

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:4953

ANSWERED ON:02.09.2011

TARIFF-BASED COMPETITIVE BIDDING

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo;Paranjpe Shri Anand Prakash;Singh Alias Pappu Singh  
Shri Uday

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

- (a) whether the power generating companies have expressed their inability to honour contract bagged under tariff based competitive bidding unless they are insulated from increase in fuel prices;
- (b) if so, whether these companies have requested the Government to set up an expert panel to evolve mechanism for revisiting the existing contracts in view of rising fuel prices;
- (c) if so, the details thereof and the reaction of the Government thereto;
- (d) whether the Central Electricity Regulatory Commission (CERC) has urged the Union Government not to extend the January 2011 deadline for completely switching to a tariff based competitive regime in the power sector;
- (e) if so, whether a detailed comparison of fourteen power projects had shown that power tariffs determined through competitive bidding are lower than the cost plus tariffs; and
- (f) if so, the details thereof and the steps the Government has taken to review the state of preparedness of the States in switching over to the competitive route?

**Answer**

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

(a) to (c) : Yes, Madam. References have been received from various companies regarding challenges faced by the power projects due to increase in fuel prices. The Association of Power Producers has requested this Ministry for modifying the existing contract and constituting an Expert Committee to resolve the issue in the interest of stakeholders. The existing contracts signed between the procurees, which are mostly state utilities and the developer of power projects are to be governed by the relevant provisions of the said contracts.

(d): Central Electricity Regulatory Commission (CERC) had advised the Government that the deadline of January, 2011 for completing the transition to procurement of power through tariff based competitive bidding should not be extended further except in cases of large size multi-purpose storage hydro projects and peaking stations.

Government of India vide Resolution dated 08.07.2011 amended Tariff Policy 2006 and exempted all Hydro power projects from tariff based bidding for further period of 5 years on fulfilling certain conditions. Specific transmission projects have also been exempted from tariff based bidding.

(e): CERC had undertaken a detailed exercise covering 14 projects to verify the findings that the tariffs being discovered through competitive bidding are lower than the cost plus tariffs. The study has concluded that the computed prices under cost plus methodology are higher than the levelized tariffs discovered under competitive bidding in respect of 12 out of 14 projects. The comparison table is enclosed at Annex.

(f): All the States have been advised to take necessary steps to switch over the Competitive Bidding regime.