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

**TWELFTH LOK SABHA**

**MINISTRY OF POWER**

**RURAL ELECTRIFICATION—PROBLEMS,  
REALITIES AND ACHIEVEMENTS**

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

**NINTH REPORT**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*July, 1998/Shravana, 1920 (Saka)*

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(1998-99)

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REALITIES AND ACHIEVEMENTS

*[Action Taken by the Government on the Recommendations  
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Committee on Energy (Eleventh Lok Sabha)]*

*Presented to Lok Sabha on 30 July, 1998  
Laid in Rajya Sabha on 31 July, 1998*



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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*Lok Sabha*

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| 4. Shri R.S. Kamboj   | — | <i>Under Secretary</i>      |
| 5. Shri S.R. Mishra   | — | <i>Reporting 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 Ninth Report (Twelfth Lok Sabha) on the Action Taken by the Government on the recommendations contained in the Eighteenth Report of the Standing Committee on Energy (Eleventh Lok Sabha) on "Rural Electrification—Problems, Realities and Achievements" of the Ministry of Power.

2. The Eighteenth Report (Eleventh Lok Sabha) of the Standing Committee on Energy was presented to Lok Sabha on 16th May, 1997. Replies of the Government to all the recommendations contained in the Report were received on 20th March, 1998. The Standing Committee on Energy considered and adopted this Report at their sitting held on 23rd July, 1998.

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

NEW DELHI;  
28 July, 1998  

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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 Eighteenth Report (Eleventh Lok Sabha) of the Standing Committee on energy on the Subject "Rural Electrification—Problems, Realities and Achievements" which was presented to Lok Sabha on 16th May, 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 which have been accepted by the Government:

Sl. Nos. 1, 2, 3, 4, 5, 14, 17, 21 and 24.

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

Sl. No. 22.

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

Sl. Nos. 6, 8, 12 and 18.

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

Sl. Nos. 7, 9, 10, 11, 13, 15, 16, 19, 20 and 23.

**3. The Committee desire that final replies in respect of the recommendations which have been categorised as interim replies by the Committee 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. Status of Rural Electrification Programme**

##### **Recommendations (Sl. Nos. 1 & 2)**

5. The Committee had acknowledge the process of development of Rural Electrification Programme. Rural Electrification Programme was originally designed to provide electricity as a social amenity to rural areas. The main components of the programmes were village electrification and pump set energisation. Following the three successive droughts, during 1966-69, which severely affected the agricultural production, the Rural Electrification Corporation was incorporated in 1969 (July) to promote and finance a comprehensive rural electrification programme with primary emphasis on energisation of pump sets to use the available ground water. It was further expanded under the Minimum Needs Programme (MNP) in the year 1974 with the objective of extending electricity to a large population to the extent possible. This helped in increasing the lift irrigation system in agriculture and led to the success of the "Green Revolution". As a consequence, the share of electricity consumption in the agriculture sector increased from 3.9% in 1950 to over 29% in 1993-94. Operationally, the entire programme was executed through State Electricity Boards. For the last four and half decades SEBs acted as the State instrument for implementing Rural Electrification Programme.

6. Despite these achievements, the Committee were concerned to find that Rural Electrification was viewed in isolation from overall planning of electrification *vis-a-vis* rural development of the nation. It was not included in the Government's Basic Minimum Service Programme, nor did the Ministry of Power mention Rural Electrification in their "Common Minimum National Action Plan for Power". The Committee were surprised to note that the Department of Rural Development under the Government of India being entrusted with Nodal Responsibility for all matters relating to Minimum Needs Programme in rural areas (which included rural electrification as a component) were not monitoring the progress and achievements of rural electrification. It appears to the Committee that rural electricity, which is a critical input in the rural area for expanding employment opportunity, rural industries and increasing agriculture output, was not treated as a component of rural development.

7. The Ministry in their reply stated that though rural electrification was not a part of Basic Minimum Services (BMS) it continued to enjoy a high priority in the Government's programme of action. Rural Electrification Corporation (REC) financing has also been categorised as priority sector lending by the Reserve Bank of India (RBI).

8. The reply of the Government that rural electrification, though not a part of Basic Minimum Services, but it continues to enjoy a high priority in the Government's programme of action, is hardly convincing. In spite of the fact that the Rural Electrification Corporation financing has been categorised as a priority sector lending by the Reserve Bank of India, much needs to be done in electrifying rural areas.

9. The Committee note that the rural electrification programme is progressing at a snail's pace. Whereas 87% of the villages supposed to have been provided electrified, but only 31% households have been provided with electricity. The Committee are of the firm opinion that in order to bolster the pace of rural electrification and re-orient their focus on this vital aspect of social development, the inclusion of rural electricity amongst the components of rural development programme is a pre-requisite for development and should form part of the Basic Minimum Services programme. The Committee, therefore, reiterate their earlier recommendation and desire that the Ministry of Power should include it in their Common Minimum National Action Plan for Power also. The Committee also desire that the Government should take up with the State Governments and ensure that the percentage of households covered is substantially increased from 31% during the Ninth Plan period.

#### **B. Definition of Electrified village**

##### **Recommendation (Sl. No. 8)**

10. The Committee had observed that 87% of the villages were declared electrified on the basis of the existing definition which requires at least one service connection within the revenue boundary of a village. The Committee were also apprised of the proposal to redefine the village electrification scheme. Under the new definition it was proposed that a village would be deemed to be electrified if electricity is used for any purpose in the inhabited locality within the revenue boundary of the village.

11. The Committee were given to understand by some SEBs and State Governments that this proposed definition might also lead to the same confusion *viz.* declaring an entire village to be electrified where only one pole has been erected in the inhabited locality. The Committee, therefore, recommended that a village or a hamlet should be declared electrified only when at least 10% of the households in that village or hamlet are electrified as agreed to by the Ministry of Power.

