

Analysis of Responses to the Expression of Interest for Setting up a Thermal Power Project of MCL



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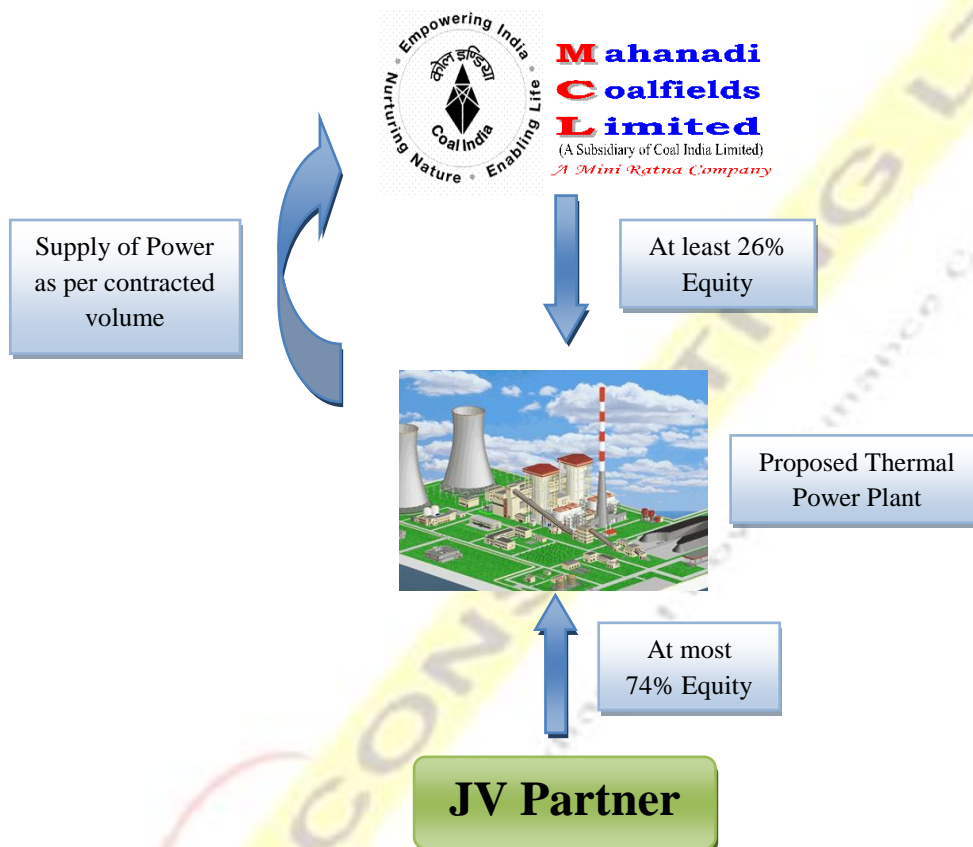
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(A wholly owned subsidiary of Power Finance Corporation Ltd.)

1. Introduction

Mahanadi Coalfields Limited (MCL), a Mini-Ratna Public Sector Enterprise under Ministry of Coal and having coal mines spread across the State of Odisha, is now moving into value addition through forward integration into power generation by setting up a 2x800 MW Coal based Thermal Power Project in Sundargarh District, Odisha. MCL would supply the entire coal required for the Power Plant from its Basundhara Coalfields. The setting up of power project in vicinity of the coalfields would lead to consumption of coal at the pit head and would reduce the logistic requirements for coal transportation. MCL has decided to set up the power plant in Joint Venture with a Joint Venture (JV) partner to be selected through Tariff based International Competitive Bidding Process.



A Special Purpose Vehicle (SPV) is being incorporated for the above purpose, initially as a wholly owned subsidiary of MCL. On selection of the JV Partner, the SPV shall be converted into a Joint Venture Company with MCL's shareholding of at least 26% and the balance shareholding of the selected JV Partner.

2. The EoI Conference

MCL has appointed PFC Consulting Ltd. (PFCCCL) as a consultant for assisting in the above process and in this regard an Expression of Interest (EoI) conference for the selection of JV Partner for the proposed power project was held on August 11, 2011 at Hotel Mayfair Convention, Bhubaneswar.

