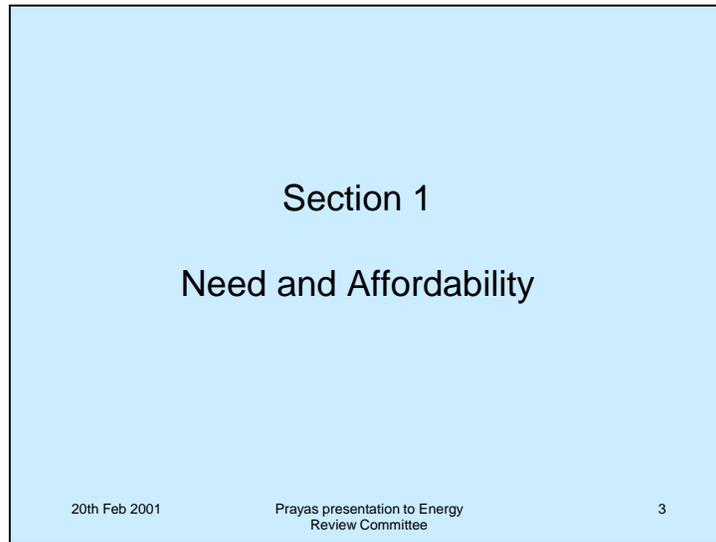


Slide 3



Section 1

Need and Affordability

20th Feb 2001 Prayas presentation to Energy Review Committee 3

This slide features a light blue background with a black border. The title 'Section 1' is centered at the top, followed by the subtitle 'Need and Affordability'. At the bottom, there is a footer containing the date '20th Feb 2001', the text 'Prayas presentation to Energy Review Committee', and the page number '3'.

Slide 4



- Demand-Supply Scenario
 - What are the Least Cost Options?
 - Do we need the proposed IPPs?
- Tariff, Economic Implications
 - IPP Route v/s Least Cost Options
- Conclusion

20th Feb 2001 Prayas presentation to Energy Review Committee 4

This slide features a light blue background with a black border. It contains a bulleted list of three main topics: 'Demand-Supply Scenario', 'Tariff, Economic Implications', and 'Conclusion'. Each topic has sub-points. The footer at the bottom contains the date '20th Feb 2001', the text 'Prayas presentation to Energy Review Committee', and the page number '4'.

Slide 5

Demand-Supply: Demand Projection

MSEB	Past 4 years		Assumption for
	High	Low	next 3 years
Domestic	11%	9%	10%
Commercial	9%	1%	10%
HT industry	2%	-2%	2%
Bus-bar energy requirement	6%	2%	5%

- Contrast with MSEB forecast

Load shedding -

- Highly inflated claims (presentation before MERC 1st Feb 01)
- L.S. compensated by high demand growth rate assumption

20th Feb 2001 Prayas presentation to Energy Review Committee 5

Slide 6

Comparison of Two Scenarios

Capacity addition	MSEB *	BAU	Desirable
MSEB Hydro	850	250	
Central Sector	1,026	388	
IPPs	4,164	1,444	
MSEB Thermal	500		670
MSEB Gas			500
TEC			300
Other Sources			400
TOTAL (MW)	6,540	2,082	1,870

20th Feb 2001 Prayas presentation to Energy Review Committee 6

Slide 7

Present Capacity & Generation

	MW	Availability	Generation 00-01 (MU)	Generation Possible MU
MSEB Thermal	6,396	82%	39,187	45,944
MSEB Hydro	2,402	90%	4,113	4,091
MSEB Gas	912	85%	3,700	4,900
NTPC Thermal #	1,183	85%	8,031	8,809
NTPC Gas #	392	85%	2,224	2,224
NPC (TAP/KAK) #	297	78%	1,957	1,957
DPC Ph I #	728	90%	3,044	5,740
TEC.BSES Coal *	1,650	84%	10,528	12,141
TEC Gas *	180	90%	1,275	1,255
	14,140		74,059	87,060

Note * - Actual for year 1998-99, # - Auxiliary Gen. not included
Energy Generation constraint Considered for Gas and Hydro

20th Feb 2001 Prayas presentation to Energy Review Committee 7

Slide 8

- ### Routes for Maximising Generation
- MSEB coal plants - As a short term option, blend imported coal (supply augmentation of 670 MW, **4,800 MU**) 2.4 MT
 - Cost of additional gen. ~ **Rs 2 / unit**
 - Utilisation of Uran's idle capacity of 500 MW by revamping multi-fuel facility
 - Additional gen. of **1,200 MU** (on oil) **Rs.3/unit**
 - State-wide optimisation of Capacity
 - Integrated operation of TEC, BSES and MSEB generation (**Rs.3/unit**, through MERC)
- 20th Feb 2001 Prayas presentation to Energy Review Committee 8

