

Notice Inviting Tender
(Power Procurement for Maharashtra State Electricity Distribution Company Limited,
MSEDCL)
For CE/PP/Coal/Solar/02 Dated 13.03.2024

In order to fulfill the future electricity demand of the state, Maharashtra State Electricity Distribution Company Limited (MSEDCL) intends to tie up procurement of thermal power up to capacity of 1600 MW and solar power up to capacity of 5000 MW through Competitive Bidding Process.

1. Procurement of Coal-based Power

In exercise of the powers conferred under the Rule 16 of Electricity (Amendment) Rules, 2022, the Ministry of Power, Government of India, in consultation with Central Electricity Authority (CEA) had issued the guidelines for Resource Adequacy for the Indian electricity sector on 28th June 2023. These guidelines are expected to be followed by all institutions and stakeholders. Resource Adequacy means tying up sufficient capacity to reliably serve expected demand of the consumers in the DISCOMs license area in a cost-effective manner. Further, Ministry of Power has also come with a notification maintaining resource adequacy for Distribution Licensees and they are not expected to resort to load shedding under any circumstance. MERC has also issued state grid code and Distribution Licensees are expected to maintain Spinning Reserve for smooth operation of grid systems. Due to ageing of many power stations of Maharashtra State Power Generation Company Limited (MSPGCL) and issues related to coal quality/shortfall, actual availability of some of these plants have also been on the lower side in recent past.

Demand of electricity is also witnessing significant growth in the state and MSEDCL is compelled to purchase power from exchange market at times. Sometimes, the required quantum is not even available in exchange leading to curtailment. Considering the present situation of availability from contracted thermal generators, requirement of Resource Adequacy for meeting peak demand and to maintain sufficient Spinning Reserve as per state grid code, MSEDCL is in need for contracting additional coal based thermal capacity.

The Ministry of Coal (MoC) issued a notification on May 22, 2017, outlining specific guidelines for the allocation to the power sector under the SHAKTI (Scheme of Harnessing and Allocating Koyala (Coal) Transparently in India) Policy. According to these guidelines, coal linkages can also be earmarked to the States for new Power Purchase Agreements (PPAs) by pre-declaring the availability of coal linkages along with description. States can then communicate this linkage to Distribution Companies (Discoms)/State Distribution Agencies (SDAs). Based on such linkages, States/Discoms can conduct Tariff-Based Competitive Bidding for Long-Term Power Procurement and may recommend the allocation of these linkages to successful bidders.

In accordance with these guidelines, MSEDCL aims to procure 1600 MW of power through a competitive bidding process. To advance this endeavor, MSEDCL vide letter dated February 09, 2024, sought the Ministry of Power's (MoP) approval for coal linkage.

Subsequently, the Standing Linkage Committee (Long Term) for the Power Sector in its meeting dated March 1, 2024, has approved linkage to the State of Maharashtra under SHAKTI B (iv) for the 1600 MW coal-based capacity through Tariff Based Competitive Bidding route.

Based on coal supply from the above linkage as fuel, MSEDCL has decided to procure electricity on long term basis from power station (the “Thermal Project”) on Design, Build, Finance, Own and Operate (“DBFOO”) basis. Selection of developer for this procurement will happen through a transparent bidding process as per applicable guidelines. The developer may install a new project at any location as per its preference within or outside the State of Maharashtra and the electricity will be delivered at STU/MSETCL periphery. The developer may set up a dedicated transmission line up to any point of connection to grid or directly up the MSETCL periphery. The entire transmission losses up to delivery point and transmission charges will be borne by the developer.

2. Procurement of Solar Power

The resource adequacy framework issued by CEA lays down the optimal capacity mix required to meet the projected demand at minimum cost. Procurement actions according to Resource Adequacy framework must be taken up timely by DISCOMs so that generation capacity becomes available well before its requirement to meet projected growth. State discoms are expected to be prepared for the future growth in electricity demand. At the same time, they are also expected to maintain an optimal mix of generation sources going forward. Therefore, it is important to select the modes of power generation properly which serves twin objectives of reliable supply of electricity and sustainability in a cost- effective manner.

As per MERC (Renewable Purchase Obligation, Its Compliance and Implementation of REC Framework) Regulations, 2019 dated 27th December 2019, distribution companies shall be subject to Renewable Purchase Obligation (RPO) to the extent of a percentage of its consumption. In this regulation, MERC has set a target RPO of 25% (Solar – 13.5%; Non-Solar – 11.5%) by 2024-25. As per tariff order dated 31st March 2023, MSEDCL will be facing a shortfall in meeting RPO during FY24 as well as FY25. Going forward, the trajectory of RPO targets is going to become steeper due to higher growth in electricity demand also. Additionally, Ministry of Power, through its order dated 22nd July 2022, has prescribed long term growth trajectory of Renewable Purchase Obligation (RPO) up to year 2029-30. As per this order, distribution companies are expected to achieve RPO of 33.01% (wind – 3.36%; hydel – 1.48%) and 43.33% (wind – 6.94%; hydel – 2.82%) by 2025-26 and 2029-30 respectively. Solar power will be playing a significant role in this RPO target.

