

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2569
ANSWERED ON:18.12.2003
COST OF POWER GENERATION
GULAM MEHMOOD BANATWALLA

Will the Minister of POWER be pleased to state:

- (a) whether the cost of power generation as against the annual rate of inflation has increased considerably during the last few years;
- (b) if so, whether the Government realize the need for aggressive cost control;
- (c) if so, measures are being taken in this direction;
- (d) whether various taxes and duties form a significant component of the cost of power;
- (e) if so, the percentage of taxes and duties to fixed charges in (i) power generation and (ii) power transmission;
- (f) whether the Government are likely to pursue the direction of reduction in tax and duty structure; and
- (g) if so, the details thereof?

Answer

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

(a) : Yes, Sir.

(b) & (c) : A number of steps have been taken to reduce the cost of power. The benefit under Mega power policy which provides for zero customs duty for import of capital equipment and deemed export benefits for domestic suppliers has, this year, been extended to all inter state projects which fulfill the basic criteria of minimum capacity of 1000 MW for thermal and 500 MW for hydel projects.

The Electricity Act, 2003 creates a liberal framework for development of the power sector and reduces the entry barrier in different segments of power supply industry. This is expected to encourage competition and in turn efficiency improvements, resulting in cost reduction and quality supply of power to the consumers at competitive rates.

(d) & (e) : The existing customs duty and excise duty structure in respect of generation and transmission is given at Annexure.

(f) & (g) : A Task Force on `Power Sector Investment and Reforms` has been constituted under the Chairmanship of Member(Energy), Planning Commission. The terms of reference of the Task Force, inter alia, includes analyzing the existing investment climate in the power sector and suggest measures for promoting and facilitating investments both domestic and foreign, in all segment of power industry and also to suggest enabling fiscal regime for securing such investment.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (d) & (e) OF UNSTARRED QUESTION NO 2569 TO BE ANSWERED II
SABHA ON 18.12.2003.

CUSTOMS DUTY AND EXCISE DUTY STRUCTURE

CUSTOMS DUTY

(i) GENERATION 5%(Basic Duty)+16%(Cenvat Duty)

(ii) TRANSMISSION

(a) High Voltage Transmission 5%(Basic Duty)+16%(Cenvat Duty)

(b) Other Transmission 25% (Basic Duty) + 16% (Cenvat Duty)

EXCISE DUTY:

Excise Duty on Generation and Transmission is 16%