

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:5789
ANSWERED ON:11.05.2012
AWARDING OF CONTRACT BY NTPC
Das Shri Khagen

Will the Minister of POWER be pleased to state:

- (a) whether the price of coal from a 1697 Mine Developer-cum-Operator (MDO) contract awarded by the National Thermal Power Corporation of India Ltd. (NTPC) is Rs.1200/- per ton, which is more than the average market rate of Rs.800-1000/- per ton;
- (b) if so, the reason for which the NTPC awarded the contract at rate above the prevailing market rate;
- (c) whether the NTPC has agreed to invest Rs.200/- crore as the Initial Capital Expenditure for the project and take all risks associated with the project;
- (d) if so, whether such an investment is in line with market policy associated with MDO projects;
- (e) if so, the names of companies and the amount invested by them in their MDO Operators; and
- (f) the reasons for NTPC to invest such a huge amount against the market regulation?

Answer

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

(a) & (b) : NTPC has informed that the average Mining Fee of MDO contract awarded for its Pakri-Barwadih coal mines is Rs.738/- per metric tonne for the total period of 27 years.

(c): As per the investment approval accorded by its Board of Directors, NTPC is responsible for the activities such as land acquisition, obtaining statutory clearances and funding to the extent of Rs.280 crores for the fixed infrastructure facilities of the project. All other activities and associated risks thereof, rest with the MDO. NTPC has taken Contract Performance Guarantee(s) from the MDO and its Joint Operating Partner for successful completion of the contract.

(d) to (f) : There is no market policy available associated with MDO appointment. Since NTPC was new entrant into Coal Mining sector, NTPC appointed Principal Strategic Consultant and Technical Consultant for selection of Business Model and subsequently for the bidding process for selection of MDO. Request for Qualification (RFQ) for MDO of Pakri-Barwadih coal block was floated in April, 2006. At that time, no other coal block allottee was in the process of selection of MDO through competitive bidding. During discussions, on RFP provisions, qualified bidders asked NTPC for funding of fixed infrastructure facilities since the land belongs to NTPC. Accordingly, based on Bidders` demand, NTPC decided to fund for fixed infrastructure during development stage amounting to only Rs.280 crore for creating fixed infrastructure such as material handling system, mine infrastructure like truck maintenance shop, weld shop, coal lab, warehouse, office building, etc. on its own land against investment of more than Rs.2000 cr. by MDO.