

No. 15/2/2017-Trans-Pt(1)
Government of India
Ministry of Power
Shram Shakti Bhawan, Rafi Marg, New Delhi- 110001

Dated, 15th March, 2021

To

Addl. Chief Secretaries/ Pr. Secretaries/
Secretaries of Power/ Energy Departments
of all the States and UTs.

Subject: Adoption of Tariff Based Competitive Bidding (TBCB) for intra-State transmission projects- reg.

Sir,

You are aware that Electricity Act 2003 has created conducive environment for investments in all segments of the electricity industry, both for public and private sectors, by removing barrier to entry in different segments. Section 63 of the Electricity Act provides for participation of private sector on competitive basis in different segments so as to encourage private sector investment.

2. National Electricity Policy 2005, envisages that role of private participation in generation, transmission and distribution would become increasingly important in view of the rapidly growing investment needs of the sector. It also states that the Central Government and the State Governments need to develop workable and successful models for public private partnership for leveraging private investment with the public sector finances.

3. In continuation of the National Electricity Policy 2005, Tariff Policy was notified by the Central Government in 2006 for ensuring optimal development of the transmission network to promote efficient utilization of generation and transmission assets in the country, as well as for attracting the required investments in the transmission sector and providing adequate returns.

4. In line with above policy framework, Ministry of Power notified "Tariff Based Competitive Bidding (TBCB) Guidelines for Transmission Service" and "Guidelines for Encouraging Competition in Development of Transmission Projects" under section 63 of the Electricity Act, 2003 on April 13, 2006. Subsequently, Standard Bidding Documents, viz. Request for Qualification (RfQ), Request for Proposal (RfP) and Transmission Service Agreement (TSA), were notified by Ministry of Power, Govt. of India in the year 2008, followed by subsequent amendments in these documents. With this, tariff based competitive bidding started for development of inter-state transmission sector since 2010.

5. Subsequently, the Central Government notified revised Tariff Policy in January 2016 with following provisions regarding Transmission System:

7.1 (6) :Investment by transmission developer including CTU/STUs would be invited through competitive bids in accordance with the guidelines issued by the Central Government from time to time.

7.1 (7) While all future inter-state transmission projects shall, ordinarily, be developed through competitive bidding process, the Central Government may give exemption from competitive bidding for (a) specific category of projects of strategic importance, technical upgradation etc. or (b) works required to be done to cater to an urgent situation on a case to case basis.

6. In line with provisions of the Tariff Policy 2016, generally inter-state transmission systems are developed through competitive bidding only, except for certain categories of transmission system as specified in the Tariff Policy 2016. With adoption of Tariff Based Competitive Bidding for development of transmission system, following key benefits have been observed:

- (i) Lower Tariff compared to Cost Plus: With large number of bidders participating in development of a transmission project, discovered tariff for a transmission project can be lower than cost-plus tariff by about 30-40%
- (ii) Less burden on government finances: It will attract private investments for development of projects, and scarce government fund can be spared for other priority sectors
- (iii) Risk sharing: It encourage risk sharing with private sector. Innovative Technology: It encourages use of advanced technology for improving cost and efficiency

7. As intra-state transmission system has major share in the transmission sector in the country, adoption of Tariff Based Competitive Bidding (TBCB) in development of intra-state transmission system can effectively reduce burden on State Governments' finances as well as reduce tariff of intra-State transmission system, leading to consumers' benefit. The matter was also discussed in a meeting taken by Hon'ble Union Minister of State (Independent Charge) for Power and New and Renewable Energy on 03.02.2021 and it was decided to request the State/UT Governments to adopt TBCB in development of intra-State transmission system.

8. In light of above and in the larger interest of consumers, it is strongly recommended that tariff based competitive bidding may be adopted for development of Intra-State Transmission system also.

9. This issues with the approval of Competent Authority.

Yours faithfully,



15-03-2021

(Mritunjay Kr. Narayan)

Joint Secretary to the Govt. of India

Copy to

1. Chairpersons of all SERCs and JERCs.
2. Chairperson, CEA, New Delhi.
3. PS to Hon'ble MoSP (IC) / Sr PPS/ PPS/ PS to Secretary (Power) / AS (SKGR) / AS (VKD) / AS&FA / Sr Advisor/ All JSs/ CE(Th), MoP
4. Technical Director, NIC, Ministry of Power- with the request to host this letter on the website of Ministry of Power