

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:4683  
ANSWERED ON:19.12.2002  
POWER UNITS CAPABLE OF BREAK EVEN  
NARESH KUMAR PUGLIA;SHYAMA SINGH

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

- (a) whether attention of the Government has been drawn to the news-item captioned 'Power units capable of break even by 2005-06' as appearing in the 'Statesman' dated November 11, 2002;
- (b) if so, the details thereof; and
- (c) the plans formulated by the Government to save the power utilities from such collapse?

**Answer**

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

(a) : Yes, Sir.

(b) : The news-item refers to the one-day Workshop of Energy & Finance Secretaries & Chief Executive Officers of Utilities of States on turnaround strategy held on 26-10-2002 in New Delhi. Earlier, on 27-03-2002, the Government set up an Expert Committee under the Chairmanship of Shri Deepak Parekh, Chairman of Infrastructure Development Finance Company (IDFC) to assist in developing State-specific reform programme to rapidly restore and sustain the financial viability of the power sector and effectively harness the funds under the APDRP and other sources. In September, 2002, the Committee submitted first part of its Report pertaining to structuring of Accelerated Power Development and Reforms Programme (APDRP), reform framework and principles of financial structuring of the State Electricity Boards (SEBs). The main recommendations of the Committee are given hereunder:

? Union Government should ex-ante commit to a level of funding for this Programme and agree to transfer it through a defined annual allocation.

? There would be two streams of support from the APDRP Fund: one for investment and the other as an incentive based on reduction of the gap between unit cost of supply and revenue realisation (calculated based on the number of units purchased).

? To enable the States to begin to effect improvements, 50% of the first year's allocation of APDRP funds, i.e., Rs. 1,750 crore be made available to the States for investments.

? Assistance under this scheme should be leveraged by obtaining a matching contribution from the State, i.e., the Fund should provide 50% of the funds required for a project, the balance 50% funds of the project should be raised by the State.

? Efforts under this segment be preferably directed towards concentrated zones for better and quick results.

? More weightage should be given to investments that are aimed at reducing commercial losses.

? The remaining assistance from the Fund, i.e., Rs. 1,750 crore from the first year and the allocations for the remaining years under incentive stream should be disbursed as one-for-two matching grant based on reduction of the gap between unit cost of supply and revenue realisation.

? In effect, the incentive will be matched in the ratio of 1:2 (i.e. for every 2 rupees of loss reduction, the incentive will be one rupee), to the overall reduction in the gap at enterprise level, after adjusting for the factors that are extraneous to the operational performance. However, on review of availability of funds, this proportion of incentives could be considered for improvement.

? To reward performance over a reasonable length of time, performance be rewarded on a yearly basis, taking financial year 2000-2001 as the base year of reference for calculating the improvements eligible for performance improvement.

For the second part of the Report to prepare State-specific reforms, the referred Workshop was held on 26th October, 2002 to seek the views of the State Authorities on reform and turnaround strategy. Apart from the presentations on the turnaround strategy made by the States participating in the Workshop, discussions were also held on rating of Electricity Boards by Credit Rating Information Services of India Limited (CRISIL) and Investment and Credit Rating Agency Limited (ICRA) and implementation of APDRP. As the information received was not adequate, State Governments have been asked to send information on their turnaround strategy and plan. This information is awaited from most of the States.

(c) : After receipt of the above, the Deepak Parekh Committee would submit its second part of the Report on State-specific reforms for consideration of the Government.