7 STANDING COMMITTEE ON ENERGY (1998-99) TWELFTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS (1997-98)

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

SEVENTH REPORT



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LOK SABHA SECRETARIAT NEW DELHI

July, 1998/Shravana, 1920 (Saka)

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

Shri K. Karunakaran — Chairman

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- 4. Shri R.S. Kambo Under Secretary
 - 5. Shri S.R. Mishra Reporting Officer

INTRODUCTION

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

2. The Sixteenth 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 8th 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 Sixteenth Report of the Committee is given in Annexure II.

New Delhi; 28 July, 1998 6 Shravana, 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 Sixteenth Report (Eleventh Lok Sabha) of the Standing Committee on Energy on "Demands for Grants (1997-98) of Ministry of Power" 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, 3, 5, 7, 8, 10, 11, 12, 15, 16, 18.

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

Sl. Nos. 4 & 13.

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

Sl. Nos. 9 & 14.

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

Sl. Nos. 6 and 17.

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. Low Plant Load Factor

Recommendation (Sl. No. 2)

5. The Committee had regretted that despite two phases of R & M programme undertaken during 7th and 8th Five Year Plan, Plant Load Factor, in case of the State sector is far below national average. Keeping in view the target of 65% PLF in the State Sector for the Ninth Plan period, the Committee recommended the Ministry of Power to assist, guide and ensure flow of funds from all possible sources so that the targets set for the Ninth Plan period would be achieved. The Ministry have *inter-alia* stated that an extensive programme for renovation and modernisation (R&M) is proposed to be launched which should help in improving the PLF.

6. The Committee desire to be informed of the status of the proposed extensive programme on R&M and reiterate their earlier recommendation that the Government should assist, guide and ensure flow of funds for achievement of the 9th Plan targets.

B. Power Projects in Eastern and North-Eastern States

Recommendation (Sl. No. 3)

7. The Committee had observed that Plant Load Factor of power projects in Eastern and North-Eastern Regions was far below the national average mainly due to lack of system for transmission of power due to which thermal plants of these regions were compelled to back down. Due to non-availability of transmission system, 1600 MW off-peak and 1000 MW peak power was wasted. The Committee emphasized the need for evacuation of power from the Eastern region to scarce areas and desired the Ministry to plan in such a manner so as to enable optimal utilization of surplus power available during peak and off-peak regimes. The Committee further desired implementation of national grid policy for equitable distribution of power among all the States.

8. The Ministry while accepting that surplus power was available in the Eastern Region, particularly during off-peak periods, stated that there was high frequency in the Region and this often caused damage to the system and other inter-connected equipments. The operation was also uneconomic. System improvement was therefore required to meet the unserved demands in the region. The transfer of power would also enable more efficient utilization of generating plants in Eastern region. There is a major potential to transfer surplus power from the Eastern region to adjoining regions viz. Southern, Western and Northern regions. Effecting such transfer would require immediate, short-term and long-term measures. The measures are as under:—

I. IMMEDIATE STEPS:

Utilisation of existing links for immediate transfer

Looking at the present level of power flow over the inter-regional links and the capability of such transmission links, it is feasible to transfer additional power from the Eastern region to the extent of 400-500 MW by adopting the following immediate measures:—

1. To Southern Region:

Power transfer from the Eastern region to the Southern region has already increased from 100 MW to 150 MW through existing 200 KV Balilmela (Orissa) Upper Sileru (Andhra Pradesh) transmission line. An additional power of the order of 50 MW can be exported to the Southern region through the above line.

2. To Northern Region:

Existing State owned transmission lines can be used to transfer an additional 150 MW utilising Dehri-Mughalsarai 220 KV Line. However, this would need minor re-orientation of Biharshariff—Bodhgaya, 132 KV line of BSEB and Gaya—Barhi 132 KV line of DVC which would shortly be implemented by BSEB.

3. To Western Region:

Steps are being taken to enable power transfer of about 150 MW-200 MW from the Eastern to the Western region by utilising Budipadar to Korba 220 KVD/C inter-state line of Orissa and MP.

4. To North-Eastern Region:

Upto 100 MW is being transferred from Eastern Region to the North-Eastern region through existing lines.

II. SHORT TERM & LONG TERM SOLUTIONS:

Short term solutions:

1. Powergrid is implementing 500 MW HVDC link between Jeypore (Orissa)—Gazuwaka (Andhra Pradesh). This link would interconnect the Eastern Region with the Southern region for bulk transfer and is scheduled for completion by February, 1999.

2. To further augment the transmission network to export power from the Eastern Region, Powergrid has planned a 500 MW HVDC link between Sasaram (Bihar-ER) and Rihand (UP-NR), which would facilitate transfer of power to the Northern region. This scheme has been accorded clearance by CEA and is being processed for investment approval of Government of India. The project could be programmed for commissioning within $3-3\frac{1}{2}$ years of investment approval from Government of India, i.e. around end of 2000.

3. Powergrid is executing a 400 KV D/C line between Bongaigaon and Malda as a part of Kathalguri transmission system to connect the Eastern and the North Eastern regions construction of which is expected to be completed during 1997-98 and would provide means to export power out of NER.

Long term solution:

Powergrid has plans to take up the following transmission projects in future which would further augment the inter-regional exchange capacity:—

- An AC Raipur-Rourkela 400 KV D/C line between Western and Eastern regions.
- 2000 MW HVDC Bipole between Talcher in Eastern Region and Bangalore in the Southern region as a part of the Talcher II transmission system.
- 3000 MW HVDC Bipole link between IB Valley in the Eastern Region and Jaipur in NR and 400 KV AC System from IB Valley (ER) to Raipur (WR). These transmission links are part of the transmission system associated with CEPA.

