

Preliminary Comments on MSEDCL's Proposal for Long term power purchase through competitive bidding (Ref. Admissibility Hearing Dt. 5th May 2006)

By Prayas (Energy Group), Pune

9th May 2006

1. As per Commission's order dt. 8th September 2005, MSEDCL is permitted to solicit bids for power purchase for 1324 MW (6 –23 HRS.) and 700 MW (7-11 and 18-22 hrs.). But during the admissibility hearing on 5th May 2006, MSEDCL has proposed bidding for around 4000 MW, i.e. nearly twice the capacity approved earlier. Unfortunately, MSEDCL has not provided any explanation whatsoever for increase in the capacity. In this context, we wish to bring to the notice of the MERC that time and again Prayas has requested MERC and MSEDCL to undertake a comprehensive demand forecast and integrated capacity addition plan. Such a plan must take into consideration impact of various policy and other developments since 16th EPS (e.g. Electricity Act 03 leading to freeing up of captive, 'Power for All' by 2012). In the absence of such a comprehensive plan, it is not prudent to plan capacity addition and initiate bidding for 4000 MW! Our submission to the MERC dt. 11th August 2005, which highlights various shortcomings in MSEDCLs demand forecast is attached for ready reference. We also wish to highlight, that MERC's order dt. 8th September 2005, directed MSEDCL to simultaneously submit revised demand forecast following a more robust methodology. Unfortunately, it appears that MSEDCL has not made progress in this regard and has not submitted a revised demand forecast.

In light of above facts, and considering that this is the first competitive bidding being undertaken by MSEDCL, we request the commission to kindly reject MSEDCL's proposal for approval for bidding documents of 4000 MW, and MSEDCL should be directed to undertake bidding only for 1324 MW (6 –23 HRS.) and 700 MW (7-11 and 18-22 hrs.) as stipulated in case no. 22 / 2005 (order dt. 8th September 2005)

Further MSEDCL must be required to submit comprehensive demand forecast using robust methodology as well as integrated capacity addition / power procurement plan before proceeding further with any additional power procurement, either through private promoters or through Mahagenco (as power purchase through Mahagenco would also require approval of the PPA by MERC).

2. Other comments on the draft documents submitted by MSEDCL
 - a. MSEDCL should be asked to clearly choose either 'Case 1' or 'Case 2' of the Competitive Bidding Guidelines (CBG) notified by the Central Government.
 - b. In case MSEDCL proposes to follow 'Case 1' approach, then MSEDCL need to submit and MERC needs to **approve entire bidding document** (i.e. RFP, RFQ as well as model PPA) as Central government has still not notified standard documents for Case 1. In case MSEDCL proposes to adopt 'Case 2' approach then it needs to very clearly bring out **all deviations (along with detailed rational)** in the bidding document compared to standard documents notified by Central Government. Central Government has also released model PPA for case 2.

- c. MSEDCL's current conditions in the bidding process are likely to restrict competition significantly and would have adverse impact on tariff. Some of these conditions are, project should be located only in Maharashtra (preferably on western cost), and promoter to produce certificate of land acquisition as well as signed fuel supply term sheet at the time of RFP. Hence, such conditions should be omitted to further competition. MSEDCL may specify the interconnection point. In light of proposed capacity addition on the western cost (RPGL, Ultra Mega power project, TPC, Dhopave TPS of MSPGCL etc.) more than 8, 000 MW of capacity will be added and as such the merit of insisting on a western cost project needs to be thoroughly examined (through detailed load flow studies etc.), especially as it is likely to affect the competition adversely.

We request the MERC to direct MSEDCL to resubmit the proposal and draft bidding documents in light of above preliminary comments (in addition to MERC consultants comments) and then hold a technical validation session. Further, we also request the MERC to conduct public hearing to ensure complete transparency in this crucial process.

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