Energy Demand of State

- FY 1998-99 Demand (A) 67,500 MU
- FY 2003-04 Demand (P) 86,200 MU

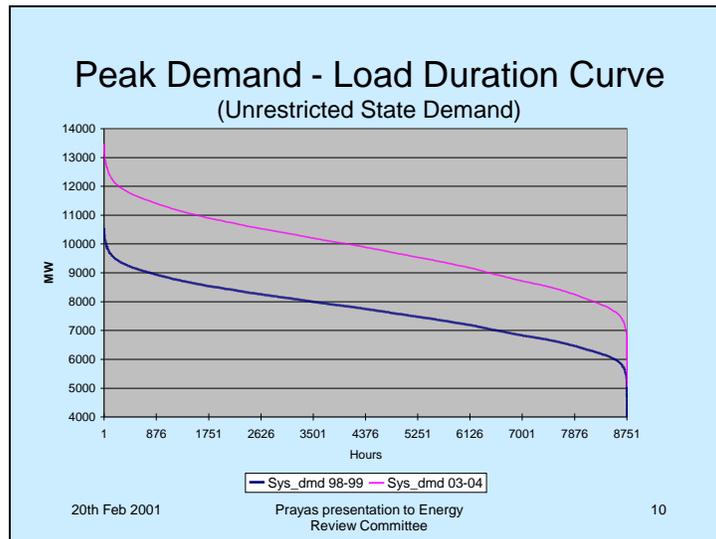
Assumed growth rate of 5% p.a. is high for state

Possible Gen from existing plants

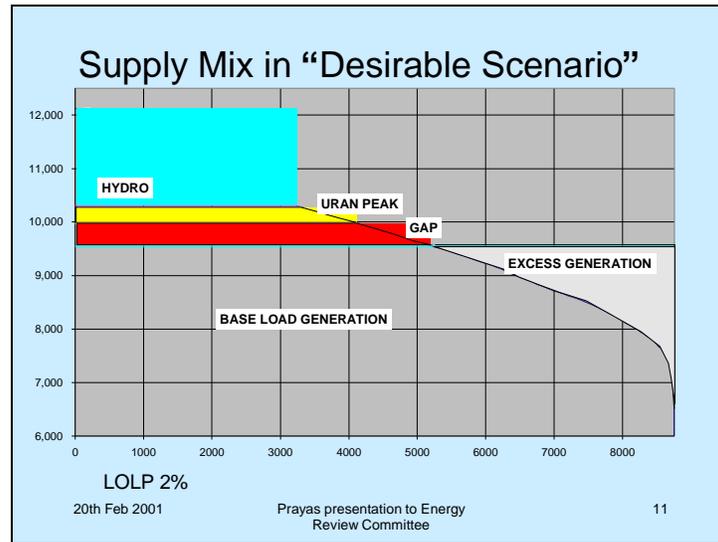
= 87,060 MU

⇒ No need to add capacity for meeting energy needs, for the next three years

20th Feb 2001Prayas presentation to Energy Review Committee9



Slide 11



Slide 12

Bridging the Gap: "Desirable Scenario"

- Only ~ 400 MW & 1,500 MU shortage
But with 3,000 MU Base Energy Excess

Options Available

- 300 MW Load Shift (from large L.I.S.)
- ToD and other means for load shifting
- Purchase from Industrial 'Stand-by' ~ 300 MW

With Combination of these, it is possible to mitigate the shortfall at less than Rs 4/unit

- Additional Cost Rs. 600 Cr/yr

20th Feb 2001 Prayas presentation to Energy Review Committee 12

“Business As Usual” Scenario

- Little Action about Augmentation of Generation from Existing plants & Load Management
- Capacity Addition
 - NTPC 388 MW (gas) Kawas, Gandhar
 - MSEB Pumped Storage schemes
 - DPC Phase II - 1,444 MW with LNG
 - ? RIL project 447 MW (Oil / gas)

20th Feb 2001Prayas presentation to Energy Review Committee13

Two Scenarios

BAU

- Capacity addition of 388, 250, 1444 MW

Excess energy

Year	00-01	01-02	02-03	03-04	04-05
9%					
17%					
12%					
6%					

20th Feb 2001Prayas presentation to Energy Review Committee14

Desirable

- No Capacity Addition
- Augmenting supply from existing plants
- Load management

⇒ Will meet energy and peak load for next 3 years (limited backing down)

