

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

STARRED QUESTION NO:369
ANSWERED ON:22.03.2001
GUARANTEE TO ENRON
SHRINWAS DADASAHEB PATIL;TARACHAND BHAGORA

Will the Minister of POWER be pleased to state:

- (a) whether attention of the Government has been drawn to various reports appearing in newspapers regarding guarantee to Enron;
- (b) if so, whether the CEA had examined the feasibility of MoU signed between the Enron and the Government of Maharashtra;
- (c) if so, the outcome thereof;
- (d) whether the World Bank had pointed out adverse impact of the agreement on economy; and
- (e) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 369 TO BE ANSWERED IN TI LOK SABHA ON 22.03.2001 REGARDING GUARANTEE TO ENRON.

(a) : Yes, Sir.

(b) & (c) : The Memorandum of Understanding (MOU) for development of the Dabhol power project was signed on 20.6.1992 between the Maharashtra State Electricity Board (MSEB), Enron Power Corporation and General Electric Corporation. MOUs are not required to be examined by Central Electricity Authority (CEA). However, CEA accorded techno- economic clearance (TEC) to the Dabhol project on 26.11.1993.

(d) & (e) : The World Bank had informed during April-July, 1993, that they could not finance the project due to the following reasons:-

- ? The project is too large for baseload operations in MSEB system.
- ? This is not part of the least cost sequence for Maharashtra Power Development.

Considering the above observations of the World Bank, the Government of Maharashtra (GOM) delinked Phase-I from Phase-II in October, 1993 and the Power Purchase Agreement (PPA) was signed accordingly. The TEC accorded by CEA had also stipulated that Phase-II of the project could start only after the GOM/MSEB ensured absorption of the entire power within Maharashtra system or by entering into agreements with entities outside Maharashtra. The Negotiating Group/Expert Committee constituted by GOM during 1995-96 observed that load studies of MSEB indicated the need of additional energy for MSEB and, therefore, the Committee recommended acceptance of 90% load factor for the entire project since MSEB would have the advantage of additional energy at reduced rate. After considering recommendations of the Negotiating Group/Expert Committee, the GOM decided to go ahead with the implementation of Phase-II.