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**STANDING COMMITTEE
ON ENERGY
(1998-99)**

TWELFTH LOK SABHA

DEPARTMENT OF ATOMIC ENERGY

DEMANDS FOR GRANTS (1997-98)

*[Action Taken by the Government on the Recommendations
contained in the Fourteenth Report of the Standing
Committee on Energy (Eleventh Lok Sabha)]*

FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

July, 1998/Shravana, 1920 (Saka)

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(1998-99)

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*[Action Taken by the Government on the Recommendations
contained in the Fourteenth Report of the Standing
Committee on Energy (Eleventh Lok Sabha)]*

Presented to Lok Sabha on 30.7.1998

Laid in Rajya Sabha on 31.7.1998



LOK SABHA SECRETARIAT
NEW DELHI

July, 1998/Shravana, 1920 (Saka)

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by Jainco Art India, 13/10, W.E.A., Saraswati Marg, Karol Bagh, New Delhi-110005.

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COMPOSITION OF THE STANDING COMMITTEE
ON ENERGY (1998-99)

Shri K. Karunakaran — *Chairman*

MEMBERS

Lok Sabha

2. Shri Basudeb Acharia
3. Shri Tariq Anwar
4. Shri Parasram Bhardwaj
5. Smt. Rani Chitralekha Bhosle
6. Shri Bikash Chowdhury
7. Shri K.C. Kondaiah
8. Dr. H. Lallungmuana
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11. Shri Som Marandi
12. Smt. Sukhda Mishra
13. Shri Salkhan Murmu
14. Shri Vilas Muttemwar
15. Shri Ravindra Kumar Pandey
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25. Shri Shailendra Kumar
26. Shri N.T. Shanmugam
27. Shri Th. Chaoba Singh
28. Shri Chandramani Tripathi
29. Prof. (Smt.) Rita Verma
30. Shri Sushil Chandra Verma

Rajya Sabha

31. Shri Lakkhiram Agarwal
32. Shri Jalaludin Ansari
33. Shri Gandhi Azad
34. Shri Ghulam Nabi Azad
35. Shri E. Balanandan
36. Shri Sushil Barongpa
37. Shri Brahmakumar Bhatt
38. Shri S.M. Krishna
39. Shri Bangaru Laxman
40. Shri Nabam Robia

SECRETARIAT

- | | | |
|-----------------------|---|-----------------------------|
| 1. Dr. A.K. Pandey | — | <i>Additional Secretary</i> |
| 2. Shri John Joseph | — | <i>Joint Secretary</i> |
| 3. Shri P.K. Bhandari | — | <i>Deputy Secretary</i> |
| 4. Shri R.S. Kambo | — | <i>Under Secretary</i> |
| 5. Shri P.C. Tripathy | — | <i>Committee Officer</i> |

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Fifth Report (Twelfth Lok Sabha) on the Action Taken by the Government on the recommendations contained in the Fourteenth Report of the Standing Committee on Energy (Eleventh Lok Sabha) on Demands for Grants (1997-98) of the Department of Atomic Energy.

2. The Fourteenth Report (Eleventh Lok Sabha) of the Standing Committee on Energy was presented to Lok Sabha on 30th April, 1997. Replies of the Government to all the recommendations contained in the Report were received on 26th September, 1997. The Standing Committee on Energy considered and adopted this Report at their sitting held on 22nd July, 1998.

3. An analysis of the action taken by the Government on the recommendations contained in the Fourteenth Report of the Committee is given in Annexure-II.

NEW DELHI;
July 28, 1998
Shravana 6, 1920 (Saka)

K. KARUNAKARAN,
Chairman,
Standing Committee on Energy.

CHAPTER I

REPORT

The Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Fourteenth Report (Eleventh Lok Sabha) of the Standing Committee on Energy on "Demand for Grants (1997-98) of Department of Atomic Energy" which was presented to Lok Sabha on 30th April, 1997.

