GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3603
ANSWERED ON:17.04.2000
POLICY ON ALLOCATION OF POWER FROM NEW PROJECTS
M.V.CHANDRASHEKHARA MURTHY;SHYAMA SINGH

Will the Minister of POWER be pleased to state:

(a) : whether the Union Government have recently announced a policy on allocation of power generated from its new projects by converting the existing Gadgil formula;

(b) : if so, whether some of the State Electricity Boards have agreed to undertake power reforms;

(c) : if so, the details thereof; and

(d) : the extent to which the new policy would affect on the working of State Electricity Boards and overcome powershortages in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER

(SHRIMATI JAYAWANTI MEHTA)

(a) : Yes, Sir. It has been decided to treat the `Gadgil formula` for allocation of power to the States/UTs as guidelines for new Central generating stations.

(b) & (c) : Conference of Chief Ministers and PowerMinisters was held in New Delhi on 26.2.2000. The Conference discussed various measures for improving viability of State Electricity Boards including compulsory metering and distribution reforms. The conclusions arrived at in the Conference are at Annexure-I.

(d) : The `guidelines` would enable reforming states in getting additional allocation of power from 15% unallocated quota from Central power stations and also from new power projects.

ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PARTS (b) AND (c) OF LOK SABHA UNSTARRED QUESTION NO. 3603 FOR 17.4.2000 REGARDING POLICY ON ALLOCATION OF POWER FROM NEW PROJECTS.

RESOLUTIONS OF THE CHIEF MINISTERS/POWER MINISTERS CONFERENCE HELD ON 26.02.2000

The Power Ministers` Conference took note of the impending difficult situation facing the power supply industry in the country due to continuing decline in commercial viability of the sector as a whole. It noted the fact that:-

1. Outstanding dues of CPSUs have been increasing and havenow reached Rs. 23,000 crores. This trend if maintained would adversely affect their current operations apart from inhibiting their future expansion plans.

2. Financial closure for private power projects is becoming increasingly difficult.

3. The states are unable to finance new projects on their own.

4. Increases in budgetary support from state governments as well as central government for this sector is not feasible due to fiscal deficits.

II. The primary factors responsible for this unsustainable financial situation are:

i) Theft and pilferage at the macro level are estimated to be over Rs.20,000 crores per annum.

ii) Technical losses in transmission & distribution for the country are also too high.

iii) Large number of the thermal stations in the state sector run at an operational efficiency of less than 40%.

iv) The average annual operational losses of the State Power Sector for the country is over as. 12,000 crores.

III. It was also recognised that the cross subsidies cannot be sustained if industrial tariffs make Industry non-competitive in the new environment of increasing globalisation with elimination of quantitative and other restrictions. It becomes necessary to ensure that Indian Industry is not handicapped by unsatisfactory power supply or by tariff which makes it non-competitive. Further, the consumer, including the farmer has a legitimate claim for uninterrupted good quality power supply. His willingness to pay reasonable costs is underestimated.

RESOLUTIONS

1. The Power Ministers` resolved after taking into accountall the problems facing the power sector, that with the intention of achieving commercial viability and providing power at reasonable rate to all, reform must be undertaken with determination, vigor and a sense of urgency. Delay in reform only increases the financial cost of reforms, and the burden of liabilities only increases. Reforms must begin to show results within the next 2-3 years. The key elements of the reform strategy are :-

a. Energy Audit at all levels.

b. Time-bound programme of 100% metering of all consumers by December 2001.

c. Reduction and finally, elimination of power theft within a specified time frame.

d. Strengthening/upgradation of sub-transmission and distribution system by taking sub-station as an unit on a priority basis.

2. If the above appears unattainable in the existing set up corporatization/cooperatization/privatization of distribution, would have to be undertaken.

3. Since a large number of thermal stations within the State sector are running at a PLF below 40%, immediate Renovation& Modernisation including Life Extension would need to be undertaken on an urgent basis. Similarly, R&M/LE wouldrequire to be undertaken for old hydel power plants on priority.

4. Effective functioning of State Electricity Regulatory Commissions is essential for rationalization of tariff, and balancing the interests of the consumer and the need for commercial viability of the utilities in the environment where private sector participation in the industry is expected to gradually increase.

5. Unbundling and corporatization of State Electricity Boards/bench-marking through separate distribution profit centres/corporations/companies may facilitate the Regulatory Commissions in promoting competition within the power supply industry - competition being the key to lower prices.

6. It was noted that the power system network in country has an unmatched reach to consumers and with the installation of optic fibre cables along the existing power lines using its right of way, it has the potential of generating very large resources in the coming years by providing facilities for multipurpose communication including cable TV, IT services, Telecom services. etc. Hence efforts need to be made to creatively tap this potential source of large revenue from convergence.

7. In order to promote reforms, a new draft central legislation which obviates the need for separate enactments for the States, is being considered. The draft Bill submitted by the NCAER would form the basis for a national debate and aconsensus on the contents of the new Bill. The States would be sending their detailed comments on this draft Bill, to the Ministry of Power at the earliest.