator for supply of minimum 20 MW and maximum 2000 MW of power through tariff based bidding process in accordance with the Competitive Bidding Guidelines issued by Ministry of Power, Govt. of India (Case - 01). It is indicated in the guidelines that if the bidding documents issued by the distribution licensees or their authorized representatives are at variance with the provisions of the guidelines and also from the standard bid documents issued by Ministry of Power, Govt. of India, the approval from the appropriate Commission has to be sought. The Commission passed its order on Petition No. 10 of 2007 on September 26, 2007. The Commission, in principle accorded its no objection on the RFP document which is proposed to be issued by the petitioner, subject to the condition that as and when final bids are received, the petitioner will have to approach the Commission for approval of the final bid cost for purchase of power by distribution licensees or its representatives. In compliance to the aforementioned order of the Commission, the petitioner filed this application before the Commission to approve / adopt the quoted tariff (levelised) Rs. 2.34 per kWh by M/s Lanco Infratech Ltd. (LIL).

4. The petitioner, Madhya Pradesh Power Trading Company Limited, is a company incorporated under the Companies Act, 1956. The applicant has been authorized by all the three Distribution Licensees of State viz, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, as the authorized representative for discharging all the rights and obligations on their (Distribution Licensees') behalf to undertake the bidding process for selection of bidder to supply power up to 2000 MW at the Madhya Pradesh STU network.

5. The petitioner submitted that the competitive bidding process was initiated on 10/04/2006 with the publication of global invitation for pre-qualification of the bidders for supply of power up to 2000 MW. In response to this notification, 18 companies procured the Request For Qualification (RFQ) document during the period from 10/04/2006 to 24/04/2006. Further, considering the amendment in the Standard Bidding Documents for case-2 and requests of the Bidders, MP Power Trading Co. Ltd. adopted the revised evaluation criteria as per RFQ for Case-2 and issued revised RFQ notification. In response to revised RFQ notification issued in June 2006, 19 additional

companies purchased the RFQ documents and 16 companies submitted response to the RFQ by the last date of submission i.e. 30<sup>th</sup> August, 2006. The RFQ/RFP documents were also filed to the Commission. The Commission, vide its order of 12.09.2006, made the remark that the RFQ document should allow the project to be set-up anywhere in India rather than restricting it in the State of MP. Accordingly, the petitioner revised the RFQ document. The chronology of the events in the aftermath is as follows.

- Commencement of sale of revised RFQ document – 05/01/2007
- Last date of sale of revised RFQ document – 20/01/2007
- Submission of responses to RFQ – 05/02/2007
- Short listing based on responses to RFQ and issuance of RFP – 12/02/2007
- Bid clarification, pre bid conference etc. – 18/04/2007
- Final clarification and revision of RFP – 30/04/2007
- Submission of technical and Price bid - 27/11/2007
- Opening of technical bid – 27/11/2007
- Opening of Price bids – 12.12.2007

6. The petitioner stated that finally, 25 bidders were declared qualified for the contracted capacity as per the criteria specified in the RFQ documents. The list is given below:-

Sl. No.	Bidder	Qualified Capacity ( MW)
1	Essar Power Ltd	600
2	ISN International Co.	500
3	Cethar Vessel (P) LTd	100
4	Madhucon Projects Ltd	300
5	Tata Power Company Ltd	350
6	Today Homes & Infrastructure Pvt. Ltd.	200
7	Navabharat Ferro Alloys Ltd.	375
8	Jindal Photo Ltd.	200
9	Jindal Power Ltd	225
10	Wartsila India Ltd	150
11	HEG Ltd.	300
12	Lanco Infratech Ltd	600
13	Jaiprakash Associates Ltd.	2000
14	GFL Energy Pvt. LTd.	150
15	Patel Engineering Ltd.	200
16	Reliance Energy Generation Ltd.	2000
17	Sterlite Energy Ltd.	2000
18	Emco Energy Ltd.	100
19	Bharat Aluminium Co. Ltd.	1700
20	Bharat Udyog Ltd.	30
21	Torrent Power Ltd.	2000

