

27

STANDING COMMITTEE ON ENERGY

(2008-09)

FOURTEENTH LOK SABHA

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MINISTRY OF POWER

[ACTION TAKEN ON THE RECOMMENDATION CONTAINED IN THE  
TWENTY SECOND REPORT (14<sup>th</sup> LOK SABHA) OF THE STANDING  
COMMITTEE ON ENERGY ON ULTRA MEGA POWER PROJECTS]

TWENTY-SEVENTH REPORT



LOK SABHA SECRETARIAT  
NEW DELHI

January, 2009 / Magha, 1930 (Saka)

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**COMMITTEE ON ENERGY ON ULTRA MEGA POWER PROJECTS]**

**Presented to Lok Sabha on 13.02.2009**  
**Laid in Rajya Sabha on 13.02.2009**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
January, 2009 / Magha, 1930 (Saka)

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## **Composition of the Standing Committee on Energy (2008-09)**

### **II. Shri Gurudas Kamat – Chairman**

#### Members

Lok Sabha

2. Shri Rashid J.M. Aaron
3. Smt. Susmita Bauri\*\*
4. **III. Shri Nandkumar Singh Chauhan**
5. Smt. Anuradha Choudhary
6. Shri Mohan Jena
7. Prof. Chander Kumar
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18. Shri G. Venkatswamy
19. Shri Chandra Pal Singh Yadav
20. Shri Kailash Nath Singh Yadav
21. Vacant

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25. Dr. K. Kasturirangan
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29. Shri Jesudasu Seelam
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31. Shri Veer Pal Singh Yadav

## Secretariat

1. Shri Ashok Sarin - Joint Secretary
2. Shri Shiv Kumar - Deputy Secretary
3. Smt Neena Juneja - Committee Officer

\* Nominated as Member of the Committee w.e.f. 18.12.2008

\*\* Re-nominated as Member of the Committee w.e.f. 9.1.2009

\*\*\* Nominated w.e.f. 15<sup>th</sup> January, 2009

## INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this 27<sup>th</sup> Report (Fourteenth Lok Sabha) on the action taken by the Government on the recommendations contained in the 22<sup>nd</sup> Report of the Standing Committee on Energy on the subject 'Ultra Mega Power Projects' (UMPPs).

2. The 22<sup>nd</sup> Report of the Standing Committee on Energy was presented to the Speaker, Lok Sabha / Chairman, Rajya Sabha on 15<sup>th</sup> October, 2007 and was later presented to Lok Sabha on 23<sup>rd</sup> November, 2007. Replies of the Government to all the recommendations contained in the Report were received on 11<sup>th</sup> February, 2008. The Committee took up the draft Action Taken Report for adoption at their sitting held on 30<sup>th</sup> July, 2008. However, the Committee decided to have an updated position on the subject from the Ministry of Power. The Ministry furnished updated replies on 20<sup>th</sup> August, 2008. Again, at a sitting of the Committee held on 19<sup>th</sup> September, 2008 to have a briefing from the Ministry of Power on the Status of Implementation of the recommendations contained in the Reports of Standing Committee on Energy amongst other issues, the issue of setting up of UMPPs also came up for discussion. The latest information as obtaining in the matter, at that point of time has also been incorporated in the Action Taken Report.

3. The Standing Committee on Energy considered and adopted this Report at their sitting held on 27<sup>th</sup> January, 2009.

4. An Analysis on the Action Taken by the Government on the recommendations contained in the 22<sup>nd</sup> Report of the Committee is given at Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

**NEW DELHI;**  
**27<sup>th</sup> January, 2009**  
**Magha 7, 1930 (Saka)**

**GURUDAS KAMAT,**  
***Chairman,***  
**Standing Committee on Energy**

## Chapter-I

### Report

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Twenty-Second Report (14<sup>th</sup> Lok Sabha) of the Standing Committee on Energy on the subject Ultra Mega Power Projects (UMPPs).

2. The Twenty-Second Report was presented to Speaker, Lok Sabha / Chairman, Rajya Sabha on 15.10.2007 and was later presented to Lok Sabha and laid in Rajya Sabha on 23.11.2007. The Report contained 15 recommendations.

3. Action taken notes in respect of all the Recommendations/Observations contained in the Report have been received from the Government. These have been categorized as follows: -

- |       |   |                             |
|-------|---|-----------------------------|
| (ii)  | Recommendations/Observations which have been accepted by the Government:<br>SI No. 1, 4, 8, 12, and 14  | Total : 05<br>Chapter – II  |
| (iii) | Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:<br>SI No.3, 7, 9, 10 and 13   | Total : 05<br>Chapter – III |
| (iv)  | Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:<br>SI Nos. 2, 5, 6, 11 and 15 | Total : 05<br>Chapter – IV  |
| (v)   | Recommendations/Observations in respect of which the final replies of the Government are still awaited:<br>Nil  | Total : 00<br>Chapter – V   |

**4. The Committee desire that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases, where it is not possible for the Government to implement the recommendations in letter and spirit for any reasons, the matter should be reported back to the Committee in time along with the reasons for their non-implementation.**

5. The Committee will now deal with action taken by the Government on some on their recommendations:-



**A. Slow pace of development of Ultra Mega Power Projects (UMPPs)**

**Recommendations (Sl. Nos. 2, Para Nos. 2.10.20)**

6. The Committee had expressed concern in their 20<sup>th</sup> Report on Demands for Grants of the Ministry of Power for the year 2007-08 as regards the coming up of UMPPs on time as had been envisaged by the Ministry of Power earlier. While taking review of the functioning of the Ministry of Power similar concerns had also been reported to be expressed by the Prime Minister in regard to meeting targets by the Ministry of Power in the setting up of UMPPs.

7. The Committee felt deeply concerned with the pace of progress in the development of UMPPs as initially the Government had announced four UMPPs in the Budget for the year 2006-07, with the intention to award these projects before December, 2006. However, out of these, the Government was able to stick to the deadline with regard to only two projects, namely Sasan and Mundra. Both of these projects were awarded before the target date of 31<sup>st</sup> December 2006 – though further progress on Sasan project suffered due to the controversy regarding the validity of the award of the project. The remaining two projects – one in Andhra Pradesh and another in Orissa were scheduled for being awarded by 30<sup>th</sup> April 2007. The submission date for RfP for Andhra Pradesh project had been postponed and regarding the project to be developed in Orissa, the site remained to be finalised.

8. Later five more projects had been added to the list. However the way in which their development was progressing left much to be desired. In most of the cases selection of site was the main reason for delay. There were agitations by local people in Karnataka and Maharashtra and certain technical problems in Tamil Nadu. The Committee felt that the State Governments should have been associated with the selection of sites in the beginning itself to avoid any last minute disagreement on the sites. The Committee desired that the sites for UMPPs should be finalized at the earliest so that these projects could come up within 12<sup>th</sup> Plan as envisaged and promised. The site for UMPPs should be selected only after the State Government had agreed to the same.

9. The Committee observed that in PPA for Mundra Project 64 months, that is more than five years, had been given to the developers for commissioning the first unit of the power project and the last unit would be commissioned after 88 months, i.e., after more than seven years from signing the PPA. The Committee felt that in the present age of fast development, it should not take such a long time for setting up of these projects.

10. The Committee further noted that this time schedule also depended on time taken in obtaining necessary clearances and acquisition of land for the project; time taken in bidding process and time schedule submitted by the bidder in his bid. There was no time limit fixed within which clearances would be made available and the land acquired. In addition to this, it had been stated before the Committee that time fixed for start of various units would be calculated from signing of PPA. The Committee, therefore, felt that such an open ended fixation of completion schedule would not serve any purpose. The Committee thus desired that exact dates/periods should be provided for setting up of each project at the time of issue of Letter of Intent and penalties should be provided in case of default so that the projects could be set up in a time-bound manner.

11. The Committee further desired that there should be proper coordination between the Central and State Governments so that the issues involved in the various projects could be resolved and more so, in future the coordination between the Central and State Governments should begin right from the conceptual stage of the project itself. Considering the urgent need of power, the Committee strongly recommended that these projects should become fully operational by all means in 12<sup>th</sup> Plan itself and the recently constituted National Power Project Management Board should also, in particular, be assigned the responsibility to ensure the timely completion of all these projects. For this, it was very important that this Board should be sufficiently empowered to take project related decisions and also it must be ensured that these were implemented without any bottlenecks from any quarters.

12. The Ministry in their reply have stated:

“1. The Committee has given recommendations for involving the State Governments in selecting/finalizing sites for the UMPPs, having consultations with them before announcing the project, having proper coordination between the Centre and the State Governments and involving the States in the whole process of development of UMPPs in para Nos.2.10.20, 4.5.8 and 4.5.10.

It is submitted that the scheme of developing UMPPs has following mechanisms for active involvement of the concerned State Governments:

i) Involvement of the State Government agencies has been ensured from the initial stage itself. Probable sites as identified by the Central Electricity Authority (CEA) in consultation with CMPDI, NRSA and Railways/ sites as proposed by the States, are visited by a team of officers from CEA, PFC, State Utilities, State Revenue Department, State Pollution Control Board, State Irrigation Department and State Maritime Boards (in case of coastal sites).

ii) On the basis of the inputs provided by the above mentioned State agencies a likely site is identified by CEA.

iii) Thereafter, CEA holds meetings with senior State Government officials at the level of Chief Secretaries/ Principal Secretary (Energy) to obtain their specific confirmation about the availability of land and water for the identified likely site.

iv) This is followed by a formal request to the State Government for making available land and water.

v) The State agencies also continue to be involved at different stages of the process. The representative of the Power Utilities who are getting to procure major share of electricity from the project are nominated by the concerned State Governments on the Board of the Special Purpose Vehicle (SPV) formed for a particular UMPP. The Board of the SPV takes final decision at various stages of the bidding process for the particular UMPP.

vi) The representatives of the State Power Utilities are also consulted in finalization of the project specific bidding documents.

vii) The representative of the State Power Utility in whose area a project is located is nominated as the lead procurer in the Power Purchase Agreement (PPA). After signing of the PPA, the lead procurer is the representative of all the procurers to coordinate/ interface with the developers of the project.

viii) After award of the project, a monitoring committee is constituted for every UMPP to review and facilitate resolution of issues arising during implementation of the project. These

committees are co-chaired by a Member of the Central Electricity Authority and the Principal Secretary / Secretary (Energy) of the concerned State Government.

However, the observations of the Hon'ble Committee have been noted and all efforts will be made to improve the level of coordination with the State agencies.

II. Regarding the stipulated timelines set for the development of UMPP, the Ministry of Power the Competitive Bidding Guidelines provide in clause 5.6(v) that the procurer shall provide the maximum period in the RfP within which the selected bidder must commence supply of electricity after the PPA being effective. According to the guidelines, this period shall ordinarily not be less than 4 years in those cases where supply of electricity is called for long term procurement. Long term procurement is defined as a period of 7 years and above. Format 3 of Annexure 6 of RfP in SBDs accordingly requires the procurer to indicate the outer limit of the COD of the first unit. However, Article 3.1.2 (viii) of the PPA in SBDs gives option to the selected bidder to prepone his schedule of commissioning of various units.

The time period for commissioning of units in case of UMPPs was kept on higher side in view of the following:

- These will be the first large sized super critical unit to be set up in the country.
- PPA provides for penalties in the form of liquidated damages if the project developer is not able to commence supply of electricity within the scheduled time.
- There was a need to have an appropriate risk mitigation mechanism in the form of a reasonable time for commissioning in order to encourage more number of bidders to compete in the first set of the UMPPs.

The Competitive Bidding Guidelines have been amended in Sept'07 and one of the amendments relate to the time table for the bidding process. The amended guidelines now provide for specific milestones regarding acquisition of land, environmental clearance, fuel arrangement, water linkage, forest clearance, provision of data for preparation of project report. Various milestones are required to be completed before the different stages in the bidding process are taken up with the objective of ensuring timely commencement of the supply of electricity after award of the project.

The Letter of Intent is required to be issued after the selection of the bidder and therefore the various schedule for development in commissioning of the project become certain by that stage. Signing of the PPA or the date of PPA becoming effective in the case PPA has been signed before hand by SPV, has to be the reference point

for contractual obligations. This is so because during the bidding process, there are no contractual obligations as the other party is yet to be selected. The bidding guidelines provide for a period of 30 days for signing of PPA after the issue of Letter of Intent.

The PPA in SBDs already has provisions for penalties in case of delays in setting up of the projects. Article 3.3 of the PPA deals with penalties in case of delays in achieving the financial closure. Article 4.6 of PPA deals with liquidated damages to be imposed for delays in providing contracted capacity.

III. Regarding the recommendation of the Committee that these projects should become fully operational by all means in the 12<sup>th</sup> Plan itself – the bidding process in respect of the Sasan, Mundra and the Krishnapatnam projects is already over and the SPVs have also been transferred to the selected project developers. These projects are therefore scheduled for commissioning in the 12<sup>th</sup> Plan. In respect of the Tilaiya UMPP, the RfQ stage is over and the bids are currently under evaluation. In respect of the other UMPPs in Maharashtra, Karnataka, Tamil Nadu, Orissa and Chhattisgarh, necessary clearances are awaited from the respective State Governments, after which the bidding process will be initiated.

IV. Regarding the recommendation of the Committee that the recently constituted National Power Project Management Board should also, in particular, be assigned the responsibility to ensure the timely completion of all these projects – a Power Project Monitoring Panel is now being set up instead of the Board. The Panel would be responsible for monitoring of all the power projects in the country. However, in order to ensure successful implementation of these projects after their award, Joint Monitoring Committees (JMCs) have been constituted for Sasan and Mundra UMPPs. JMCs are chaired by Member (Thermal), CEA and co-chaired by Principal Secretary (Energy) of concerned host State. Other members of JMCs include (a) representatives of procuring States (b) representative of developer and (c) representative of PFC (till fulfillment of commitments of procurers given under RfP).”

