



केन्द्रीय विद्युत विनियामक आयोग
CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O.No. 2/8/Policy (Stat.Adv.)/2009-CERC
Dated the 6th May, 2009

Dear Shri Panjari,

I am writing to you regarding the requirement of the Tariff Policy to develop future transmission projects by an entity other than Central Transmission Utility (CTU) or State Transmission Utility (STU) through the process of competitive bidding.

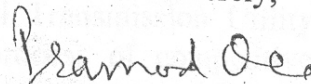
2. One of the mandates of the Tariff Policy as stipulated in clause 7.1(6) read with clause 5.1, is that future projects can be executed by an entity other than CTU or STU only if such entity is selected through the process of competitive bidding or if such entity is a State owned/controlled company. The precedent conditions for giving effect to these provisions of the Tariff Policy have also been implemented after the notification of "Guidelines for encouraging competition in development of transmission projects" on 13th April, 2006 and "Tariff based competitive bidding guidelines for transmission service" on 17th April, 2006.
3. The stipulation of clause 7.1(6) read with clause 5.1 of the Tariff Policy implies that till the period of five years after notification of Policy (or when the Commission is satisfied that the situation is ripe to introduce such competition), companies in which not less than 51% of the paid up share capital is held by the Central Government or by any State Government or governments, or partly by the Central Government and partly by one or more State Governments or by a company which is a government company, may be granted transmission licence without the need of such company being selected on the basis of competitive bidding.
4. It has been observed that Power Grid Corporation of India Limited (PGCIL) as CTU has entered into joint ventures with private project developer even after the notification of the Tariff Policy, in which PGCIL has less than 51% equity shareholding. In one such recent case the Commission vide its order dated 23rd April, 2009 in Petition No. 116/2008 (copy enclosed), granted licence to such joint venture on consideration of the fact that the MOU was signed by PGCIL in March 2006 when the notifications dated 13.4.2006 and 17.4.2006 which were precedent conditions to the implementation of provision of clause 7.1(6) read with clause 5.1 of the Tariff Policy were not in force. The Commission, however, also observed that CTU should refrain from entering into in any such MOU in future, in which it did not have more than 51% equity shareholding.

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5. As decided in its order referred to in para 4 above, Central Commission hereby conveys its statutory advice under section 79(2)(a) of the Electricity Act that the Central Government should issue appropriate directions to the CTU to form only such joint venture companies, if necessary, as envisaged in para 5.1 of the Tariff Policy.

With regards,

Yours sincerely,


(Dr. Pramod Deo)

Encl : as above

Shri U.N. Panjiar
Secretary (Power)
Ministry of Power
Government of India
Shram Shakti Bhawan
Rafi Marg, New Delhi.