- 4. The Government have formulated plans to interconnect various regional electricity grids of the country to create the National GRID. Some of these links are already under operation, others are under construction or under consideration. A list of the centrally owned inter-regional links is given below:
 - 4.1 Existing (Under Operation):
 - (a) Between Western and Northern regions-500 MW Vindhynchal HVDC Back to Back Station.
 - (b) Between North-Eastern and Eastern regions-200 KV Birpara-Bongaigaon.
 - (c) Ramagundam-Chandrapur-400 KV line between Southern and Western regions.
 - 4.2 Under Construction:
 - (a) Between Western and Southern regions-1000 MW HVDC Back to Back at Chandrapur.
 - (b) Between Eastern and Southern regions-500 MW HVDC back to back at Gazuwaka.
 - (c) Between North-Eastern and Eastern regions-400 KV between Bongaigaon & Malda.
 - 4.3 Under Consideration:
 - (a) Between Eastern and Northern regions-500 MW at Sasaram between Biharshariff to Rihand.

9. The Committee note that although there exist surplus power in the Eastern region both during 'off-peak' and 'peak' regimes, it cannot be transmitted due to deficiency in transmission system. Another problem manifested in this region is the availability of high frequency of power which often causes damage to the system and equipments. In spite of the fact that the Government are aware that system improvement can lead to improving demand in unserved areas, the action initiated by the Government lacks firm conviction. The Committee are of the view that a solution which will provide for equitable distribution of power lies in creating a grid at the national level, as the regional grids have not been able to fulfil the desired objectives. The Committee, therefore reiterate their earlier recommendation and desire that the Government should implement their plan of setting up a national grid without any further loss of time. The Government have not indicated any outline of the proposed National Grid. The Committee desire that they should do it now and all the existing regional grids should be integrated into one National Grid with suitable asynchronous links. For this they must identify the critically missing links amongst the regional grids and a time bound programme may be chalked out to establish those links. The Committee may be informed of the progress made in this regard.

C. Fuel Policy

Recommendation (Sl. No. 9)

10. The Committee had regretted that in spite of their repeated emphasis on the need for a comprehensive fuel policy, the Ministry have not taken any concrete step for its formulation. The Committee were surprised to observe that no other country had opted for Naphtha as fuel for power stations and had cautioned about the resultant cost impact on the consumers.

- 11. The Ministry have now stated as under:
 - (i) The liquid Fuel Policy had been announced in view of the rapidly growing power shortages, and need for short gestation projects.
 - (ii) Naptha is one of the possible liquid fuels and Fuel Oil/LSHS is also being used. For Combined Cycle Projects, it is only Naptha that can be used, given the problems in using diesel and lack of domestic natural gas. Naptha can be replaced by indigenous or imported gas and efforts are simultaneously being made in this direction.
 - (iii) The Liquid Fuel Policy had been finalised in close consultation with the Ministry of Petroleum and Natural Gas as well as the Planning Commission.

(iv) Even before the Government of India had finalised the Liquid Fuel Policy, many States had already taken steps to plan projects based on liquid fuel allocation.

12. The Committee are aware that naptha based power plants need shorter gestation period but they feel that this option has been avoided by other countries as it is a costly option. The Committee are sad to note that no comprehensive fuel policy has been announced and the present liquid fuel policy is only a fire fighting operation. The Committee desire that their emphasis on the need for a comprehensive fuel policy should be acted upon at the earliest.

D. Kutir Jyoti Programme

Recommendation (Sl. No. 11)

13. The Committee found that in the year 1995-96, as against a target of 6.25 lakh connections, 5.11 lakh connections were released. However, in the year 1996-97, against the same target of 6.25 lakhs, connections released were only 1,43,741. As explained by the Ministry this was due to increase in the unit cost for extending Kutir Jyoti Programme which was increased from Rs. 400 to Rs. 800 (without meter) and Rs. 1000 (with meter) and the target for the year 1996-97 was reduced to 2.80 lakh.

14. The Committee had felt that the Ministry should not have reduced the target and should have convinced the Ministry of Finance and the Planning Commission to enhance the allocation for the year 1996-97.

15. The Ministry have explained that the approval for the increase in cost was received only in February, 1997 and therefore it was not possible to have the outlay increased from Rs. 25 crore allocated for Kutir Jyoti Programme.

16. The Committee desire that the Ministry should make up the shortfall by fixing higher targets for Kutir Jyoti Programme in the coming years and persuade the Planning Commission and the Ministry of Finance to allocate matching funds and apprise the Committee of the progress made.

E. Maithon Right Bank TPP

Recommendations (Sl. No. 14)

17. The Committee had noted that the Maithon Right Bank TPP (4×250 MW) of Damodar Valley Corporation had got techno-economic clearance way back in 1988 at the cost of Rs. 1205.80 crore. Due to the reorganisation erstwhile of Soviet Union, the assistance to the project fell through. The Committee were unhappy to note that the project was kept pending over more than 7 years and as a result the project cost rose to Rs. 3353.16 crores in the year 1995.

18. Now the Ministry have stated that various possibilities of implementation of this project, including through OECF assistance and by setting up Joint Venture with a private party, are under consideration.