13. The Ministry have further informed the Committee that all efforts are being made to improve the level of coordination with the State agencies. Identification of sites is continuing to be done in consultation with the State agencies. Regarding the need for early finalization of sites for the UMPPs in close coordination with the State Government agencies, it is stated that the Union Minister of Power had convened a meeting with the State Governments of Tamil Nadu, Karnataka, Maharashtra, Orissa and Chhattisgarh on 4<sup>th</sup> August 2008. As

a result of the detailed discussions, the State Government of Tamil Nadu confirmed the project site at Cheyyur alongwith development of a captive port site near Paramankeni village; the State Government of Maharashtra confirmed the project site at Munge in Sindhudurg Distt. alongwith development of a captive port site near Achra creek; and the State Government of Orissa confirmed the project site at Bedabahal in Sundergarh Distt. alongwith water linkage for which modalities would be finalised later by the State Government. The detailed discussions during the meeting however revealed that setting up of a UMPP each in Karnataka and Chhattisgarh would require further examination with regard to suitability of identified sites, availability of water and other related factors. It was therefore not possible at this stage to proceed further in respect of these two UMPPs. Further action will now be taken in respect of the three identified sites in Tamil Nadu, Maharashtra and Orissa.

14. According to the Ministry of Power all the three UMPPs where bidding process has been completed, in accordance with the PPA, are envisaged to be operational during the 12<sup>th</sup> Plan. M/s. Sasan Power Limited and M/s. Coastal Gujarat Power limited have since revised the commissioning schedules of their units at Sasan UMPP and Mundra UMPP. As per revised schedules, two units each at Sasan UMPP and Mundra UMPP are expected to be commissioned in 11<sup>th</sup> plan itself. The Ministry have further informed that contractual obligations in respect of commissioning schedule are spelt out in the Power Purchase Agreement (PPA). PPA also incorporates the penalty clauses in cases of non-adherence to the specified schedule.

15. The Ministry have also informed that the National Power Project Management panel has since been set-up. As far as the UMPPs are concerned, the meetings of the Joint Monitoring Committees of the three UMPPs already awarded are being held regularly.

#### **Recommendations (Sl. No.11, Para No.4.5.8)**

16. The Committee noted that development of Ultra Mega Power Projects required support and coordination between the various players involved, i.e, the

Central Government, State Governments, PFC, project developers, Consultants, etc. Lack of support from any of these players could lead to delay in the development of these projects and as such can derail capacity addition programme and, in turn, economic growth of the country as envisaged – because power is the key driver for any growth agenda set for the country.

17. The Committee further observed with concern that the Ministry of Power was facing some problems in finalisation of sites in States such as Orissa, Karnataka and Maharashtra. Though the Ministry had stated that the State Electricity Boards and State Companies are involved while the site is selected, the Committee, however, felt that the involvement of the State Governments has just been a formality. Central Electricity Authority (CEA) which had a major role in selection of sites did not seem to have given a serious thought before selecting project sites. As stated by the Government of Orissa that the Government of India/CEA had “just intimated” to the State Government about the identification of site. It implies that the State Government was not involved in identification of site. Similarly, the Government of Chhattisgarh had stated that no formal consultations with the State Government were held. Regarding the site in Maharashtra, the statement of the Ministry that it was just one of the probable sites and not the final one, raised questions as to the manner in which the Central Government has gone about the selection of sites for the UMPPs. The Committee felt that since the State Governments had better knowledge of the feasibility of making a particular land and other resources available for the development of power projects – also considering the environmental and other aspects – the State Governments should have been involved in the development process of UMPPs right from the conceptual stage. This, in turn, would ensure that the projects were not unnecessarily held up due to land and other related disputes. Further, the sites should be formally announced only when the finality in this regard had been reached – after the due consultation process – with the respective State Government.

18. The Committee understand that in view of the local issues involved in the setting up of UMPP at Tadri, the Central Government was considering certain alternative sites for the purpose which was in line with what the Committee also

felt after their visit at the proposed site for UMPP at Tadri. The Committee recommended that the Ministry of Power takes an urgent action in the matter so that the UMPPs could be established both in Maharashtra and Karnataka at the earliest, at the alternative sites.

19. The Ministry in their reply have stated:

“It is well recognized that development of UMPP requires support and coordination between the various players involved particularly the State Governments. Keeping this in view a coordinated approach is being adopted for the development of UMPPs. The project specific Special Purpose Vehicle (SPV) formed under PFC are responsible for carrying out various developmental activities on behalf of the procurers which include appointment of consultants to undertake preparation of project reports, preparation of Environmental Impact Assessment Reports, preparation of bidding documents, carrying out bidding process, acquisition of land, getting clearances regarding water and environment & forests etc. The Boards of SPVs includes officials of the PFC, the representatives of the distribution companies of the major power procuring states. CEA is providing the technical support to the SPVs in formulation of project reports and other feasibility studies. Power Grid Corporation of India (PGCIL) is providing support in formulating the transmission system for evacuation of power. State Governments are being involved right from the beginning i.e. in site identification, land acquisition, water allocation, R&R Plan, participation in various Committees for undertaking the competitive bidding process, facilitation of signing of the Power Purchase Agreement and Payment Security Mechanism.

II. Kind attention of the Committee is drawn also to this Ministry's response given under the earlier Recommendation No. 2.10.20. However, despite involvement of the State agencies, and despite repeated efforts and constant follow up, the States of Maharashtra, Tamil Nadu, Karnataka, Chhattisgarh and Orissa have not been able to provide required clearances for the sites. Accordingly, the bidding process for the UMPPs in these States will be initiated only after the requisite clearances are given by the States.”

20. The Ministry have further informed that identification of sites is continuing to be done in consultation with the State agencies. Regarding the need for early finalization of sites for the UMPPs in close coordination with the State Government agencies, it is stated that the Union Minister of Power had convened a meeting with the State Governments of Tamil Nadu, Karnataka, Maharashtra,



Orissa and Chhattisgarh on 4<sup>th</sup> August 2008. As a result of the detailed discussions, the State Government of Tamil Nadu confirmed the project site at Cheyyur alongwith development of a captive port site near Paramankeni village; the State Government of Maharashtra confirmed the project site at Munge in Sindhudurg Distt. alongwith development of a captive port site near Achra creek; the State Government of Orissa confirmed the project site at Bedabahal in Sundergarh Distt. alongwith water linkage, for which, modalities would be finalised later by the State Government. The detailed discussions during the meeting, however, revealed that setting up of a UMPP each in Karnataka and Chhattisgarh would require further examination with regard to suitability of identified sites, availability of water and other related factors. It was therefore not possible at this stage to proceed further in respect of these two UMPPs. Further action will now be taken in respect of the three identified sites in Tamil Nadu, Maharashtra and Orissa.

21. During a review meeting of the Committee held on 19<sup>th</sup> September, 2008 to know the current status of implementation of recommendations of the Committee regarding finalization of sites for UMPPs, Secretary, Ministry of Power informed:-

“We have a suggestion to make in this regard. We feel that for this very major inter-State inter-Government kind of interaction as well as inter-agency at least as far as the Central agencies are concerned, there could be a structure of an Empowered Group of Ministers having the Union Minister of Power, the Union Minister for Water Resources, Coal and Environment and Forests with probably Railways and Ports as special invitees as the need may be. A certain time limit could be assessed and set. We allow the system to take so much time. In case it does not fructify within this much time, the matter be brought before the empowered Group of Ministers. That Empowered Group of Ministers could give the direction to the agencies to comply with these clearances within the prescribed time. But that also may not be possible because in the environmental issues and forest issues, the Supreme Court has taken upon itself the power to give the final clearance. They have set up special committees which the Empowered Group of Ministers may not also be able to short-circuit.

Sir, these are the hard realities of the matter. Then, in the parallel interface where State interaction is involved, there we have a standing Group of Ministers, comprising State and Central

Ministers. In the structure of governance, it is not possible to give that Empowered Group of Ministers power over issues which are within the power of the State Government. Sir, the standing Group of Ministers is a group of Ministers which has been notified. It could be enlarged. There again the Group is headed by the Power Minister. It may have the Minister for Environment and Forests, the Minister for Coal and the Chairman, Railway Board as special invitees or permanent invitee because movement of coal is an essential issue for these projects as well as the Secretary, Surface Transport, to take care of shipping as well as the highway issues for connectivity as permanent invitees.

Then, wherever the project is to be taken up, the concerned Minister or Ministers from the State can be called. If it is the Chief Minister. I presume, he carries the authority of the entire State. This is the kind of structure that we can suggest. I think beyond that in the federal set up it will not be possible to ask one agency to give a clearance because there is a clash of jurisdiction between the Centre and the States.”

22. The Committee are deeply concerned to note the slow progress in development of UMPPs which were initially announced by the Government in the Budget for the year 2006-07, with the intention to award the four UMPPs in Gujarat, Madhya Pradesh, Andhra Pradesh and Orissa before December, 2006. Regarding the present status of these projects, the Committee note that the bidding process in respect of the Sasan (Madhya Pradesh), Mundra (Gujarat), and the Krishnapatnam (Andhra Pradesh) projects is already over and the SPVs have also been transferred to the selected project developers. Later on, five more projects in Tamil Nadu, Maharashtra, Karnataka, Jharkhand and Chhattisgarh were added to the list of UMPPs. As pointed out earlier by the State Government of Orissa, the Government of India/CEA had “just intimated” to the State Government about the identification of site and it implies that the State Governments were not involved in identification of site. Similarly, the Government of Chhattisgarh had stated that no formal consultations with the State Government were held. As regards the present status of remaining 6 UMPPs, the Committee find that in respect of the Tilaiya UMPP (Jharkhand), the RfQ stage is over and the bids are currently under evaluation. In a latest update on the development of UMPPs, the Committee have however, further been informed that Union Minister of Power had convened a meeting with the State Governments of Tamil Nadu, Karnataka, Maharashtra, Orissa and Chhattisgarh on 4<sup>th</sup> August 2008 and as a result of this, the State Government of Tamil Nadu had confirmed the project site at Cheyyur alongwith development of a captive port site near Paramankeni village. The State Government of Maharashtra has also confirmed the project site at Munge in Sindhudurg Distt. alongwith development of a captive port site near Achra creek. Similarly, the State Government of Orissa has confirmed the project site at Bedabahal in Sundergarh Distt. alongwith water linkage for which modalities are reported to be finalised later by the State Government. The Committee have now been informed on 20.08.2008 that setting up of a UMPP each in Karnataka and Chhattisgarh would require further examination with regard to suitability of identified sites, availability of water and other related factors. The Committee feel that

had proper action been taken at the conceptual stage of the development of UMPPs, problems relating to probable sites for UMPPs in Maharashtra, Tamil Nadu, Karnataka, Chhattisgarh and Orissa could have been avoided. Not convinced with the reply of the Government that the State Governments are being involved right from the beginning, i.e., at the time site identification, land acquisition, water allocation, R&R Plan, etc., the Committee would again emphasise that close co-ordination among the various agencies involved, viz., Central Government, State Government, Power Finance Corporation, Central Electricity Authority, etc. to resolve the local issues blocking the development of UMPPs should be maintained and the identification and finalisation of alternate sites for the UMPPs on hold be completed expeditiously.

23. For the speedy resolution of issues which hamper early clearance of various power projects, the Committee tend to be in agreement with the two suggestions of the Ministry: (i) There should be an empowered Group of Ministers having the Union Ministers of Power, Water Resources, Coal and Environment and Forests with probably Railways and Ports as special invitees to give directions to the agencies –if a specific project does not fructify within fixed time frame, (ii) For power projects involving interaction with States, the concerned Ministers of the State or the Chief Minister could be associated to resolve the pending issues in the separate Standing Group of Ministers – which already exists in the Ministry of Power. The Committee would like to be informed whether these two proposals have been put in actual practice and if so, how far these Committees have helped in the expeditious development and formulation of concrete proposals for development of UMPPs.

24. The Committee are dismayed to note that in spite of their repeated recommendations that the Central and State Governments should take necessary steps in advance to settle the local issues, if any, before the State Government offers a site to set up an UMPP, the selection of sites and necessary clearances in respect of the UMPPs in Maharashtra, Tamil Nadu and Orissa have been given only recently after intervention of the Ministry of Power. The bidding process in respect of these projects is however, yet to be initiated. The Committee recommend that the Government should take necessary steps and ensure that bidding process for there three UMPPs in Maharastra, Tamil Nadu and Orissa where sites have been identified/approved should be initiated without any further loss of precious time. At the same time, the Committee desire that sites in Karnataka and Chhattisgarh should also be finalised at the earliest so that the projects are commissioned as targeted.

25. Regarding recommendation of the Committee to assign the responsibility of monitoring the implementation of Ultra Mega Power Projects (UMPPs) on the National Power Project Management Board, the Committee note that in its place the Power Project Monitoring Panel has been set up instead of a Board which would be responsible for monitoring all the power projects in the country. As far as the UMPPs are concerned, the Ministry have informed that the meetings of the joint monitoring Committees of the three UMPPs already awarded are being held regularly. The Committee expect that this panel is closely monitoring the setting up of all the UMPPs. The Committee reiterate that the panel should be sufficiently empowered to take project related decisions on its own and also it must be ensured that these are implemented without any bottlenecks from any quarters. The Committee have also been given to understand that two units each of Sasan and Mundra Ultra Mega Power Projects are to be commissioned ahead of the targeted schedule during the 11<sup>th</sup> Plan. The Committee hope that the Government will take necessary action to expedite and advance, if possible, few other UMPPs as well to augment capacity addition during 11<sup>th</sup> Plan.

## **B. Ultra Mega Power Projects (UMPPs) in Hydro Sector**

### **Recommendations (Sl. No.5, Paragraph No.2.10.23)**

26. The Committee observed that all the Ultra Mega Power Projects which had been envisaged by the Government are thermal projects. The Committee noted that there is a huge hydro power potential in our country – which yet remained to be exploited. Moreover, use of coal for power generation should be done keeping in mind the future requirement of coal for other purposes as well. Hence, the Committee felt that a policy for hydro Ultra Mega Power Projects should also be formulated by the Government on top priority. Further, in the recently held Conference of Chief Ministers, the Prime Minister had asked the Union Power Minister to set up a Task Force on hydro power to lend special focus on this area. The Committee desired that this Task force should also be assigned the task of working out the modalities for the development of hydro based Ultra Mega Power Projects. Development of UMPPs based on hydel power could greatly benefit the North-Eastern region of the country – which abounds in the hydel potential.