2. Action Taken Notes have been received from the Government in respect of all recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/observations that have been accepted by the Government:

Sl. Nos. 1, 2, 5, 6, 7, 8, and 9.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's reply:

Nil

- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:

Nil

- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 3 and 4

3. The Committee desire that final replies in respect of the recommendations for which only interim replies have been given by the Government should be furnished to the Committee at the earliest.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. Budgetary Provisions

Recommendation (Sl. No. 1, Para 1.19)

5. The Committee had observed that during the year 1995-96 the actual expenditure of the Department was short of the budgeted amount by as much as Rs. 453.59 crore. While an amount of Rs. 342.62 crore was attributable to non-realisation of Internal and Extra Budgetary Resources as envisaged in the Plan Budget, the remaining amount of Rs. 110.97 crore was not utilised by the Department from the Budgetary Support component under two grants—Atomic Energy and Nuclear Power Schemes. The Committee were distressed to note the inability of the Department to utilise the budgetary resources provided under the two Grants. The Committee had viewed that the shortfalls in expenditure shown as savings in the Grants were indicative of poor budgeting or shortfall in performance for which corrective measures were required to be taken.

6. In their reply, the Department of Atomic Energy have, *inter-alia*, stated that out of the total saving of Rs. 110.97 crore, Rs. 89 crore was under Plan and the balance under Non-Plan. The Department have also stated that as the Finance Ministry had imposed a cut of Rs. 75 crore in Plan, surrender under Plan expenditure to this extent was obligatory. The Department have further stated that shortfall was partly on account also of reduction in financial assistance to Public Sector Undertakings, *viz.* Uranium Corporation of India Ltd. and Indian Rare Earths Ltd. based on the progress of implementation of projects. As regards saving under Non-Plan, it has been stated that the surrender under Non-Plan, was mainly on account of saving under the allocation to Heavy Water Projects.

7. The Committee note that the Ministry of Finance imposed a budgetary cut to the tune of Rs. 75 crore in the last quarter of financial year 1995-96. The Committee deprecate this ill-timed decision of the Ministry of Finance. In the opinion of the Committee, budgetary cut, if any, ought to be exercised in the first quarter of a financial year, thus giving adequate and reasonable leverage and time to the Department in revising their priorities, programmes and policies. Resorting to last minute budgetary cut, tends to make the whole scheme of things of the Department go haywire. The Committee expect that the Department of Atomic Energy will take

up this issue with the Ministry of Finance so that corrective steps are taken for the future. The Committee hope and trust that with the reduction in financial assistance to the Public Sector Undertakings like Uranium Corporation of India Limited and Indian Rare Earths Limited, their targeted production will not be scaled down.

B. Jaduguda Mill Expansion Project

Recommendation (Sl. No. 5, Para 1.35)

8. The Committee had noted with concern that the completion of the Jaduguda Mill Expansion Project was delayed by almost three years from June, 1995 to April, 1998 due to delays in placement of orders for equipments, delay in supply of equipments and frequent change of contractors. Taking a serious note of this state of affairs, the Committee had observed that if huge projects were subjected to series of changes, there would be no finality in the implementation of the projects and would only lead to cost and time overruns. The Committee had recommended that it was essential to undertake measures such as fixing of responsibilities for delays in placement of orders for equipment and imposition of penalties for delays on the part of contractors and suppliers so as to ensure completion of the projects in a time bound and cost effective manner.

9. In their reply, the Department of Atomic Energy have, *inter-alia*, stated that the delay in completion of the Jaduguda Mill Expansion Project was because of delay in the supply and installation of certain major equipments like Ion exchange columns, leaching and utilisation pachucas and miscellaneous tanks, adverse law and order situation in Jaduguda and problems in acquisition and handing over of land required for Tailing Dam due to agitation by local inhabitants. The Department have also stated that the company took remedial measures by even terminating the contracts of the defaulting contractors and got the work executed by other contractors by invoking the risk purchase clause. The Department have further stated that the mill is expected to be completed by October, 1997 and go into full production. It has also been stated that the remaining activities of the project like construction of some additional staff quarters, sewage treatment plant, slime dam, tailing pipeline, etc., which are not directly related to the commissioning of the expanded mill, will be completed by April, 1998.

10. The Committee would like to know the exact duration for which the work was completely stopped due to agitation by local inhabitants. The Committee also desire to be apprised of the reasons for delay in the supply and installation of certain major equipment like Ion exchange columns, Leaching and utilisation pachucas and miscellaneous tanks as also whether any responsibility has been fixed for the delay in placement of orders for equipments. The Committee trust that selection of contractors would be made carefully in future.

