

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:5140

ANSWERED ON:10.12.2010

POWER PURCHASE AGREEMENT BETWEEN LANCO AND PTC

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Will the Minister of POWER be pleased to state:

- (a) whether LANCO had signed a Power Purchase Agreement (PPA) with Power Trading Corporation India Limited (PTC) for its 300x2 MW LANCO Amarkantak Thermal Power Station;
- (b) if so, the details of the PPA signed between the LANCO and PTC along with the rates at which the PPA was signed;
- (c) whether PTC had in turn entered into a PPA with the State Governments of Madhya Pradesh and Haryana for supply of power;
- (d) if so, the details thereof along with the rate at which the PPA was signed with the State Governments;
- (e) whether LANCO had unilaterally cancelled its PPA signed with PTC;
- (f) whether the PTC had any penalty clause revoked on LANCO for unilaterally cancelling the PPA signed with it; and
- (g) if so, the details thereof and if not, the reasons for not revoking the penalty clause on LANCO?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) & (b) : PTC India Ltd. (PTC) has informed that LANCO had signed the following two Power Purchase Agreements (PPAs) with them for 2x300 MW (Units I & II) of Lanco Amarkantak Thermal Power Project located in the State of Chhattisgarh:

PPA for Unit-I - PPA was signed for Unit I of 300 MW on 11.05.2005 for a duration of 25 years at a levelised tariff as per Central Electricity Regulatory Commission (CERC) norms with a cap of Rs.2.20/ unit. The agreement further provides that in case annual fuel price variation is more than 5%, then the revised tariff cap shall not exceed Rs.2.25/unit during the contract period.

PPA for Unit-II - PPA was signed for Unit II of 300 MW on 19.10.2005 for a duration of 25 years at a levelised tariff as per Central Electricity Regulatory Commission (CERC) norms with a cap of Rs 2.34/unit.

(c) & (d) : PTC has further informed that they entered into the following Power Sale Agreements (PSAs) with Madhya Pradesh State Electricity Board (MPSEB) and Haryana Power Generation Company Ltd.(HPGCL) as per detail below:

PSA for Unit-I - PSA with MPSEB was signed for 300 MW on 30.05.2005 for a duration of 25 years as per CERC norms at a levelised tariff with a cap of Rs 2.20/ unit. In addition, Madhya Pradesh Power Trading Company Limited (MPPTC) is required to pay trading margin to PTC of 5 paise / unit for the first 12 years and 10 paise/unit for the balance 13 years.

PSA for Unit-II - PSA with HPGCL was signed for 300 MW on 21.09.2006 for a duration of 25 years as per CERC norms at a levelised tariff with a cap of Rs 2.34/ unit. In addition, HPGCL is required to pay trading margin to PTC of 5 paise / unit for the first 12 years and 10 paise/unit for the balance 13 years.

(e) : PTC has informed that LANCO has unilaterally terminated PPA with PTC for Unit-I.

(f) & (g) : PTC has informed that the revocation of the penalty clause is contingent on the occurrence of the event of default. Penalty clause was not revoked by PTC, since termination was made under the contractual provisions for non fulfillment of Conditions Precedent. PTC rejected the termination letter and insisted on performance. PTC, therefore, initiated appropriate legal/ regulatory actions for seeking remedy of the unilateral illegal termination of the PPA by LANCO. The matter is sub-judice in the Hon`ble Supreme Court of India.