

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2556
ANSWERED ON:09.12.2011
COST OF ELECTRICITY
Rao Shri Sambasiva Rayapati

Will the Minister of POWER be pleased to state:

- (a) whether about 38,000 MW capacity awarded for development through tariff based competitive bidding route is facing the prospect of default on power supply contracts as power project developers cannot pass on increase in fuel cost to electricity buyers;
- (b) if so, the details thereof; and
- (c) the steps being taken to resolve such issues in future?

Answer

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

(a) to (c): As per information furnished by Central Electricity Authority (CEA), two Private Power producers namely, M/s. Coastal Gujarat Power Ltd. (CGPL) for Mundra Ultra Mega Power Project and M/s. Coastal Andhra Power Ltd. (CAPL) for Krishnapatnam Ultra Mega Power Project have sought from Ministry of Power for realignment of guidelines for power projects to insulate developers from unforeseen business risks such as change in regulation on coal price in foreign countries (from where the coal/fuel linkages are tied up).

Private power producers have sought key changes in the bidding guidelines for power projects to insulate developers from unforeseen business risks. Association of Power Producers has also requested this Ministry for modifying the existing contract and constituting an Expert Committee to resolve the issue in the interest of stakeholders. The changes in the bidding guidelines sought by power producers include fuel availability risk of domestic coal, price risk due to change in prices of fuel in coal exporting countries, delay/denial in environment & forest clearance pertaining to coal blocks etc. A committee has been set up in the Ministry of Power in response to the references received from stakeholders.

Since the Power Purchase Agreement (PPA) is a legally binding document exclusively between the procurer and the developer, the Ministry has advised the lead procurers i.e. Govt. Of Andhra Pradesh for Krishnapatnam UMPP and Govt. of Gujarat for Mundra UMPP that any issue arising therein is to be settled within the provisions of PPA by the contracting parties for which the lead procurer may take necessary action.