

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2790
ANSWERED ON:17.08.2004
NAPHTHA BASED POWER PROJECTS
Chowdhury Shri Adhir Ranjan

Will the Minister of POWER be pleased to state:

- (a) the details of long term plan of the Government for power generation in the country with the participation of private sector;
- (b) the salient features of the plan framed in this regard, if any;
- (c) whether the Government is contemplating to generate the power through Naphtha based power projects in the country; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF POWER(SHRI P.M. SAYEED)

(a) & (b) : The policy to permit private sector participation in the power generation was first announced in 1991 and has been reviewed and revised from time to time, based on the experience gained, in order to facilitate development of private power projects. Some of the salient features of the policy initiative taken in the recent past are given below:

1. Under the new Electricity Act, 2003,

(i) Generation of power has been delicensed.

(ii) Captive generation is freely permitted.

(iii) Trading of power is recognized as an independent & licensed activity.

(iv) Non-discriminating open access in transmission is permitted to private generation.

2. 100% FDI is permitted on automatic route for power projects of electric generation, transmission and distribution.

3. Under the mega policy, fiscal concessions including exemption from customs duty are permitted for inter-state projects and with the threshold capacity of 1000 MW and above for thermal and 500 MW and above for hydel power projects subject to fulfillment of certain conditions.

(c) & (d) : The use of naphtha and certain residual liquid fuels was allowed for generation of electricity under the liquid fuel policy announced by the Ministry of Power in November, 1995. A capacity addition of not more than 12,000 MW based on naphtha was envisaged. However, due to the high cost of naphtha, its use in generation is no longer considered viable and is being discouraged.