27. In their reply the Ministry have stated:

“Even though it has been permitted under the provisions of the Tariff Policy and Electricity Act, 2003, tariff based bidding had not been undertaken so far for hydro projects in the country. This is largely due to the high level of uncertainty arising out of construction risks on account of adverse geological conditions, delays in land acquisitions, rehabilitation and resettlement (R&R) issues, law and order problems, natural calamities etc. These risks cannot be anticipated with enough confidence so as to enable tariff-based bidding. The risks get further compounded prior to even the preparation of DPRs. The problems are particularly acute in the case of projects in the Northeast, where apart from high geological risks there is also the higher transmission costs associated, as the power has to be evacuated over long distance to the deficit regions in the North and the Western parts of the country.

In view of the above difficulties, the Ministry of Power had duly circulated a proposal on 30<sup>th</sup> April, 2007 for revision of policy on development of hydro electric projects. As per this proposed policy, though the tariff based bidding would remain the most desirable option, since the hydro projects construction involves huge risk and uncertainty as explained above, it had therefore been proposed to provide them with the option of regulated tariff under section 62 of

the Electricity Act, 2003 where tariff is fixed by the regulator under cost plus norms, if all other conditions like transparency in allocation of sites etc. are complied with.

The Task Force (constituted in pursuance of the Conference of Chief Ministers held on 28<sup>th</sup> May, 2007) in its first meeting held on 12.12.2007, considered both the proposal on revision to the hydro policy as proposed by the Ministry of Power as mentioned above, as well as setting up of Mega Hydel Projects on the lines of UMPPs. There was a broad general consensus in the Task Force on the proposal of the Ministry of Power to extend to the Hydro Electric Projects being developed by private developers, the benefits of fixation of tariff under Section 62 of the Electricity Act, 2003 at par with the projects being developed by CPSUs/PSEs. The new Hydro Policy since has been approved by the Cabinet in its meeting held on 3.1.2008.

On the issue of development of Mega Hydel Projects on the lines of UMPPs, the Task Force was of the opinion that the State Governments be asked to identify the potential sites for setting up of Mega Hydel Projects and propose their implementation through an SPV on the lines of UMPPs. This is necessary since, as water and water power are State subjects under the Constitutional provisions, the consent of State Governments needs to be obtained for development of such hydro power schemes through tariff based competitive bidding on the lines of Ultra Mega Power Projects.”

28. The Ministry have further informed that the New Hydro Policy has since been notified on 31.03.2008.

29. As regards the Committee's recommendation that a task force on hydro power should work out the modalities for the development of hydro based Ultra Mega Power Projects, the Ministry has stated that although it has been permitted under the provisions of the Tariff Policy and Electricity Act, 2003, tariff based bidding has not been undertaken so far for hydro projects in the country. According to the Ministry this is largely due to the high level of uncertainty arising out of construction risks on account of adverse geological conditions, delays in land acquisitions, rehabilitation and resettlement (R&R) issues, law and order problems, natural calamities etc. These risks cannot be anticipated with enough confidence so as to enable tariff-based bidding. The task force at their final meeting held on 12<sup>th</sup> December, 2007, had taken a consensus on the proposal of the Ministry of Power to extend to the Hydro Electric Projects being developed by private developers, the benefits of fixation of tariff under section 62 of the Electricity Act, 2003, at par with the projects being developed by CPSUs/PSUs. The task force had desired that the State Governments be asked to identify the potential sites for setting up of Mega Hydel Projects and propose their implementation through an SPV on the lines of UMPPs. The Committee would like to know the follow up action taken by Central Government, the State Governments and Central Electricity Authority (CEA) in identifying the potential sites, carrying out Survey & Investigation and steps taken for preparation of Detailed Project Reports (DPRs). The Committee would stress again that while developing the UMPPs based on hydel power, emphasis should be laid by the Government on the North-Eastern region of the country – which abounds in the hydel potential.



## **C. Private Investment in Transmission**

### **Recommendations (Sl. No.6, Para No.3.7.6)**

30. The Committee noted that under the Payment Security Mechanism for UMPPs in case of default by any procurer there was a clause of third party sale. As per this clause other procurers would have the first right to buy power share for which payment default had occurred. However, in case the other procurers were unwilling to buy default power, the same would be sold in the all India market through prevailing 'open access' in transmission either directly or through traders. The Committee, however, felt that for selling it in the market there was need for the speedy and proper implementation of 'open access' in States as envisaged under the Electricity Act, 2003. Further, in order to avail the 'open access' – both for Intra and Inter-State open access, without any infrastructural bottlenecks, the transmission system (national grid) needed to be suitably strengthened and congestion points be removed. Powergrid was stated to be carrying out the open access system study. The transmission system would be augmented accordingly to ensure evacuation of power from these UMPPs. The Committee desired that this study should be completed within a specific time frame so that the transmission system was ready by the time the first unit of UMPPs became operational. Further the States, particularly, the States procuring electricity from the UMPPs should be able to provide open access by 2009 as per the Electricity Act, 2003. To achieve this goal, the Committee recommended that all efforts in this direction be made in a mission mode manner.

31. The Committee further observed that for successful implementation of such a payment security arrangement, it was essential to speed up the pace of electricity reforms in the States. The Committee felt that improving the commercial viability of the power sector in the States was very important for the success of such a payment security arrangement. The Committee, therefore, recommended that concrete steps be taken in this direction urgently.

32. Evacuation of power from UMPPs was another area which need attention from the beginning itself as it also needed large investments. The Committee noted that PowerGrid Corporation of India Ltd (PGCIL) had been assigned this

job. The Committee desired that advance planning and provision of funds should be done by PGCIL in consultation with CEA so that there were no bottlenecks in evacuation of power. The Committee were of the considered opinion that the private investment should be encouraged in this sector. At the same time, the Committee felt that State distribution utilities should be encouraged to take up transmission and distribution network in their respective States.

33. The Ministry in their reply have stated:

“The Electricity Act (Section 42) provides that open access shall be made available latest by January’09 to all the consumers who demand more than one MW of electricity. In order to build a consensus for accelerated implementation of the provisions of the Act relating to open access, the CM’s Conference on power sector held in May’07, resolved inter alia that the States commit themselves to operationalizing ‘open access’ in the transmission and distribution sectors and resolve to issue policy directives to regulators, if necessary, to appropriately restructure cross subsidy surcharge, wheeling charges and other charges, with a view to augment the quantum of power flowing into the grid in the prevailing environment of shortages. The Ministry of Power also organized an interaction with the Forum of Regulators on 5<sup>th</sup> November’07 to follow up on the decision of the CM’s Conference. The SERCs have committed themselves to accelerate the implementation of the open access.

Open access in inter-state transmission is already implemented and is by and large satisfactory. Constraints in the inter-states transmission, in the inter-region as well as intra-regional system, which were at a significant level till a few years ago, have been generally addressed and further strengthening of National grid system is under way with the program being implemented in a mission mode. A number of transmission schemes linked with evacuation from various generating stations and system strengthening schemes have been planned during the XI Plan time frame and are in various stages of implementation. The inter-regional transmission capacity is also planned to be increased from the present level of about 17000 MW to about 37700 MW by the end of XI Plan.

Regarding putting in place power evacuation system inline with the commissioning schedule of various units associated with the UMPP projects it is to state that studies for evolving the transmission system for the evacuation of power from Sasan UMPP, Mundra UMPP and Krishnapatnam UMPP have been completed. Feasibility Report /Detailed Project Report (FR/DPR) for transmission system for Sasan and Mundra has been prepared and is in process of

investment approval. FR/DPR for transmission system for Krishnapatnam is under preparation. The implementation schedule of the transmission system is firmed up matching with the commissioning schedule of generating units to avoid any bottlenecks in evacuation at the time of commissioning of generating units. The transmission network has been planned with margins to take care of any need for diverting power from UMPP to other procurers or selling it in the all India market through open access or trading in case of default by any procurer.

As suggested by Hon'ble Committee improving the commercial viability of the power sector in the states is of crucial importance in the context of payment security arrangement. Issue related to improving the commercial viability of the state utility is being discussed in every possible forum. In the Chief Minister's Conference held on 28<sup>th</sup> May, 2007, inter-alia following resolution was adopted:

"The Conference recognizes that the current level of AT&C losses constitute a grave threat to the viability of the power sector and the distribution segment, which is currently losing about Rs.47,000 crores per annum, is the weakest link in the power system; and resolves that the States commit themselves to achieve and sustain drastic reduction in the overall AT&C losses through the next five years, and at least to a level of 15% in the APDRP project areas as has been demonstrated by the participating States in 163 towns and cities. Towards this end, the States with appropriate assistance from the Centre would establish the necessary baseline data and IT applications for energy accounting and auditing, besides ensuring a resolute elimination of electricity theft, which is negating various investments and initiatives for power sector reforms. It is further reiterated that where free or subsidized power is provided to a section of consumers, the State Government shall ensure upfront payment of the same to the utilities."

34. Asked to update the above information, the Ministry have informed the Committee that studies for evolving the transmission system for the evacuation of power from Sasan, Mundra, Krishnapatnam and Tilaiya UMPPs have been completed and the system has been finalized in respect of Sasan, Mundra and Krishnapatnam UMPPs. Feasibility/Detailed Project Reports for these three transmission schemes have been prepared and are in the process of investment approval. The implementation schedule of the transmission system is firmed up matching with the commissioning schedule of generating units to avoid any bottlenecks in evacuation at the time of commissioning of generating units.

35. As regards the transmission system for Tilaiya UMPP, it is reported to be in the process of being firmed up after deliberations with the various beneficiaries of the concerned regions. The transmission network has been planned with adequate margins to take care of any need for diverting power from UMPP to other procurers or selling it in the all India market through open access or trading in case of default by any procurer. For 11<sup>th</sup> Plan period, based on the generation capacity addition under the Central sector and other generation projects for which transmission system is required to be built by the PGCIL including Ultra Mega Power Projects, an investment of about Rs.55,000 crore is planned by PGCIL. PGCIL has already initiated actions to mobilize suitable mix of funds from domestic and international markets, which shall be availed on year to year basis, depending upon the requirement. Project implementation would not suffer on this account. Equity contribution by PGCIL shall be deployed as per requirement during implementation of the projects. As regards the transmission system in respect of UMPPs, the Ministry have informed the Committee that it has been decided that this will be implemented by the PGCIL as the Central Transmission Utility.

36. While observing that Powergrid Corporation of India Ltd. (PGCIL) was assigned the job of evacuation of power from the UMPPs, the Committee had desired that private investment should be encouraged in transmission and distribution sector. At the same time, the Committee had also felt that State distribution utilities should be encouraged to take up transmission and distribution network in their respective States. The Government in their reply have stated that power evacuation systems are being put in place in line with the commissioning schedule of various units associated with the Ultra Mega Power Projects and Feasibility Report / Detailed Project Reports (FR/DPR) for transmission system for Sasan, Mundra, Krishnapattnam and Tilaiya have been completed and the system has been finalised in respect of first three projects . FR/DPR for these three transmission schemes are reported to be in process of investment approval. Further, PGCIL has initiated actions to mobilise suitable mix of funds from domestic and international markets which shall be availed on year to year basis, depending upon the requirement. While observing that power evacuating systems are being put in line with the commissioning schedule of various units of UMPPs, the Committee reiterate their earlier recommendation and desire that the Government should take all the necessary steps to encourage private investment in transmission sector especially for the UMPPs. The Committee would like to be apprised of the same. At the same time, the Committee would emphasise that the State distribution utilities need to be encouraged to take up transmission and distribution network projects in their States.

#### **D. UMPPs in Chhattisgarh and Orissa**

##### **Recommendations (Sl. No.14, Para No. 4.5.11)**

37. The Committee were concerned to note that the project at Chhattisgarh was being held up because of the demand of 12% free power made by the Government of Chhattisgarh. The Committee understood that there was no policy regarding giving free power to the Host States from the thermal projects as was the case with the hydro projects. The Committee desired that this point should be impressed upon all the Host States and Chhattisgarh in particular. The Committee observed that the delay on account of demand of the Chhattisgarh Government was disheartening. The Committee desired that the matter be taken up with the State Government and the issue be resolved at the earliest. The Committee noted that any demand for free power by State would have to be borne by the electricity consumers by way of increased tariff. This might even make the project economically unviable and uncompetitive leading to dropping of the project. The Committee desired that these facts should be clearly brought to the notice of the States which are demanding free power from UMPPs.

38. In their reply, the Ministry have stated:

I. The demand of 12% free power or power at variable cost to the host State was initially raised by States of Chhattisgarh, Orissa and Jharkhand. It was made clear to these States that such a demand is untenable. These States have now revisited this issue, and as a consequence bidding process in respect of Tillaiya UMPP in Jharkhand has already been initiated.

II. The issue of development of Akaltara UMPP in Chhattisgarh without any pre-conditions relating to supply of power at variable cost from UMPP came up for discussion in a meeting convened in August, 2007 with the State Government representative. The State Govt. indicated that it was agreeable to support the project provided 50% power from the project is allocated to Chhattisgarh. Ministry of Power informed Government of Chhattisgarh that while it is agreeable to allocate upto 50% of contracted power, however, decision regarding confirmation of allocation of 50% power to Chhattisgarh from UMPP and remaining 50% power to other states is to be discussed and decided in a meeting to be convened by Ministry of Power. Subsequently CEA in October 2007 wrote to Govt. of Chhattisgarh that considering the Akaltara site being far off from the allocated coal blocks in Hasdeo -Arand coal fields, alternative sites have been identified near Hasdeo -Arand

coalfields. Govt. of Chhattisgarh was requested to get these sites examined with reference to land and water availability and furnish details to CEA so that the CEA team could visit the sites to select the most suitable site for setting up of UMPP in Chhattisgarh. The Govt. of Chhattisgarh vide letter dated 9.10.07 informed that a team of Engineers had been formed to examine the proposed alternative sites and it would be appropriate if a team of officers from CEA/ PFC could visit the proposed alternative sites for examination and selection of the most suitable site. Accordingly a team of CEA/ PFC officers have visited on 20<sup>th</sup> & 21<sup>st</sup> Nov., 2007 the alternative sites in Hasdeo-Arand area alongwith the State Government officials. Subsequently in discussions a site has been identified. For this site the State Govt. has been requested to provide full details of the land and a pre-feasibility study on the water availability before a final decision is taken. Govt. of Chhattisgarh vide its communication dated 7<sup>th</sup> February, 2008 has indicated that the site near Salka and Khamaria villages near Udaipur in district Sarguja appears to be suitable. Furthermore, availability of 135 million cubic meter of water from Rehar river near village Salka (Udaipur) has also been confirmed. It has also been indicated that the information with regard to exact location of site, settlement pattern, forest area involved is under compilation and would be forwarded shortly.