Sl. No.	Bidder	Qualified Capacity ( MW)
22	KSK Energy Venture Pvt. Ltd.	300
23	JSW Energy Ltd.	450
24	Gati Infrastructure Ltd.	185
25	Hingiri Hydro Energy Pvt. Ltd.	250

7. The petitioner submitted that the RFP documents were prepared by the Bid Process Management Consultant, M/s ICRA Management Consulting Services Limited (IMaCS). It is further submitted that the evaluation of the RFP bids was undertaken by an Expert Committee, which was assisted by Consultant, M/s IMaCS. The composition of the Expert Committee constituted with the approval of the Board of Directors of MP Power Trading Company was as under:

1	Shri D.Khandelwal,	ED(L&RA), MP Power Trading Co. Ltd.
2	Shri M.K. Jain,	CGM(IPC), MP Power Trading Co. Ltd.
3	Shri S.C. Sood,	Chief (F&A), MPSEB
4	Shri Umesh Mathur,	GM(F&A), MP Power Trading Co. Ltd.
5	Shri Anil Harkauli,	AGM, State Bank of India – As External Member.
6	Shri Parag Sharma,	Head- Power Sector, IMaCS
7	Shri Ravi Kashyap,	Project Manager, SNC Lavlin – As External Member

8. The petitioner submitted that out of the 25 bidders who qualified at the RFQ stage, 4 bidders as listed below submitted their RFP bids:

Sl No.	Bidder	Contracted Capacity ( MW)
1	Lanco Infratech Limited ( <b>LIL</b> )	600
2	Reliance Power Limited ( <b>RPL</b> )	1241
3	Essar Power Limited ( <b>EPL</b> )	600
4	KSK Energy Ventures Limited ( <b>KSK</b> )	300

9. The petitioner further submitted that the bid process consultants, M/s IMaCS carried out a responsiveness check of the non-financial bids submitted by the bidders as per the conditions of the RFP. The consultants found some inconsistencies in the non-financial bids submitted by LIL, RPL and KSK. Accordingly, additional information/clarifications/documents were sought from the said Bidders. LIL and RPL provided additional information/clarification; however, KSK failed to provide required information/clarification/documents. Hence, the Bid submitted by the KSK was rendered non-responsive by the Expert Committee. The price bids of responsive bidders were opened on 12/12/2007 in the presence of the bidders'

representatives, the Expert Committee and consultants. The details of the financial bids are summarized below :

Sl. No.	Bidders	Capacity in MW	Levelised Tariff in Rs./Unit as quoted	Fuel	Escalation indices (in %) (As per CERC Notification No. Eco. 2/2007-CERC dated 24.09.2007)			
					Escalable capacity charges	Escalable Fuel Energy charges	Inland transport energy charges	Discount rate
1	Lanco Infratech Ltd. (LIL)	600	2.298 ** 2.340***	CIL Linage	5.18%	7.66%	5.18%	11.10%
2	Reliance Power Ltd. (RPL)	1241	2.701	Coal Block	5.18%	6.61%	5.18%	11.10%
3	Essar Power Ltd. (Mahan)	300	2.955	Coal Block	5.18%	6.61%	N.A.	11.10%
4	Essar Power ltd. (Tori)	300	3.044	Coal Block	5.18%	6.61%	N.A.	11.10%

Note :

\*\* The tariff has been worked out as quoted by M/s LIL i.e. without ER-WR Transmission Link Charges.

\*\*\* The tariff has been worked out considering all the Transmission charges, including the ER-WR Transmission Link Charges although same has not been indicate by M/s LIL in the bid.

10. The levelised tariffs as per the bid evaluation report prepared by the Expert Committee are indicated as under:

Sl. No.	Name of the Bidder	Capacity ( MW)	Computed Levelised Tariff ( Rs/kWh)	Ranking
1	Lanco Infratech Ltd. (LIL)	600	2.340	L1
2	Reliance Power Ltd (RPL)	1241	2.701	L2
3	Essar Power Limited (Mahan)	300	2.955	L3
4	Essar Power Limited (Tori)	300	3.044	L4
	TOTAL	2441		

The Expert Committee in its meeting held on 24.12.07 recommended following.

