

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:4167
ANSWERED ON:04.05.2007
PER UNIT COST OF POWER GENERATION
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Will the Minister of POWER be pleased to state:

- (a) whether there is vast difference in power unit cost of power generation through hydro, thermal, coal based and gas based power projects in the country;
- (b) if so, the reasons therefor; and
- (c) the steps taken by the Government to provide low cost electricity to the consumers in the country?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) & (b) : Yes, sir. The per unit cost of power generation varies from station to station and depends mainly on type of plant & fuel used, location, size, age and efficiency. Depending on these factors, there is variation in cost of generation.

(c) : A number of steps have been taken for reducing the cost of power generation.

The Electricity Act, 2003 creates a competitive framework for generation which should exert a downward pressure on costs.

The National Electricity Policy lays down maximum emphasis on full development of feasible hydro potential. The cost of power generation from hydro projects reduces significantly in the long term.

For thermal power, the policy states that economics of generation and supply of electricity should be the basis for choice of fuel from among the options available. It would be economical for new generating stations to be located either near the fuel sources e.g. pithead locations or load centres.

The Tariff Policy, which was notified on 06.01.2006, provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer. For Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.

Captive coal mining for thermal projects is being encouraged with a view inter alia to lowering the cost of fuel for coal fired stations.

Operational efficiency of poorly performing thermal power stations has been increased by pursuing Renovation and Modernization programme.

The terms and conditions of tariff issued by the Central Electricity Regulatory Commission (CERC) for the period 2004-09 have improved the operational norms.

Mega Power Policy provides for zero customs duty for import of capital equipment and deemed export benefits for domestic suppliers for generation projects fulfilling eligibility conditions of this policy.

The Government had also earlier reduced the custom duty on Naphtha and Natural Gas for power projects and the custom duty on coal.