Similarly, the demand made earlier by the Government of Orissa was subsequently withdrawn by the State Government and steps were initiated last year to identify a suitable site for the UMPP. Though a possible site has been identified, however, Orissa Government is yet to confirm the site and water availability from Hirakud Dam.”

39. Further, as regards the current status of implementation of the recommendation, the Ministry have informed that the State Government of Orissa confirmed the project site at Bedabahal in Sundergarh Distt. along with water linkage for which modalities would be finalized later by the State Government. Regarding setting up of UMPPs in Chhattisgarh, the Ministry have stated that it would require further examination with regard to suitability of identified sites, availability of water and other related factors.

**40. The Committee note that the demand initially made by the State Governments of Chhattisgarh, Orissa and Jharkhand for 12% free power from UMPP to be set up in their States has been subsequently withdrawn. The Committee are, however, unhappy to note that the project at Chhattisgarh has still not made the desired headway. The Committee, therefore, cannot but deplore the lackadaisical approach adopted in the matter of finalisation of appropriate sites for the UMPPs and strongly urge the Government/CEA to take necessary action with the State Government so that the site for setting up UMPP in Chattisgarh may be finalised at the earliest and bidding process initiated soon. The Committee would like to know the concrete action taken by the Government in this regard.**



## **E. Identification of UMPP Sites in Karnataka and Maharashtra**

### **Recommendations (Sl. No.15, Para No.4.5.12)**

41. The Committee observed that projects at Karnataka and Maharashtra have been held up due to some objections from the local people of the area. The people of Tadri in Karnataka were against the development of Ultra Mega Project there because of this being an ecologically sensitive area and also in view of the fact that this area already had four hydroelectric power plants and one nuclear plant. The local people also had a fear of losing their livelihood. Now the Government of Karnataka had constituted an Expert Committee on 28.05.2006 consisting of MP, MLAs and other stakeholders, PFC and Government of Karnataka KPCL, etc. to examine various issues involved. In one of the meetings of the Committee, it is learnt that CEA / PFC / Government of Karnataka had proposed that a study be carried out to assess impact of the power plant on the environment by a reputed consultant. However no decision in this regard had so far been taken. The Committee desired that the Expert Committee expedite the process so that clear picture in regard to the development of project emerges. The Committee felt that engaging a consultant to carry out a study, as proposed by CEA / PFC / Government of Karnataka should also be considered by the Expert Committee. In case if it came out that the development of power project would have an adverse effect on the environment, an alternative site be finalised at the earliest. Similarly in case of Maharashtra where the local people had raised certain environmental issues relating to the growing of Alphonso Mangoes, the Committee desired that the consultant appointed for carrying out environment studies should submit its report at the earliest. Considering the importance of these projects, the Committee strongly recommended that these projects should not be unduly held up and finalised at the earliest in the larger interest of the country.

42. The Committee also desired that before announcing any site for UMPP, it should be ensured that there was a broad consensus amongst the various stakeholders for a particular site. The cases of generation of opposition after the announcement of sites as that of Tadri in Karnataka and Girye in Maharashtra should not be allowed to happen. The Committee desired that all the local issues

should be decided in advance by State Governments, before offering a site to set up UMPP.

43. The Ministry in their reply have stated:

I. As brought out in the Standing Committee's report itself a Committee had been constituted by the State Government to go into various issues in connection with the proposed site at Tadri. The report of the Committee is still awaited. Meanwhile Govt. of Karnataka vide its communication dated 6<sup>th</sup> September, 2007 had requested Govt. of India to establish two UMPPs in the State. While it had been suggested to retain the site of Tadri, a second site at Ghataprabha in Belgaum District had also been suggested. Ministry of Power in its communication dated 23.10.2007 had made it clear that it would be difficult to go head with the establishment of a UMPP at Tadri if the issue related to local agitation is not resolved. Clearance for the second site of Ghataprabha has also been sought to process the case further. Govt. of Karnataka has yet to respond on these issues.

II. Regarding the Committee's recommendation for taking steps to resolve the issues as far as the UMPP in Maharashtra is concerned, considering the local agitation the development at Girye has not been taken up.

However, subsequently the State Government suggested an alternative site near Dighe port in Raigarh District. This site was visited by CEA/ PFC team in June 2007 alongwith State Government officials. But the site was found to have constraints in regard to CRZ Regulations. Recently one more site has been suggested by the State Government near Kasarde village in Sindhudurg District. This site has also been visited by CEA/ PFC team alongwith State Government officials. The Govt. of Maharashtra has been requested by CEA to furnish the details of land and the water availability data with regard to the site. Some details have since been furnished but additional details are awaited. Efforts are being made to obtain these details as early as possible."

44. According to the Ministry of Power, the issue regarding urgent finalisation of sites has been taking up by them with the concerned States. The Committee have been further informed that State Government of Maharashtra confirmed the project site at Munge in Sundergarh Distt. along with development of a capture Port near Achra Creek. Maharashtra Maritime Board (MMB) has cleared the proposal to set up captive port at Achra Creek on 11.09.2008. The site visit by

CEA/PFC is reported to be planned and 'i-Maritime' is preparing feasibility report for the port. As regards the setting up of UMPPs in Karnataka, the Ministry have informed that it would require further examination with regard to suitability of site, availability of water and other factors.

45. The Committee note that despite their recommendation that the Expert Committee constituted by the Government of Karnataka on 28.05.2006 to look into various issues/objectives in finalisation of UMPP site at Tadri in Karnataka should expedite the process at the earliest, no concrete action has been taken in this regard as the Expert Committee has not furnished their report so far. Although, the Government in their reply has informed the Committee that the State Government of Karnataka vide their communication dated 6<sup>th</sup> September, 2007, had requested to set up two UMPPs in the State – one at Tadri and the other at Ghataprabha in Belgaum District, issues relating to local agitation at Tadri has not been resolved so far. As regards the UMPP in Maharashtra, the Committee have now been informed that State Government of Maharashtra confirmed the project site at Munge in Sindudurg Distt. on 20.07.2008 along with development of a captive port site near Achra creek. The site visit by CEA/PFC is reported to be planned and i-Maritime is preparing the feasibility report. In the opinion of the Committee, both the Central and State authorities have taken quite some time to take appropriate action in timely identifying the project sites – resulting in delays in development of UMPPs – both in Maharashtra and Karnataka. While recommending that the Government should make all out efforts in close co-ordination with the State Government of Karnataka to resolve all pending issues and finalise the site for setting up the UMPP in Karnataka at the earliest, the Committee would also like to know the further progress of the UMPP project in Maharashtra in due course. At the same time, the Committee would also like to impress upon the Government, the imperative need to duly streamline

**the project formulation machinery so that both these ambitious UMPPs are commissioned in time and yield benefits during the 12<sup>th</sup> Plan period as targeted.**

## **Chapter – II**

### **Recommendations/Observations which have been accepted by the Government**

#### **Recommendations (Sl. No.1, Para No.2.10.19)**

The Committee welcome the new initiative of the Ministry of Power to embark on the path of huge capacity addition by way of developing UMPPs. Being a new concept, there are no models to emulate. Hence, the improvements will have to be made by learning through experience. Failure of capacity addition targets in the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> Plan, by the Private Sector leaves much to be desired. The achievement of Private Sector in all these Plans have been less than 30% of the targets. This leaves ample scope for soul searching on the part of Government. The Committee recommend that the factors which led to the debacle of capacity addition targets particularly capacity addition by the Private Sector should be analysed by the Government in depth and corrective steps in way of development of UMPPs be taken in right earnest. Going by the experience in the award of Sasan Ultra Mega Power Project, the Committee feel that certain changes are warranted in the bidding guidelines to plug the loopholes therein, and making them foolproof. In the considered opinion of the Committee, the precious time lost in the Sasan Project on this count is simply disconcerting – considering the immense strategic importance and generation potential of the development of these projects. The Committee desire this project to see light of the day as early as possible. They would further like the Ministry to try in all sincerity and make up for the time lost owing to this controversy so that this project comes up as scheduled earlier.

Further, since the whole purpose of resorting to competitive bidding is to encourage competition, the Committee are of the opinion that the developers who have already bagged a project should not be allowed to bid for another project, on the basis of the same balancesheet on which he has got one project. However, if the balancesheet is so strong that it can meet the eligibility criteria for the two projects together, they may be permitted to bid. Because besides

encouraging competition, it will also ensure that the power sector is not monopolized by only a few companies.

### **Reply of the Government**

#### **I. Regarding the observation of the Committee in connection with the failure of capacity addition targets in the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> Plan, by the Private Sector**

With the announcement of policy for private sector participation in the power generation in 1991 it was expected that private investment in the power sector would gather momentum. However, the achievement during 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> Plan, against the target set for the private sector, had been much below the expectations. The reasons for shortfall inter-alia are:

- (a) The foremost problem has been the inability of Independent Power Producers (IPPs) to achieve financial closure (in spite of progressing well on the other inputs/ clearances), due to the poor financial health of the State utilities which did not have the financial capabilities to support more private projects in terms of ability to open revolving letter of credit and escrow accounts for regular payment of power. Some other causes for the private projects not achieving financial closure have been inordinate delay in finalization of PPA; in addition, especially during the 10<sup>th</sup> Plan, some projects could not be synchronized due to non-availability of gas and delay in supplies by the equipment manufacturers.
- (b) Large Aggregate Technical & Commercial losses leading to sub-optimal revenue collection hit the financial health of State distribution utilities. This led to a lack of capability of the state distribution utilities to provide payment security to the private sector.
- (c) The cost of power indicated by potential developers tended to be high in the absence of a competitive bidding process. This led to inordinate delay in signing Power Purchase Agreements.

The major initiatives launched to promote private sector participation in the power sector are elaborated below:

- The Electricity Act, by replacing the earlier laws governing the electricity sector, has put in place a liberal and progressive framework, including the institution of independent electricity regulatory commissions.
- Under the provisions of the Electricity Act, 2003, open access in transmission has been introduced which has opened up options for alternative sales of electricity.
- Open access to distribution networks is to be introduced by the respective State Commissions not later than five years from the date of commencement of the Amendment Act, i.e. from 27.1.2004, for enabling bulk consumers to buy directly from power producers.
- The requirement of Techno-Economic Clearance of CEA for thermal power plants has been done away with.
- Automatic approval for foreign direct investment (FDI) for 100% without any upper ceiling on the quantum of investment is permitted in all sectors of the power sector.
- Under section 63 of the Act, Guidelines for development of projects through tariff based competitive bidding route notified in January 2005.
- Guidelines for encouraging competition in development of transmission projects have also been notified by the Ministry in April 2006.
- Ministry of Power has been closely monitoring the power projects in the private sector which are considered possible for early financial closure. An Inter-Institutional Group (IIG) comprising senior representatives from the lenders and Ministry of Power has been constituted to jointly appraise such projects and facilitate financial sanction in a time bound manner.
- Recently on the direction of MoP CEA has constituted a Standing Committee to examine the proposals/applications of IPPs/CPPs for grant of coal linkage/captive coal blocks keeping in view the prescribed norms of allocation of coal blocks/linkages of the Ministry of Coal and the policy guidelines of the Ministry of Power in this regard as issued from time to



time. This Standing Committee is expected to help streamline the procedure for allotment of coal linkages and captive coal blocks.

### **Current Status**

As a result of the measures, private sector participation in power sector has begun to show an upward trend.

For example, in the power generation segment, against 1,930 MW capacity added during the 10<sup>th</sup> Plan, capacity of the order of 18,000 MW approximately is presently feasible and is under construction in the private sector during the 11<sup>th</sup> Plan, out of which 1,000 MW capacity has already been commissioned.

#### **II. Regarding the recommendation of the Committee that changes are required in the bidding guidelines: -**

The bidding process for the Ultra Mega Power Projects (UMPPs) is carried out inter alia on the basis of the Standard Bid Documents (SBDs), based on which project specific bidding documents are prepared. The SBDs were issued by the Central Govt. under the provisions of the Competitive Bidding Guidelines in accordance with section 63 of the Electricity Act. The SBDs have been amended six times since their issuance on 31<sup>st</sup> March, 2006. These amendments were issued on 18<sup>th</sup> May, 2006, 21<sup>st</sup> August, 2006, 22<sup>nd</sup> September, 2006, 31<sup>st</sup> January, 2007, 21<sup>st</sup> September, 2007 and on 12<sup>th</sup> November, 2007, keeping in view the feedback received from various stake holders and the experience gained during the course of implementation of the first set of the UMPPs.

The Empowered Group of Minister (EGoM) on UMPPs had decided in July'07 that an Inter-Ministerial Group (IMG) may be set up to review the SBDs in order to determine whether any modifications were required in the bidding documents at the RfQ and RfP stages, particularly keeping in view the recent

trends of mergers and acquisitions and also obviate any chance of misrepresentation in the course of bidding. The changes as approved by the EGoM after consideration of the report of the IMG have been incorporated in the SBDs vide amendment dated 21<sup>st</sup> September'07.

The EGoM has also decided that the SBDs may be got legally vetted by a law consultancy firm which has sufficient exposure in dealing with international power contract and standing in the power sector. Ministry of Power is taking steps to implement this decision of the EGoM.

The issue of safeguards in award of UMPPs was considered by the EGoM in its meeting held on 22.11.07. The recommendation of the Standing Committee was also placed before the EGoM in the same meeting. After considering the matter, EGoM decided that the Standard Bidding Documents (SBDs) may be amended to incorporate following provisions in respect of UMPPs:-

- (a) A company (including its parent, affiliate or ultimate parent) or a consortium would be required to submit a Performance Bank Guarantee (PBG) according to a graded scale, by enhancement of 50% of the present requirement for a project, for every subsequent UMPP awarded to it. Thus for example the requirement of PBG would be as follows:
  - i) Rs. 7.5 lakh per MW – for one UMPP (i.e. the existing provision)
  - ii) Rs.11.25 lakh per MW – for the second UMPP
  - iii) Rs.15.0 lakh per MW – for the third UMPP

Simultaneously, the requirements for additional performance guarantee and limits on liquidated damages in various articles of the PPA would also be enhanced by 50% for each subsequent UMPP.