19. The Committee feel that no serious effort has been made to implement the Maithon Right Bank TPP since 1995. The Ministry are still searching for finance/financing agency and the budgetary support for the project during the 9th Plan is only Rs. 2100.00 crores, which is well below the cost apprised in 1995 *i.e.* Rs. 3353.16 crore. The Committee desire the Ministry to expeditiously decide on the financing of the project and work out a time bound implementation plan and keep them informed.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 3)

A glance at the sector-wise distribution of Budgetary support from the year 1994-95 to 1997-98 shows the budgetary allocation for thermal generation has been coming down every year. The Committee note that while the projected target for thermal generation for the year 1997-98 2385 MW the budget allocation has come down to Rs. 772.58 crores in the year 1997-98 from Rs. 1705.58 crores in 1994-95. The likely achievement of thermal generation during the Eighth Plan Period has been shown at 14626 MW against the Eighth Plan target of 20156 MW. The Committee therefore do not find any justification in cutting down of expenditure in generation of thermal power which is a major source of power generation. The Committee also observe that Ministry of Power have gradually cut down budgetary allocation for Transmission and distribution as well as System Improvement (OECF loan). The necessity of funds for this purpose cannot be over emphasised as without proper transmission infrastructure facilities power of surplus area cannot reach the deficit areas. The Committee desire that budgetary allocation for these crucial areas should not be reduced and want the Ministry of furnish an explanation for the gradual reduction of allocation for these areas.

Reply of the Government

The Budgetary Support consists of two components viz. Net Budgetary Support and External Assistance through Budget. The Allocation under the component External Assistance through Budget is gradually coming down on account of the practice introduced by the Ministry of Finance in April, 1993 to let CPSUs avail of bilateral/ multilateral assistance directly rather than receiving it through the Budget.

It is a fact that the Annual Plan allocation on Power Projects by the premier thermal generating corporations viz. National Thermal Power Corporation (NTPC) has come down in 1995-96 and 1996-97 over the previous year of 1994-95. The reason for this is the earlier ongoing projects of NTPC were commissioned and there were not many new projects in hand needing budgetary support from the Government. However, in the 9th Plan, NTPC is expected to add 6,270 MW of capacity addition for which an allocation of Rs. 19,842 crores has been provisionally proposed. This includes gross budgetary support of Rs. 862 crores only.

As far as Powergrid is concerned, the total allocation has been increasing from Rs. 1,000 crores in 1994-95 to Rs. 1,600 crores in 1997-98. The 9th Plan allocation for Powergrid has been tentatively kept at around Rs. 13,000 crores. Options to increase the budgetary allocation are being explored. To increase the availability of funds, for transmission sector, Government have also proposed to allow private sector participation and bill in this regard is already under consideration of Standing Committee on Energy.

[Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Recommendation (Sl. No. 2, Para No. 21)

The Committee note that the plant load factor in case of State sector has constantly been below the national average. The Ministry has informed the Committee about the measures taken by it in this regard namely funding by Power Finance Corporation for renovation and modernisation schemes and strengthening of inter-regional links to transfer surplus power from eastern region to other regions. The Committee however regret to observe that despite the two R&M programmes that completed during the 7th Plan period and 8th Plan period the PLF in State Sectors, are far below national average and the existing assets are not being used optimally. In this context the Committee observe that progress in respect of as many as 16 R&M schemes pertaining to UPSEB, BSEB, WBSEB, ASEB, DVC etc. is very tardy. The Committee recommend that Ministry of Power should assist, guide and ensure flow of funds from all possible sources so that the target of 65% PLF can be achieved by Power stations at State level by the end of Ninth Plan period.

Reply of the Government

It is true that PLF in the case of State Sector is below the national average as indicated in para 4 of the report. However, reasons for low PLF in case of State Sector are:---

- (i) Poor performance of old thermal power units;
- (ii) Frequent brake down resulting in forced outages; and
- (iii) Managerial inefficiencies.

It is however heartening to note that PLF of existing stations in the State Sector has increased from 54% during 1992-93 to 60.3% during 1996-97. Thus there is an improvement in PLF 6% during the 8th Plan. In order to further improve the PLF in both Central and the State Sector, concerted action to ensure better fuel availability, adopt improved plant level practices and in improving the liquidity of power stations has been initiated. An extensive programme for renovation and modernisation is also proposed to be launched which should *interalia* help in improving the PLF.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Comments of the Committee

(Please see para 6 of Chapter I of the Report)

Recommendation (Sl. No. 3, Para No. 22)

The Committee regret to note that PLF of Power projects in Eastern and North Eastern region is far below national average mainly due to lack of system for transmission of power. Thermal Plants of these regions are compelled to 'back down' for this reason. Due to nonavailability of transmission system, 1600 MW off-peak and 1000 MW peak power is wasted. The Committee emphasize the need for evacuation of power from eastern region to the scarce areas and expect the Ministry to plan accordingly so that the capacity of existing power plants can be utilised at its optimum level and surplus power of 1600 MW (off peak) and 1000 MW (peak) can be distributed. The Committee would like the Ministry to implement its plan for the national grid expeditiously.

Reply of the Government

Transfer of power from Eastern Region

There is surplus power available in Eastern Region, particularly during off-peak periods. At present, there is high frequency in Eastern Region and this often causes damage to the system and other interconnected equipment. The operation is uneconomical also. System improvement is therefore required to meet unserved demand in other regions. The transfer of power would also enable more efficient utilisation of generating plant in Eastern Region.