C. Nuclear Power Sector

Recommendation (Sl. No. 6, Para 1.48)

11. The Committee had noted that the Eighth Plan proposals for the Nuclear Power Sector were based on an ambitious programme of achieving a nuclear power capacity of 7700 MW by 2002 A.D. These proposals were based on commencing construction of Tarapur 3 & 4 (2×500 MWe), Rajasthan 5 & 6 (2×500 MWe), Kaiga 3 to 6 (4×200 MWe) and additionally the Russian aided Kudankulam project (2×1000 MWe) at an outlay of Rs. 15,125 crore. Against this, the approved outlay was only Rs. 4216 crore with a budgetary support of a mere Rs. 761 crore. The Committee had also noted that during the Eighth Plan, as against a capacity addition of 1100 MWe envisaged from ongoing projects *viz.*, Kakrapar units 1 & 2 (2×220 MWe), Kaiga 1 & 2 (2×220 MWe) and Rajasthan 3 & 4 (220 MWe), the actual addition has been only 440 MWe from Kakrapar and the balance 660 MWe from Kaiga and Rajasthan is slipping to Ninth Plan. The Committee had viewed that the wide disparity between the Eighth Plan proposals of the Department and the approved outlay, the meagre budgetary support provided to the Nuclear Power Sector during the Plan period as well as the shortfall in achieving the capacity targets for the plan period spoke of serious deficiencies in the planning for the Nuclear Power Sector. The Committee had urged the Government to review its approach to Nuclear Power Sector and provide adequate funds to the Department. The Committee had also asked the Department of Atomic Energy to undertake effective steps to ensure timely

completion of projects so as to avoid slippages as witnessed during the Eighth Plan period.

12. The Department of Atomic Energy have, *inter-alia*, stated in their reply that considering the constraint of resources experienced during the Eighth Plan, they have finalised their approach to the Ninth Plan requesting for allocation of more resources for implementation of the projects for which advance procurement of critical and long delivery items has been completed. The proposed Plan for the Nuclear Power Sector envisages a total outlay of Rs. 10,111 crore. The financing pattern consists of Rs. 5326 crore as Budgetary support, Rs. 1539 crore as internal surplus and Rs. 3246 crore mobilised through Market-Borrowings/Credit. The Department have also stated that the physical targets for the Plan include commissioning of the on-going projects—kaiga 1 & 2 and RAPP 3 & 4 during 1998-99 adding a generation capacity of 880 MWe, commencement of work on the 2 × 500 MWe TAPP 3 & 4 during 1997-98, preparation of the DPR for the 2 × 1000 MWe Russian assisted Kudankulam Project in about two and half years for commencement of project construction work during 2000-01, commencement of work on the 2 × 220 MWe Kaiga 3 × 4 units during 1999-2000 and start of pre-project activities for the 500 MWe Prototype Fast Breeder Reactor towards the end of the Plan period. It has also been stated that NPCIL have constituted a high power committee to analyse reasons for the delay in the execution of projects and to recommend measures to undertake effective steps to ensure timely completion of projects so as to avoid slippages as witnessed during the Eight Plan Period.

13. The Committee had reviewed the performance of Nuclear Power Programmes during 8th Plan and come to the conclusion that owing to meagre budgetary support, the programmes suffered a major setback. There were time and cost over-runs in the project's implementation. The capacity added was nowhere near the targets. The Committee are of the opinion that nuclear power needs to be viewed as an attractive proposition in the long run on account of being an environmentally benign source. And the country has already developed a high level of expertise in

designing, constructing, operating and maintaining nuclear power stations. A frontier technology such as nuclear power cannot be sustained on 'stop-go' basis. The provision of adequate budgetary support for nuclear power programme is a pre-requisite lest the industrial infrastructure developed for nuclear power should get disturbed/dispersed. To rebuild this later on will be difficult and time consuming. The Committee, therefore, hope and trust that lessons learnt and experiences gained during the 8th Plan will make the Government wiser and the budgetary support to the Nuclear Power Programmes during 9th Plan will not be wanting. The Committee further note that NPCIL has constituted a High-Powered Committee to go into the reasons for delay in execution of the projects during the 8th Plan. The Committee would like to be apprised about the recommendations of the NPCIL Committee and action taken thereon by the Government.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 1.19)