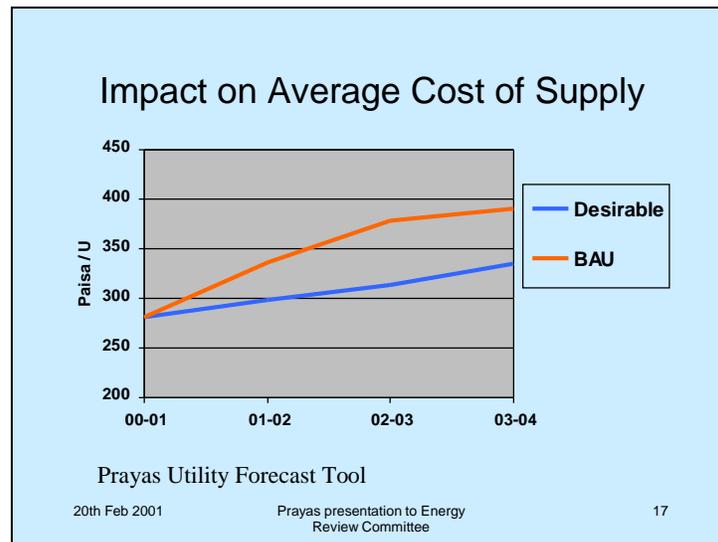
Comparing Economic Implications

- Assumptions
 - Rs. depreciation @ 6.5% p.a.
 - Oil Price \$ 28 /Brl (no increase)
 - LNG cost \$ 5.7 /mBtu (burner tip), Take or pay
-> 82% PLF of 2184 MW
 - Fixed Charges (DPC - Rs. 1.27 Cr/MW/Yr,
NTPC - Rs.1 Cr/MW/Yr)
 - Growth in MSEB's manpower, Admin, R&M,
and such expenses (@ historical rate)
 - T&D loss reduction of 7% till 03-04

Tariff Principles (Considered)

- Reduce Cross-subsidy (MERC Order)
 - reduce Industrial tariff by 2% p.a.
 - Bring Residential and Agricultural tariff to
average cost of supply by 04-05
- Meet revenue requirement each year
(without government support)
- Theft reduction valued at average cost of
supply

Slide 17



Slide 18

We Do not have an Option

In the BAU Scenario, MSEB consumers pay ~ Rs 7,000 Crore more than in “Desirable Scenario” in just 3 years !

[Capital Expenditure in State on “Health & Education” would be Rs. 2,300 Cr in this period]

20th Feb 2001 Prayas presentation to Energy Review Committee 18

The area between the two curves (in the earlier transparency) represents the increased payments due to the faulty choice / planning. In just three years, this amounts to about Rs. 7,000/- crore. Over the three year period this excess payment is more than Rs. 7,000 per consumer. Thus, effectively, we do not have an option but to implement the ‘Desirable Scenario’.

The quantum and gravity of this payments could be judged from the fact that the state government is likely to spend Rs 2,300 crore only in its plan budget (developmental expenditure) for health and education in these three years.

	Present Tariff	(FY 03-04 tariff)	
		BAU	Desirable
Residential (Rs/unit)	2.5	3.8	3.3
Agricultural (Rs/Hp/Yr)	900	4,000	2,500

Industry tariff can be decreased only for two years in BAU scenario.

20th Feb 2001 Prayas presentation to Energy Review Committee 19

MERC has a mandate to reduce the cross-subsidy. Hence it is assumed that industrial tariff is reduced by 2% p.a. The table shows tariff for two categories that are expected to make up for this loss and also the increased burden on MSEB.

It is seen that, if the above tariff assumptions are to be adhered to, then the residential tariff will jump to Rs 3.8 / unit from present Rs 2.5 (a 50% increase) in three years. This would mean increased payment of Rs 3,100 crore by these consumers (Rs 3,300/household in three years). This impact can be sizably reduce by opting for the lest cost option in “Desirable Scenario”.

Tariff of a typical agricultural pump of 5 Hp would go up from Rs 900/Hp/year to Rs 4,000/Hp /Year. This can be reduced to Rs 2,500 in case of Desired scenario. Difference in payment would be Rs 7,500 per consumer per year.

In the case of ‘Desirable Scenario’ it would be possible to reduce the industrial tariff by 2% p.a. for a period of next four years. But this cannot be done in case of BAU scenario. The average cost of supply will increase above the then industrial tariff in just two years if BAU is followed. If industrial tariff for both the scenario is considered on par then residential and agri. tariff will be much lower than that indicated here.

