

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:5875  
ANSWERED ON:26.04.2001  
RATE OF RETURN FOR POWER SECTOR  
GOWDAR MALLIKARJUNAPPA;Y.S. VIVEKANANDA REDDY

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

- (a) whether the Government is planning to withdraw a cap of 15 per cent on the rate of return for power projects;
- (b) if so, whether this will completely change the existing scenario and the effect of this decision on power sector;
- (c) if so, whether all those major power companies including private and public sector companies are likely to be among the beneficiaries of the new system; and
- (d) if so, the extent to which this decision is likely to meet the power requirement in the country?

**Answer**

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

(a) : The notification issued by the Government of India on 30.3.1992 in exercise of the powers conferred by sub section (2) of Section 43 A of the Electricity (Supply) Act, 1948 allows a return of upto 16% (and not 15%) on equity (paid up and subscribed capital) at normative levels of operation i.e. 68.5% Plant Load Factor (PLF) to generating companies in the private sector for power projects set up by them. Similarly, the existing central generating stations of NTPC have also been allowed rate of return of 16% on equity with effect from 1.11.1998. Consequent on the enactment of the Electricity Regulatory Commission (ERC) Act, 1998 and setting up of the Central Electricity Regulatory Commission (CERC), tariff fixation powers have been transferred to the CERC by omitting the said sub section (2) of Section 43 A of the Electricity (Supply) Act, 1948.

(b) to (d) : Do not arise.