

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:4909  
ANSWERED ON:24.08.2000  
INVESTMENT IN POWER SECTOR  
VILAS BABURAO MUTTEMWAR

**Will the Minister of POWER be pleased to state:**

- (a) whether power sector has failed to attract domestic foreign investors;
- (b) if so, the reasons therefor;
- (c) whether the Confederation of Indian Industry has made any policy/guidelines for power sector;
- (d) if so, the details in this regard; and
- (e) the steps taken by the Government to achieve the investment targets in power sector?

**Answer**

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

(a) : No, Sir.

(b) : Does not arise.

(c) to (e) : The Government is in receipt of the Confederation of Indian Industries (CII) analysis on Independent Power Producers (IPPs). In their analysis, CII has attempted to assess the reasons for the delay in implementation of private power projects.

The reasons for adequate domestic or foreign investment not fructifying in the power sector or several, primary among which is the poor financial health of most of the State Electricity Boards who do not have the financial capability to support more than a few projects in terms of regular payment of bills of electricity purchased by them from IPPs. The poor financial health of the State Electricity Boards and the insistence by lenders on strong payment security packages has been the main difficulty in the private power projects achieving financial closure. 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 investment 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, 1998 has been enacted which has enabled setting up of the Central Electricity Regulatory Commission and the State Electricity Regulatory Commissions to enable decisions like tariff fixation to be taken by independent regulators in a transparent impartial and objective manner. Eleven States have set up Regulatory Commissions and three States have notified setting up of the Commissions.

- The Electricity Laws Amendment, Act 1998 was enacted to make transmission 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 for financing power projects in the private sector.