Further Impacts of BAU

MSEB's cash flow

- Increased arrears,
- Priority payments (ESCROW) to DPC
- NTPC and essential maintenance affected

⇒ Reduced supply of cheap power
⇒ Increase in Average cost

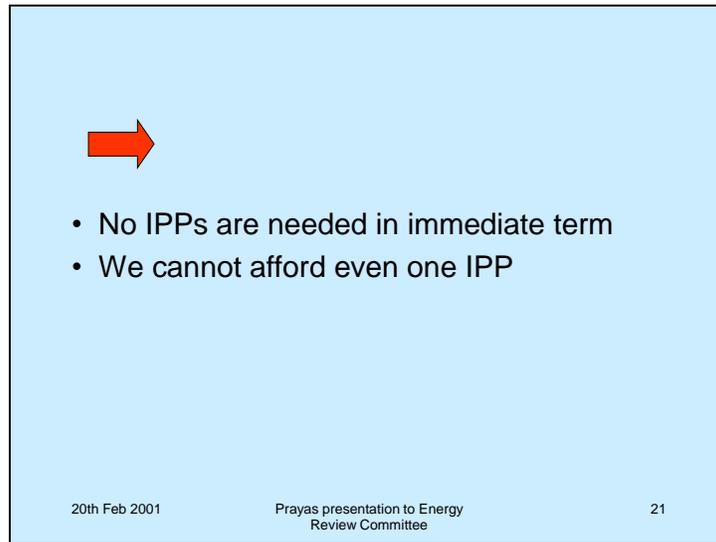
High Tariff ⇒ Lower consumption
⇒ Further increase in tariff

20th Feb 2001 Prayas presentation to Energy Review Committee 20

But MSEB's woes do not end here. With increasing tariff, the recoveries are going to fall, resulting in increasing arrears. On the other hand, the DPC will be able to claim its dues from the ESCROW account, further increasing cash crunch of MSEB. As a result, the MSEB will not be able to do essential expenditure on maintenance of its plants (which is likely to be the first casualty) and/or not buy NTPC power. Any of this will deprive MSEB of the low cost power. Hence, instead of adding power to the grid, the DPC will result in reduced supply of cheap power and addition of high cost power.

The high tariff is bound to result in dis-connections and decreased consumption, hence demand will be lower than assumed here. This will further increase backing down as well as tariff.

There is a danger that this will push MSEB into an abyss, which will be too deep for even the state government to handle.





- No IPPs are needed in immediate term
- We cannot afford even one IPP

20th Feb 2001 Prayas presentation to Energy Review Committee 21

The results of this analysis are clear -

We do not need any IPPs (actually no capacity addition at all) for the immediate terms, if we optimize our own generation.

And moreover, we simply cannot afford even one IPP.

Beyond Three Years

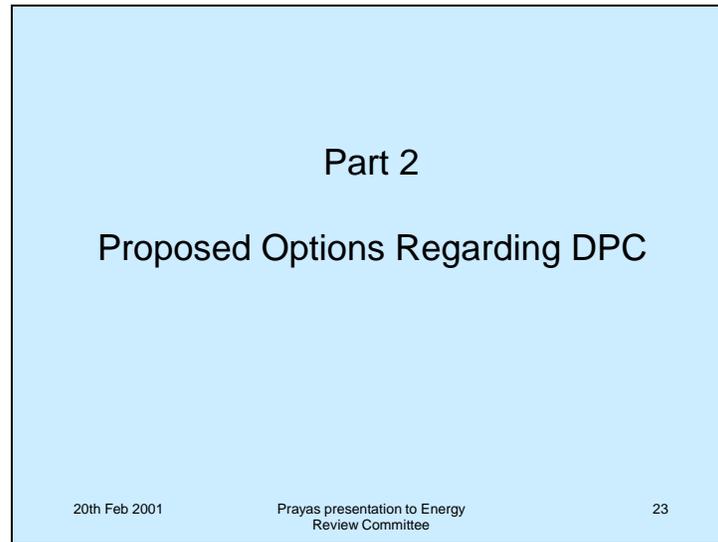
- Need for Least Cost Plan – through MERC
- Options ought to be considered
 - Co-generation (sugar and other industry)
 - PSS
 - Coal based plants
 - Industry Captive
 - Demand Side Management
 - Direct load control (Agri, D.T. level, ToD)
 - T&D reduction

20th Feb 2001 Prayas presentation to Energy Review Committee 22

The next question is about future beyond year 2003-04. For this period, it is essential to carry out a least cost plan exercise. This should be done through MERC. The list of options that need to be considered in such analysis is shown here.

