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Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg,
New Delhi, 9th December, 2010

To

1. Chairperson, Central Electricity Authority, New Delhi.
2. Principal Secretary/Secretary(Energy) of State Governments/UTs.
3. Secretary, Central Electricity Regulatory Commission, New Delhi.
4. Secretary, State Electricity Regulatory Commissions.
5. Chairmen, State Power Utilities/SEBs.
6. Chairmen, CPSUs under Ministry of Power.

Subject: Clarification regarding clause 5.1 and 7.1 of Tariff Policy - regarding.

Sir,

The issue of competitive bidding route for PSUs/CPSUs beyond five years after the implementation of Tariff Policy as provided in para 5.1 and 7.1 of the Tariff Policy was discussed in the meeting of Group of Ministers on Power Sector Issues held on 29.10. 2010 and the following decision was taken:

“States should fully migrate to procurement of power by Discoms through tariff based competitive bidding both for public & private sector generation and transmission projects. For the sake of abundant clarity, MoP would issue a clarification regarding the permitted exemptions in the Tariff Policy for the expansion/upgradation of projects, excluding the hydro sector.”

2. The Central Government notified Tariff Policy under section 3 of the Electricity Act, 2003 on 6th January, 2006. The relevant provisions of the Clause 5.1 of Tariff Policy is reproduced as under:

“.....All future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity.

Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.....”

The sub-clause 6 of Clause 7.1 of the Tariff Policy provides that:

“...The tariff of the projects to be developed by CTU/STU after the period of five years or when the Regulatory Commission is satisfied that the situation is right to introduce such competition (as referred to in para 5.1) would also be determined on the basis of competitive bidding.”

3. The above provisions are sufficiently clear with regard to the applicability of tariff based competitive bidding for the projects in the generation and transmission sectors and clarifications in this regard have also been issued in the past. However, in view of the decision taken in the meeting of the Group of Minister on Power Sector held on 29.10.2010, it is clarified that the following are exempted from the tariff based competitive bidding route.

(A) Generation (excluding hydro) projects of PSUs/CPSU:

- i) The expansion of already commissioned projects.
- ii) Projects for which the PPA(s) have been signed on or before 5.1.2011.

(B) Transmission Projects of STUs/CTU:

- i) The upgradation/strengthening of the existing “transmission lines” and associated sub-stations.
- ii) Projects for which BPTA(s)/TSA(s) have been signed on or before 5.1.2011.

4. These clarifications are to be read alongwith the relevant provisions in the Electricity Act, 2003 and the Tariff Policy.

5. This issues with the approval of Hon’ble Minister of Power.

Yours faithfully,


(Pranay Kumar)
Director

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