The conference was attended by representatives of forty one (41) companies who participated in discussions along with senior officials of MCL. The list of participating companies is enclosed at **Annexure - I**

During the conference, the prospective bidders / developers were requested to solicit further suggestions / recommendations and raise queries (if any) on the proposed power project, which would help MCL in finalizing the project structure as well as the methodology for selection of JV partner.

Following this, responses in the form of queries and suggestions were received from **eleven (11)** companies (list enclosed at **Annexure- II**). The queries raised by these companies have been consolidated and have been categorized as related to the following:

Location / Site	
Water	
Fuel	
Project Capacity	
Power Evacuation	
Sale of Power	
Project Structure	
Other / Miscellaneous	

The replies on the above are as below:

3. Location / Site related queries

Q.1. What would be the land requirements for the project and what is the present status of land acquisition? Whether the new Land Acquisition Bill/Act and R&R policy be accommodated in this project?

MCL's Response - Around 1500 Acres of land is proposed to be acquired for the project, which is to be identified. However, the SPV would undertake the task of identification and acquisition of land as per prevailing laws for land acquisition.

Q.2 Whether the land would be acquired by MCL or by the SPV? If it would be by MCL, will the land required for the project be transferred to the SPV before Bidding?

MCL's Response - SPV would undertake the task of identification and acquisition of land as per prevailing laws for land acquisition. However, if the SPV decides to use any land already under possession of MCL, it would be transferred to the SPV.

Q.3. If there is any forest land involved, will MCL take Stage-1 Forest Clearance before issuing RFQ?

MCL's Response – The Guidelines of Ministry of Power (MoP) & Circulars of Ministry of Environment and Forest (MoEF), from time to time, would be followed.

4. Water related queries

Q.4. What is the status of water linkage for the project? Has it been applied for? We understand that the water availability to meet the requirements of the proposed plant near the MCL site is very less. What is the plan of MCL to overcome this difficulty? Will MCL be interested to evaluate any alternate options to overcome the water availability problem?

MCL's Response - The site would be finalized keeping in view the availability of water. After finalization of site upon approval of TOR from MoEF, the SPV would apply for obtaining water linkage and establish the same.

5. Fuel related queries

Q.5. Whether MCL would allot any specific coal block to the JV Company? Secondly, whether MCL would provide Coal for the requirement of the power plant to run it at a PLF of 90-100% or for requirements of the plant at a normative availability of 85%? Please also clarify whether the Office Memorandum circulated by Ministry of Coal in June 2011, indicating that the actual drawl of coal will be allowed only to such projects where 85% of power is tied-up through competitive bidding process, be applicable for this project?

MCL's Response - MCL would not allocate any coal block to the JV Company. The quantity of coal to be supplied by MCL would be conveyed to the bidders at the RfP Stage.

Q.6. MCL is planning to set up the Power Plant, as there is problem of evacuation of coal due to logistic issues. If the logistic problem is resolved in future, MCL may not be in a position to supply requisite quantum of coal to power plant. Also, as per SBD Clause 12.4 (a), unavailability of fuel is not a Force Majeure condition, in which case failure to achieve average availability of plant of less than 65% shall be Seller's Event of Default. Please comment.

MCL' Response – The issue would be addressed at the RfP Stage to provide requisite comfort to the bidders.

Q.7. As per the New Coal Distribution Policy, Coal India Limited is insisting the linkage beneficiaries to either use 50% imported coal for their projects or surrender the imported coal option and get only up to 50% domestic coal. Please clarify whether this would also be applicable for the proposed project.

MCL's Response - The issue would be addressed at the RfP Stage to provide requisite comfort to the bidders.

Q.8. Would coal transportation through Conveyor/MGR be included in the scope? What would be the delivery point of the coal?

MCL's Response – The coal transportation arrangement would be finalized after finalization of the site for the project. The delivery point of coal would be the pit-head / mine.

Q.9. What would be the grade, GCV and quantum of coal to be supplied to the project. What is the availability of coal in the region?

MCL's Response - MCL would supply F Grade Coal for the power project. The issue regarding GCV and quantum of coal would be addressed at the RfP Stage to provide requisite comfort to the bidders.