The Committee observe that during the year 1995-96 the actual expenditure of the Department was short of the budgeted amount of Rs. 2961.03 crore by as much as Rs. 453.59 crore. Whereas shortfall in expenditure to the extent of Rs. 342.62 crore is attributable to non-realisation of Internal and Extra Budgetary Resources as envisaged in the Plan Budget, a net amount of Rs. 110.97 crore was not expended by the Department from the Budgetary Support component under the two grants *viz.* Grant No. 88—Atomic Energy and Grant No. 89—Nuclear Power Schemes. The inability of the Department to generate the envisaged internal and extra budgetary resources appears to be owing to the low operating base of the installed nuclear capacity to generate sizeable surpluses as well as the problems associated with mobilizing significant borrowings from the Capital Market. Yet, what the Committee are troubled to note is the inability of the Department to utilise the budgetary resources provided under the two grants. The Committee feel that the shortfalls in expenditure shown as savings in the Grants—are indicative of poor budgeting or shortfall in performance for which corrective measures are required to be taken. The Committee are of the view that such shortfalls in expenditure imply a miserable failure on the part of the organisation to utilise the allocations. That the shortfall in expenditure is more pronounced in the Industry and Minerals (I&M) Sector is brought out in the succeeding paragraph.

Reply of the Government

Out of the total saving of Rs. 110.97 crore, Rs. 89 crore was under Plan and the balance under Non-Plan. In this connection, it is submitted that the Finance Ministry *vide* its letter No. 2(290)B/CDN/95 dated 29th Dec. 1995, had imposed a cut in Plan of Rs. 75 crore. Therefore, surrender under Plan expenditure to this extent was obligatory. Shortfall was partly on account also of reduction in financial assistance to Public Sector Undertakings *viz.*, Uranium Corporation of India Ltd., and Indian

Rare Earths Ltd. based on the progress of implementation of projects. The surrender under Non-plan was mainly on account of saving under the allocation to Heavy Water Projects.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Comments of the Committee

Please *see* paragraph 7 of Chapter I of the Report.

Recommendation (Sl. No. 2, Para No. 1.20)

From the figures relating to Budget Estimates and Actual Expenditure for the year 1995-96, the Committee observe that the shortfall in Capital Expenditure on Schemes covered under the Industry and Minerals (I&M) Sector has been to the extent of Rs. 103.33 crore. Of this, shortfall in 'Plan Expenditure to the extent of Rs. 70 crore has been attributed to the reduction in financial assistance to public sector undertakings due to delay in their projects and, reduction in plan capital expenditure for projects/schemes of I&M Sector. On the Non-plan side, shortfall in expenditure to the extent of Rs. 33 crore has been attributed to postponement of annual maintenance of Heavy Water Plants at Baroda and Manuguru and six months outage in the Heavy Water Project at Tuticorin. Though the Department has indicated that the shortfall in expenditure earmarked for the operational expenses of Heavy Water Plants has not affected the production of plants, the Committee are not convinced of this possibility. Either the Budgeting was faulty or the information furnished by the Department about the performance of Heavy Water Plants during 1995-96 incorrect. The Committee expect a clarification in this regard.

Reply of the Government

It was submitted to the Committee that even though there was saving under this Head, production has not been adversely affected, with which the Committee was not convinced.

The outage of the Heavy Water Plant at Tuticorin resulted in a saving in expenditure of about Rs. 9 crore due to lower consumption of inputs. Correspondingly there was some loss in the production of heavy water. Postponement of the annual maintenance of the plants at Baroda and Manuguru, gave an increased production of heavy water which more than compensated for the loss from Tuticorin.

The postponement of the annual maintenance at two plants resulted in corresponding savings. The same, however, is seen to be largely compensated by the continued purchase of coal during the period for the captive power plant at Manuguru to meet future needs and hence this element does not have a major impact.

