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CERC Relief Prompts Other Discoms to Seek Tariff Hike

Regulator decided to compensate Tata Power and Adani for the rise in coal prices

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NEW DELHI

The electricity regulator's order to compensate Tata Power and Adani Power for the unexpected rise in coal costs has inspired other companies to seek higher tariffs but experts said it would be an uphill task and in some undeserving cases the government may acquire or rebid a project seeking relief.

Many companies including Reliance Power, Essar Power, Aryan Coal, KVK Energy and Rajasthan Sun Technique have approached regulators for tariff hikes while many others are preparing to do the same.

J Sagar Associates that represented both Tata Power and Adani Power said the order was path breaking but it may not be a precedent for different kind of situations. "...only deserving cases of unforeseen, undeserved and unabsorbable supervening events outside control of project developers can be considered for relief including restructuring or reviving. Undeserving cases may face rebidding, foreclosure or acquisition by government," J Sagar Associates said.

It said the order of the Central Electricity Regulatory Commis-

Aftermath of Power-play

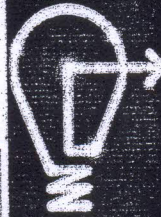
The electricity regulator allowed higher (compensatory) tariffs to be operative only till 'hardship of power producers' remains due to high price of imported coal

REPERCUSSIONS

₹10 lakh cr

Worth investments in stranded infrastructure projects— which includes debt exposure of around ₹7 lakh cr— will be impacted by CERC order for compensation to Tata & Adani

Reliance Power, Essar Power, Aryan Coal, KVK Energy and Rajasthan Sun Technique have approached regulators for tariff hikes



₹329 cr will have to be paid to Tata Power by Maharashtra, Gujarat, Punjab, Haryana and Rajasthan & ₹829 cr to Adani Power

₹1,000-1,500 cr is the cost state utilities will have to bear for a year on account of higher tariff

They will, however, get a share of profits from coal mining and sale of power

sion (CERC) would have a bearing on investments of ₹10 lakh crore in stranded infrastructure projects, which includes debt exposure of around ₹7,00,000 crores.

The commission had observed: "In our view, while it is expected that the parties to the PPA would factor all possible contingencies including price escalation, there are certain events, which are beyond the contemplation of the parties and if the impact of such events are not taken into account, it would make the PPA unworkable and the project commercially unviable. If the price escalation is on account of some event which was beyond the contemplation of the parties, then the impact of price escalation needs to be duly considered and addressed in order to save the PPA from being frustrated."

The regulator disapproved the renegotiation of tariff discovered

through the competitive bidding and emphasised on the sanctity of PPAs. CERC disagreed with Tata Power and Adani Power's argument that 'force majeure' and 'change in law' are compelled them to seek higher tariff.

"In our view, Indonesian Regulations or increase in the international price of imported coal is not an event of force majeure and therefore, change in the cost of the fuel imported by the petitioner cannot be covered under the provisions of force majeure..... If the term "all laws" is interpreted as to include the foreign law, it will lead to absurd results as any change in foreign law would be given effect to which would result in the changes in the rights and liabilities of the parties under the contract. In our view, if any foreign law is to be made applicable, it should be specifically provided for in the contract," CERC said.

KERC gets two new members DECCAN 8-3-14 HERALD

Income Tax Commissioner DB Manivel Raju and Commercial Tax Additional Commissioner H D Arun Kumar took oath as members of Karnataka Electricity Regula-

tory Commission (KERC) to assist the Commission Chairman M R Sreenivasa Murthy during the hearing of tariff revision petitions for 2014-15, reports DHNS from Bangalore.

DECCAN HERALD Power shutdown 8-3-14

There will be no power supply on March 10 from 10 am to 2 pm in the following parts of Rajajinagar and other areas: First 'R' Block, West of Chord Road, Rajajinagar, Ranganathapura, ESI Hospital, Bashyam Circle, Magadi Main Road; 4th 'M' Block, KLE College, Shobha Hospital surroundings, Chickpet, Mysore Road, Goripalya, Binny Layout and Cottonpet police station among others. To lodge complaints, call: 22873333.

