

SPURRING INVESTMENT

PFC clears all bidders for Odisha, Tamil Nadu UMPPs

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As part of the government's attempt to spur investments by bidding out large projects, a panel headed by former comptroller and auditor general V.K. Shunglu has cleared all the bidders for the second stage of competitive bidding for the 4,000 megawatts (MW) Odisha and Cheyyur power projects, estimated to require an investment of around ₹25,000 crore each.

Nine companies have been cleared for the next stage of bidding for **Orissa Integrated Power Ltd**, according to **Power Finance Corp. Ltd** (PFC), the nodal agency for bidding out these projects. These are **NTPC Ltd**, **NHPC Ltd**, **Tata Power Co. Ltd**, **Adani Power Ltd**, **JSW Energy Ltd**, **Jindal Power Ltd**, **Sterlite Infraventures Ltd**, **CLP India Pvt. Ltd** and **Larsen and Toubro Ltd** (L&T).

Adani Power, CLP India, **GMR Energy Ltd**, Jindal Power, JSW Energy, L&T, NTPC and Sterlite Infraventures have also qualified for the request for proposal (RFP) stage for **Coastal Tamilnadu Power Ltd** at Cheyyur, PFC said in a statement on Monday. All these firms had submitted their applications in response to the request for qualification (RFQ) called for these projects.

An RFQ indicates a company's intention to compete for a project. After short-listing from among the companies that submit RFQs, requests for proposals (RFPs) are called for.

The power ministry's ambitious ultra-mega power project (UMPP) programme is India's attempt to create large power generation capacities at a single location. It has had its

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share of problems, weighed by ecological concerns and local resistance. Failure to get environmental clearances had forced PFC to extend the deadlines for these companies to respond to RFQs.

These projects are also being seen as a test case for the new design, build, finance, operate and transfer (DBFOT) model; unlike the earlier build, own, operate (BOO) model. This move has been criticised by the Central Electricity Regulatory Commission (Cerc), India's top power sector regulator.

Pramod Deo, a former chairman of Cerc, had expressed reservations about some of these standard bid document provisions. "In our view, DBFOT model is suited more for natural monopoly businesses like road, transport, transmission and distribution of electricity, etc., and not for de-licensed businesses like generation," he wrote in a 26 October statutory advice to the power ministry.

He also drew attention to issues such as "complexities in transfer process" and "uncertainties in terms of financing", and recommended the BOO model.

However, power minister Jyotiraditya Scindia had expressed confidence in investors' interest in the proposed bids for these projects as a new set of standard bid documents

have taken care of the fuel risk and land issues.

Analysts are hopeful about the new projects.

"Things are getting better in the sector, but we can't expect overnight that new ordering will start soon. The new UMPPs could see a more rational bid from power companies and that would be good for industry," UBS Global Equity Research wrote in a 13 December report.

UMPPs follow competitive tariff-based bidding, and special purpose vehicles (SPVs) are set up to reduce risk perception and to increase investor confidence. These SPVs take care of regulatory requirements such as land acquisition and environmental clearance, and transfer these to the winning bidder.

"Odisha UMPP is a pithead power project, based on domestic coal to be sourced from allocated captive coal blocks, with an expected investment of about ₹25,000 crore, while Cheyyur UMPP is a coastal power project, based on imported coal with an expected investment of about ₹24,200 crore," PFC said in the statement.

The government wants to set up 16 UMPPs, but only four have been awarded—at Mundra in Gujarat, Sasan in Madhya Pradesh, Krishnapatnam in Andhra Pradesh, and Tilaiya in Jharkhand. Two projects, at Girye in Maharashtra and Tadri in Karnataka, were abandoned because of local resistance.

The other UMPPs that are planned include; Nayunipalli in Andhra Pradesh, Husainabad in Jharkhand, and Bijoypatna, Narla and Kasinga in Orissa. In addition, more such projects are planned in Bihar, Tamil Nadu and Gujarat.