In addition, disputes regarding some amounts pertaining to earlier periods (about Rs. 8 crore) receivable from APSEB & MSEB were settled after negotiation and adjusted against the current year's payments which led to a corresponding reduction in cash out-flow. Some anticipated purchases and other payments did not materialize during the course of the financial year as a result of which there was a further saving of about Rs. 9 crore. The short supply of some consumables also resulted in a saving of about Rs. 6 crore.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Recommendation (Sl. No. 5, Para No. 1.35)

The Committee note with concern that the Jaduguda Mill expansion project which was initially envisaged to be completed by June, 1995 is now expected to be completed by April, 1998. The reasons advanced for delay of nearly three years in executing the project include, delays in placement of orders for equipments; delay in supply of equipment and frequent change of contractors due to their inability to complete the works assigned. In this very project, the Committee have been informed that there have been change of contractors on as many as five occasions. The Committee take serious note of this state of affairs. If huge projects are subjected to series of changes, there would be no finality in the implementation of the projects and would only lead to cost and time overruns. With a view to avoid delays in the execution of the projects of the Department the Committee feel that it is essential to undertake measures such as fixing of responsibilities for delays in placement of orders for equipment and imposition of penalties for delays on the part of the contractors and suppliers. The Committee trust that suitable measures would be undertaken to ensure completion of the projects in a time bound and cost effective manner. Also, considering the delay in completion of the Jaduguda Mill Expansion Project, the Committee are not convinced with the Departments contention that the project would be completed within the sanctioned cost of Rs. 95.37 crore. The Committee expect a clarification in this regard.

Reply of the Government

The main reasons for the delay in completion of the Jaduguda Mill Expansion Project were:

- Delay in the supply and installation of certain major equipment like Ion exchange columns, Leaching and utilisation pachucas and miscellaneous tanks.
- Adverse law and order situation in Jaduguda due to which some of the contractors and their site staff faced continuous harassment and even manhandling by anti-social elements.
- Problems in acquisition and handing over of land required for the Tailing Dam due to agitation by local inhabitants whereby construction work was stopped completely for some time.

The company took remedial measures by even terminating the contracts of the defaulting contractors and got the work executed by other contractors by invoking the risk purchase clause. It is expected that the mill will be commissioned by October, 1997 and go into full production. The remaining activities of the project like construction of some additional staff quarters, sewage treatment plant, slime dam, tailing pipeline, etc., which are not directly related to the commissioning of the expanded mill, will be completed by April 1998. The company is confident that the project will be completed within the sanctioned cost of Rs. 95.37 crore.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Comments of the Committee

Please see paragraph 10 of Chapter I of the Report.

Recommendation (Sl. No. 6, Para No. 1.48)

The Committee note that the Eighth Plan proposals for the Nuclear Power Sector were based on an ambitious programme of achieving a nuclear power capacity of 7700 MW by 2002 A.D. Advance action was also initiated for 'procurement of critical long delivery equipments' for projects to be taken up in future. The Eighth Plan proposals were based on commencing construction of Tarapur 3 & 4 (2 × 500 MWe), Rajasthan 5 & 6 (2 × 500 MWe), Kaiga 3 to 6 (4 × 220 MWe) and

additionally the Russian aided Kudankulam Project (2 × 1000 MWe) at an outlay of Rs. 15.125 crore. Against this, the approved outlay was only Rs. 4216 crore with a budgetary support of a mere Rs. 761 crore. During the Eighth Plan, as against a capacity addition of 1100 MWe envisaged from ongoing projects, *viz.*, Kakrapar units 1 & 2 (2 × 220 MWe). Kaiga 1 & 2 (2 × 220 MWe) and Rajasthan 3 & 4 (220 MWe) the actual addition has been only 440 MWe from Kakrapar and balance 660 MWe from Kaiga and Rajasthan is slipping to IX Plan. The wide disparity between the Eighth Plan proposals of the Department and the approved outlay, the meagre budgetary support provided to the Nuclear Power Sector during the plan period as well as the shortfall in achieving the capacity targets for the plan period speak of serious deficiencies in the planning for the nuclear power sector. The Committee have been informed that the capacity of Nuclear Power Corporation to generate sizeable surpluses for funding the Nuclear Power Projects is limited. Added to this are the difficulties in mobilising sufficient borrowings from the capital market. The Committee, therefore, urge the Government to review its approach to Nuclear Power Sector and provide adequate funding to the Department. The Committee also expect the Department to undertake effective steps to ensure timely completion of projects so as to avoid slippages as witnessed during the Eighth Plan period.