(1) There is a serious talk of large addition of co-generation in sugar industry. Utilities like BSES and TEC are planning to invest money and it is likely that 400 MW would be added in a short time of 3 to 4 years (if MSEB/ government co-operates). In addition, other industries too are putting up co-generation plants. (2) MSEB is constructing a pumped storage scheme (PSS) of 250 MW. This capacity too should be on-line soon. (3) Ideal combination for state like Maharashtra is coal thermal and PSS. Imported or Indian coal based plants need to be considered for this. (4) About 600 MW of captive plants are operating in industries in the state. MSEB has given clearance to additional 1,000 MW captive plants. If these plants come on-line, then the demand will not increase to that extent. This issue needs to be considered in the analysis. (5) Variety of options of DSM are the least expensive ways to meet the demand. Options include agricultural efficiency improvement, Distribution Transformer (DT) level load control (for predominantly agri. loads), expanded use of ToD tariff, residential and commercial lighting improvement, and so on. (6) technical T&D loss reduction would give major relief at the peak time, especially installation of capacitors on agri. pumps and at LT side of grid.

The IPP projects should also be considered in the least cost plan. But it is evident that even for two to three years beyond 2003-04 they may not be needed if all the above actions are taken in earnest.



It is evident that the DPC would have or would suggest several options to manage the situation.

The options that are generally being talked about are

(1) Sale of power outside state: The calculations done earlier already considers growth of interstate sales at a rate of 25% p.a. (equivalent to 650 MW in year 2003-04). The sale being talked here will have to be higher than the one assumed. Actually any sale is unlikely to be much attractive to other states for two reasons. First, several states are already backing down the IPPs in their states, while the entire eastern grid is in surplus. Second, many states cannot afford to buy DPC's costly power. Actually, they are finding it difficult to pay for NTPC power.

This option can be considered only if the DPC is going to directly sales power to other states (without using MSEB as an intermediary or as guarantor). In this situation, the DPC tariff will need CERC's approval. The DPC scheme will need to be notified as a multi-state project.

Other options for achieving the same goal are also being considered. These include buy-over by NTPC, and power sales to PTC (Power Trading Corporation). Prayas opinion on this is spelt out in a press-release dated 9th Feb 2001 (Annex II).

- Sale Outside Maharashtra
 - Surplus in several states (Maharashtra like situation)
 - Non-affordability for most SEBs
 - Major legal and contractual problems
- Third Party Sales
 - If within state – it has no benefit to MSEB
- Delay of project
 - Can be considered only if
 - Delay > 3 years
 - Tariff is reduced, \$ de-linked, reduced off-take

20th Feb 2001 Prayas presentation to Energy Review Committee 24

2. Third Party Sales: This is said to be another way of avoiding burden on MSEB. If DPC is allowed to sale power to the industries in the state, then it will not benefit MSEB. It will amount to cherry picking by DPC, and MSEB certainly will not benefit.

3. Delay of Project: It is possible that DPC may offer to reduce the take or pay quantity of LNG. DPC actually has a some flexibility in LNG purchase. It may offer to delay in payment of block C (or delay its construction). This is (at least partially) useful only if the delay is beyond three years.

In a nutshell, we see little benefit to public at large by the offers that are being talked about.

Slide 25

Part 3

Future of Proposed IPPs

20th Feb 2001 Prayas presentation to Energy Review Committee 25

The Terms of Reference of the Committee indicates that it is asked to look into (the need and affordability) of the proposed IPPs.

This section deals with our suggestions about the possible future course of action for the proposed IPP projects.

Slide 26

- Liq. Fuel Projects - PPA not signed
- Bhadrawati - PPA Signed but no financial closure, change in equity partner, fuel cost?
- RIL - PPA signed, but illegally amended without MERC's approval, no financial closure

20th Feb 2001 Prayas presentation to Energy Review Committee 26

The MSEB lists several IPP projects. Important of these, other than DPC, are listed here. 1. Seven Liquid Fuel Projects: These proposed projects were to be short gestation projects of 1,200 MW. But the PPAs have not been signed for these projects. Now the MSEB will have to take MERC's approval before signing the PPA. For that it will need to prove that these are among the least cost options available for MSEB. As we have indicated such a planing exercise needs to be done and these projects can be included as candidate options in such a plan.

2. Bhadrawati Coal project: The PPA for this 1,082 MW project has been signed, but the financial closure has not yet taken place. The equity partners have changed since the time its PPA was signed (or when it received counter guarantee). There is some un-certainty about the fuel cost (from captive mine) of this project.

3. RIL: The PPA has been signed with Reliance Industries project (447 MW) in 1996. But it was recently modified in a illegal manner, without approval from MERC. The financial closure also has not taken place. The GoM has recommended (to our knowledge) that MSEB gives an Escrow for this project.

