GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:4880
ANSWERED ON:24.08.2000
CRISIS IN THE FINANCING OF PRIVATE SECTOR POWER PROJECTS
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Will the Minister of POWER be pleased to state:

(a) whether Confederation of India Industry has expressed concern over the crisis in the financing of private sector power projects;

(b) if so, the details thereof;

(c) whether 100,000 MW of Independent Power Producers (IPP) project proposed only 9 IPP amounting to a capacityof around 2,700 MW are currently operational;

(d) whether CII has urged the State Governments todevelop an alternative viable lending mechanism for projects that are not given escrow cover; and

(e) if so, the steps being taken by Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : The Government is in receipt of the Confederation of Indian Industries (CII) analysis onIndependent Power Producers (IPPs). In their analysis, CII has attemptedto assess the difficulties in implementation of private power projects, inter-alia, highlighting the poor financial health of the State Electricity Boards (SEBs) as the biggest hurdle and thehesitation of lenders in financing IPP projects. Given the poor State of SEB finances, lenders are generally insisting on strong payment security packages.

(c): As on date CEA has accorded techno-economic clearance to 57 schemes for setting up of power projects aggregating to a capacity of 29362.3 MW. Of these, 9 projects with a capacity of 3210.70 MW have been commissioned.Apart from these, 5 licencee projects with a capacity of 1465 MW havealso been commissioned and 17 power projects totaling a capacity of 5096 MW are under various stages of construction.

(d) & (e) : In its report, CII has suggested thatalternative viable security packages should be evolved in consultation with various lending institutions. With a view to finding a resolution to this problem and to simplify/decentralise the procedure for clearance of private power projects and to attract more investment in the power sector, the Government has already initiated several measures which include :-

- minimising the number of clearances required to be obtained for the purpose of appraisal of the private power projects by Central Electricity Authority (CEA).

- minimising the role of the Foreign Investment Promotion Board by providing for automatic approval for foreign equity in selected categories and enlarging the provisions for automatic approval for such projects and liberalisation of the Foreign Direct Investment regime by removal of the upper limit for foreign direct investment in respect of projects relating to electric generation, transmission and distribution (other than atomic reactor power plants).

- delegating more powers for environmental clearance to State Governments.

- raising the limits for power projects which require the clearance from CEA.

- preparation of a shelf of projects to facilitate early execution and reduction of time required for implementation.

- close monitoring at various levels to expedite clearances, remove bottlenecks and to resolve the `last mile` problems in achieving financial closure.

- the Electricity Regulatory Commissions Act, 1998has been enacted which has enabled setting up of the Central Electricity Regulatory Commission and the StateElectricity Regulatory Commissions. Eleven States have set up Regulatory Commissions and three States have notified the Commissions.

- The Electricity Laws Amendment, Act 1998 was enacted to maketransmission a distinct activity for encouraging greater private participation.

- A policy on Hydro Power Development has been initiated for accelerating the pace of hydro power development in order to exploit the vast hydro-electric potential at a faster pace, increase the private investment and promote small and mini hydel projects.

- The development of mega power projects at mine pit-heads and coastal locations both in public and private sector with transmission facilities for evacuation of power to other regions.

- Exploring Alternative Security Mechanisms which includes linking IFI financing with the progress of reforms undertaken by the State Governments.