Reply of the Government

(a) Considering the constraint of resources experienced during the VIII Five Year Plan period, the Department has finalised its approach to the IX Five Year Plan requesting for allocation of more resources for implementation of the projects for which advance procurement of critical and long delivery items has been completed. The proposed plan for the Nuclear Power Sector envisages a total outlay of Rs. 10.111 crore to be financed as under:

		(Rs. in crore)
Budgetary Support	:	5326.00
Internal Surplus		1539.00
Market Borrowings/Credit	:	3246.00
Total		10111.00

The physical targets for the plan include commissioning of the ongoing projects Kaiga 1 & 2 and RAPP 3 & 4 during 1998-99 adding a generation capacity of 880 MWe, commencement of work on the 2 × 500 MWe TAPP 3 & 4 during 1997-98, preparation of the DPR for the 2 × 1000 MWe VVER type Russian assisted Kudankulam Project in about two and half years with a view to commencement of project construction work during 2000-01, commencement of work on the 2 × 220 MWe. Kaiga 3 & 4 units during 1999-2000 and start of pre-project activities for the 500 MWe Prototype Fast Breeder Reactor towards the end of the plan period. Auxiliary Schemes such as Coolant Channel Replacement at MAPS 1 & 2, Waste Immobilisation Project at Kalpakkam, Repository for Waste products are also to be taken up.

(b) NPCIL have constituted a high power committee to analyse reasons for the delay in the execution of projects and to recommend measures to undertake effective steps to ensure timely completion of projects so as to avoid slippages as witnessed during the Eighth Plan period.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Comments of the Committee

Please see paragraph 13 of Chapter I of the Report.

Recommendation (Sl. No. 7, Para No. 1.49)

The Committee feel constrained to note that the Kaiga 1 & 2 and RAPS 3 & 4 Projects which were envisaged to be commissioned in 1995 are now expected to be completed in 1998. The delay of nearly three years in commissioning the projects has been attributed to a hold up in the construction of the projects by Atomic Energy Regulatory Board (AERB), at first in early 1989, and secondly following the incident of delamination of IC dome at Kaiga in May, 1994. As informed by the Department, necessary clearances for commencement of construction of the redesigned dome in respect of both the projects are yet to be obtained from AERB. Considering the extent of delay in execution of the projects caused due to the delamination incident at Kaiga, the Committee expect the Department to take up the matter of obtaining the necessary clearances from AERB in the right earnest and ensure that the projects are commissioned within the extended time frame. That the hold up in the construction work of the projects has

contributed significantly to the escalation in the costs of the projects is brought out in the next paragraph.

Reply of the Government

The observations of the Committee have been noted. NPCIL has been closely interacting with the Atomic Energy Regulatory Board for obtaining clearance for restarting the construction of reactor building domes of Kaiga-1 & 2 and RAPP 3 & 4 Projects. The revised design basis report (DBR) for IC dome of Kaiga-2 and RAPP-3 & 4 was approved by AERB in Oct. 1996. It did not include approval of DBR of the IC dome of Kaiga-1. The DBR and Design Report (DR) for IC dome of Kaiga-1 are expected to be submitted to AERB by November, 1997 and clearance is expected in about six months thereafter.

On the 14th May, 1997, AERB approved the design report and gave clearance to proceed with construction of IC dome of Kaiga-2. With regard to RAPP-3 & 4, AERB clearance to proceed with construction of IC dome is expected by Sept. 1997, after submission of certain additional clarifications as desired by AERB.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Recommendation (Sl. No. 8, Para No. 1.50)

The Committee observe that cost overruns in respect of both Kaiga-1 & 2 and RAPS-3 & 4 projects which were envisaged to be completed in the 8th Plan period is to the extent of 200%. Whereas the original costs of Kaiga-1 & 2 and RAPS-3 & 4 projects were Rs. 731 crore and Rs. 712 crore respectively, the revised costs of the projects have been estimated at Rs. 2275 crore and Rs. 2107 crore respectively. As informed by the Department, the 'delamination incident' at Kaiga and the resultant hold up in the construction of the projects has contributed to an escalation of as much as Rs. 355 crore in the project costs of Kaiga-1 & 2 and Rs. 210 crore in the costs of RAPS-3 & 4. Such huge escalations in project costs are indicative of serious deficiencies in project planning and implementation. The Committee expect that efforts will be made to ensure commissioning of the projects within the revised costs.