Slide 27

Our Submission ... 1

1. GoM / MSEB should ensure cancellation of the PPAs.
2. These projects should be considered as candidate projects during the Least Cost Plan by MERC

20th Feb 200127Prayas presentation to Energy Review Committee

In cases where the PPA is not signed, the project has to be referred to MERC and has to pass the test of least cost option.

Where PPA has been illegally modified, these modifications need to be scrapped and the project referred to MERC.

Recently, when a IPP project approached the UP-ERC for obtaining ESCROW, the ERC asked whether the financial closure was complete. Firstly that the financial closure was not complete, the ERC asked the project to come under its review. The UP-ERC is said to be in the process of appointing a consultant to obtain reasonable cost of the project. This is a precedence where the project is reviewed, as its financial closure is not complete.

Our submission to committee is that it suggests to GoM to ensure cancellation of the PPAs of the above said projects. MSEB/ GoM should not change the status of the project till that time. These projects should be sent to the MERC for inclusion in the least cost plan.

DPC - History

- Demand Forecast
- Plant type, fuel choice
- Capital cost
- Fuel cost
- Tariff
- Legality and Clearances
- Bad governance
- Breach of duty
- Non-application of mind
- Misinformation and misrepresentation
- Malafide intentions

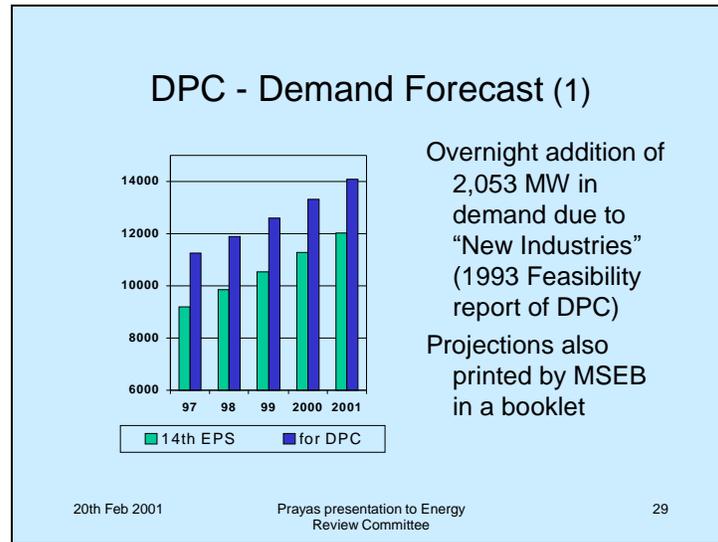
20th Feb 2001 Prayas presentation to Energy Review Committee 28

Coming to DPC

From the documents available with us or in the public domain, it is clear that the DPC project has a dubious history. All major steps in the project cycle (i.e. need of the project or demand forecast, plant type, fuel choice, capital cost etc.) are full of instances of misinformation / misrepresentation, non-application of mind and breach of duty by authorities, malafide intentions, and bad governance.

Usually, the documents available in the public domain are a small fraction of the total documentation. Using these it is fairly difficult to prove the above charges; but are sufficient to draw preliminary conclusions.

I shall give some examples to illustrate this.



Demand Forecast

In 1993 when DPC submitted a Feasibility report to the Government, the demand projections were jacked up overnight to accommodate the project. MSEB added 2,053 MW to the peak demand projection of CEA (Central Electricity Authority). It argued that many new industries have applied for connection and added a category called "New Industries". This demand projection was used by DPC in its Feasibility Report.

It would be revealing for the committee to check how many of these "New Industries" actually took connection from MSEB or exist in the state now (eight years down the line). It is clear that the MSEB demand projection was only to facilitate approval of DPC project.

DPC - Demand Forecast (2)

- MSEB Chairman letter (Sep. 1998)
 - Portrays fulfillment of CEA condition "Full-absorption of power" - by assuming an absurd growth rate for base load of **over 15 % p.a. !**
 - He also contradicts himself in the same letter (admits 758 MW base surplus if DPC Ph II is taken up in 2001-2)
- Chairman MSEB (Jan. 2001)
 - Admits that present base demand is 45% lower than the earlier projection and MSEB cannot absorb DPC power

20th Feb 2001 Prayas presentation to Energy Review Committee 30

The false demand projections is not a one time story. Recently, in Sept 1998, MSEB chairman made a similar or rather even worse demand projection specifically aimed at allowing DPC to proceed with phase II.

The CEA clearance for DPC project clearly states that the Phase II can be taken up only after MSEB/ GoM ensures that all the power from Phase II can be absorbed (within or out side the state). It specifically states that MSEB should be able to absorb even the off-peak power. Demand projection made in the said letter by the MSEB chairman at that time, assumes a growth rate of 15% in base load demand. This is ridiculously high.

