

No.45/2/2006-R&R
Government of India
Ministry of Power

New Delhi, the 28th March 2006

To

Shri A.K. Sachan,
Secretary,
Central Electricity Regulatory Commission,
SCOPE Complex, Lodhi Road,
New Delhi

Subject : Tariff Policy under the Electricity Act 2003

Sir,

I am directed to refer to CERC's letter No. 1/20(6)2006-Tariff/Policy/CERC dated 2.2.06 requesting for clarification under the provisions of para 5.1 of the Tariff Policy (notified on 6.1.06) which reads as under:-

“.....All future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity.....”

2. This matter has been considered taking into account the suggestions of the CERC and all relevant aspects. Accordingly, it is hereby clarified that the power generation projects which satisfy any of the following conditions would be well within this provision of the Tariff Policy:

- i) Where the Power Purchase Agreement (PPA) has been signed and approved by the Appropriate Commission prior to 6.1.06 or PPA has been signed and is pending before the Appropriate Commission on 6.1.06, such procurement would be treated as falling outside the scope

of clause 5.1 of Tariff Policy as contractual obligation for procurement of power has been firmly established in such cases.

- ii) Similarly, where the appraisal of any power project has started before 6.1.2006 by the relevant financial institutions for lending funds to the project on the basis of appropriate evidence of process of procurement of power by any utility, such procurement would be treated as falling outside the scope of clause 5.1 of the Tariff Policy provided that in all such cases final PPA is filed before the Appropriate Commission by 30th September, 2006.
- iii) In case of hydro projects where detailed project report (DPR) has been submitted to the CEA/CWC before 6.1.06 for concurrence (except for projects where concurrence of DPR is not mandatory) and appropriate evidence of process of procurement of power by any utility exists before 6.1.2006, such procurement would be treated as falling outside the scope of clause 5.1 of Tariff Policy, provided that in all such cases the final PPA is filed before the Appropriate Commission by 30th September, 2006.

Yours faithfully,

Sd/-
(Alok Kumar)
Director (R&R)
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