

Minutes of the 1st Meeting of the Working Group of FOR in the context of Standard Bidding Documents for procurement of power for Medium term

Venue : **Conference Hall, Upper Ground Floor Central
Electricity Regulatory Commission New Delhi-
110001**

Time/Day/Date : **13:00 Hrs, 18th February, 2020, Tuesday**

List of Participants : **Appendix-I**

The meeting was chaired by Chairperson, West Bengal Electricity Regulatory Commission (WBERC) and Chairman of the Working Group. The Chairperson welcomed all the Members of the Working Group to its 1st Meeting with a brief of the agenda of the Working Group and stated that guidelines for procurement of power for Medium term through competitive bidding, have many restricting clauses that lead the discoms to seeks exemption from those clauses from the SERCs. Hence it has been decided to constitute this working group to:

- a. Examine the rationale for the creation of categories which is restricting the competition.
- b. Examine the necessity for replacing Short term contracts / medium term contracts with Forward contracts.

Thereafter, the Working Group took up the agenda items for consideration.

Agenda No. 1: Understand the rationale behind the creation of categories in the SBDs, under which an RFP will be issued.

Chief (Regulatory Affairs), CERC briefed the Working Group, that as per the current Standard Bidding Document issued by Ministry of Power (MoP) on 29th January, 2019 for Procurement of Power in the Medium term, there are 11 categories of bidders, based on fuel choices(parameter). Out of these 11 fuel choices, the utility can invite bids under one fuel source (parameter) for procurement of power under tariff based bidding process. The tariff for such procurement shall comprise two parts i.e. base fixed charge and base variable charge. The fixed charge shall be based on the offer of the bidder for the base year, which shall be revised annually on basis of WPI. Variable charge shall comprise the cost of fuel, transportation/ transit thereof, the transmission charges and the transmission losses/ supply from Hydro-electric Power Station or for lump-sum tariff, generation cost of electricity, transmission charges and the transmission losses.

Chairperson of the Working Group opined that the SBD is intended to accommodate various distressed categories of generators. However, the utility is only concerned with electricity at optimal cost, and in the current format of the SBD, it is difficult to ascertain the optimum cost of power procured across different categories. Further, the bidders whose source of fuel is coal mines/ blocks allocated through auction by government instrumentality or from linkage coal are not eligible to bid under lump-sum tariff category.

Chief Engineer, Ministry of Power (MoP) mentioned that the rationale behind creation of different categories based on fuel choice was to provide a level playing field in each category. In order to find out the optimal price of electricity across all categories, MoP had included a lump-sum category which was independent of the fuel choice. Chief Engineer also mentioned that MoP examining the introduction of a fuel neutral bidding document for procurement of power. He stated that the SBD is under review and a committee has been constituted to modify the medium term SBD to invite bids from various fuel choices under a single bid which will be based on the amount of power and duration of power.

The following points were also briefly discussed:

- *Small generators or suppliers are not eligible to bid as the minimum quantum is 100 MW. This will exclude smaller generators embedded in the State system, who may be able to supply power at lower losses.* Chief Engineer, MoP clarified that this clause in the SBD has been included to prevent any frivolous bidder from quoting a very low tariff for less capacity (for e.g. 10 MW). Chairman, Jharkhand State Electricity Regulatory Commission (JSERC) stated that if a large power station (for e.g. 1000 MW) operator has free power less than 100 MW, they would not be able to bid according to this clause, despite fulfilling the criteria under technical capacity. Chairperson, WBERC stated that there should not be any restrictive clause in the SBD to prevent the utility from inviting bids for capacities that are less than 100 MW. However, there should be a mechanism to impose penalties in case a bidder quotes low tariff for small capacity (for e.g. 10 MW), but fails to deliver the power during the contract period.
- *The bidder needs to have double the capacity of bid quantum. This does not appear reasonable and seems to be restrictive provision and not clearly explained.* Director-Technical, Karnataka Electricity Regulatory Commission (KERC) mentioned that according to this clause, there would be a residual capacity and they will not be eligible for bidding for medium term procurement of power. He explained by giving an example of a power station operator with capacity of 500 MW wherein the power station operator will be able to bid for 250 MW. Out of the remaining 250 MW, it will be able to bid for 125 MW. However, the remaining half of 125 MW being 62.5 MW will not be eligible for bidding as the minimum capacity for bidding is 100 MW. This residual capacity will be left unutilized.
- Chief Engineer informed that such matters would be examined in due course. He also requested the Working Group to share the minutes of this meeting for reference of MoP.

Decision:

It was decided that the issues raised in FOR in the context of the Standard Bidding Documents for procurement of power for Medium term, along with deliberations/minutes of the meeting of the Working Group be forwarded to MoP for suitable action by the Committee constituted by the Ministry on SBD for medium term procurement of power.

Agenda No. 2: Understand the necessity for replacing short term/medium term contracts with forward contracts

Chief (Regulatory Affairs), CERC stated that the matter relating to the governance of the forward contracts between SEBI and CERC is sub-judice in the Hon'ble Supreme Court.

Chairperson of the Working Group mentioned that once forward contracts are introduced, the existing system for procurement of power by the utility may undergo significant changes. It was desired that the Working Group and the FOR be informed of the decision of the Supreme Court once the matter is resolved.

The meeting ended with a vote of thanks to the Chair.

LIST OF PARTICIPANTS

S. No.	NAME	ERC
01.	Shri Suthartha Bhattacharya Chairperson	WBERC – in Chair
02.	Shri Arbind Prasad Chairperson	JSERC
03.	Shri M. Chandrasekar Chairperson	TNERC
04.	Shri Mukesh Khullar Member	MERC
05.	Shri Bharatheesha Rao V Director – Technical	KERC
06.	Shri Sanoj Kumar Jha Secretary	CERC
07.	Shri Ghanshyam Prasad Chief Engineer	MOP
08.	Shri Sushanta K. Chatterjee Chief (Regulatory Affairs)	CERC
09.	Ms. Rashmi Somasekharan Nair Deputy Chief (Regulatory Affairs)	CERC
10.	Shri M.M. Chaudhari Deputy Chief (Engineering)	CERC
11.	Shri Arun Kumar Assistant Secretary	FOR
12.	Shri Ankit Gupta Research Officer	FOR
13.	Shri Arun Kumar Marndi Research Officer	CERC