Solution

There is a major potential to transfer surplus power from Eastern Region to adjoining regions *viz*. Southern, Western, Northern Regions. The solutions for such transfer would require immediate, short term and long term measures discussed below:

I. Immediate Steps

Utilisation of existing links for immediate transfer

Looking at the present level of power flow over the inter-regional links and the capability of such transmission links, it is feasible to transfer additional power from Eastern Region to the extent of 400-500 MW by adopting following immediate measures:

1. To Southern Region:

Power transfer from Eastern region to Southern Region has already increased from 100 MW to 150 MW through existing 220 KV Balimela (Orissa). Upper Sileru (Andhra Pradesh) transmission line. An additional power of the order of 50 MW can be exported to Southern Region through the above line.

2. To Northern Region:

Existing State owned transmission lines can be used to transfer additional 150 MW utilising Dehri-Mughalsarai 220 KV Line. However, this would need minor re-orientation of Biharshariff-Bodhgaya, 132 KV line of BSEB and Gaya-Barhi 132 KV line of DVC which would shortly be implemented by BSEB.

3. To Western Region:

Steps are being taken to enable power transfer of about 150 MW-200 MW from Eastern to Western Region by utilising Budhipadar to Korba 220 KV D/C inter-state line of Orissa and MP.

4. To North-Eastern Region:

Upto 100 MW is being transferred from Eastern Region to North-Eastern Region through existing lines.

II. Short Term & Long Term Solutions:

Short Term:

1. Powergrid is implementing 500 MW HVDC link between Jeypore (Orissa)-Gazuwaka (Andhra Pradesh). This link would inter-connect Eastern region with Southern Region for bulk transfer and is scheduled for completion by February, 1999.

2. To further augment the transmission network to export power from Eastern Region, Powergrid has planned a 500 MW HVDC link between Sasaram (Bihar-ER) and Rihand (UP-NR), which would facilitate transfer of power to Northern Region. This scheme has been accorded clearance by CEA and is being processed for investment approval of Government of India. The project could be programmed for commissioning within $3-3\frac{1}{2}$ years of investment approval from Government of India i.e. around end of 2000.

3. Powergrid is executing a 400 KV D/C line between Bongaigaon and Malda as a part of Kathalguri transmission system to connect Eastern and North Eastern Regions; construction of which is expected to be completed during 1997-98 and would provide means to export power out of NER.

Long-Term:

Powergrid has plans to take up the following transmission projects in future which would further augment the inter-regional exchange capacity:

1. An AC Raipur-Rourkela 400 KV D/C line between Western and Eastern Region.

2. 2000 MW HVDC Bipole between Talcher in ER and Bangalore in Southern Region as a part of Talcher-II transmission system.

3. 3000 MW HVDC Bipole link between IB Valley in ER and Jaipur in NR and 400 KV AC System from IB Valley (ER) to Raipur (WR). These transmission links are part of the transmission system associated with CEPA.

4. The Government have formulated plans to inter-connect various regional electricity grids of the country to create the NATIONAL GRID. Some of these links are already under operation, others are under construction and under consideration. A list of the centrally owned inter-regional links is given below:

4.1 Existing (Under Operation):

- (a) Between Western and Northern Region-500 MW Vindhyachal HVDC Back to Back Station.
- (b) Between North Eastern and Eastern Region-200 KV Birpara-Bongaigaon.
- (c) Ramagundam-Chandrapur-400 KV line between Southern & Western Region.
- 4.2 Under Construction:
 - (a) Between Western and Southern Region-1000 MW HVDC Back to Back at Chandrapur.
 - (b) Between Eastern & Southern Region-500 MW HVDC Back to Back at Gazuwaka.
 - (c) Between North Eastern and Eastern Regions-400 KV between Bongaigaon & Malda.
- 4.3 Under Consideration:

Between Eastern & Northern Region-500 MW at Sasaram between Biharshariff to Rihand.

[Ministry of Power O.M. No. G-20020/1/97-Bud, Dated 5th September, 1997]

Comments of the Committee

(Please see para 9 of Chapter I of the Report)

Recommendation (Sl. No. 5, Para No. 24)

The Committee find that one of the reasons advanced for less utilisation of capacity in Eastern and North-Eastern region is low system demand. The Committee also observe that consumption of power in these two regions are for below than the other regions of the country. The Committee therefore desire that a thorough study should be undertaken to ascertain the cause of low level of demand of electricity in these regions and also the need for adequate and effective planning in this area. The Committee also recommend that Ministry of Power should take suitable steps to improve transmission and distribution network.

Reply of the Government

The reasons for less utilisation of the capacity in Eastern and North-Eastern Region is low system demand as also because of comparatively weak State transmission system, which is not able to transmit power to load centres in the States.

Steps taken to Solve the Problem:

1. Plans for improvement of transmission network in the Eastern Region are described in reply to Para 22.

2. As far as North-Eastern Region is concerned POWERGRID is executing a 400 KV D/C line between Bongaigaon and Malda as a part of Kathalguri transmission system to connect Eastern and North-Eastern Regions; construction of which is expected to be completed during 1997-98 and would provide means to export power out of NER.

3. The Kathalguri Transmission system is expected to be commissioned by March, 1998. The Doyang Transmission system has been completed in February, 1997. The Ranganadi Transmission system is expected to be commissioned by 1999-2000. The Agartala Transmission system is expected to be commissioned by March, 1999. The Kopili Stage I (Extn.) Transmission system is expected to be commissioned by June, 1998.

 POWERGRID is also executing a scheme for Augmentation of NER Transmission System which is expected to be commissioned by 1999-2000.

