GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:177
ANSWERED ON:14.03.2002
FINANCING MECHANISM TO SUSTAIN POWER SECTOR REFORM
NARESH KUMAR PUGLIA

Will the Minister of POWER be pleased to state:

(a) whether N.K. Singh Committee report on `Financing Mechanisms to Sustain Power Sector Reforms` has since submitted its report to the Government;

(b) if so, the details thereof;

(c) whether the Government propose to privatize the non-performing SEBs onthe recommendations of the Singh Committee Report; and

(d) if so, the details thereof?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 177 TO BE ANSWERED IN TI LOK SABHA ON 14.03.2002 REGARDING FINANCING MECHANISM TO SUSTAIN POWER SECTOR REFORM.

(a) : Yes, Sir.

(b) : The salient features of the recommendations of the report of N.K. Singh Expert Group are :

(1) While it is possible to raise investment finance through market borrowings and private sector participation, the adjustment costs of the transition may have to be funded out of budgetary support.

(2) there is a need to restructure the present Accelerated Power Development Programme (APDP) from an investment window to a mechanism for supporting power sector reforms linked to fulfilment of certain performance criteria by way of benchmarks. The plan assistance to the States may be provided under modified APDP to be renamed asAccelerated Power Development and Reforms Programme (APDRP) onthe basis of the formula adopted for the allocation of normal central assistance. Access to State specific allocation would, however, not be automatic but linked to concrete and measurable steps in the direction of power sector reforms.

(3) The Government of India could explore the possibility of accessingfunds direct from multi-lateral financing agencies to support power sector reforms.

(4) Various identified reforms milestones should result in reduction of cash losses by 1/3rd or more each year over the level of 2000-2001 so as to produce a clean balance sheet at the end of three years. This would facilitate private investment without reliance on payment security mechanism such as Government guarantee or counter guarantee.

(5) State specific power reforms be devised by the Ministry of Power inconsultation with State Governments incorporating the performance milestones.

(6) In order to incentives performance, the unallocated portion of the share of non-performing or poorly performing States in a particular financial year could be allocated in favour of the performing States.

(7) The Empowered Group of Chief Ministers may monitor the powersector reforms and the achievements of milestones thereof from time to time.

(8) A High Level Committee comprising Deputy Chairman, PlanningCommission as Chairman, Finance Minister, Minister of Power and Member (Energy), Planning Commission as members and Secretary(Power) as Member-Secretary may over view and monitor the progress of implementation of the APDRP.

(c) & (d) : SEBs are under the administrative control of the State Governments.The decision to privatize the Boards or otherwise, therefore, lies with the State Governments. The Government of India has been encouraging States to undertakereforms so as to improve the financial health of the power sector in general and of the SEBs in particular. In an effort to bring in more focused approach to reforms, the Government of India has signed Memorandum of Understanding (MOU) with 20 States. The States have broadly agreed on the reform mile-stones of 100% metering, energy audit, constitution/operationalisation of SERCs, unbundling/corporatization of SEBs etc. In reciprocation, the Government of India has also committed assistance of various sorts. The States of Orissa, Andhra Pradesh, Haryana, Karnataka, Uttar Pradesh, Rajasthan, have passed their Reform Laws and unbundled their SEBs. Delhi & M.P. have passed their reform laws, which inter alia provide for unbundling of SEBs. Orissa has privatized distribution. Delhi, Karnataka, Rajasthan and Andhra Pradesh have plans for privatisation of distribution.