

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:4080

ANSWERED ON:26.08.2011

ULTRA MEGA POWER PROJECTS

Nahata Smt. P. Jaya Prada;Shekhar Shri Neeraj;Singh Shri Yashvir

**Will the Minister of POWER be pleased to state:**

(a) whether Krishnapatnam Ultra-Mega Power Project (UMPP) is facing road blocks due to a recent change in an Indonesian law which mandates all parties to sell coal at market price;

(b) if so, the details thereof;

(c) whether all existing coal supply agreements with the Indonesian coal mining companies will have to be modified to comply with the new coal pricing regulations before September, 2011;

(d) if so, whether in view of the impact of recent change in law on viability of this project and other coal-based projects, the Association of Power Producers has requested the Government to find a solution in the interest of capacity addition in the country; and

(e) if so, the details thereof and the action taken by the Government in this regard?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF POWER ( SHRI K.C. VENUGOPAL )

(a) to (c) : M/s Coastal Andhra Power Ltd.(CAPL), the developer of Krishnapatnam UMPP, has informed that the Govt. of Indonesia has introduced a new regulation which prohibits sale of coal, including sale to affiliate companies below reference price which is linked to international coal price and require adjustment of sale price every 12 months. They have also informed that it mandates to align all existing long term coal supply contracts with the new regulation within one year i.e by September, 2011. CAPL has further informed that due to introduction of this new regulation and the impending need to change the coal supply agreement, they are unable to drawdown debt under the loan agreement which is in turn affecting them to meet the project cash flow requirement.

(d) & (e) : The Association of Power Producers has, inter-alia, requested the Government for review of Competitive Bidding Framework to enable the developers to meet the obligation for the projects based on the imported coal affected by change in law (i.e. royalty issue in Indonesia) or abnormal increase in costs due to uncontrollable factors (i.e. flood in Australia) etc. Power Purchase Agreements are signed between the Developers and the Procurers and they are to be governed by the terms and conditions of the agreement itself.