- (b) The condition at (a) above would not apply if the company (including its parent, affiliate or ultimate parent) which has earlier been awarded

any UMPP, itself, or as a part of consortium of which it was a Lead Member, subsequently bids as a part of a consortium in which this company (including its parent, affiliate or ultimate parent) is not the Lead Member, and the share of such company (including its parent, affiliate or ultimate parent) in the consortium is less than 26%.

These changes are being incorporated in the SBDs.

### **Current Status**

Keeping in view the feedback received from various stakeholders and the experience gained during the course of implementation of the first set of UMPPs, the Standard Bid Documents have already been amended 6 times so far. Furthermore, Ministry of Power has also initiated steps to implement the decision of the EGoM to get the SBDs legally vetted.

The modifications in regard to Performance Bank Guarantee, Additional Performance Guarantee and liquidated damages have since been incorporated in RfP for Tillaiya UMPP in Jharkhand State and the same has been approved by CERC. The revised RfP documents for Tillaiya have also been issued to the qualified bidders.

### **III. Implementation of Sasan UMPP**

Regarding the implementation of Sasan UMPP, the Special Purpose Vehicle was transferred to the selected bidder on 7<sup>th</sup> August, 2007. In accordance with the provisions of the PPA, the commissioning schedule is as follows:

<b>Unit No.</b>	<b>Months from PPA signing</b>	<b>Scheduled COD*</b>
1	69	07.05.2013
2	76	07.12.2013
3	83	07.07.2014
4	90	07.02.2015
5	97	17.09.2015
6	104	07.04.2016

- However, developer has an option under PPA to advance the above commissioning schedule

### **Current Status**

M/s. Sasan Power Limited has since indicated revived commissioning schedule of their units at Sasan UMPP which is given below. As per revised schedule, two units at Sasan UMPP are expected to be commissioned in 11<sup>th</sup> Plan itself.

### **Commissioning Schedule for Sasan UMPP (6X660 MW)**

Unit No.	Months from the date of PPA signing (7.8.2007)	Schedule COD as worked out from date of signing of PPA	Revised schedule of COD indicated by SPL.
1.	69	07 May, 2013	Dec. 2011
2.	76	07 Dec., 2013	Mar. 2012
3.	83	07 July, 2014	Jun. 2012
4.	90	07Feb., 2015	Sept. 2012
5.	97	07 Sept., 2015	Dec. 2012
6.	104	07 April, 2016	Mar. 2013

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.4, Para No.2.10.22)**

The Committee note that the pit head Ultra Mega Power Projects will be based on domestic coal, whereas the coastal projects would be based on the imported coal. The justifications given by the Ministry for using imported coal are that the indigenous resources of coal are limited, which, need to be conserved for the future use and imported coal would be more cost competitive at Western & Southern coasts, as compared to domestic coal.

However, the Committee observe that each project would require around 12-14 million tones of imported coal per-annum. Considering the current market price of coal in the international market, the expenditure on importing coal would thus be quite huge. Though the Mundra Project – the first UMPP to be developed - will run on imported coal only, the Committee desire that techno-economic

feasibility study of using imported coal after blending it with indigenous coal, which is being examined, should be expedited and completed at the earliest so that rest of the coastal projects could be planned with the option of using the blended coal.

### **Reply of the Government**

After a study conducted by CEA, it emerged that the option of blending of indigenous coal with the imported coal has certain limitations in case of coastal UMPPs. The Indian coal is generally of poorer quality having high ash content and lower calorific value. The imported coal on the other hand has very low ash content and high calorific values and thus the power plant equipment designed for imported coal could lead to considerable savings in equipment cost. However, flexibility to use Indian coal in blending with imported coal would require appropriate changes in design at the initial stages itself so as to offer necessary flexibility. This in turn would raise the equipment cost.

With the adoption of the option of using blended coal in coastal UMPPs, project cost could go up substantially due to following reasons:

- i) Use of blended coal would require fuel handling & transport facilities to be built up for both imported coal and indigenous coal.
- ii) Indigenous coal for blending would require coal supply allocation and setting up of washery if required.
- iii) The plant would need to be designed and sized for use of high ash content coal such as Electrostatic Precipitators (ESP), milling system, ash handling plant, ash disposal etc.
- iv) Higher initial cost due to coal handling & transport facilities, blending mechanism, higher ESP sizing for indigenous coal, mill sizing, ash handling plant sizing which may not get utilized in case imported coal continues to be available.

- v) Suppliers may show reluctance in providing performance guarantee of boiler with blended coal as tests need to be conducted to determine the combustion behaviour of the blended coal and performance would depend on the homogeneity of blending.
  
- vi) CEA has opined that it is possible to blend any combination of indigenous coal with imported coal and use in Circulating Fluidized Bed Combustion (CFBC) boilers. However, the blended ratio has to be pre-decided at the time of designing the boiler so as to specify the size and ratings of associated equipments like, coal handling and preparation system, ash handling equipments accordingly. Further, CFBC boilers are much costlier compared to conventional Pulverised coal fired boilers with higher auxiliary consumption and have lower efficiency compared to supercritical units. Also power plants having unit size up to 250 MW only are in operation with this type of boilers. Hence this technology may not be viable for 4000 MW Ultra Mega Power Projects.

In view of the above mentioned issues, CEA has recommended that for coastal UMPPs, use of imported coal only should remain the preferred option. Furthermore, keeping in view long term coal requirement which will be the mainstay of our power generation for sometime to come it would also be prudent to conserve our domestic coal to the extent possible, as long as some prospective project developers can structure viable projects with long term tie up of imported coal.

### **Current Status**

The position indicated above is self explanatory. No further action is required.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.8, Para No.3.7.8)**

The UMPPs will be based on super-critical technology. As stated by the Ministry of Power, there are no constraints in the availability of super-critical technology for use in UMPPs as it is used worldwide. The developers can source the equipment from any manufacturer either from abroad or from indigenous manufacturer. BHEL, the only indigenous manufacturer which provides equipment for power sector, has recently made a foray into manufacturing super-critical technology based equipment by entering into collaboration with Alstom and Siemens. The Committee while noting this with satisfaction desire that such collaborations should be suitably encouraged in the future as well. The Committee feel that Government should encourage other indigenous manufacturers/players since BHEL already has its hands full. The Committee, therefore, recommend that some new companies should also be encouraged to be set up or already existing companies be encouraged to enter into joint ventures with foreign manufacturers of super-critical technology – in order to ensure that this technology is easily available in the country.

### **Reply of the Government**

The choice of vendor / manufacturer of equipment rests with the successful developer of the UMPP. As per indication received in respect of first UMPP project of Mundra, the main plant and equipment has not been bagged by BHEL. However, as a part of various efforts being made for expediting addition of generation capacity in the country, discussions were held with various manufacturers of international power plant equipments to spread awareness about large generation capacity being envisaged in the country and to promote setting up indigenous manufacturing capacity by these manufacturers.

In April 2006 CEA invited all the international suppliers of supercritical units for discussions to evince their interest in setting up manufacturing facilities in India. A large number of the supplies responded and a meeting was held with them during 24th to 26th April 2006. An international conclave was organized by

CEA and Ministry of Power on 4th and 5th July regarding key inputs to capacity addition during 11th Plan and beyond in which equipment suppliers were invited. They were sensitized about the future capacity addition programme and requirement of power sector.

As a result of these efforts M/s. Midsudbishi Heavy Industry (MHI), Japan have entered into a joint venture agreement with M/s. Larsen & Toubro, India for setting up manufacturing facility for manufacture of supercritical boilers and turbines & generators in India. The manufacturing capacity envisaged is about 3000 MW/year. Certain other manufacturers are also known to have expressed interest in the setting up manufacturing facilities for boilers and turbo-generators in the country.

### **Current Status**

Efforts in this direction are continuing with the objective of strengthening the domestic manufacturing facilities.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.12, Para No.4.5.9)**

The Committee observe that water requirement of Sasan UMPP at Madhya Pradesh will be met from the Govindbalab Pant Sagar (Rihand Reservoir). As stated by the Ministry of Power, water used for drinking and irrigation will not be diverted in this case.

The Committee further observe that there was some dispute between the Governments of Chattisgarh and Madhya Pradesh regarding the use of water, required for Sasan UMPP in Madhya Pradesh. The Government of Chhattisgarh had objected to the use of water of Rihand reservoir for Sasan project. Thereafter, the Central Water Commission had conducted Inter-State Meetings in which it was decided that “the water requirement of 0.109 million acre feet of



UMPP could be met from the share of Rihand water of Madhya Pradesh by curtailing their future requirement of 0.216 million acre feet earmarked for medium irrigation projects.”

The Committee, therefore, desire that such disputes should be resolved in advance so that the project developer may not have to face any difficulty in availability of water at a later stage. If need be, the concerned States should enter into a written agreement on the use of water for UMPPs, to avoid any controversy in future, which should be then made available to the developer.

### **Reply of the Government**

As the water supply from the Govindbalab Pant Sagar (Rihand Reservoir) to Sasan UMPP involved inter state issues, Ministry of Power/ CEA referred the matter to Ministry of Water Resources/ Central Water Commission for their confirmation regarding availability of water regarding Sasan UMPP. Central Water Commission held inter-state meetings with concerned states namely Madhya Pradesh, Chhattisgarh, Uttar Pradesh and Bihar. Central Water Commission vide letter dated 27.7.06 communicated the decision taken in the inter sate meeting held on 6th July 2006 according to which the water requirement of Sasan UMPP was to be met from the share of MP from Rihand Reservoir, and that Chhattisgarh may have to supplement in the event of shortfall, if any, on the share of M.P and share the benefits from UMPP at Sasan. As such the inter-state water issue in respect of Sasan UMPP was resolved before the bidding process was completed. For other projects also, the water requirements are being tied up by the SPVs before completing bidding process.

### **Current Status**

As has already been brought out in the Ministry's response, efforts are made to get a clear commitment of water availability.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.14, Para No.4.5.11)**

The Committee are concerned to note that the project at Chhattisgarh is being held up because of the demand of 12% free power made by the Government of Chhattisgarh. The Committee understand that there is no policy regarding giving free power to the Host States from the thermal projects as is the case with the hydro projects. The Committee desire that this point should be impressed upon all the Host States and Chhattisgarh in particular. The delay on account of demand of the Chhattisgarh Government is disheartening. The Committee desire that the matter be taken up with the State Government and the issue be resolved at the earliest. The Committee note that any demand for free power by State would have to be borne by the electricity consumers by way of increased tariff. This may even make the project economically unviable and uncompetitive leading to dropping of the project. The Committee desire that these facts should be clearly brought to the notice of the States which are demanding free power from UMPPs.

### **Reply of the Government**

I. The demand of 12% free power or power at variable cost to the host State was initially raised by States of Chhattisgarh, Orissa and Jharkhand. It was made clear to these States that such a demand is untenable. These States have now revisited this issue, and as a consequence bidding process in respect of Tillaiya UMPP in Jharkhand has already been initiated.

II. The issue of development of Akaltara UMPP in Chhattisgarh without any pre-conditions relating to supply of power at variable cost from UMPP came up for discussion in a meeting convened in August, 2007 with the State Government representative. The State Govt. indicated that it was agreeable to support the project provided 50% power from the project is allocated to Chhattisgarh. Ministry of Power informed Government of Chhattisgarh that while it is agreeable to allocate upto 50% of contracted power, however, decision regarding confirmation of allocation of 50% power to Chhattisgarh from UMPP and

remaining 50% power to other states is to be discussed and decided in a meeting to be convened by Ministry of Power. Subsequently CEA in October 2007 wrote to Govt. of Chhattisgarh that considering the Akaltara site being far off from the allocated coal blocks in Hasdeo -Arand coal fields, alternative sites have been identified near Hasdeo -Arand coalfields. Govt. of Chhattisgarh was requested to get these sites examined with reference to land and water availability and furnish details to CEA so that the CEA team could visit the sites to select the most suitable site for setting up of UMPP in Chhattisgarh. The Govt. of Chhattisgarh vide letter dated 9.10.07 informed that a team of Engineers had been formed to examine the proposed alternative sites and it would be appropriate if a team of officers from CEA/ PFC could visit the proposed alternative sites for examination and selection of the most suitable site. Accordingly a team of CEA/ PFC officers have visited on 20<sup>th</sup> & 21<sup>st</sup> Nov., 2007 the alternative sites in Hasdeo Arand area alongwith the State Government officials. Subsequently in discussions a site has been identified. For this site the State Govt. has been requested to provide full details of the land and a pre-feasibility study on the water availability before a final decision is taken. Govt. of Chhattisgarh vide its communication dated 7<sup>th</sup> February, 2008 has indicated that the site near Salka and Khamaria villages near Udaipur in district Sarguja appears to be suitable. Furthermore, availability of 135 million cubic meter of water from Rehar river near village Salka (Udaipur) has also been confirmed. It has also been indicated that the information with regard to exact location of site, settlement pattern, forest area involved is under compilation and would be forwarded shortly.

Similarly, the demand made earlier by the Government of Orissa was subsequently withdrawn by the State Government and steps were initiated last year to identify a suitable site for the UMPP. Though a possible site has been identified, however, Orissa Government is yet to confirm the site and water availability from Hirakud Dam.

### **Current Status**

Response as given against 'current status' under para-I of recommendation 2.10.20 may also please be seen.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 40 of Chapter-I of the report)

### **Chapter – III**

#### **Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies**

##### **Recommendations (Sl. No.3, Para No.2.10.21)**

The Committee observe that the sites for the setting up of the coastal projects have been selected by keeping in mind the import of coal for these projects. The Committee, however, observe that the ports at these locations do not have enough infrastructure to handle the huge volumes of the imported coal. The Ministry of Power, while acknowledging this, has stated that at existing ports additional facilities can be created to handle the imported coal and at some locations new ports could also be set up. It implies that the required infrastructure for some of these projects is yet to be developed. The Committee feel that delay in the development of infrastructure can lead to further delay in development of UMPPs, which in turn, can derail the capacity addition targets and jeopardise growth of the economy as such. The Committee, therefore, recommend that all works relating to development of infrastructure particularly the port capacity to handle the huge volumes of imported coal be completed in a time bound manner and the same should be reflected in L.O.I, etc. The Committee also desire that the various project related works which are to be facilitated by SPVs, should also be made available by the time L.O.I is issued to the successful bidder.