Q.10. Whether Coal shall be supplied at Actual Production Cost or Notified Price? Will there be a fuel cost pass through arrangement?

MCL's Response - Coal would be supplied at the price notified by Coal India Ltd / MCL. The bidding parameters / criteria would be defined at the RfQ and RfP Stages appropriately.

Q.11. Will coal analysis (proximate and ultimate) be indicated in the RFQ?

MCL's Response - Coal Analysis would be communicated at RfP stage.

6. Project Capacity related queries

Q.12. Please indicate whether the project configuration and capacity is fixed at 2x800 MW or is flexible within a certain range and can be chosen by the bidders.

MCL's Response - The project capacity & configuration are to be finalized and the same would be communicated to the bidders at the RFQ stage

7. Power Evacuation related queries

Q.13. Please indicate the line length, configuration of transmission line. Would responsibility for construction of transmission line for transmission of power required by MCL be part of the JV Company?

MCL's Response – SPV would undertake the power evacuation study and based on the study a decision on power evacuation system would be taken and intimated to all the bidders at the RfP Stage.

Q.14. As per our understanding, there is no 400 KV or higher voltage transmission lines in Sundargarh. In such a scenario, what is the power evacuation plan of MCL? We understand that the delivery of Power shall be at plant bus bar and thereafter responsibility of power evacuation shall be that of MCL. Please confirm.

MCL's Response - SPV would undertake the power evacuation study and based on the study a decision on power evacuation system would be taken and intimated to all the bidders at the RfP Stage.

Q.15. It was mentioned in the conference that CTU should construct the transmission line from power project switchyard to pooling PGCIL Sub Station. Please confirm the same. Also inform the Pooling Sub Station contemplated

MCL's Response - SPV would undertake the power evacuation study and based on the study a decision on power evacuation system would be taken and intimated to all the bidders at the RfP Stage.

8. Sale of Power related queries

Q.16. Since the project is coming up in Odisha, is it necessary for MCL to provide power to the Govt of Odisha towards State's share? If yes, what is the obligation?

MCL's Response – The matter would be taken up with the Govt. of Odisha and intimated suitability at the RfP Stage.

Q.17. MCL is also exploring option to obtain power trading licence in order to trade surplus power. In case MCL Power Trading Company does not off take the requisite quantum of power or MCL Power Trading Company is unable to tie up the power, would MCL ensure payment of full capacity charge and additional fuel charge, as heat rate of the project may increase due to low load?

MCL's Response – This would be intimated at the RfP Stage in a firm manner.

Q.18. Please specify the MCL's power requirement from the project.

MCL's Response - MCL plans to procure around 150 MW from the project by the end of 13th Plan. The demand would grow thereafter to around 500 MW.

Q.19. Will the surplus power be sold on: (a) merchant basis; or (b) client would procure power under a PPA and further sell it under Long term PPA. In case of option (b), above, will the information about agreed tariffs from Long term customers be made available before RfQ Stage? What is the proposed mechanism for sharing upsides from merchant sale in case of option (a)?

MCL's Response – The structure of the project is to be finalized. Various alternatives of sale of power are being examined by MCL. Accordingly, a decision would be taken on the sale of power after finalization of the structure of project.

9. Project Structure related queries

Q.20. Please confirm whether the equity to be invested by MCL would be cash equity to be invested pari – pasu with the JV partner or would be sweat equity. Will there be any equity lock-in provision?

MCL's Response - The equity structure would be finalized and communicated to the bidders at the RfQ stage.

Q.21. Will the JV Company be a Private Limited Company or a Public Limited Company? Since SPV would be formed as a Public Limited Company, we assume that JV Company would continue to be Public Limited Company.

MCL's Response – This would depend on the Equity Structure.

Q.22. As per the Companies Act, there should be at least 7 shareholders in the Public Limited Company and in this project, it is not clear whether the JV Partner will retain its holding in its own name or it has to provide 6 names who shall be the shareholders. If JV partner will be a single entity, then MCL has to hold the shares in at least 6 names. Please clarify.

MCL's Response – It would be answered by the equity holding structure.

Q.23. Please clarify whether SPV has already been created or not and what would be the structure of the Board of Directors as well as the management Control

MCL's Response - SPV is to be incorporated. Initially the SPV would be incorporated as a wholly owned subsidiary of MCL which would be converted into a Joint Venture with at least 26% equity stake of MCL.