The present chairman of MSEB admits that base load demand now is 45% lower than the estimate! This shows the severity of the issue.

But it is interesting to note that the Sept 1998 letter contradicts itself. It says that MSEB can absorb all the power from DPC, but the figures show that (inspite of 15% projected growth in base demand) MSEB would have been surplus in base demand by as much as 758 MW, when Phase II of DPC comes on line in 2002.

Hence, the legality of this clearance needs to be checked. In fact, if CEA is the authority for approving demand projections, then it was essential that MSEB convinces CEA that the project can really be taken up. This was not done. Prayas has written a letter to CEA , seeking clarification on this topic, copy of which is being submitted to the committee (Annex III).

DPC - Capital Cost (1)

– **Bangladesh** - WB supported gas project of AEC of 360 MW, costing only **\$ 510 /kW** (press release dated 2 June 2000) v/s DPC cost of \$ 920/kW (without Re-gas) And \$ 1,400 / kW (with Re-gas)

20th Feb 2001 Prayas presentation to Energy Review Committee 31

Capital Cost

DPC project's capital cost has been an issue of lot of debate. The slide shows the key parameters of a gas turbine project in Bangladesh. The 360 MW project of AEC corporation is being supported by the World Bank. The project cost of this plant is only \$ 510/kW. This is a normal cost around the world. (The World Bank Press release is attached as Annex IV)

The capital cost of the DPC project (without the re-gasification terminal and related infrastructure) is \$ 920/kW. If the Re-gas terminal is included the cost jumps to \$ 1,400/kW.

Cost difference in the two project equals \$ 895 million - which is slightly more than the equity in the DPC project. Clearly there has been a large cost padding in the DPC project.

Capital Cost of CCGT Projects (Apr 94 to Apr 2000)		
	MW	\$/kW
North America	24,831	573
Australia Asia pacific	3,288	615
Latin America	16,098	703
Western Europe	23,003	750
Middle East	12,823	793
Eastern Europe	3,632	796
South East Asia	14,814	803
Indian Subcontinent	13,299	875
Africa	538	923

Prayas calculations based on database search & analysis conducted by the World Resource Institue using Capital Data Project Ware

20th Feb 2001 Prayas presentation to Energy Review Committee 32

There have been several such projects cited by persons opposing the high capital cost of DPC. But these arguments are dismissed for one reason or the other. The excuses include, it being an isolated example, difference in taxes or duties, different time of project construction or at times large size of DPC project ! In reality,with the larger size the cost should be lower of DPC project.

To address these arguments, we requested friends at the World Resources Institute to carry out an analysis of the capital cost of the CCGT projects around the world. The WRI used a commercial data base - “Capital Data Project Ware” - to obtain the cost of several CCGT projects around the globe. The data was further filtered by Prayas to exclude the co-generation projects. Abnormally high and low values have been filtered off from the data. The middle column shows the MW over which the average cost has been worked out. It clearly shows the high capital cost of DPC project.

These projects include projects since 1994 after which the equipment prices have substantially come down. Hence cost for the projects being commissioned now should be lower than what is shown here.

DPC - Capital Cost (3)

- Teeside - for comparing costs, the Re-negotiation committee inflated cost of Teeside with inflation, while prices were falling

- DPC resistance to scrutiny of capital cost
Changing format each time.

20th Feb 2001 Prayas presentation to Energy
Review Committee 33

The Re-negotiation committee that negotiated the DPC Phase II made several blunders while estimating a reasonable cost of the project. One of these related to the Teeside project in UK (of Enron), which was used as bench-mark for the cost comparison. The project cost of Teeside project was inflated by the Re-negotiation committee, at the rate of US inflation to bring it in the same year as the DPC project. But the committee conveniently overlooked the fact, that prices of power plant equipment were falling during this period and not increasing with inflation.

DPC has resisted and has succeeded in preventing a thorough scrutiny in its capital cost by the Indian authorities. It wrote to CEA (the statutory authority to approve the cost of the project) that it (DPC) would not submit details of its capital cost. Finally, the CEA gave only a technical clearance instead of “Techno-economic” clearance to the project which it is expected to give.

DPC - Fuel cost

- Regas, harbour etc. of much higher size, loaded on MSEB. (required 2.1 MTA, expansion plans to > 7.5 MTA)
- Cost included in fuel cost (as well as capital cost)
- Heavy burden of 670 Cr. / Yr.
- Re-gas charges - **\$ 0.15/mmbtu for Metgas** and ~ **\$ 1/mmbtu for MSEB !**
- "TARA" kept secret

20th Feb 2001 Prayas presentation to Energy Review Committee 34

The harbor and LNG re-gas facility being constructed at Dabhol, are of a much higher sizes than what are essential for the electricity generation for MSEB. DPC loads all the cost of these services on MSEB, but retains rights to use these facilities by parties chosen by DPC. Cost of these facilities is around \$ 650 Mn per year.

