

**BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION  
LUCKNOW**

Petition No.306/2006

**IN THE MATTER OF:** Approval of Power Purchase Agreement signed with Rosa Power Company Ltd. for purchase of 600 MW power

**AND**

**IN THE MATTER OF:**

UP Power Corporation Ltd.  
(Through GM, PPA Directorate)  
14, Ashok Marg,  
Lucknow

:Petitioner

M/s Rosa Power Supply Company  
14-A/5, Park Raod,  
Lucknow

:Respondent

The following were present :

1. Sri. Rahul Misra, Sr. Analyst, IMACS
2. Sri. Rahul Sharma, AGM, IMACS
3. Sri. Ajay Kr. Singh, Sr. Specialist, IDFC Ltd.
4. Ms. Veena Ravi Shankar, TCE, Bangalore
5. Sri. S.S Rao, Rosa Power Company
6. Sri. Abhay Athalye, Rosa Power Company
7. Sri. R.G Rathor, RPSCL Ltd.
8. Sri. V.K Singh, RPSCL Ltd.
9. Sri. Atul Srivastava, RPSCL Ltd.
10. Sri. S.T Hasan, EE, PPA Directorate, UPPCL
11. Sri. O.P Malhotra, GM, PPA, UPPCL
12. Sri. S.K Agarwal , Director(Finance), UPPCL

**ORDER**

(Date of Hearing 2.2.06)

Through the said Petition, the Petitioner has sought approval of Power Purchase Agreement(PPA) signed by UP State Electricity Board, the predecessor of

UPPCL, with Rosa Power Company Ltd. on 24.9.98. It is stated that the original PPA signed on 24.9.98 has been amended in 24.9.99 and now second supplementary agreement has been agreed to be entered into on account of the Electricity Act,2003,UPERC and CERC Regulations on terms and conditions of tariff coming into force as such the. After the filing of the said Petition, the Petitioner has submitted; revised cost estimates of Rosa Thermal Power Station as submitted by the Respondent by letter No.59/GM/PPA Rosa dated 18.1.06, a comparative statement of amendments made in the original PPA as submitted by Respondent by letter No.95/GM/PPA Rosa dated 28.1.06 and a consolidated draft of final PPA as submitted to the Petitioner by the Respondent by letter No.117/GM/PPA/Rosa dated 1.2.06 .

The Respondent made a representation before the Commission in respect to the project, contractual arrangements, terms and conditions agreed with the Petitioner in deviation to UPERC Regulations, the revised cost of the project etc. The Respondent submitted that the revised cost of the project was Rs.2641.63 Cr. for 600 MW project against Rs.2713 Cr. approved by the CEA earlier for 567 MW capacity. It was contended by the Respondent that the cost of Rosa project was comparable with the cost of Nagarjun Sagar project cleared by CERC. The comparison of cost was discussed in detail and found reasonable. The Petitioner had also agreed to the revised cost estimate as put by the Respondent. Regarding foreign exchange component, it was stated by the Respondent that the said cost included a maximum of US \$296.6 m as debt at exchange rate of Rs.45.5 and there was no foreign equity. The Petitioner expressed no objection to the same. It was pointed out by the Respondent that it had agreed with the Petitioner to seek deviations from UPERC Regulations in respect to stock of coal, escalation on spares and receivables and decided to adopt the norms specified by CERC in that regard.

Besides above, the Respondents submitted the following:

1. the tax on incentives might be made a pass through,

2. auxiliary consumption should include consumption of the colony as per the order of the Central Govt.,
3. impact of cost of purchase of coal, if any, beyond the availability higher than the target availability be allowed as pass through in tariff,
4. financial closure within 9 months
5. Commissioning of first unit within 37 months and 40 months for second unit from the date of financial closure.

The Petitioner had not objected to any of the above proposals made by the Respondent.

The Commission, in consideration of the mutual agreements arrived between the parties to the PPA and submissions made in the hearing, decides to accord in principle approval to the PPA subject to following conditions:

1. The terms and conditions in the PPA shall be governed by UPERC (Terms and Conditions of Generation Tariff), Regulations, 2004 subject to the exception that the stock of coal, escalation on spares and receivables shall be taken as per the CERC Regulations for the purpose of determination of interest on working capital.
2. The capital cost of the project shall be Rs.2641.63 Cr. as ceiling cost for the purpose of determination of tariff,
3. The foreign debt component shall be limited to US \$ 296.6 m.
4. There shall be no foreign equity in the project.
5. Financial closure should be made in 4 months from the date of this order, as agreed by the Respondent during the hearing.
6. The date of C.O.D of first unit shall be within 41 months and second unit within 44 months reckoned from the date of this order.
7. Since UPPCL being STU is not to engage in trading as per the provisions of the EA, 2003, as such the PPA in question shall be assigned to the concerned distribution companies as per the decision of the State Govt.

The Petitioner is directed to submit before the Commission final draft of the agreement duly agreed between the parties on an affidavit after incorporating the said decisions of the Commission for approval within one month of the date of this order.

(R.D. Gupta)  
Member

(P.N. Pathak)  
Member

(Vijoy Kumar)  
Chairman

Lucknow; Dated : 2<sup>nd</sup> Feb, 2006