Q.24. Will the selection of the JV partner be through competitive bidding following Case – 2 Guidelines?

MCL's Response – The selection of the JV partner would be based on the 'Case 2' of the Tariff based Competitive Bidding Guidelines of Govt. of India.

10. Misc queries

Q.25. Please provide the proposed COD for the project

MCL's Response – The first unit of the plant is expected to be commissioned within 48 months after the selection of the JV Partner. However, the same would be firmed up at the bidding stage.

Q.26. Will SPV initiate the process for application/obtaining major clearances like Environment Clearance and Forest Clearance?

MCL's Response – Yes. It would be in accordance with Tariff based Competitive Bidding Guidelines of Govt. of India

Q.27. In order to encourage participation from domestic companies, Ministry of Power and Central Electricity Authorities have stipulated guidelines for State & Central Government utilities for procurement of Supercritical boilers and Steam turbines to ensure that domestic companies are not at any disadvantage with respect to inferior & less efficient boilers and turbines supplied by other countries. Will MCL maintain the stand of MoP & CEA by structuring the RFP to discourage the inferior & less efficient suppliers?

MCL's Response – Super Critical technology will be preferred. However, the technical specifications / parameters would be indicated at the RfP Stage.

Q.28. Due to the existing technical qualification guidelines of CEA, many good Power sector EPC companies are deprived of offering world-class technology plants in India as they have not yet developed any power plant in the country. However, they all are technically & financially capable of building power plants of international standards. Will MCL be interested to allow such good EPC Companies to participate in developing the proposed power plant?

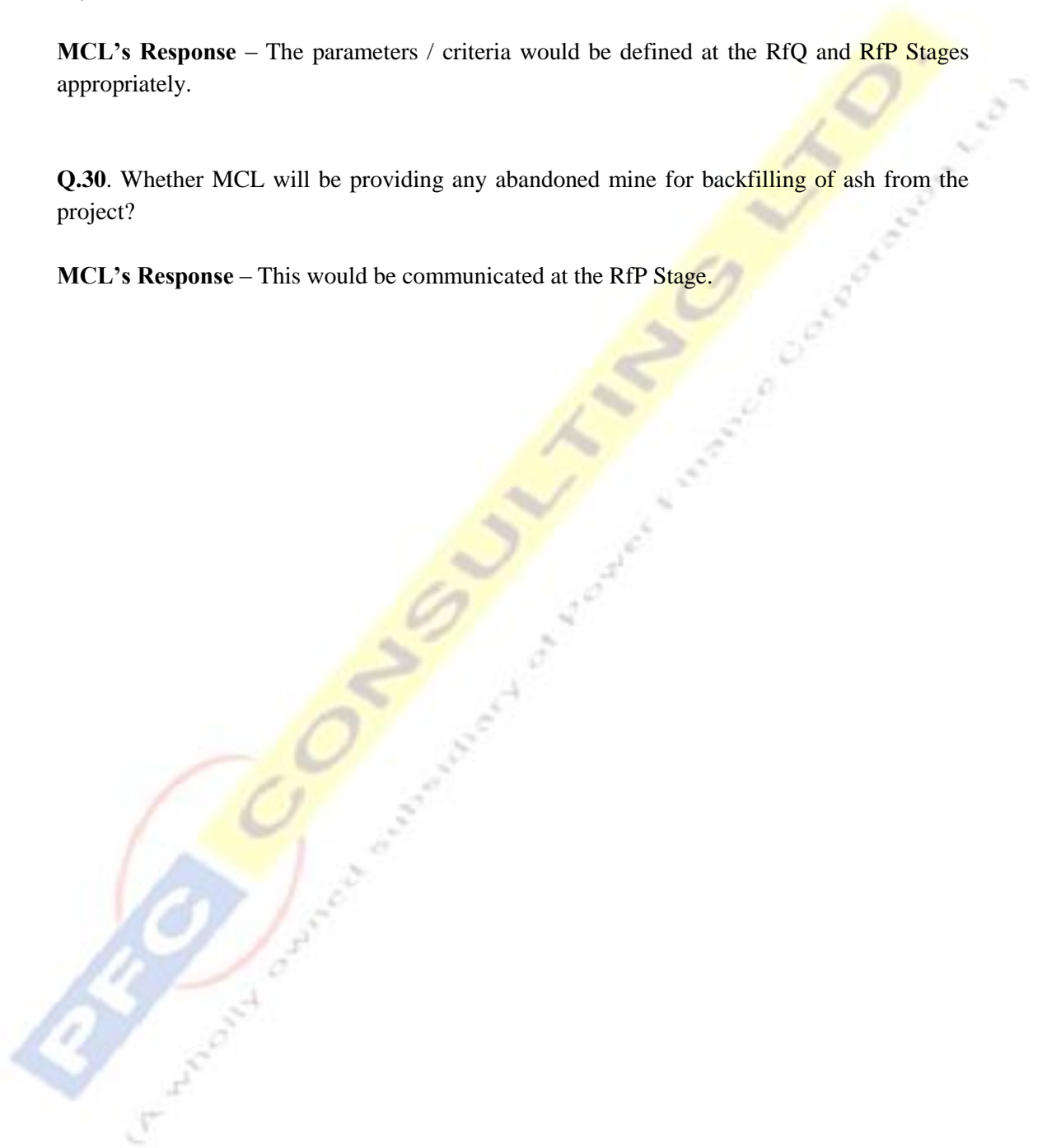
MCL's Response – To the best of our knowledge, there is no such restriction on EPC Companies to participate in developing power projects in the country. However, in case of any doubts, kindly let us know about any such regulations / circulars of Govt. of India.