5. Setting up of the Unified Load Despatch and Communication Scheme for the North-Eastern Region is also presently being processed for investment approval. This Scheme, when implemented would help in substantial reduction in time for restoration of Grid improvement in control and monitoring of inter-regional power exchanges and minimise occurrence of equipment damages.

5. SEBs are also now going in for reforms like. e.g., GRIDCO in Orissa other SEBs in Eastern and North-eastern regions are also taking steps to strengthen their grids so that power could be transmitted to their load centres.

> [Ministry of Power O.M. No. G-20020/1/97-Bud, Dated 5th September, 1997]

Recommendation (Sl. No. 7, Para No. 38)

The Committee note that the policy to invite private participation in the Power Sector was initiated before the commencement of 8th Plan. The Ministry appears to have envisaged significant progress of generation through private sector. However, the launching of private participation appears to have been done without preparation of proper ground work *viz*. power purchase agreements, fuel linkages, documentations, etc. As a result, there has been no major progress in this regard. Moreover, the Committee note that the Ministry of Power have not attempted a suitable correction and they feel that for power sector, Eighth Plan was a failure of anticipation, planning and imagination.

Reply of the Government

1. Private Sector participation in the Power Sector was a new area and no previous experience was there with Government of India. Such projects took a long time for finalisation even in other countries. 2. The degree of complexity of the problems as they unfolded was more than what was initially envisaged.

3. Model PPAs have been prepared and arrangements also made for financial assistance to States to engage consultants.

4. During the 8th Plan, 10 power projects with a total capacity of about 1500 MW have been commissioned.

5. As a result of the efforts made in the 8th Plan and continuing efforts thereafter, a much larger capacity addition in the Private Sector is expected in the 9th Plan period.

[Ministry of Power O.M. No. G-20020/1/97-Bud, Dated 5th September, 1997]

Recommendation (Sl. No. 8, Para No. 49)

The Committee observe that Ministry of Power have projected a capacity addition of 57,000 MW with an estimated expenditure of Rs. 228,000 crores during the Ninth Plan period. The Committee desire that Ministry of Power should take all necessary steps to achieve the target set for the Ninth Plan unlike the 8th Plan period which witnessed severe shortfall in achieving the targets. The Committee stress that Ministry of Power should ensure the implementation of projects in Central, State and Private Sector as proposed for the 9th Plan period. The Committee desire that while planning for the 9th Plan investment in infrastructure should be anticipated and taken into account. The Committee would therefore like the Planning Commission and Ministry of Finance to allocate the required funds for the power sector and allied sectors such as mining, surface transport and railways so that the targeted capacity addition can be achieved.

Reply of the Government

To facilitate capacity addition, Ministry of Power has already initiated various policy initiatives. These are structuring of policy to ensure higher allocations in the public sector, both at the Centre and the State level, full utilisation of funds with CPSUs for development of new projects increase in the quantum of external aid for power projects, encourage private participation in the power sector, including captive/congeneration and Mega projects, model documentation for various inputs required in the finalisation of contracts by State Governments with the private parties, allocation of liquid fuels for short gestation projects, streamlining and simplification of procedures for clearances, greater delegations to the States, ensuring full funding to ongoing and new projects, etc.

The major constraints anticipated in meeting the targets are:

Availability of financial resources. Much would depend on whether or not State Electricity Boards are in a position to generate substantial internal resources and become viable entities for raising funds through market. CPSUs can also take up new capacities if their large overdues from State Governments are liquidated. Besides, CPSUs in the Hydel Sector and in the North East would require higher budgetary support from the Central Government. Efforts are being made to achieve the above. In order to ensure this, SEB restructuring and power sector reforms in the States is being vigorously persuade by Ministry of Power. As a result, several States namely Orissa, Haryana, U.P., Rajasthan, Gujarat etc. are on the reform path. Orissa has already passed the reforms Act and also restructured the SEB. Haryana and Rajasthan have made a lot of headway in this regard.

Availability of fuels, particularly coal and gas. The investments required in the mining sector to extract the required quantities of coal and in Railway sector to transport the coal to the power stations are to be concurrently made for ensuring capacity addition in new power projects. As regards gas, the present availability and transportation also has to be augmented. Planning Commission, in consultation with all concerned Ministries is working out an Energy Policy which should effectively address all these issues.

Financial closure of the projects in case of private sector would have to be expedited. In case of new schemes. State Governments would have to take early action in finalising the private promoters. ensure acquisition of land, various clearances, power purchase agreements etc. Several procedures have been simplified by the Union Government to facilitate this. Indian Financial Institutions would have to find ways and means for higher lending for the power projects.

> [Ministry of Power O.M. No. G-20020/1/97-Bud, Dated 5th September, 1997]

Recommendation (Sl. No. 10, Para No. 58)

The Committee observe that during the year 1996-97, 3000 villages were targetted for electrification and 2.50 lakhs pumpsets were to be energised. So far achievement in this regard is concerned, upto February, 1997 only 1725 villages have electrified and 2.20 lakhs pumpsets have been energised. Though the Ministry of Power have expressed optimism about achieving the balance targets (electrification of 1275 villages and energising 30,000 pumpsets), the Committee are doubtful about this. The Committee would like to inform about achievement in this regard and the reasons which have let to the slow progress in achieving the targets for the year.