##### **Reply of the Government**

With reference to the recommendation of the Committee that port infrastructure be strengthened and various projects related works should also be made available by the time Lol is issued to the successful bidder:

- (i) It is submitted that in case of the coastal projects, port service agreement is an integral part of the RfP documents, and it is executed with the port developer. Furthermore, as submitted in response to the previous recommendation, the SBDs have been recently amended and these provide for specific milestones regarding acquisition of land,

environmental clearance, fuel agreement, water linkage, forest clearance, provision of data for preparation of project report. Various milestones are required to be completed before the different stages in the bidding process are taken up with the objective of ensuring timely commencement of the supply of electricity after award of the project.

- (ii) Subsequent to the award of the project, procurers are required to complete the activity of obtaining order of the appropriate Regulatory Commission adopting the tariff under the provision of the Act within a period of six months in accordance with Article 3.1.2A of the PPA.
- (iii) Clause 3.4 of the Competitive Bidding Guidelines provides that in case more than one procurers are jointly getting the project developed through competitive bidding, the various project related agreements may be entered into the concerned parties prior to the last date of submission of price bids. In case of Mundra and Krishanpatnam UMPPs, port service agreements were finalized and signed before the submission of the RfP price bids.
- (iv) The RfP in SBDs requires in clause 1.4 that the procurer shall indicate various project development activities to be undertaken by the procurer/ SPV and the timeframe for the completion.

### **Current Status**

At the time of issuance of Lol, terms and conditions of entering into Port Service Agreement (PSA) are known and for coastal projects, PSA is an integral part of RfP document and it is executed with the port developer. Action continues to be taken accordingly.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.7, Para No.3.7.7)**

The Committee note that there is an apprehension of monopolization of power sector by the developers of UMPPs. It has been suggested to the Committee that to encourage competition UMPPs should be asked to sell certain percentage of their capacity in the open market. Also that there should be a provision to buy back/take over of the plant in case the developers resort to some sort of blackmail, etc. The Ministry of Power has informed the Committee that the Electricity Act provides for sufficient powers to the Regulatory Commission to issue directions to the licensee. The Committee, however, feel that this aspect needs to be gone into and desire that specific powers may also be provided to the State Governments to deal with such situations.

The Committee are, however, not satisfied with the view of the Ministry of Power that in case of failure of developer as per provision of Power Purchase Agreement (PPA), lenders will have the option to step in his shoes, to run the plant. The Committee, desire that specific provisions should be made in PPA/LOI as to what action the Government/Regulatory Commission shall be authorized to take in case the promoters of the project fail to perform as per the agreement. The Committee further desire that a report on the status of development of all UMPPs; reasons for delay in their development, if any, and the penalties imposed in case of delays should be furnished to the Committee every 6 months by the Government.

The Committee feel that since the projects will be set up in States and State utilities are the procurers of power generated from these projects, there can be a provision in the contract that in case the developer fails to develop the projects as per the provision of PPA, the respective State Governments would be entitled to take over the project and run it and refer the matter to the concerned Regulatory Commission for final settlement.

## **Reply of the Government**

Theoretically, monopolization of power sector by the developers of UMPP is ruled out due to the fact that developers neither have control over escalation of prices (as levelized tariff has been decided upfront for the entire project life of 25 years) and nor they have control over supply as they have to adhere to supply of contracted capacity to the designated states as per the Power Purchase Agreement signed upfront. Furthermore, Section 60 of the Electricity Act empowers the appropriate Regulatory Commission to issue directions to a licensee or a generating company if such licensee or generating company enters into an agreement or abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry. Non-compliance of the directions under the Act is a punishable offence under section 146 of the Act.

UMPPs are being developed under Case-2 of the Competitive Bidding Guidelines for long term procurement of the electricity. Clause 5.4(i) of the Guidelines provides that the term of contract should coincide with life of the project and this period has been suggested as 25 years for coal based projects. As the bidding process is for long term procurement it will not be feasible to incorporate a provision for open market sale. It will also be in the interest of the procurers that the developer is committed to a long term PPA as he is being provided with the fuel and water linkages by the procurers.

Article 14.3.4 of the PPA provides for a penalty of 20% on the capacity charge payable by the procurer in case of Seller Event of Default by the project developer.

Section 11 of the Electricity Act already empowers the Appropriate Government to direct a generating company regarding operation and maintenance of any generating station in extraordinary circumstances.



Article 4.6 of PPA already provides for penalties to be imposed on the developer if he fails to commence supply in time. Further, Article 14.3.4 provides for penalties in case the project developer defaults during operations of the project.

The provision for 'buyout' for the project was consciously dropped at the time of formulation of the SBDs taking into account the fact that buyout would put heavy financial burden on the procuring States because of their liability to compensate the developer. Moreover, determination of such compensation would involve the determination of project cost which is difficult to reconcile with the concept of tariff based bidding.

Article 17 of the PPA already provides that tariff related disputes would be referred to the Regulatory Commission and other disputes would be referred to the Arbitrator. This arrangement was settled after indepth consultations with the investor community.

Any further provision for discretionary intervention would significantly increase the risk perception of the developer and would affect whole exercise of investment mobilization. It is to be borne in the mind that it is the project developer who is investing/mobilizing huge sums of money in the order of Rs.16000 to Rs.18000 crores for every UMPP.

### **Current Status**

The position indicated above is self-explanatory. No further action is required.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.9, Para No.3.7.9)**

Development of UMPPs at some sites would involve displacement of the local people. The Committee note that it has been provided in the tender document that every developer will meet the requirement of National Rehabilitation and Resettlement Policy while putting his cost together. The cost

of R&R is to be decided by respective State Governments and the same will be borne by the developer. The Committee further note that packages for Sasan and Mundra UMPPs have been finalized by the respective State Governments. However, the Committee note the provision in PPA that any change in R&R package is to be adjusted in tariff under 'Change in Law' in PPA. The Committee feel that this provision can be misused and the major part of R&R expenditure can be adjusted in tariff by the corrupt officials and the developers. Hence, it is suggested that a limit of say 5 to 7% should be placed to which extent the R&R cost can be adjusted in tariff. If the expenditure exceeds this limit, it should be borne by the State Government and the developer. The Committee also desire that for the remaining projects R&R studies should be done in advance as soon as the sites are finalized so that accurate estimates can be given to the developers at the time of bidding itself.

### **Reply of the Government**

In case of UMPPs, it is to submit that R&R study is conducted upfront and the draft R&R package alongwith the cost estimates for the same is prepared in consultation with the State government based on the National/State Rehabilitation and Resettlement Policies. The same is provided to all the bidders at least 30 days before the bid submission date. The bidders have to take the same into account while finalising their tariff bids. Since, these are estimates only, PPA provides that any changes in the cost of R&R due to any subsequent changes in the R&R policy (ies) either by the Central or State government shall be considered as Change in Law. However, Article 13.1.1 of the PPA provides for adjustment of only change in the cost of implementation of R&R package. The components of the R&R package intimated in the RfP are not to be changed. The responsibility for establishing the impact on account of anything covered under change in law is that of developer and PPA provides for a minimum threshold level beyond which developer can seek compensation. Thus, Article 13.2(a) of PPA provides that change in law provision would come

into play only if the additional cost burden exceeds Rs.50 crore. Therefore, the present provisions already have an element of burden sharing to some extent.

Placing any additional burden on the developer in the form of contingent liability as changes in R&R package, would increase the risk perception of the developer and has potential of increasing quoted tariffs.

### **Current Status**

The position indicated above is self-explanatory. No further action is required.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.10, Para No.3.7.10)**

The Committee note that due care has to be taken of the environment impact of such large UMPPs. These thermal stations are likely to generate huge amount of ash and large carbon dioxide emissions. The Ministry of Power has stated that since these UMPPs shall be using super-critical technology and imported coal with less ash content, the environment impact will be duly taken care of. The Committee desire that there should be strict compliance of environmental norms and ash disposal should be decided in advance of the generation in each case. The Committee further desire that the use of fly ash in cement industry, building of roads etc. and other projects should be encouraged.

### **Reply of the Government**

The environmental impact assessment (EIA) studies are being carried out for the UMPPs and Draft Environment Management plans based on these studies are provided to the bidders so that they could take the same into account while bidding. State of art equipment is being envisaged to control the pollutants from the UMPPs within the norms stipulated by Central Pollution Control Board / MOE&F. Supercritical technology with higher steam parameters proposed to be adopted for the UMPPs will result in higher thermal efficiency thereby reducing

green house gas emission. The SPVs are obtaining the environment clearance from MOE&F based on the detailed EIA Studies. The ash from these UMPPs is envisaged to be utilized in cement plants, brick manufacturing, building of roads, bridges and other applications as per the stipulations of MOE&F. The selected developer is required to strictly comply with the stipulations made by MOEF in their clearance as well as the norms of emission prescribed by CPCB/ MOE&F.

### **Current Status**

The position indicated above is self-explanatory. No further action is required.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Recommendations (Sl. No.13, Para No.4.5.10)**

The Committee observe that the 'Host States' have demanded a major share from the power allocated from UMPPs in the States. The Ministry while on its part has assured that major allocation of power is made to the host State only, the Committee, however, note that there is no particular formula for allocation of power and it is done on the basis of consensus arrived at in consultation with the State Governments. The Committee feel that it leaves a lot of scope for bias. The Committee recommend that a formula be devised by the Ministry according to which the host State should get a reasonable share of the power generated from UMPP located therein. This formula be devised by taking into consideration various factors like power shortages in the State, status of infrastructure for evacuation of power, etc. The Committee strongly feel that the allocation on the basis of a formula should be completely objective leaving no scope for any grievance from the States. The Committee further want that the involvement of the State Governments should be maintained by the Centre in the whole process of development of UMPPs.

## **Reply of the Government**

I. A definite formula for allocation of power to different States is being followed in the case of Central Generating Stations (CGS) only. UMPPs are not CGSs, and it has been found that the practice of deciding the allocation on the basis of consensus is working well. In this connection, it may be added that the UMPPs are large sized projects involving very high levels of investment by the project developers. It is therefore essential that the payment capability of the States procuring power from a particular project should inspire confidence in the prospective bidders, otherwise the bidding interest will be adversely impacted at the initial stage itself. At a later stage (as has already been mentioned in para I above of this Ministry's response to the earlier recommendations no. 2.10.19), this factor would adversely impact on the efforts to achieve financial closure of the project.

II. Regarding the Committee's recommendation that the involvement of the State Governments should be maintained by the Centre in the whole process of development of UMPPs – kind attention is drawn to this Ministry's response to the earlier recommendations no. 2.10.20 and 4.5.8.

## **Current Status**

It may be seen that a formula is being used only for allocation of power from Central Generating Stations (CGSs). UMPPs, not being CGSs, are outside the purview of formula driven allocations.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

## Chapter - IV

### **Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration**

#### **Recommendations (Sl. No.2, Para No.2.10.20)**

The Committee had expressed concern in their 20<sup>th</sup> Report on Demands for Grants of the Ministry of Power for the year 2007-08 as regards the coming up of UMPPs on time was concerned as was envisaged by the Ministry of Power earlier. While taking review of the functioning of the Ministry of Power similar concerns have also been reported to be expressed by the Prime Minister in regard to meeting targets by the Ministry of Power in the setting up of UMPPs.

Thus, the Committee feel deeply concerned with the pace of progress in the development of UMPPs. Initially the Government had announced four UMPPs in the Budget for the year 2006-07, with the intention to award these projects before December, 2006. Out of these, the Government was able to stick to the deadline with regard to only two projects, namely Sasan and Mundra. Both of these projects were awarded before the target of 31<sup>st</sup> December 2006 – though further progress on Sasan project suffered due to the controversy regarding the validity of the award of the project. The remaining two projects – one in Andhra Pradesh and another in Orissa were scheduled for being awarded by 30<sup>th</sup> April 2007. The submission date for RfP for Andhra Pradesh project has been postponed and regarding the project to be developed in Orissa, the site is yet to be finalised.

Later five more projects have been added to the list. However the way in which their development is progressing leaves much to be desired. In most of the cases selection of site is the main reason for delay. There are agitations by local people in Karnataka and Maharashtra and certain technical problems in Tamil Nadu. The Committee feel that the State Governments should have been associated with the selection of sites in the beginning itself to avoid any last

minute disagreement on the sites. The Committee desire that the sites for UMPPs should be finalized at the earliest so that these projects can come up within 12<sup>th</sup> Plan as envisaged and promised. The site for UMPPs should be selected only after the State Government has agreed to the same.

The Committee observe that in PPA for Mundra Project 64 months, that is more than five years, have been given to the developers for commissioning the first unit of the power project and the last unit would be commissioned after 88 months, that is after more than seven years from signing the PPA. The Committee feel that in the present age of fast development it should not take such a long time for setting up of these projects.

The Committee further note that this time schedule also depends on time taken in obtaining necessary clearances and acquisition of land for the project; time taken in bidding process and time schedule submitted by the bidder in his bid. There is no time limit fixed within which clearances shall be available and the land shall be acquired. In addition to this, it has been stated that time fixed for start of various units would be calculated from signing of PPA. The Committee, therefore, feel that such an open ended fixation of completion schedule will not serve any purpose. The Committee thus desire that exact dates/periods should be provided for setting up of each project at the time of issue of Letter of Intent and penalties should be provided in case of default so that the projects can be set up in a time-bound manner.

The Committee further desire that there should be proper coordination between the Central and State Governments so that the issues involved in the various projects can be resolved and more so, in future the coordination between the Central and State Governments should begin right from the conceptual stage of the project itself. Considering the urgent need of power, the Committee strongly recommend that these projects should become fully operational by all means in 12<sup>th</sup> Plan itself. Recently constituted National Power Project Management Board should also, in particular, be assigned the responsibility to

ensure the timely completion of all these projects. For this, it is very important that this Board should be sufficiently empowered to take project related decisions and also it must be ensured that these are implemented without any bottlenecks from any quarters.

### **Reply of the Government**

I. The Committee has given recommendations for involving the State Governments in selecting/ finalizing sites for the UMPPs, having consultations with them before announcing the project, having proper coordination between the Centre and the State Governments and involving the States in the whole process of development of UMPPs in para Nos.2.10.20, 4.5.8 and 4.5.10.