Q.29. What would be the bidding parameter: Quoted Tariff/Heat Rate/Free equity offered/ any other?

MCL's Response – The parameters / criteria would be defined at the RfQ and RfP Stages appropriately.

Q.30. Whether MCL will be providing any abandoned mine for backfilling of ash from the project?

MCL's Response – This would be communicated at the RfP Stage.



Annexure- I

List of Prospective Bidders / Developers who participated in the EoI Conference

S. No.	Name of the company
1	ACB (India) Ltd.
2	Adani Power Ltd.
3	Aditya Birla Group
4	AES (India) Pvt. Ltd.
5	Afii Infrastructure Advisors Ltd.
6	Athena Energy Ventures Pvt. Ltd.
7	BGR Energy Systems Ltd.
8	CLP India Pvt. Ltd.
9	Dalmia Power Ltd.
10	Deepak Cables (India) Ltd.
11	Essar Power Ltd.
12	Gammon Infrastructure Projects Ltd.
13	GKC Projects Ltd.
14	GMR Energy Ltd.
15	GVK Power & Infrastructure Ltd.
16	Haldia Energy Ltd.
17	Indiabulls Power Ltd.
18	Israel Electric Corporation
19	Jaiprakash Associates Ltd.
20	Jindal Power Ltd.
21	JK Organization
22	Larsen & Toubro Ltd.
23	Lanco Power Ltd.
24	Mandakini Coal Company Ltd.
25	Mitsui & Co. Ltd
26	Moser Baer
27	NALCO
28	NCC Ltd.
29	NTPC Ltd
30	OPG Power Generation Pvt. Ltd.
31	OPGC
32	Reliance Infrastructure & Consultants Ltd.
33	Shivani Energy Ltd.
34	Tata Power Company Ltd.
35	Techpro Systems Ltd.
36	Today Energy (MP) Pvt. Ltd.
37	Vedanta
38	Videocon
39	Visa Power Ltd
40	VPL
41	Welspun Energy Ltd.

Annexure – II

List of Prospective Bidders / Developers who submitted the EoI Response

S. No	Name of Company
1.	ACB (India) Ltd.
2.	BGR Energy Systems Ltd.
3.	CESC
4.	Gammon Infrastructure Projects Ltd.
5.	Indiabulls Power Ltd.
6.	Jaiprakash Associates Ltd.
7.	Lanco Power Limited
8.	Larsen & Toubro Ltd.
9.	OPG Power Generation Pvt. Ltd.
10.	Pipavav Energy Private Ltd. (A Videocon Group Company)
11.	Welspun Energy Ltd.