Reply of the Government

The revised cost estimates of Kaiga-1 & 2 of Rs. 2275 crore and of Rs. 2107 crore for RAPP-3 & 4 were prepared w.r.t. 1984 & June' 93

price levels respectively and with a completion schedule of June & Dec. '96 for Kaiga-1 & 2 and Nov. '96 & May 97 for RAPP-3 & 4. However the unexpected delamination incident at Kaiga-1 and the resultant hold up in the construction work at Kaiga and RAPP-3 & 4 and the consequent delay in the commissioning of these units (commissioning is now expected in May & Nov. 1998) will result in further increase in the cost on account of higher IDC component and inflation. The final cost estimates are presently being worked out for obtaining approval of the CCEA after following the prescribed procedure regarding consultation with other agencies concerned like the Planning Commission and Finance Ministry. Concerted efforts are being made by the NPCIL for commissioning of the Project according to the revised schedule.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Recommendation (Sl. No. 9, Para No. 1.51)

The Committee are of the view that the choice of Nuclear Energy as a source for meeting the country's energy requirements acquires added importance in view of the limitations of the commercial energy sources *viz.*, coal, oil and natural gas. Though the country has developed comprehensive capability for the entire nuclear fuel cycle-production of heavy water and fuel, exploration, mining and processing of the uranium ores and nuclear waste management-nuclear power as an option for meeting the energy needs has, unfortunately, not merited consistent consideration in energy planning. The Committee express the need for a committed and continuous nuclear energy development programme so as to ensure the progress and development of the nation. The Committee feel that it is essential to have a new thinking for implementation of Nuclear Power Projects in the Ninth Plan in the light of experience gained during, the Eighth Plan period.

Reply of the Government

Noted for compliance.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE
DO NOT DESIRE TO PURSUE IN VIEW OF THE
GOVERNMENT'S REPLIES**

—NIL—

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF
WHICH REPLIES OF THE GOVERNMENT HAVE
NOT BEEN ACCEPTED BY THE COMMITTEE**

—NIL—

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 3, Para No. 1.21)

The Committee feel constrained to observe that a significant amount of the shortfall in capital expenditure of I & M Sector as well as the Nuclear Power Sector has been owing to delays in execution of Projects/procurement of equipments. The Committee observe that the resources available are meagre and the allocations low. Yet, there is shortfall in expenditure on sanctioned projects. The Committee, therefore, urge that appropriate measures need to be taken to ensure that the projects/schemes of the Department are implemented in a time bound manner. The Committee also emphasize that estimates for each project/scheme should be framed accurately after a careful and in-depth examination of the requirement of funds.

Reply of the Government

Committees have been set up in the Department to review projects/schemes costing more than Rs. 1 crore for the Heavy Water Board, the Nuclear Fuel Complex & the Board of Radiation and Isotope Technology under the chairmanship of Additional Secretary (I&M) , including Joint Secretary (Finance) and the concerned Head of the Unit as members. Periodic review is being undertaken by these Committees to identify the difficulties in implementation of any of the projects/schemes and to find solution for the same.

In addition NPCIL have constituted a high power committee to analyse reasons for the delay in the execution of projects and to recommend measures to ensure that the systems and procedures etc., are streamlined to avoid delay in the implementation of the projects.

The Standing Committee's recommendation that the budget estimates for each project/scheme should be framed accurately after a careful and in-depth examination of the requirement of the funds, is noted for future compliance.