It is submitted that the scheme of developing UMPPs has following mechanisms for active involvement of the concerned State Governments:

- i) Involvement of the State Government agencies has been ensured from the initial stage itself. Probable sites as identified by the Central Electricity Authority (CEA) in consultation with CMPDI, NRSA and Railways/ sites as proposed by the States, are visited by a team of officers from CEA, PFC, State Utilities, State Revenue Department, State Pollution Control Board, State Irrigation Department and State Maritime Boards (in case of coastal sites).
- ii) On the basis of the inputs provided by the above mentioned State agencies a likely site is identified by CEA.
- iii) Thereafter, CEA holds meetings with senior State Government officials at the level of Chief Secretaries/ Principal Secretary (Energy) to obtain their specific confirmation about the availability of land and water for the identified likely site.
- iv) This is followed by a formal request to the State Government for making available land and water.



v) The State agencies also continue to be involved at different stages of the process. The representative of the Power Utilities who are getting to procure major share of electricity from the project are nominated by the concerned State Governments on the Board of the Special Purpose Vehicle (SPV) formed for a particular UMPP. The Board of the SPV takes final decision at various stages of the bidding process for the particular UMPP.

vi) The representative of the State Power Utilities are also consulted in finalization of the project specific bidding documents.

vii) The representative of the State Power Utility in whose area a project is located is nominated as the lead procurer in the Power Purchase Agreement (PPA). After signing of the PPA, the lead procurer is the representative of all the procurers to coordinate/ interface with the developers of the project.

viii) After award of the project, a monitoring committee is constituted for every UMPP to review and facilitate resolution of issues arising during implementation of the project. These committees are co-chaired by a Member of the Central Electricity Authority and the Principal Secretary/ Secretary (Energy) of the concerned State Government.

However, the observations of the Hon'ble Committee have been noted and all efforts will be made to improve the level of coordination with the State agencies.

### **Current Status**

All efforts are being made to improve the level of coordination with the State agencies.

Identification of sites is continuing to be done in consultation with the State agencies. Regarding the need for early finalization of sites for the UMPPs in close coordination with the State Government agencies, it is stated that the Union Minister of Power had convened a meeting with the State Governments of

Tamil Nadu, Karnataka, Maharashtra, Orissa and Chhattisgarh on 4<sup>th</sup> August 2008. As a result of the detailed discussions, the State Government of Tamil Nadu confirmed the project site at Cheyyur alongwith development of a captive port site near Paramankeni village; the State Government of Maharashtra confirmed the project site at Munge in Sindhudurg Distt. alongwith development of a captive port site near Achra creek; and the State Government of Orissa confirmed the project site at Bedabahal in Sundergarh Distt. alongwith water linkage for which modalities would be finalised later by the State Government. The detailed discussions during the meeting however revealed that setting up of a UMPP each in Karnataka and Chhattisgarh would require further examination with regard to suitability of identified sites, availability of water and other related factors. It was therefore not possible at this stage to proceed further in respect of these two UMPPs. Further action will now be taken in respect of the three identified sites in Tamil Nadu, Maharashtra and Orissa.

II. Regarding the stipulated timelines set for the development of UMPP, the Competitive Bidding Guidelines provide in clause 5.6(v) that the procurer shall provide the maximum period in the RfP within which the selected bidder must commence supply of electricity after the PPA being effective. According to the guidelines, this period shall ordinarily not be less than 4 years in those cases where supply of electricity is called for long term procurement. Long term procurement is defined as a period of 7 years and above. Format 3 of Annexure 6 of RfP in SBDs accordingly requires the procurer to indicate the outer limit of the COD of the first unit. However, Article 3.1.2 (viii) of the PPA is SBDs gives option to the selected bidder to prepone his schedule of commissioning of various units.

The time period for commissioning of units in case of UMPPs was kept on higher side in view of the following:

- These will be the first large sized super critical unit to be set up in the country.

- PPA provides for penalties in the form of liquidated damages if the project developer is not able to commence supply of electricity within the scheduled time.
- There was a need to have an appropriate risk mitigation mechanism in the form of a reasonable time for commissioning in order to encourage more number of bidders to compete in the first set of the UMPPs.

The Competitive Bidding Guidelines have been amended in Sept'07 and one of the amendments relate to the time table for the bidding process. The amended guidelines now provide for specific milestones regarding acquisition of land, environmental clearance, fuel arrangement, water linkage, forest clearance, provision of data for preparation of project report. Various milestones are required to be completed before the different stages in the bidding process are taken up with the objective of ensuring timely commencement of the supply of electricity after award of the project.

The Letter of Intent is required to be issued after the selection of the bidder and therefore the various schedule for development in commissioning of the project become certain by that stage. Signing of the PPA or the date of PPA becoming effective in the case PPA has been signed before hand by SPV, has to be the reference point for contractual obligations. This is so because during the bidding process, there are no contractual obligations as the other party is yet to be selected. The bidding guidelines provide for a period of 30 days for signing of PPA after the issue of Letter of Intent.

The PPA in SBDs already has provisions for penalties in case of delays in setting up of the projects. Article 3.3 of the PPA deals with penalties in case of delays in achieving the financial closure. Article 4.6 of PPA deals with liquidated damages to be imposed for delays in providing contracted capacity.

### Current Status

Contractual obligations in respect of commissioning schedule are spelt out in the Power Purchase Agreement (PPA). PPA also incorporates the penalty clauses in cases of non-adherence to the specified schedule.

M/s. Sasan Power Limited and M/s. Coastal Gujarat Power limited have since revised the commissioning schedules of their units at Sasan UMPP and Mundra UMPP which is given below. As per revised schedules, two units each at Sasan UMPP and Mundra UMPP are expected to be commissioned in 11<sup>th</sup> plan itself.

#### **For Sasan UMPP (6X660 MW)**

Unit No.	Months from the date of PPA signing (7.8.2007)	Schedule COD as worked out from date of signing of PPA	Revised schedule of COD indicated by SPL.
1.	69	07 May, 2013	Dec. 2011
2.	76	07 Dec., 2013	Mar. 2012
3.	83	07 July, 2014	Jun. 2012
4.	90	07 Feb., 2015	Sept. 2012
5.	97	07 Sept., 2015	Dec. 2012
6.	104	07 April, 2016	Mar. 2013

#### **For Mundra UMPP (5X800 MW)**

Unit No.	Months from the date of PPA signing (22.4.2007)	Schedule COD as worked out from the date of signing of PPA	Revised schedule of COD given by M/s CGPL
1.	64	22 Aug. 2012	Sept. 2011
2.	70	22 Feb. 2013	March 2012
3.	76	22 Aug. 2013	July 2012
4.	82	22 Feb. 2014	Nov. 2012
5.	88	22 Aug. 2014	March 2013

III. Regarding the recommendation of the Committee that these projects should become fully operational by all means in the 12<sup>th</sup> Plan itself – the bidding process in respect of the Sasan, Mundra and the Krishnapatnam projects is already over and the SPVs have also been transferred to the selected project

developers. These projects are therefore scheduled for commissioning in the 12<sup>th</sup> Plan. In respect of the Talaiya UMPP, the RfQ stage is over and the bids are currently under evaluation. In respect of the other UMPPs in Maharashtra, Karnataka, Tamil Nadu, Orissa and Chhattisgarh, necessary clearances are awaited from the respective State Governments, after which the bidding process will be initiated.

### **Current Status**

All the three UMPPs where bidding process has been completed, in accordance with the PPA are envisaged to be operational during the 12<sup>th</sup> Plan.

IV. Regarding the recommendation of the Committee that the recently constituted National Power Project Management Board should also, in particular, be assigned the responsibility to ensure the timely completion of all these projects – a Power Project Monitoring Panel is now being set up instead of the Board. The Panel would be responsible for monitoring of all the power projects in the country. However, in order to ensure successful implementation of these projects after their award, Joint Monitoring Committees (JMCs) have been constituted for Sasan and Mundra UMPPs. JMCs are chaired by Member (Thermal), CEA and co-chaired by Principal Secretary (Energy) of concerned host State. Other members of JMCs include (a) representatives of procuring States (b) representative of developer and (c) representative of PFC (till fulfillment of commitments of procurers given under RfP).

### **Current Status**

The National Power Project Management Panel has since been set-up. As far as the UMPPs are concerned, the meetings of the Joint Monitoring Committees of the three UMPPs already awarded are being held regularly.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 22-25 of Chapter-I of the report)

#### **Recommendations (Sl. No.5, Paragraph No.2.10.23)**

The Committee observe that all the Ultra Mega Power Projects which have been envisaged by the Government are thermal projects. The Committee note that there is a huge hydro power potential in our country – which yet remains to be exploited. Moreover, use of coal for power generation should be done keeping in mind the future requirement of coal for other purposes as well. Hence, the Committee feel that a policy for hydro Ultra Mega Power Projects should also be formulated by the Government on top priority. In the recently held Conference of Chief Ministers, the Prime Minister had asked the Union Power Minister to set up a Task Force on hydro power to lend special focus on this area. The Committee desire that this Task force be also assigned the task of working out the modalities for the development of hydro based Ultra Mega Power Projects. Development of UMPPs based on hydel power can greatly benefit the North-Eastern region of the country – which abounds in the hydel potential.

#### **Reply of the Government**

Even though it has been permitted under the provisions of the Tariff Policy and Electricity Act, 2003, tariff based bidding has not been undertaken so far for hydro projects in the country. This is largely due to the high level of uncertainty arising out of construction risks on account of adverse geological conditions, delays in land acquisitions, rehabilitation and resettlement (R&R) issues, law and order problems, natural calamities etc. These risks cannot be anticipated with enough confidence so as to enable tariff-based bidding. The risks get further compounded prior to even the preparation of DPRs. The problems are particularly acute in the case of projects in the Northeast, where apart from high geological risks there is also the higher transmission costs associated, as the power has to be evacuated over long distance to the deficit regions in the North and the Western parts of the country.

In view of the above difficulties, the Ministry of Power had duly circulated a proposal on 30<sup>th</sup> April, 2007 for revision of policy on development of hydro electric projects. As per this proposed policy, through the tariff based bidding would remain the most desirable option, since the hydro projects construction involves huge risk and uncertainty as explained above, it had therefore been proposed to provide them with the option of regulated tariff under section 62 of the Electricity Act, 2003 where tariff is fixed by the regulator under cost plus norms, if all other conditions like transparency in allocation of sites etc. are complied with.

The Task Force (constituted in pursuance of the Conference of Chief Ministers held on 28<sup>th</sup> May, 2007) in its first meeting held on 12.12.2007, considered both the proposal on revision to the hydro policy as proposed by the Ministry of Power as mentioned above, as well as setting up of Mega Hydel Projects on the lines of UMPPs. There was a broad general consensus in the Task Force on the proposal of the Ministry of Power to extend to the Hydro Electric Projects being developed by private developers, the benefits of fixation of tariff under Section 62 of the Electricity Act, 2003 at par with the projects being developed by CPSUs/ PSEs. The new Hydro Policy since has been approved by the Cabinet in its meeting held on 3.1.2008.

On the issue of development of Mega Hydel Project on the lines of UMPPs, the Task Force was of the opinion that the State Governments be asked to identify the potential sites for setting up of Mega Hydel Projects and propose their implementation through an SPV on the lines of UMPPs. This is necessary since, as water and water power are State subjects under the Constitutional provisions, the consent of State Governments needs to be obtained for development of such hydro power schemes through tariff based competitive bidding on the lines of Ultra Mega Power Projects.

### **Current Status**

The New Hydro Policy has since been notified on 31.03.2008.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 29 of Chapter-I of the report)

### **Recommendations (Sl. No.6, Para No.3.7.6)**

The Committee note that under the Payment Security Mechanism for UMPPs in case of default by any procurer there is a clause of third party sale. As per this clause other procurers would have the first right to buy power share for which payment default has occurred. However, in case the other procurers are unwilling to buy default power, the same would be sold in the all India market through prevailing 'open access' in transmission either directly or through traders. The Committee, however, feel that for selling it in the market there is need for the speedy and proper implementation of 'open access' in States as envisaged under the Electricity Act, 2003. Further, in order to avail the 'open access' – both for Intra and Inter-State open access, without any infrastructural bottlenecks, the transmission system (national grid) needs to be suitably strengthened and congestion points be removed. Powergrid is stated to be carrying out the open access system study. The transmission system will be augmented accordingly to ensure evacuation of power from these UMPPs. The Committee desire that this study should be completed within a specific time frame so that the transmission system is ready by the time the first unit of UMPPs becomes operational. Further the States, particularly, the States procuring electricity from the UMPPs should be able to provide open access by 2009 as per the Electricity Act, 2003. To achieve this goal, the Committee recommend that all efforts in this direction be made on in a mission mode manner.

The Committee further observe that for successful implementation of such a payment security arrangement, it is essential to speed up the pace of electricity reforms in the States. The Committee feel that improving the commercial viability of the power sector in the States is very important for the success of such a



payment security arrangement. The Committee, therefore, recommend that concrete steps be taken in this direction urgently.

Evacuation of power from UMPPs is another area which need attention from the beginning itself as it also needs large investments. The Committee note that PowerGrid Corporation of India Ltd (PGCIL) has been assigned this job. The Committee desire that advance planning and provision of funds should be done by PGCIL in consultation with CEA so that there are no bottlenecks in evacuation of power. The Committee are of the considered opinion that the private investment should be encouraged in this sector. At the same time, the Committee feel that State distribution utilities should be encouraged to take up transmission and distribution network in their respective States.

### **Reply of the Government**

The Electricity Act (Section 42) provides that open access shall be made available latest by January'09 to all the consumers who demand more than one MW of electricity. In order to build a consensus for accelerated implementation of the provisions of the Act relating to open access, the CM's Conference on power sector held in May'07, resolved inter alia that the States commit themselves to operationalizing 'open access' in the transmission and distribution sectors and resolve to issue policy directives to regulators, if necessary, to appropriately restructure cross subsidy surcharge, wheeling charges and other charges, with a view to augment the quantum of power flowing into the grid in the prevailing environment of shortages. The Ministry of Power also organized an interaction with the Forum of Regulators on 5<sup>th</sup> November'07 to follow up on the decision of the CM's Conference. The SERCs have committed themselves to accelerate the implementation of the open access.