Recommendation (Sl. No. 12, Para No. 60)

The Committee note that achievement of electrification of tribal villages under TSP and dalit bastis under SCP in the year 1996-97 are short of the target set in case of some States. The Committee expect the Ministry of Power to explain the shortfall of target in case of some States and recommend the Ministry to reflect the details regarding target and achievement in the Performance Budget itself in future.

Reply of the Government

Reply for Para Nos. 58 & 60

REC	has	achieved	the	targets	laid	down	for	1996-97	as	under:
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Activity	Target	Achievement (in Numbers)
Village Electrification	3000	3216
Pumpsets Energisation	2.50 lakhs	2.99 lakhs
Dalit Bastis	2450	3721
Tribal Villages	520	642
Kutir Jyoti Programme	2.80 lakhs	3.28 lakhs

[Ministry of Power O.M. No. G-20020/1/97—Bud Dated 5th September, 1997]

Recommendation (Sl. No. 11, Para No. 59)

Under the Kutir Jyoti Programme, single point light connection is extended free of cost to households below poverty line. The Committee find that in the year 1995-96 against a target of 6.25 lakh connections 5.11 lakh connections were released. However, in the year 1996-97 against the same target of 6.25 lakhs, connections released were only 143741. The explanation given by the Ministry for the shortfall is that Unit Cost for Kutir Jyoti Programme has been increased from Rs. 400 to Rs. 800 (without meter) Rs. 1000 (with meter) due to which the target for extending connections has been reduced to 2.80 lakh. The allocation for 1996-97 has remained unchanged at Rs. 25 crores. The Committee understand that the Ministry of Power have taken up the issue of enhancing allocation for the programme with the Planning Commission and the Ministry of Finance. The Committee however feel that the target should not have been revised downwards and Ministry should have convinced Ministry of Finance and Planning Commission at the beginning itself to enhance the allocation for 1996-97 proportionately.

Reply of the Government

The targets for Kutir Jyoti Programme were reduced in 1996-97 due to the increase in per cost connection and no corresponding increase made in the budgetary allocation. Since the approval for the increase in cost was received only in February, 1997, it was not possible to have the outlay increased from Rs. 25 crore allocated for Kutir Jyoti Programme.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Comments of the Committee

(Please see para 16 of Chapter I of the Report)

Recommendation (Sl. No. 15, Para No. 66)

The Committee observe that in the year 1995 after discussion with OECF the project was upgraded from 4 units of 210 MW to 4 units of 250 MW and OECF and agreed to finance the project. However, on learning that an additional cost of about Rs. 12 to Rs. 16 crore would be involved in an engineering study, the Ministry of Power preferred

to miss this option despite having no other alternative source of funds at hand. The Committee feel that non-acceptance of assistance from OECF was not a wise step in view of the cost and time overruns of the project and non-availability of alternate source of funds. Assistance for the project was once again sought from OECF in the year 1996-97.

Reply of the Government

The OECF was willing to provide loan for undertaking an Engineering Study before considering the project for funding. This proposal of OECF was examined in the Central Electricity Authority who observed that the Indian Consultants are well qualified to make the study and at a cheaper cost. Keeping in view the additional cost involved and the likely delay in the implementation of the project, Ministry of Power preferred to miss this option. However on DVC's request the Project was again posed to OECF for financial assistance during 1996-97 but Department of Economic Affairs did not pose this project to OECF. It has once again been included in the list of power projects recommended by the Ministry of Power to the Ministry of Finance for posing to the OECF for assistance during 1998-99.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Recommendation (Sl. No. 16, Para No. 67)

The latest updated cost of the project is stated to be Rs. 3820 crores (approximate) on the price level of July 1996 and only Rs. 2100 crores have been proposed for this project in the Ninth Plan period. The Ministry of Power should explain to the Committee how the project will be implemented with a deficit of about Rs. 1720 crores.

Reply of the Government

Since the project may be executed by DVC in two phases and only one phase being implemented during the 9th Plan, a provision of Rs. 2100 crores has been proposed which is considered adequate for a 2×250 MW project.

[Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Recommendation (Sl. No. 18, Para No. 77)

The Committee note that the Annual Report (1996-97) of the Ministry of Power indicates the figures relating to target and allocation for R&M (Phase-II) programme which do not reconcile with the figures given in last year's Annual Report (1995-96). The Committee were informed that this was due to transfer of Talchar-I to NTPC and nonrequirement of CEA clearance in case of Durgapur Project Ltd. The Committee failed to understand why the Durgapur project was included earlier in the list of projects for R&M scheme. The Committee observe that the position of these two projects should also have been highlighted in the Annual Report. The Committee are not satisfied with the reply of the Ministry and seek a clarification on how Cost for Kutir Ivoti Programme has been increased from Rs. 400 to Rs. 800 (without meter) Rs. 1000 (with meter) due to which the target for extending connections has been reduced to 2.80 lakh. The allocation for 1996-97 has remained unchanged at Rs. 25 crores. The Committee understand that the Ministry of Power have taken up the issue of enhancing allocation for the programme with the Planning Commission and the Ministry of Finance. The Committee however feel that the target should not have been revised downwards and Ministry should have convinced Ministry of Finance and Planning Commission at the begining itself to enhance the allocation for 1996-97 proportionately.

