

To, The Secretary, A.P. Electricity Regulatory Commission, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	From, M. Thimma Reddy, Convenor, People’s Monitoring Group on Electricity Regulation, 139, Kakatiya Nagar, Hyderabad – 500 008
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Date: 03-08-2013

Respected Sir,

Sub:- Comments on PPA with Thermal Power Tech Corporation of India Ltd

Ref:- The Commission’s Notice placed on its website on 25-07-2013

**1.1** Of late the Commission is notifying the public hearings through its website only. It may be suitable to some routine issues. In the case of important issues like examination of PPAs it should be seen that a public notice is published in newspapers well in advance.

**1.2** Normally the Commission used to give three weeks time to respond and file objections/suggestions on issues put up for discussion. But in the present case not even ten days time was not given to respond in writing. There appears to be undue haste in processing this petition.

**2.** The DISCOMs in the state filed a petition before the Commission for approval to its PPA with Thermal Power Tech Corporation of India Ltd (TPTCIL) subsequent to a bidding process claimed by them to be transparent (para 31 of DISCOMs’ petition). According to this petition TPTCIL has come forward to offer 500 MW capacity at a levelised tariff of Rs. 3.675 per unit for 25 years.

**3.** The DISCOMs called for bids for 2000 MW +/- 20% capacity under case I bidding on long term basis (25 years) first on 17-05-2010 and a revised bid was issued on 17-08-2010. The last date for bids was 1<sup>st</sup> October 2010. According to clause 2.8.3 of the standard RFP “the duration for a bid process shall not exceed a maximum duration of 195 days, irrespective of any modification/amendment to the RFP and/or RFQ documents. In the event that the bid process has not been completed in such time limit, the procurer/authorized representative shall obtain approval from the appropriate commission for extension or the cancellation of the same”. DISCOMs sought and obtained extension from the Commission several times on one or the other reason. Pending petitions in the High Court were also one of the reasons mentioned for extension of time bid processing. As mentioned at para 12 of the DISCOMs’ petition the High Court dismissed Lanco Infratech’s petition on 5-9-2011 and the Chief Minister gave a go ahead for finalizing the bids on 7-9-2011. A petition filed by Alfa Infra was dismissed by the High Court much earlier. But the bid evaluation committee issued the bid evaluation completion certificate only on 30-01-2013. This long delay in finalizing the bids raises doubts on transparency and

impartiality of the bid evaluation process. There were press reports which brought out pressure being brought on the bid evaluation committee.

**4.** In response to the tender floated by the DISCOMs 13 bids were received involving power supply from 19 power plants. Out of these 19 plants financial bids of 13 plants were opened following non-financial bid evaluation. At a later stage tariff was computed for only 8 power plants. At this stage TPTCIL stood as L5. Later only three plants were listed as successful bidders. These included East Coast Energy Private Limited (levelised tariff Rs. 3.466/U), TPTCIL (Rs. 3.685/U) and Krishnapatnam Power Corporation Limited (Rs. 3.782/U). The TPTCIL which earlier stood as L5 has emerged as L2.

**5.1** As the bid process was extended one by one several companies disappeared from the scene. While some were deleted from the list others withdrew from the competition. Deletion of two of them is of particular interest in the present context. These two plants are located within the state.

**5.2** One of them is Simhapuri Energy Private Limited with a plant capacity of 600 MW. This plant is already generating power and the same is being sold consumers outside the state. But no reason was adduced for removing it from the list.

**5.3** Another is the Hinduja National Power Corporation Limited (HNPCL) with a capacity of 1000 MW. This plant alone will be meeting 50% of the capacity of the bids invited. Even it was shortlisted as being available through Power Trading Corporation. In this the tariff quoted by it was not mentioned. In DISCOMs' petition it was mentioned that the entire capacity of HNPCL was encumbered to the state of AP/DISCOMs of AP. The fact that it entered the bidding and was shortlisted makes it clear that the plant is available for the state from 2014-15. Coal India Limited also approved coal linkage to this plant from the year 2014-15.

**5.4** This plant was selected in 1994 and it was provided with guarantees by both state and central governments. As a part of these guarantees the plant is supposed sell power to DISCOMs in the state at the rates at which power is being procured from NTPC's Simhadri plant. Power from unit I of Simhadri is being purchase at the rate of Rs. 2.93 per unit and in the case of unit II the price is Rs. 3.56 per unit. These units' tariffs are lower than that of TPTCIL. The DISCOMs shall specify when PPA with this plant is going to be signed/finalized and when power is going to be generated from this plant.

**5.5** According to the submissions of DISCOMs East Coast Energy Private Limited is the L1 bidder, having quoted the lowest amount Rs. 3.46 per unit. Initially it offered 600 MW and later it was reduced to 300 MW, after opening of the bids. Even though it is the successful bidder there is no sign of PPA with it. The newspaper reports also show that the bid of East Coast Energy is approved by the bid evaluation committee.

**5.6** The combined capacities of these three plants Simhapuri (600 MW), HNPCL (1000 MW) and East Coast Energy (600MW) will be sufficient to meet the capacity put up for bidding. But there is no sign of PPAs with these plants seeing the light of the day. If PPAs are entered in to with these plants there will be no need to entertain TPTCIL's offer.

**5.7** But a PPA with a bidder who has quoted higher price has already come up for approval. While cheaper plants are set aside costly plant is being preferred. This goes against the principle and spirit of open and competitive bidding.

**6.** DISCOMs signed 16 PPAs with APGENCO involving a total capacity of 13,000 MW. As most of these plants are pit head plants the power from them will be cheaper than the bids received as a part of the present case I bidding. When APGENCO is going in for such huge capacity addition, where is the need to entertain these questionable offers? In the recent past APGENCO has also proved that it is better than private sector entities in commissioning power plants.

**7.** In the Note File of the Commission related to case I bidding it was mentioned on page 52, "The prices quoted by some qualified bidders from generators located in Andhra had bid for higher tariff than what they had offered to other states. In this context bids could have been lower, considering the fact of savings on transmission charges and losses." This points to the need to closely scrutinize the financial bids of the shortlisted bidders and to renegotiate for lower power purchase tariffs. Farcically negotiations with TPTCIL brought down tariff by one paise only!

**8.** In the background of the proposal to bifurcate the state in to Telengana and Andhra Pradesh there is need to reevaluate the electricity needs of the two proposed states separately. In this context it is advisable to cancel the present bid and PPA approval process and call for fresh bids after reviewing the future electricity needs of the two states.

**9.** As the whole bid processing is done in questionable manner, as cheaper power plants were set aside to favour costly power from TPTCIL and as a result of the need to reevaluate power needs of the two states – Telengana and Andhra Pradesh separately we request the Commission to cancel the present bid process and also reject the proposed PPA with TPTCIL.

**10.** We request the Commission to give us an opportunity to be heard in person.

Thanking you.

Sincerely yours,

M. Thimma Reddy.