For example, it is reported that the Metgas, a subsidiary of Enron, is allowed to use the LNG facility at a nominal cost for regasification. The re-gas charges to Metgas are much lower than what DPC charges to MSEB. In other words, DPC contract is unfair, it uses subsidy from MSEB for Enron's gas business.

These details are covered in Terminal And Re-gas Agreement (TARA). DPC has requested MERC not make this agreement public.

DPC - History

- Demand Forecast
- Plant type, fuel choice
- Capital cost
- Fuel cost
- Tariff
- Legality and Clearances
- Bad governance
- Breach of duty
- Non-application of mind
- Misinformation and misrepresentation
- Malafide intentions

20th Feb 2001 Prayas presentation to Energy Review Committee 35

Several cases like these can be cited for each of the major steps in the project cycle.

The most important of these related to the questionable legality of the clearances obtained by DPC.

(1) The tariff clearance by Ministry of Power (MoP), which certifies that DPC tariff is lower than the tariff arrived from the MoP notification is one such dubious clearance. The DPC seems to have misrepresented the interest rates (on foreign debt) while obtaining this clearance. As per the RBI clearance, the interest rates are lower than what DPC has shown in its clearance. There are several such anomalies that need to be looked into by the committee before assuming that the DPC's PPA is legally binding.

(2) Similarly, whether the letter written by MSEB Chairman in Sept 1998 (mentioned earlier), satisfies CEA condition, regarding absorption of power needs to be checked.

If all the documents related to these subjects are made public, it would be possible to show the illegality involved in the project.

**DPC's Resistance to Disclosure of Even
the Clearances**

- MERC Case 08/200
- Prayas prayer: Submit documents to MERC and make them available to Prayas / others
- MSEB commits to make public all document in its custody.
- But goes back on its promise due to DPC objection – requests MERC to treat some documents as confidential
- DPC / MSEB has till date not submitted to MERC, nor has given reasons for non-submission of:
 - financing agreements for Ph II, worksheet tariff calculation model, evidence of financial closure, clearances

20th Feb 2001Prayas presentation to Energy Review Committee36

We wish to demonstrate one case of DPC's resistance to allow transparency. Prayas' petition to MERC in October 2000 demanded that MSEB submits all PPAs, clearance, contracts related to all IPPs. MSEB admitted that it will submit all documents in its custody. But later DPC wrote to MSEB demanding that MSEB should claim confidentiality of some documents. These documents include, fuel supply agreement, TARA, government clearance, mathematical model for calculating the DPC tariff, financing agreements for Phase I. These documents are submitted by MSEB to MERC but with a confidentiality claim.

More disturbing fact is the fact that financing agreements for Phase II are neither submitted to MERC not mentioned in the MSEB letter. It implies that the MSEB does not have even a copy of these agreements. This is a serious issue. Another disturbing fact was that the DPC claimed that government clearances (received by DPC), though not confidential documents, be kept confidential - as they need explanation!

We urge the committee to obtain these documents and scrutinize them.

Slide 37

DPC in a Nutshell

- Project not needed
- Project not affordable

- Legality and Clearances highly questionable.

20th Feb 2001 Prayas presentation to Energy Review Committee 37

In short,
the DPC Phase II project is not essential for the state of Maharashtra,
the project is simply un-affordable.
And more over, its legality and clearances are highly questionable.

Slide 38

Our Submission ...2

- Based on the in-depth scrutiny of legality and clearances demonstrate that claimed contractual obligations are not binding

20th Feb 2001 Prayas presentation to Energy Review Committee 38

Our submission to the committee ...

The committee should obtain all such documents and check the legality of the deal, whether the said PPA and associated financial liabilities are binding on MSEB. Without doing this, it will be inappropriate on the part of the committee to entertain escape-route solutions to the present financial crisis, such as sale of power outside the state.

We believe, based on the evidence that we have, that the DPC PPA and its associated financial obligation is not truly binding on the MSEB.

Our Submission ...3

- In the interest of transparency, the experience of earlier committee, and the long term interest of the state and the people of Maharashtra, it is imperative that committee insists on complete disclosure of and making public all facts, documents, arrangements, analysis and all data related to this subject.

20th Feb 2001 Prayas presentation to Energy Review Committee 39

Last Submission ...

We firmly believe, for the reasons mentioned above, that committee should make it clear in its report that all the documents related to DPC project be made public.