Open access in inter-state transmission is already implemented and is by and large satisfactory. Constraints in the inter-states transmission, in the inter-region as well as intra-regional system, which were at a significant level till a few years ago, have been generally addressed and further strengthening of National

grid system is under way with the program being implemented in a mission mode. A number of transmission schemes linked with evacuation from various generating stations and system strengthening schemes have been planned during the XI Plan time frame and are in various stages of implementation. The inter-regional transmission capacity is also planned to be increased from the present level of about 17000 MW to about 37700 MW by the end of XI Plan.

Regarding putting in place power evacuation system inline with the commissioning schedule of various units associated with the UMPP projects it is to state that studies for evolving the transmission system for the evacuation of power from Sasan UMPP, Mundra UMPP and Krishnapatnam UMPP have been completed. Feasibility Report /Detailed Project Report (FR/DPR) for transmission system for Sasan and Mundra has been prepared and is in process of investment approval. FR/DPR for transmission system for Krishnapatnam is under preparation. The implementation schedule of the transmission system is firmed up matching with the commissioning schedule of generating units to avoid any bottlenecks in evacuation at the time of commissioning of generating units. The transmission network has been planned with margins to take care of any need for diverting power from UMPP to other procurers or selling it in the all India market through open access or trading in case of default by any procurer.

As suggested by Hon'ble Committee improving the commercial viability of the power sector in the states is of crucial importance in the context of payment security arrangement. Issue related to improving the commercial viability of the state utility is being discussed in every possible forum. In the Chief Minister's Conference held on 28<sup>th</sup> May, 2007, inter-alia following resolution was adopted:

"The Conference recognizes that the current level of AT&C losses constitute a grave threat to the viability of the power sector and the distribution segment, which is currently losing about Rs.47,000 crores per annum, is the weakest link in the power system; and resolves that the States commit themselves to achieve and sustain drastic reduction in the overall AT&C losses through the next five years, and at least to a level of 15% in the

APDRP project areas as has been demonstrated by the participating States in 163 towns and cities. Towards this end, the States with appropriate assistance from the Centre would establish the necessary baseline data and IT applications for energy accounting and auditing, besides ensuring a resolute elimination of electricity theft, which is negating various investments and initiatives for power sector reforms. It is further reiterated that where free or subsidized power is provided to a section of consumers, the State Government shall ensure upfront payment of the same to the utilities.”

### **Current Status**

Studies for evolving the transmission system for the evacuation of power from Sasan UMPP, Mundra UMPP, Krishnapatnam UMPP and Tilaiya UMPP have been completed and the system has been finalized in respect of Sasan UMPP, Mundra UMPP and Krishnapatnam UMPP. FR/DPR for these three transmission schemes have been prepared and are in the process of investment approval. The implementation schedule of the transmission system is firmed up matching with the commissioning schedule of generating units to avoid any bottlenecks in evacuation at the time of commissioning of generating units.

The transmission system for Tilaiya UMPP is in the process of being firmed up after deliberations with the various beneficiaries in the meeting of the Committee on Power System Planning, headed by Member (Power Systems), CEA, of the concerned regions.

The transmission network has been planned with adequate margins to take care of any need for diverting power from UMPP to other procurers or selling it in the all India market through open access or trading in case of default by any procurer.

For 11<sup>th</sup> Plan period, based on the generation capacity addition under central sector and other generation projects for which transmission system is required to be built by the PGCIL including Ultra Mega Power Projects, an investment of about Rs.55,000 crore is planned by PGCIL. PGCIL has already

initiated actions to mobilize suitable mix of funds from domestic and international markets, which shall be availed on year to year basis, depending upon the requirement. Project implementation would not suffer on this account. Equity contribution by PGCIL shall be deployed as per requirement during implementation of the projects.

With regard to transmission system in respect of UMPPs, it has been decided that this will be implemented by the PGCIL as the Central Transmission Utility.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 36 of Chapter-I of the report)

### **Recommendations (Sl. No.11, Para No.4.5.8)**

The Committee observe that development of Ultra Mega Power Projects require support and coordination between the various players involved i.e, the Central Government, State Governments, PFC, project developers, Consultants, etc. Lack of support from any of these players can lead to delay in the development of these projects and as such can derail capacity addition programme and, in turn, economic growth of the country as envisaged – because power is the key driver for any growth agenda set for the country.

The Committee further observe with concern that the Ministry of Power is facing some problems in finalisation of sites in States such as Orissa, Karnataka and Maharashtra. Though the Ministry has stated that the State Electricity Boards and State Companies are involved while the site is selected, the Committee, however, feel that the involvement of the State Governments has just been a formality. Central Electricity Authority (CEA) which had a major role in selection of sites did not seem to have given a serious thought before selecting project sites. As stated by the Government of Orissa that the Government of

India/CEA had “just intimated” to the State Government about the identification of site. It implies that the State Government was not involved in identification of site. Similarly, the Government of Chhattisgarh has stated that no formal consultations with the State Government were held. Regarding the site in Maharashtra, the statement of the Ministry that it was just one of the probable sites and not the final one, raises questions as to the manner in which the Central Government has gone about the selection of sites for the UMPPs. The Committee feel that since the State Governments have better knowledge of the feasibility of making a particular land and other resources available for the development of power projects – also considering the environmental and other aspects – the State Governments should be involved in the development process of UMPPs right from the conceptual stage. This, in turn, will ensure that the projects are not unnecessarily held up due to land and other related disputes. Further, the sites should be formally announced only when the finality in this regard has been reached – after the due consultation process – with the respective State Government.

The Committee understand that in view of the local issues involved in the setting up of UMPP at Tadri, the Central Government is considering certain alternative sites for the purpose which is in line with what the Committee also felt after their visit at the proposed site for UMPP at Tadri. The Committee recommend that the Ministry of Power takes an urgent action in the matter so that the UMPPs can be established both in Maharashtra and Karnataka at the earliest, at the alternative sites.

### **Reply of the Government**

I. It is well recognized that development of UMPP requires support and coordination between the various players involved particularly the State Governments. Keeping this in view a coordinated approach is being adopted for the development of UMPPs. The project specific Special Purpose Vehicle (SPV) formed under PFC are responsible for carrying out various developmental

activities on behalf of the procurers which include appointment of consultants to undertake preparation of project reports, preparation of Environmental Impact Assessment Reports, preparation of bidding documents, carrying out bidding process, acquisition of land, getting clearances regarding water and environment & forests etc. The Boards of SPVs includes officials of the PFC, the representatives of the distribution companies of the major power procuring states. CEA is providing the technical support to the SPVs in formulation of project reports and other feasibility studies. Power Grid Corporation of India (PGCIL) is providing support in formulating the transmission system for evacuation of power. State Governments are being involved right from the beginning i.e. in site identification, land acquisition, water allocation, R&R Plan, participation in various Committees for undertaking the competitive bidding process, facilitation of signing of the Power Purchase Agreement and Payment Security Mechanism.

II. Kind attention of the Committee is drawn also to this Ministry's response given under the earlier Recommendation No. 2.10.20. However, despite involvement of the State agencies, and despite repeated efforts and constant follow up, the States of Maharashtra, Tamil Nadu, Karnataka, Chhattisgarh and Orissa have not been able to provide required clearances for the sites. Accordingly, the bidding process for the UMPPs in these States will be initiated only after the requisite clearances are given by the States.

### **Current Status**

As given against 'current status' under para-I of Recommendation No. 2.10.20.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 22-25 of Chapter-I of the report)

### **Recommendations (Sl. No.15, Para No.4.5.12)**

The Committee observe that projects at Karnataka and Maharashtra have been held up due to some objections from the local people of the area. The people of Tadri in Karnataka are against the development of Ultra Mega Project there because of this being an ecologically sensitive area and also in view of the fact that this area already has four hydroelectric power plants and one nuclear plant. The local people also have a fear of losing their livelihood. Now the Government of Karnataka has constituted an Expert Committee on 28.05.2006 consisting of MP, MLAs and other stakeholders, PFC and Government of Karnataka KPCL, etc. to examine various issues involved. In one of the meetings of the Committee, it is learnt that CEA / PFC/Government of Karnataka had proposed that a study be carried out to assess impact of the power plant on the environment by a reputed consultant. However no decision in this regard has so far been taken. The Committee desire that the Expert Committee expedite the process so that clear picture in regard to the development of project emerges. The Committee feel that engaging a consultant to carry out a study, as proposed by CEA / PFC/Government of Karnataka should also be considered by the Expert Committee. In case if it comes out that the development of power project will have an adverse effect on the environment, an alternative site be finalised at the earliest. Similarly in case of Maharashtra where the local people have raised certain environmental issues relating to the growing of Alphanso Mangoes, the Committee desire that the consultant appointed for carrying out environment studies should submit its report at the earliest. Considering the importance of these projects, the Committee strongly recommend that these projects should not be unduly held up and finalised at the earliest in the larger interest of the country.

The Committee also desire that before announcing any site for UMPP, it should be ensured that there is a broad consensus amongst the various stakeholders for a particular site. The cases of generation of opposition after the

announcement of sites as that of Tadri in Karnataka and Girye in Maharashtra should not be allowed to happen. The Committee desire that all the local issues should be decided in advance by State Governments, before offering a site to set up UMPP.

### **Reply of the Government**

I. As brought out in the Standing Committee's report itself a Committee had been constituted by the State Government to go into various issues in connection with the proposed site at Tadri. The report of the Committee is still awaited. Meanwhile Govt. of Karnataka vide its communication dated 6<sup>th</sup> September, 2007 had requested Govt. of India to establish two UMPPs in the State. While it had been suggested to retain the site of Tadri, a second site at Ghataprabha in Belgaum District had also been suggested. Ministry of Power in its communication dated 23.10.2007 had made it clear that it would be difficult to go head with the establishment of a UMPP at Tadri if the issue related to local agitation is not resolved. Clearance for the second site of Ghataprabha has also been sought to process the case further. Govt. of Karnataka has yet to respond on these issues.

II. Regarding the Committee's recommendation for taking steps to resolve the issues as far as the UMPP in Maharashtra is concerned, considering the local agitation the development at Girye has not been taken up.

However, subsequently the State Government suggested an alternative site near Dighe port in Raigarh District. This site was visited by CEA/ PFC team in June 2007 alongwith State Government officials. But the site was found to have constraints in regard to CRZ Regulations. Recently one more site has been suggested by the State Government near Kasarde village in Sindhudurg District. This site has also been visited by CEA/ PFC team alongwith State Government officials. The Govt. of Maharashtra has been requested by CEA to furnish the



details of land and the water availability data with regard to the site. Some details have since been furnished but additional details are awaited. Efforts are being made to obtain these details as early as possible.

### **Current Status**

Ministry of Power has been taking up the issue regarding urgent finalization of sites with the concerned States. Response as given against 'current status' under para-I of recommendation 2.10.20 may also please be seen.

[Ministry of Power O.M.No.12/15/2006-P&P dated 11.2.2008 & 20.08.2008]

### **Comments of the Committee**

(Please see Para 45 of Chapter-I of the report)

**Chapter – V**

**Recommendations/Observations in respect of which the final replies of the Government are still awaited**

**NIL**

**NEW DELHI;  
27<sup>th</sup> January, 2009  
Magha 7, 1930 (Saka)**

**GURUDAS KAMAT,  
Chairman,  
Standing Committee on Energy**

## APPENDIX-I

### MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2008-09) HELD ON 27<sup>TH</sup> JANUARY, 2009 IN COMMITTEE ROOM 'C', PHA, NEW DELHI.

The Committee met from 1100 hrs to 1150 hrs.

#### PRESENT

Shri Jesudasu Seelam - In the Chair

#### MEMBERS

##### LOK SABHA

2. Smt. Susmita Bauri
3. Sardar Sukhdev Singh Libra
4. Shri Sanat Kumar Mandal
5. Shri Rabindra Kumar Rana
6. Shri Tarit Baran Topdar

##### RAJYA SABHA

7. Dr. Bimal Jalan
8. Shri Prakash Javadekar
9. Shri Sayed Azeez Pasha
10. Shri Shivpratap Singh
11. Shri Veer Pal Singh Yadav

##### SECRETARIAT

1. Shri Raj Kumar, Deputy Secretary
2. Shri Shiv Kumar, Deputy Secretary
3. Shri Rajesh Ranjan Kumar, Deputy Secretary-II

2. In the absence of the Chairman, the Committee chose Shri Jesudasu Seelam, a Member of the Committee, under Rule 258(3) of the Rule of Procedure and Conduct of Business in Lok Sabha, to act as Chairman for the sitting. The acting Chairman welcomed the Members of the Committee to the sitting. The Committee then took up for consideration/adoption the following draft Reports and adopted the same without any amendment/modifications:

- (i) Draft Report on the subject "Role of CERC and SERCs in the Protection of Interests of Consumers".
- (ii) Draft Report on Action Taken on recommendations contained in the 22<sup>nd</sup> Report of the Committee on the subject "Ultra Mega Power Projects".
- (iii) Draft Report on Action Taken on the recommendations contained in the 25<sup>th</sup> Report of the Committee on Demands for Grants of the Ministry of Power for the year 2008-09.
- (iv) Draft Report on Action Taken on the recommendations contained in the 26<sup>th</sup> Report of the Committee on Demands for Grants of the Ministry of New and Renewable Energy for the year 2008-09.

3. The Committee authorised the Chairman to finalize the Reports and present the same to both the Houses of Parliament.

*The Committee then adjourned.*

**Appendix – II**  
(Vide Introduction of Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE TWENTY-  
SECOND REPORT OF STANDING COMMITTEE ON ENERGY (14<sup>TH</sup>  
LOK SABHA)

(i)	Total number of Recommendations	15
(ii)	Recommendations/Observations which have been accepted by the Government:	
	SI No. 1, 4, 8, 12, and 14	Total : 5
	Percentage	33.3%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:	
	SI No. 2, 5, 6, 11 and 15	Total : 05
	Percentage	33.3%
(iv)	Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:	
	SI No. 2, 5, 6, 11 and 15	Total : 5
	Percentage	33.3%
(v)	Recommendations/Observations in respect of which the final replies of the Government are still awaited:	
	SI No. Nil	Total : 0
	Percentage	Nil