

## CHAPTER - 6

# Conclusion

**6.1** With a view to augment power generation capacity in the country, Ministry of Power identified development of 16 Ultra Mega Power Projects (UMPPs) during XI and XII Plan, each with a capacity of around 4000 MW. Power Finance Corporation Limited (PFC) was the nodal agency for development of UMPPs and Special Purpose Vehicles (SPVs) of the nature of Shell Companies were formed by PFC. So far, contracts for four UMPPs viz. Sasan, Mundra, Krishnapatnam and Tilaiya have been awarded to the Project Developers by these SPVs.

**6.2** Audit observed that the process of identifying the Project Developers suffered from inadequacies as the minimum qualification criteria for prequalification of bidders like networth was on the lower side considering the size of the projects and some of the key conditions of the Standard Bidding Documents were diluted citing the need for increasing competition or providing comfort to the Developers.

**6.3** The bid evaluation process was completed and Letter of Intent issued to Reliance Power Limited (RPL) in case of Sasan, Krishnapatnam and Tilaiya UMPPs without verifying admissibility of experience claimed by them. Bid Process Management Consultants M/s. E&Y as well as the various Evaluation Committees failed to perform their functions effectively.

**6.4** Subsequent to award of the Sasan Project to RPL, Empowered Group of Ministers (EGOM) on UMPPs recommended and Ministry of Coal granted permission to RPL to utilize the surplus coal from three (Moher, Moher Amlohri and Chhatrasal) captive mines of Sasan UMPP for their other project i.e. Chitrangi in Madhya Pradesh. A reading of all the clauses in the allocation letters together conveyed that these clauses were inserted in the coal allocation letter as a safeguard measure to prevent the misuse of coal by the Developer. The permission to use surplus coal in other projects of the bidder after award of the contract based on acceptance of the lowest tariff, vitiated the sanctity of the bidding process which would result in post bid concessions to the Developer having significant financial implication.

**6.5** Permission for use of excess coal by RPL from the three coal blocks allocated to Sasan UMPP after its award not only vitiated the bidding process but also resulted in undue benefit to RPL.

To ensure fair play, a level playground and transparency of the bidding process for future Developers to derive comfort in Government action, the allocation of the third coal block (Chhatrasal) be appropriately reviewed. Since the Developer had committed that he would be able to source 20 million tonne from the two blocks there would be adequate coal to feed the Sasan UMPP.

**6.6** Audit has estimated the financial benefit that will accrue to the Project Developer on the basis of comparison of tariff of Sasan Project (₹ 1.196 per unit) with that of Chitrangi Project (₹ 2.450 for Madhya Pradesh and ₹ 3.702 for Uttar Pradesh). The overall financial benefit to RPL due to impact of the difference in tariff works out to ₹29,033 crores with a net present value of ₹ 11,852 crore.