Agriculture load is a significant consumer category for MSEDCL and it is very tariff sensitive. Supplying electricity to farmers during daytime will bring them convenience. Since solar power is available during daytime and its tariff is relatively cheaper as compared to other sources of electricity, it may be utilized for meeting agriculture demand.

Further, Ministry of Power (Govt. of India) has also brought draft guidelines for Renewable Generation Obligation (RGO) for present and upcoming coal/lignite-based generating stations.

Generating stations coming on stream on or after 01.04.2025 are required to supplement their conventional generation with minimum supply of RE to the extent of 10%. RGO shall be assessed in terms of annual share of RE generation as a percentage of total annual generation (including both conventional and RE). Therefore, MSEDCL has decided to procure 5000 MW of solar power capacity also during this process. This will help MSEDCL in tying up large scale capacity in one step with optimal mix and it is expected to get better rates also due to benefit of larger scale. This will also attract potential generators of coal based power as they will be able to fulfill their RGO obligations.

Hence, MSEDCL shall enter into Power Purchase Agreement (PPA) with the solar developers selected through competitive bidding for total capacity of 5000 MW. This electricity may be supplied from solar plants located in any part of the country and the PPA will be for a period of 25 years. Solar capacity will start coming in phases which will help during initial growth in demand. After some time, coal based capacity will be commissioned to fulfill the increased base load. Bidders shall note that if solar power plant is not commissioned as per the terms of the RfS, MSEDCL reserves the unconditional right to terminate the PPA for solar power plant and PSA for thermal power plant.

3. Bidding Process

This is a single tender for procuring coal-based power and solar power and bidders are mandatorily required to offer both the capacities in full, failing which such bid shall be considered as non-responsive. However, for ease of understanding and clarity about contractual obligations, different set of documents will be released for bidding process for coal based power and solar power. The corporate entity or the consortium will have to submit these bids in respective sets in online mode only. The Power Purchase Agreement (PPA) for both thermal and solar power will be executed separately.

For coal-based power, following bidding documents will be circulated:

- i. Request for Qualification (RFQ) - Design, Build, Finance, Own and Operate (DBFOO)
- ii. Request for Proposal (RFP) – DBFOO
- iii. Draft Power Sale Agreement (PSA)

For solar power, following bidding documents will be circulated:

- i. Request for Selection (RFS)
- ii. Draft Power Purchase Agreement (PPA)

For the sake of clarity, broadly, the definitions and processes mentioned in RFQ-DBFOO and RFP-DBFOO will be applicable for PSA of coal based power while the definitions and processes mentioned in RFS will be applicable for PPA of solar power.

After the submission of bids by prospective bidders, evaluation of bids will be carried out on aggregate basis and selection of successful bidder(s) will be done accordingly as per the process provided in Annexure I. Post e-reverse auction, MSEDCL shall assess the tariffs discovered under the thermal & solar power tenders independently for market reflectiveness. If MSEDCL is of the opinion that the discovered tariffs do not reflect the current market position, MSEDCL reserves the unconditional right to annul the entire bidding process in entirety under this tender.

Along with submission of bids in accordance with RFP-DBFOO and RFS documents, the bidder will have to submit bid submission letter (to be uploaded on bid Portal) as given in Annexure II of this NIT. Schedule for the bid process is given in Annexure III. With respect to evaluation of bids, the specifications given in this Notice Inviting Tender (NIT) will prevail in case there is any inconsistency between NIT and other bid documents (e.g. RFQ-DBFOO, RFP-DBFOO and RFS) mentioned above.

Annexure I

Bid Evaluation

Bids in different sets of documents will be invited for coal based power and solar power.

Financial Bids will be opened for both the tenders. It must be noted that Financial Bid corresponding to Solar RfS will be opened for only those bidders who have qualified for both the technical bids (thermal and solar separately).

The Weighted Average Tariff for a bidder will be determined as illustrated in the following table:

Particulars	UoM	Thermal	Solar
Capacity	MW	1450	5000
PLF/CUF	%	85%	24%
Annual Ex-bus energy	MU	10797	10512
Fixed charge	INR/kWh	2.00	-
Energy charge	INR/kWh	3.00	-
Total tariff	INR/kWh	5.00	2.75
Weighted Average Tariff	INR/kWh	3.89	

Note: 1) The power will be scheduled through Utilities GNA quantum. Thus, transmission charges will be recovered from supplier in its energy bill on prorata basis of GNA charges paid by the Utility in respective billing month, calculated on basis of contracted capacity.