[DAE OM No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

Recommendation (Sl. No. 4, Para No. 1.34)

The Committee observe that the shortfall in utilization of the 8th Plan outlay for the projects of UCIL has been to the extent of Rs. 33.93 crore. Further, the profits earned by the Corporation have shown a declining trend. Though the likely loss of Rs. 34.85 crore shown for the year 1996-97 has been stated to be a tentative figure which would be revised following a re-fixation of compensation rates for Yellow Cake, the Committee would like to be apprised of the financial performance of the Corporation during the year. The Committee also hope that the reasons for the shortfall in utilisation of the 8th Plan outlay as well as the declining profits of the Corporation would be analysed in detail and the performance of UCIL improved.

Reply of the Government

Shortfall in the expenditure by Rs. 39.93 crore was mainly on account of the rescheduling of the Jaduguda Mill Expansion Project. The Project was to be completed by June 1995 according to the original schedule. However, the mill was commissioned partly in July 1996. Full commissioning of the mill to achieve the rated production of 2090 MT of ore processing per day is expected to be achieved during 1997-98. The balance works of the project (not directly related to the production) like additions to the township, completion of tailing dam, etc. will be completed by April, 1998. Rescheduling was necessitated due to poor performance of some of the contractors and the resultant short closing of such contracts and getting the work done by alternative means.

As it is practically a single product single buyer corporation the rate of compensation for the uranium (yellow cake) produced by UCIL, is determined by the department from year to year taking into account the cost of production, capacity utilisation, raw material consumption and other relevant parameters. The projected loss for the financial year 1997-98 had been worked out with reference to the rate of

compensation prevailing in 1995-96. The Department has constituted a Committee to recommend a formula for determining the rate of compensation payable to UCIL for the U308 produced by the company and acquired by the Department. Pending receipt of the recommendations of the Committee, the rate of compensation for the year 1996-97 has been provisionally increased and the company's working results for 1996-97 on the basis of the provisionally approved rate show a loss of Rs. 8.54 crore. The cost of production has increased during the year 1996-97 after commissioning of the New Mine at Narawapahar on account of higher amount of depreciation. Low capacity utilisation in the new mine in the initial stages of production and low grade of the ore have further contributed to the increase in the cost of production. It is expected that with the improvement in the capacity utilisation in the coming years and revision in the rate of compensation for U308 on the basis of the recommendations of the Committee set up to review the formula for fixation of rate of compensation for U308, the financial performance of the company will improve.

[DAE O.M. No. 1/2(6)/97-Budget/Vol. II/dated September 16, 1997]

NEW DELHI;
July 28, 1998
Shravana 6, 1920 (Saka)

K. KARUNAKARAN,
Chairman,
Standing Committee on Energy.

EXTRACTS OF MINUTES OF THE EIGHTH SITTING
OF THE STANDING COMMITTEE ON ENERGY
HELD ON 22ND JULY, 1998 IN ROOM NO. 139,
PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 15.30 hrs. to 16.30 hrs.

PRESENT

Shri K. Karunakaran—*Chairman*

MEMBERS

2. Smt. Rani Chitralekha Bhosle
3. Shri Bikash Chowdhury
4. Shri K.C. Kondaiah
5. Dr. H. Lallungmuana
6. Shri Rajbanshi Mahto
7. Shri Som Marandi
8. Smt. Sukhda Mishra
9. Shri Vilas Muttemwar
10. Shri Ravindra Kumar Pandey
11. Shri Amar Roy Pradhan
12. Shri Kanumuru Bapi Raju
13. Shri Anantha Venkatrami Reddy
14. Shri Shailendra Kumar
15. Shri N.T. Shanmugam
16. Shri Chandramani Tripathi
17. Shri Sushil Chandra Verma
18. Shri Gandhi Azad
19. Shri Brahmakumar Bhatt
20. Shri Bangaru Laxman
21. Shri Nabam Robia

(Vide Para 3 of Introduction)

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE FOURTEENTH
REPORT OF THE STANDING COMMITTEE ON ENERGY
(ELEVENTH LOK SABHA)**

I. Total No. of Recommendations made	9
II. Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Sl. Nos. 1, 2, 5, 6, 7, 8 and 9)	7
Percentage of total	77.78
III. Recommendations which the Committee do not desire to pursue in view of the Government's replies	Nil
IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee	Nil
V. Recommendations in respect of which final replies of the Government are still awaited (<i>Vide</i> recommendations at Sl. Nos. 3 and 4)	2
Percentage of total	22.22