- i. As per MPERC order No. MPERC/P-10 of 07/2091 dated 16/10/07 RFP document was approved subject to the condition that as and when final bids are received, the petitioner shall have to approach the Commission for approval of the final bid cost for purchase of power by Distribution Licensees or its representatives. Therefore, approval of the bid cost is required from the MPERC before issuance of the Letter of Intent (LOI).

- ii. In view of above, the Expert Committee feels that the bid of M/s Lanco Infratech Limited (L1) for supply of 600 MW power can be considered for recommendation to the MPERC mentioning in particular that the payment of the transmission charges shall be as indicated by them in their bid i.e. the WR-ER Transmission Link charges shall not be paid.
- iii. Further, M/s Reliance Power Ltd. (L2) may be called for negotiations to reduce the quoted tariff (at Delivery Point).
- iv. Subsequently, M/s Essar Power Limited (L3) may be called for further negotiations to reduce the quoted tariff for procurement of balance power. ”

11. In the present application, the petitioner has requested the Commission for approval and adoption of the tariff quoted by the L1 Bidder LIL. In regard to the other Bidders, the petitioner has requested that it would again approach the Commission for approval of the quoted tariff by other bidders, if found suitable after negotiations.

12. The petitioner had also submitted a certificate from the Bid Evaluation Committee on conformity of bid evaluation according to the provisions of RFP document. This is required as per the revised guidelines issued by MoP on 27/09/2007, wherein it has been provided that after conclusion of bid process, the evaluation committee constituted for evaluation of RFP bids shall provide appropriate certification on conformity of bid evaluation according to the provisions of RFP document. The petitioner had also submitted a certificate on the letter head of the Company which indicates that the present petition is filed to seek the approval of Commission for procurement of 600 MW of power for M/s Lanco Infratech Ltd. and the petitioner will negotiate with the other qualified bidders viz. M/s Reliance Power Ltd. and M/s Essar Power Ltd. the Quoted Tariffs to bring down the same for the benefit of consumers of the State and it will approach the Commission again for approval of tariff if the negotiated tariffs with these bidders are found suitable. The petitioner had also submitted that the power procured as above would be allocated to all the distribution companies in following manner;

- (1) In Equal proportion to all the Discoms, OR
- (2) In proportion to the energy consumed by each Discoms averaging last three years consumption OR
- (3) As decided by State Government/ Commission as the case may be.

13. Based on the submissions made in the application and the documents furnished

to the Commission on record, the Commission accepts that the tariff discovery for the Case – 1 bidding process, as carried out by the MP Power Trading Co. Ltd. in the subject case, has been carried out through a transparent process for bidding in conformity with the guidelines for determination of tariff by bidding process for procurement of power by distribution licensees or their authorized representatives. Accordingly, in terms of Commission's order of 26<sup>th</sup> September 2007 and also Section 63 of the Electricity Act, 2003, the Commission considers the request. The Commission, thus, accords its approval / adopt the evaluated levelised tariff of Rs. 2.34 per kWh for procurement of 600 MW of power from M/s Lanco Infratech Ltd. (LIL) by the distribution licensees or their representatives. This approval is subject to the following conditions: -

- a. Signed copy of the Power Purchase Agreement shall be submitted to the Commission immediately after signing.
- b. The above approval is for evaluated levelised tariff for a period of 25 years. However, actual payment shall be regulated as per the provisions of the RFP Bid documents.
- c. MP Power Trading Co. Ltd. is also directed that the outcome of negotiations with L-2 and L-3 bidders should be placed before the Commission before the expiry of the bid validity.

14. With the orders given above, the Commission disposes of the case.

**(K.K.Garg)**  
**Member (Engg.)**

**(R.Natarajan)**  
**Member (Econ.)**

**(Dr. J.L. Bose)**  
**Chairman**