


# ● PRAYAS

Initiatives in Health, Energy,  
Learning and Parenthood



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Ref. No. : PEG/511/03

Date : 01 December, 2003

To,  
Secretary,  
MERC.

Subject: MSEB petition – case 50 of 2003 about purchase of power from KERPL

Due to prior commitments, I am not able to attend the hearing on 2<sup>nd</sup> December 2003. However, the matter is important and I request MERC to take my views into consideration while taking a decision on the petition.

I request you to circulate my letter to all members of the commission before the hearing so that they are aware of it.

I wish to make following points in this regard:

1. As far as I know, the KERPL (Koyela Energy Resources Pvt. Ltd) neither holds trading license nor is a generator. Hence, I request the commission to confirm that it has the requisite legal permissions to do such trading activity. The CERC order dated 7<sup>th</sup> Nov 2003 is unclear on the prayer of KWRPL to allow it to do such activity.

In para 8, the CERC order (dated 7<sup>th</sup> Nov 2003) reads:

*"In the absence of these (license for interstate trading) regulations and in view of the provisions of Section 172 (b) of the Act, the applicant may, **if so advised**, undertake sale and purchase transactions involving inter-state transmission of energy in terms of the notification dated 24.11.1999 for a period up to 31.3.2004 for the present **at its own risk.**"* [explanation, emphasis added]

2. I request MERC to satisfy itself that MSEB has followed due competitive process for the power purchase. I have questions such as: (a) Had MSEB approached MERC for getting approval for the competitive process (b) In how many (and which) news papers it publicized the tender notice (how many days prior to opening the tender), (c) how many bids were receive by MSEB, (d) what bid-evaluation it carried out, and (e) was the tender notice put on the MSEB web site, which is the usual practice followed by many power sector organisations.

I request MERC to get copies of the advertisement, bid evaluation document etc.

3. Since MSEB has a lower cost contract with PTC, I wonder if PTC did respond to MSEB's invitation for power purchase and if not did MSEB send the advertisement to PTC in attempt to get a lower price.

4. If for some reason, PTC is not able to give additional power to MSEB – due to either transmission capability limitation or otherwise then I wonder how the KERPL is able to give power. It is difficult to imagine that KERPL has access to infrastructure/ technical resources more than what PTC has. I request the commission to make MSEB / KERPL to explain this. This is especially important in the context of CERC order quoted below.

The guidelines to evaluate the technical, financial requirement, capital adequacy requirement and creditworthiness of trader / dealer of power are yet to be notified. In this light, the CERC order (dated 7<sup>th</sup> Nov 2003) states:

“Therefore, we leave it to the parties entering into arrangements for sale and purchase of electricity with the applicant **to satisfy themselves of these requirements.**” (emphasis added)

5. On the technical and financial capability, I request MERC to verify the track record of KERPL. The preliminary list of issues that should be checked include (a) getting list of PPAs that KERPL has signed, if they have been executed, quantum of power actually traded against each PPA, and a certificate of good performance from the parties (especially the purchaser). (b) copies of KERPL balance sheet for last three years, (c) list of man-power who has experience in power trading with their experience, (d) communication facilities of KERPL, etc. In fact, the points raised by CERC in its discussion paper on trading may be a useful in this context.
6. I hear that MP power utility as well as Punjab utility have rejected offer by KERPL to sell power. I request MERC to verify this information and satisfy itself that the reasons for their rejection are not material to this case.
7. Without prejudice to all other points, MSEB should give justification for its claimed load shedding figures as well as for the said need to purchase 100 MW round the clock. If MSEB is planning to take much less than 100 MW in the off-peak period it should be clarified (which seems acceptable under the draft PPA).
8. Without prejudice to all other points, we wonder if the MSEB should take some financial security from such untested supplier.

On the backdrop of point 1, 4 and 5; MERC’s responsibility increases if it is considering permitting such a transaction.

I request MERC to take note of the above issues.

Thanking you,

Sincerely,

(Girish Sant)