2) The Fixed charges and Energy charges will be billed at Maharashtra State Periphery.

This will be followed by a e-Reverse auction for weighted average tariff (basis L1 weighted average tariff as computed from the financial bids as shown above) and the bidders will be given an opportunity to reduce their bids for both solar and thermal tariffs.

At the end of the e-reverse auction, the bids will be compared based on Weighted Average Tariff determined as given above. The Bidder with lowest Weighted Average Tariff will be the “**Lowest Bidder**”.

Note:

*In the event that the Lowest Bidder withdraws or is not selected for any reason in the first instance (the “**first round of bidding**”), the Utility may at its discretion, annul the bidding process or invite all the remaining Bidders to revalidate or extend their respective Bid Security, as necessary, and match the Bid (Weighted Average Tariff) of the aforesaid Lowest Bidder (the “**second round of bidding**”). If in the second round of bidding, only one Bidder matches the Lowest Bidder, it shall be the Selected Bidder. If two or more Bidders match the said Lowest Bidder in the second round of bidding, then the Bidder whose Bid (Weighted*

Average Tariff) was lower as compared to other Bidder(s) in the first round of bidding shall be the Selected Bidder. For example, if the third and fifth lowest Bidders in the first round of bidding offer to match the said Lowest Bidder in the second round of bidding, the said third lowest Bidder shall be the Selected Bidder.

After selection, a Letter of Award (the “LOA”) shall be issued, in duplicate, by the Utility to the Selected Bidder and the Selected Bidder shall, within 7 (seven) days of the receipt of the LOA, sign and return the duplicate copy of the LOA in acknowledgement thereof.

Annexure II
Letter comprising the Bid

Dated:

[The ***,

Sub: Bid for 1600 MW Coal Based Power Project and 5000 MW Solar Project

Dear Sir,

With reference to your RFP-DBFOO document dated ----- and RFS document dated -----, I/we, having examined the Bidding Documents and understood their contents, hereby submit my/our Bid for the aforesaid Project. The Bid is unconditional and unqualified.

1. I/ We acknowledge that the MSEDCL/Utility will be relying on the information provided in the respective Bid and the documents accompanying the Bid for selection of the Supplier/Project Developer, and we certify that all information provided therein is true and correct; nothing has been omitted which renders such information misleading; and all documents accompanying the Bid are true copies of their respective originals.
2. I/ We have submitted the Bids for coal based power and solar power in respective formats in accordance with RFP-DBFOO and RFS issued in pursuant to this Notice Inviting Tender (NIT)
3. I/ We shall make available any additional information it may find necessary or require to supplement or authenticate the Bid.
4. I/ We acknowledge the right of the MSEDCL/Utility to reject our Bid without assigning any reason or otherwise and hereby waive, to the fullest extent permitted by applicable law, our right to challenge the same on any account whatsoever.
5. In the event of I/ we being declared as the Selected Bidder, I/we agree to enter into a PSA-DBFOO (for coal based power) and PPA (for solar power) in accordance with the draft that has been provided to me/us. We agree not to seek any changes in the aforesaid draft and agree to abide by the same.
6. I/ We agree and understand that the Bid is subject to the provisions of the Bidding Documents. In no case, I/we shall have any claim or right of whatsoever nature if the Project / Contract is not awarded to me/us or our Bid is not opened or rejected.

7. The Tariff has been quoted by me/us after taking into consideration all the terms and conditions stated in the RFP-DBFOO, draft PSA-DBFOO, RFS our own estimates of costs and revenues, and after a careful assessment of the site and all the conditions that may affect the project cost and implementation of the project.
8. I/ We shall keep this offer valid for 120 (one hundred and twenty) days from the Bid Due Date specified in the RFP-DBFOO and RFS.

In witness thereof, I/we submit this Bid under and in accordance with the terms of the RFP-DBFOO and RFS document.

Yours faithfully,

Date: (Signature, name and designation of the Authorised signatory)

Place: Name and seal of Bidder/Lead Member

Annexure III

Schedule for Bid Process

S. No.	Particulars	Date	Time
1	Availability of Bid document	March 13, 2024	23:00 Hrs
2	Last date for receiving queries	March 25, 2024	17:00 Hrs
3	Pre-Bid Conference	April 04, 2024	15:00 Hrs
4	Utility response to queries	April 14, 2024	23:00 Hrs
5	Bid Due Date	April 25, 2024	15:00 Hrs
6	Opening of Technical Bids	April 25, 2024	16:00 Hrs
7	Declaration of eligible bidders	Shall be Intimated	
8	Opening of Financial bids of eligible bidders	Shall be Intimated	
9	E- Reverse auction	Shall be Intimated	
10	Letter of Award	Shall be Intimated	
11	Execution of PPA (solar) and PSA (thermal)	Shall be Intimated	