Reply of the Government

The R&M scheme of Durgapur Project Ltd. (DPL) was approved by CEA at an estimated cost of Rs. 24.12 crores and was included in the R&M (Phase-II) programme. Later on DPL revised the scheme with entirely different scope of works and submitted the proposal to CEA for its approval. As the scheme now does not require CEA's Techno-economic Clearance (TEC) in view of delegation if authority for R&M projects upto a particular ceiling to State Governments, the same has have been excluded from the list of R&M schemes approved by CEA.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

CHAPTER III

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

Recommendation (Sl. No. 4, Para No. 23)

The Committee observe that demand projection of energy requirement/peak demand for eastern region has been reduced in the 15th Electric Power Survey (EPS) in comparison to the projection made in the 14th EPS. The Committee would like to be apprised of the basis on which the demand projection has been reduced in the 15th Power Survey.

Reply of the Government

The projected energy and peak demand for electricity referred to in different Electric Power Surveys are forecasts made at different points of time on the basis of an agreed methodology. For 15th EPS end use techniques have been adopted to forecast the electricity requirement in major industrial, non-industrial and agricultural loads. In case of Domestic, Commercial, Public Lighting and Public water work, trend method has been adopted. The peak loads have been estimated after applying suitable annual load factors making due allowance for the restrictions and taking into account the anticipated trend of growth rates upto 2001-02. The 15th EPS Report has been accepted by the Government.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Recommendation (Sl. No. 13, Para No. 64)

The Committee observe that there is a variation in the figures relating to proposed/likely Ninth Plan expenditure earmarked for Damodar Valley Corporation (DVC) as furnished by the Ministry. An outlay of Rs. 5310.00 crores has been proposed for DVC for the Ninth Plan, which is substantially higher than the Eighth Plan outlay of Rs. 1300.00 crores for the Corporation. However, it has also been stated

that an outlay of Rs. 3450.00 crores could be possible for DVC for the Ninth Plan period and, the proposed Ninth Plan expenditure for Schemes/Projects of DVC during the Plan totals to Rs. 3069.85 crores. The Committee note that there is a mismatch between the likely Ninth Plan outlay for DVC, and the manner in which this is to be expended on the Projects/Schemes of DVC. The Committee expect the Ministry to furnish the reasons for the variation in the likely outlay and the manner in which this is to be expended.

Reply of the Government

On review of the discussions held in the Planning Commission, it was decided that DVC may take up the Maithon Right Bank Thermal Project in two Phases and only 1st Phase of 2×210 MW or 2×250 MW may be executed in the Ninth Plan. The Plan allocation of DVC was revised from Rs. 5350 crores to Rs. 3450 crores. The manner in which the expenditure of Rs. 3450 crores will be spent is given in the Annexure-A. Thus it would be seen that there is no mismatching between the likely Ninth Plan outlay and the manner in which this is to be expended.

[Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

CHAPTER IV

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

Recommendation (Sl. No. 9, Para No. 50)

The Committee regret to note that inspite of their repeated emphasis on the need for a comprehensive fuel policy, Ministry of Power have not taken any concrete step so far. The Committee also observe that the Ministry have proposed capacity addition of about 12,000 MW by way of naphtha based Power Plant without caring its impact in the form of huge cost which would ultimately be borne by the consumers. The Committee are also surprised to note that no other country has opted for naphtha as fuel for power plants so far. The Committee need hardly stress that while selecting fuel for power plants the interest of ultimate consumers should be kept in mind.

Reply of the Government

1 The Liquid Fuel Policy had been announced in view of the rapidly growing power shortages, and need for short gestation projects.

2. Naphtha is one of the possible liquid fuels and Fuel Oil/LSHS are also being used. For Combined Cycle Projects only Naphtha that can be used, given the problems in using diesel and lack of domestic natural gas. Naptha can be replaced by indigenous or imported gas and efforts are simultaneously being made in this direction.

3. The Liquid Fuel Policy had been finalised in close consultation with Ministry of Petroleum and Natural Gas as well as the Planning Commission.

4. Even before Govt. of India had finalised the Liquid Fuel Policy, many States had already taken steps to plan projects based on liquid fuel allocation.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Comments of the Committee

(Please see para 12 of the Chapter I of the Report)

Recommendation (Sl. No. 14, Para No. 65)

The Maithon Right Bank TPP (4×250 MW) of Damodar Valley Corporation has got techno-economic clearance way-back in 1988 at the cost of Rs. 1205.80 crores. The assistance to the project fell through due to reorganisation of Soviet Union. The Committee are unhappy to note that Ministry of Power have not searched any alternatively sources of assistance instead the kept it pending for more than several years. This led to escalation of the project cost from Rs. 1205.80 crores in 1988 to Rs. 3353.16 crores in 1995.

Reply of the Government

Initially the project was planned to be executed with Soviet assistance under an Indo-Soviet trade agreement. With the reorganisation of the Soviet Union, the credit fell through and the project could not be taken up for implementation. Meanwhile, various possibilities of implementing of this project including through OECF assistance and by setting up Joint Venture with a private party are under consideration.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Comments of the Committee

(Please see para 19 of the Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 6, Para No. 37)

The Committee observe that the Eighth Plan target for capacity addition was 30538 MW. The achievement is disappointingly low at 16415 MW. The reasons pointed out by the Ministry are slow execution of hydro schemes and shifting of thermal projects from Central and State Sector after the announcement of policy for private sector participation. The Committee note that planned hydel schemes have not been completed due to reasons like delay in award of contract, R&R problems etc. The Committee are unhappy to observe that Ministry have not taken any specific step to solve the problems which could have been foreseen. The Committee desire that the problems faced by different hydel schemes should be solved within a specific time and these problems should not persist over the years leading to huge cost and time over-run.

