

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:5251
ANSWERED ON:14.08.2014
STANDARD BIDDING DOCUMENTS
Patil Shri Shivaji Adhalrao

Will the Minister of POWER be pleased to state:

- (a) whether the current Standard Bid Documents (SBDs) have helped the electricity producers to contractually conclude about 40000 MW in a short time and if so, the details thereof;
- (b) whether the Government is considering any changes in the SBDs;
- (c) if so, whether the power companies opposed these changes and if so, the reasons therefor;
- (d) whether model power purchase agreements can be terminated even if the power plant cannot operate due to payment default by the procurer and if so, the facts thereof;
- (e) whether this impedes investments and the sector's growth prospects; and
- (f) if so, the steps being taken by the Government in this regard?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER, COAL AND NEW & RENEWABLE ENERGY
(SHRI PIYUSH GOYAL)

(a) & (b) : The current Standard Bidding Documents (SBDs) which are known as Model Bidding Documents (MBDs) were issued by the Ministry of Power, Government of India for long term procurement of power on 20-09-2013 for Design, Build, Finance, Operate and Transfer (DBFOT) power projects/ UMPPs and on 08-11-2013 for Thermal power stations set up on Design, Build, Finance, Own, and Operate (DBFOO) basis.

On the basis of current Model Bidding Documents (MBDs), bid process has commenced for two Ultra Mega Power Projects of 4000 MW each namely Odisha UMPP in Odisha and Cheyyur UMPP in Tamil Nadu. Bid due date for Cheyyur UMPP is 22.09.2014 and for Odisha UMPP is 07.10.2014. Further, as per available information, States of Karnataka, Bihar, Kerala, Andhra Pradesh and Jharkhand have also initiated process for procurement of power under these documents. However, no contract has been concluded so far.

(c) : At the time of revision of these Model Bidding Documents, some of the power companies had raised concerns regarding departure from the existing Build, Own and Operate (BOO) Model, termination provisions, technical and operating parameters, role of Independent Engineer, bankability of the projects under new model and fuel availability risk etc. The revised documents were examined and finalized after reconciling these issues through extensive deliberations and in consultations with all the stakeholders while balancing the interests of Utilities, Generating Companies, Financial Institutions and Consumers.

(d) : Yes, Madam. The Model Power Purchase Supply Agreements can be terminated, even if, the power plant cannot operate due to payment default by the Procurer.

As per clause 37.2 of the Model Power Purchase Agreement (PPA) for thermal power stations set up on Design, Build, Finance, Operate and Transfer (DBFOT) basis, if the Utility fails to make any payment to the Concessionaire, and the Concessionaire is unable to recover any unpaid amounts through the Default Escrow Account and the Letter of Credit, then the Concessionaire has the right to terminate the PPA.

Similarly, as per clause 31.2 of the Model Power Supply Agreement (PSA) for thermal power stations set up on Design, Build, Finance, Own and Operate (DBFOO) basis, if the Utility fails to make any payment to the Supplier, and the Supplier is unable to recover any unpaid amounts through the Default Escrow Account and the Letter of Credit, then the Supplier has the right to terminate the PSA.

(e) & (f): While issuing the MBDs, the events of concessionaires defaults and utility defaults have duly been envisaged, and remedies accordingly provided for in Termination clauses of the documents. This level playing has been done after detailed consultation with all stakeholder, inert-alia, including investor, developers and utilities concerned. Hence, the question of impeding the investment for the sectoral growth should not arise.