

4th March, 2010

To,
The Secretary,
MERC,
Mumbai

Subject: In matter of MSEDCL's Petition for Approval of deviations taken in Request for Proposal (RFP) from Standard Bidding Document issued by Ministry of Power (MoP) for competitive bidding process under Case – 1, to be issued to bidders for procurement of 1000 (\pm 20 %) MW base load power on Medium Term basis under International Competitive Bidding Process (Case 1) Case No. 104 of 2009

Ref: No. MERC/Case No. 104 of 2009/131

Dear Sir,

This letter is with reference to the matter mentioned above; Case no 104 of 2009, MSEDCL petition for approval of deviations taken in Request for Proposal (RFP) from Standard Bidding Documents for competitive bidding process under Case – 1, to be issued to bidders for procurement of 1000 (\pm 20%) MW base load power on medium term basis under International Competitive Bidding Process. We will not be able to attend the hearing but we wish to submit our comments and suggestions in this regard. We request the commission to kindly take on record these comments and submissions.

In its petition MSEDCL has presented demand shortfall projections till 2012-13 along with expected capacity addition. However, the exact current status of many of the projects slated for completion in FY 2010-11 or 11-12 is not known and hence it becomes difficult to comment on the petition's assumptions of possible capacity addition. Also as per MSEDCL's own projections, even if this capacity becomes available as per the expected schedule, there would be still peak shortfall of around 2466 MW and hence it is not clear on what basis MSEDCL is proposing for this limited quantum for procurement of only 2 years.

This issue in fact brings to fore the criticality of the decisions regarding power purchase planning as it not only bears significant long term impact on consumer tariff but also affects supply availability and hence load shedding. As such, any adhoc decisions in this regard can lead to, on one hand subjecting consumers to increased tariffs on account of (avoidable) high cost power purchases while also making them suffer from the menace of load shedding because of inadequacy of supply so procured.

In fact, ensuring adequate amount of power procurement at economical costs and bringing in transparency and accountability in the critical area of power purchase planning is one of the primary reasons for bringing in independent regulation in power sector. Hence it is the duty of the regulator to ensure that all decisions regarding power purchase and planning are in line with this broad regulatory mandate.

Therefore, we would like to request the commission to direct MSEDCL to clearly and transparently provide the following information:

- MSEDCL's demand supply forecast for next 5-10 years,
- MSEDCL's immediate, medium and long term power purchase plans and the efforts it is undertaking in the same regard
- Current status of all the projects expected to be commissioned in next 1-2 years
- Rationale for procuring the quantum proposed in the current petition in the context of the above mentioned points

Without having such complete information and understanding on the broad issue of power purchase planning, it would not be prudent to consider the need and/or appropriateness of the quantum and duration of the power purchase proposed under the current petition. Thus, the commission should consider the current petition only if it falls in line with the broader aspects of comprehensive power purchase planning, as highlighted above.

We once again request the commission to kindly take on record these comments and submissions.

Thank you

Best regards,

Ashwini Chitnis and Shantanu Dixit

Prayas (Energy Group)

Athawale Corner, Karve Road

Deccan Gymkhana

Pune 411 004, India

Tel. + 91 20 6520 5726

Web - www.prayaspune.org/peg