Reply of the Government

Ministry of Power took several measures such as streamlining the policy, simplification of procedures for clearances, policy for Captive/ Cogeneration plants, offer of counter guarantees for the first projects in the private sector etc. Simultaneously, it also explored the possibility of bringing in quick capacities through short gestation liquid fuel based projects. As most of the policy instruments have already been put in place and the norms for project development process for private sector are settled issues, it is expected that new projects would get commissioned early. Ministry of Power had convened a Power Minister's conference in 1993 and an Action Plan was adopted which *inter-alia*, urged the States to set aside the required local counterpart funds, ensure greater and closer monitoring for externally assisted projects and encourage private sector funding in generation schemes by setting up appropriate institutional arrangements. The Action Plan also sought to rationalise the tariffs. This was expected to be enable the State Electricity Boards to mobilise resources for their ongoing programmes.

As against the capacity addition target of 9282 MWs under the Hydel Sector in the 8th Plan, the actual achievement is only 2428 MWs. This shortfall is mainly on account of non-commissioning of the following major projects:—

(I) Central Sector

(a) Dulhasti-390 MWs

Due to the law and order problems in Jammu & Kashmir, the work was suspended in August, 1992. The work has now been awarded to a new contractor and the project is scheduled for commissioning in the 9th Plan.

(b) Tehri HE Project-STAGE-I---($4 \times 250 = 1000 \text{ MW}$)

Due to Uttarakhand agitation strike by the State Govt. Employees as well as agitation resorted to by environmentalists over seismic safety environmental and rehabilitation aspects etc. on the project, the project has slipped to 9th Plan.

Two units of the project (270 MW) were to be commissioned during the 8th five year plan. However, the project has slipped into the 9th Plan due to reasons like damage to the civil works on account of successive heavy monsoons severe geological problems, change in design of diversion dam on account of seismic considerations etc.

(II) State Sector

The major State Sector projects that have slipped from the 8th Plan are as under:

(a)	Thein Dam	300 MW
(b)	Srinagar	165 MW

(c)	Maneri Bhali Stage-II	304 MW
(d)	Upper-Sindh-II Extn.	105 MW
(e)	Sardar Sarovar Project	1,450 MW
(f)	Bansagar Tons II, III & IV	110 MW
(g)	Koyna Stage	500 MW
(h)	Srisailam	300 MW
(i)	Kalinadi Stage-II	240 MW
(j)	Upper Indravati	600 MW
(k)	Karbi Langpi	100 MW

The Central Government is trying to expedite completion of these projects through measures like higher budgetary support incentives to State Governments for timely completion etc. Details of such schemes are being finalised. Action is being taken to finalise a new Hydel Policy, which would provide incentives for higher investments in the Hydel Sector.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

Recommendation (Sl. No. 17, Para No. 73)

The Committee are surprised to know that while the PSUs like NTPC, PGCL and NHPC have been selected for disinvestment, the Ministry of Power were not even aware of that the PSUs were going for disinvestment and their views were not sought for. The Committee also note that these PSUs are themselves not in favour of disinvestment. The Committee are of the opinion that as NTPC Powergrid and NHPC are profit making undertakings and these should not be taken up for disinvestment.

Reply of the Government

NTPC Powergrid & NHPC were identified for disinvestment by the Disinvestment Commission. Based on preliminary assessment, Disinvestment Commission has recommended that Powergrid may not be taken up for disinvestment. As far as NHPC is concerned, a diagnostic study has been proposed and based on its assessment, deliberations will be made regarding disinvestment by the Disinvestment Commission. As regards NTPC, the Disinvestment Commission is currently examining the question of disinvestment of Government shares in NTPC.

> [Ministry of Power O.M. No. G-20020/1/97-Bud Dated 5th September, 1997]

New Delhi; 28 July, 1998 6 Shravana, 1920 (Saka) K. KARUNAKARAN, Chairman, Standing Committee on Energy.

EXTRACTS OF THE 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

SECRETARIAT

**		**	,	+*
4.	Shri R.K. Bajaj		Under Secretary	
3.	Shri R.S. Kambo		Under Secretary	
2.	Shri P.K. Bhandari		Deputy Secretary	
1.	Shri John Joseph	—	Joint Secretary	

 Action taken by the Government on the recommendations contained in the Sixteenth Report of the Standing Committee on Energy on Demands for Grants (1997-98) of Ministry of Power.

** ** **

3. Draft report on Ministry of Power mentioned at para 2 (ii) above was adopted by the Committee after adding "they should do it now and" after the words, 'the Committee desire that' in lines 20 and 21 at page 14 of the draft report.

4. The Committee also authorised the Chairman to finalise the above mentioned Reports after making consequential changes arising out of factual verification by the concerned Ministry/Department and to present the same to both the Houses of Parliament.

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The Committee then adjourned

^{**} Paras 1 and 5 relating to procedural matter and paras 2(i) and 2(iii) relating to other Action Taken Reports are not included.

ANNEXURE II

(Vide Para 3 of Introduction)

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

I.	Total No. of Recommendations made	18
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendations at SI Nos 1, 2, 3, 5, 7, 8, 11, 12, 15, 16 and 18	12
	Percentage of total	00.0
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies	
	(vide recommendations at Sl. Nos. 4 and 13	2
	Percentage of total	11.1
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee	
	(vide recommendations Sl. Nos. 9 and 14)	2
	Percentage of total	11.1
V.	Recommendations in respect of which final replies of the Government are still awaited	
	(vide recommendations at Sl. Nos. 6 and 17)	2
	Percentage of total	11.1