



केन्द्रीय विद्युत विनियामक आयोग
CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O. No. Chmn/CERC/2010

Dated : 13th January, 2010

Subject : Statutory advice of CERC for modification in the Standard Bidding Document (SBD) for development of transmission lines through competitive bidding.

Dear *Shri Brahma,*

Under section 63 of the Electricity Act, 2003, the Ministry of Power has issued the tariff based competitive bidding guidelines for development of transmission lines. The Ministry has also issued standard bidding documents for the bidding process.

2. In view of the provisions of the Electricity Act that the period of transmission lines shall be 25 years, the SBD currently provides for submission of bids by the bidders for 25 years. An issue has arisen in this regard as to on what basis the transmission line developer would recover tariff after the period of 25 years. This concern has been raised mainly by the beneficiaries who argue that the developers are bidding with a view to recover whole of their investments in the first 25 years itself and this aspect should be taken into account while deciding tariff for the period after abovesaid 25 years in a way that developers are not able to make windfall profits.

3. This matter was discussed in the Coordination Forum, as constituted under the Electricity Act, in the meeting held on 17th August, 2009 which was also attended by the Joint Secretary, Ministry of Power.

4. This issue has been considered by the Commission and after considering all the relevant aspects, the Commission has decided that

- a) In case those projects where the Letter of Intent has already been issued or Request for Proposal (RfP) has been issued, the principles for determination of tariff after the period of 25 years and in case license is further extended, would be incorporated in the

transmission license regulations of CERC. These principles would take into account the recoveries made by the licensees during initial 25 years. (CERC is accordingly amending the transmission license regulations.)

- b) For the competitive bid, transmission projects where RfP is still to be issued, the bidders should be asked to quote tariff for period upto 35 years from the date of commissioning of the project. In case the license is renewed beyond the initial period of 25 years, the transmission developer would be entitled to recover the tariff for the period beyond initial 25 years according to his bid only. This is also being incorporated in the transmission license regulations of CERC but it also needs to be incorporated in the standard bidding documents.

5. Accordingly, the Commission in discharge of its functions under section 79(2) of the Electricity Act, has decided to advise the Central Government to modify the standard bidding documents regarding the development of transmission lines through competitive bidding to incorporate the following:

- a) The bidders should be asked to quote bid for a period of 35 years starting from the date of commissioning.
- b) The evaluation of bids should take into account the bids so submitted for a period upto 35 years.
- c) In case the Commission extends the license beyond the initial period of 25 years, the selected bidder would be entitled to recover the tariff according to the bids submitted by him.
- d) The selected bidder should be obligated for extension of his license two years before the expiry of initial 25 years

With regards,

Yours sincerely,

Pramod Deo
(Dr. Pramod Deo)

Shri Harishankar Brahma
Secretary,
Ministry of Power
Government of India
Shram Shakti Bhawan, Rafi Marg, New Delhi.