12. In their reply, the Ministry of Power however, stated that to evolve a national consensus the recommendations of the Committee, set up for the purpose of redefining the definition of village electrification, were sent to the State Governments for their consent/views. Divergent views were expressed by the State Governments. The Government has now finalised the definition as under: "a village will be deemed to be electrified if electricity is used in the inhabited locality, within the revenue boundary of village for any purpose whatsoever." The new definition has been communicated to the State Governments.

13. The Committee were aware of the fact that State Governments had divergent views on the new definition of village electrification. The Committee shared the views of SEBs/State Governments that the proposed definition would also lead to the same confusion as the earlier definition in as much as under the new definition, the villages will be declared electrified even when a single electric pole was erected in the inhabited locality. Keeping this fact in view the Committee and recommended that a village or a hamlet should be declared electrified only when at least 10% of the households of a village or hamlet are electrified. The Ministry of Power had accepted this recommendation in principle. However, the Committee are dismayed to note that the criterion of electrification of 10% of households has not been included in the new definition. The Committee re-emphasise the need for including this criterion and await a positive response from the Ministry. The Committee also desire that before declaring a village electrified it should also be ensured that the new electricity connections in that village are available on demand.

### C. De-electrified villages

#### Recommendation (Sl. No. 12)

14. The Committee were concerned to note that a number of villages were de-electrified due to natural calamities like flood, earthquake and theft of line materials and equipments. This problem of de-electrification of villages was rampant in some States. The Committee noted that no agency was keeping the record of de-electrified villages and re-electrification of these villages is dependent totally on the availability of funds with the concerned State Electricity Boards. As most of the State Electricity Boards were having shortage of funds they were unable to take up re-electrification work in time thereby making further extension work impossible. The Committee also found that REC and Planning Commission were extending support only in cases of emergency. The Committee emphasised that a proper record of these de-electrified villages should be maintained so that a specific fund can be arranged for re-electrification of these villages. The Committee desired the Ministry of Power to include electrification of de-electrified villages in the Rural Electrification Programme as assured by them.

15. In the reply furnished to the Committee, the Ministry of Power have stated that at present there is no organisational set-up to monitor the de-electrified villages except the State Electricity Boards. The expenditure incurred on rehabilitation works in de-electrified villages is normally taken up under the revenue expenditure of the State Electricity Boards. Rural Electrification Corporation gives assistance for rehabilitation work during natural calamities and the Government also gives Central Assistance from the relief fund. However, regular maintenance and upkeep of the system is to be done by the Electricity Board. The loss of material due to theft is basically a law and order problem and local administration should tackle it. According to the Ministry of Power under the present fund constraints, it is difficult to provide funds for such works on a recurring basis.

16. The Committee are of the view that the Rural Electrification Corporation which has a mandate to electrify villages, including tribal villages and dalit bastis, has also a duty to ensure that public money lent out by it is used properly and the assets created though these funds are duly protected from misuse and natural calamities. The Corporation has been providing assistance to the State Electricity

Boards for taking up System Improvement Projects for strengthening and improving of Sub-transmission distribution system. It appears to the Committee that the work of re-electrifying the de-electrified villages has been left entirely at the mercy of Electricity Boards with no backup from REC. The Committee expect that REC and SEBs should act in tandem to ensure that the assets created by spending the public money are duly protected and the work of re-electrification is implemented is right earnest. The Committee desire that Ministry of Power should maintain a record of de-electrified villages and take steps to re-electrify such villages. The Committee feel that REC is fully accountable for the money spent by it in the past and should devise suitable mechanism to ensure that villages once electrified continue to be so in future also.

#### **D. Agency for Rural Electrification Programmes**

##### **Recommendation (Sl. No. 14)**

17. The Committee noted that it was difficult to attain viability and sustainability of the rural electrification programme in its present form. The Committee were of the opinion that, unless it is linked to productive use, it will not ensure value addition in the rural economy. The Committee had found that rural electrification programme was carried out as a separate agenda by SEBs without any direct link with the existing programmes under rural development and promotion of village level and small scale industries. This was surely not a priority agenda before the SEBs. The institutional set-up of SEBs was not geared to take up this massive task of electricity load development in the rural areas which required coordinated and integrated effort among various development agencies, augmentation of generation capacity with a judicious mix of conventional and non-conventional sources of energy, scientific management of the distribution network, financial management, billing and recovery of revenue and capacity utilisation for improving the system reliability and the quality of supply.

18. In their reply, the Ministry of Power expected that the restructuring of the Electricity Boards and unbundling of the distribution network would take care of the above recommendation. The Government have informed that they are urging the State

Governments and the Electricity Boards to take up the restructuring exercise.

19. The Committee are unable to accept the view of the Government that restructuring of SEBs would take care of all the problems faced by Rural Electrification Programme. As Rural Electrification Programme was not linked to existing programmes of rural development, the programme is treated as a separate and non-priority area by SEBs. The Committee are not clear as to how restructuring of SEBs and unbundling of distribution network will boost load development in rural areas, who will co-ordinate and integrate the effort of various (rural) development agencies and how conventional and non-conventional sources of energy will be judiciously mixed. The Committee reiterate its earlier recommendation and desire the Ministry to find a suitable institutional set-up to take care of the above mentioned problems.

#### E. Energisation of Pump sets

##### Recommendation (Sl. No. 18)

20. The Committee found that a number of inefficient pump sets were energised throughout the country resulting in consumption of more power than required. The Committee suggested that the Government should take steps to encourage the farmers with suitable incentives to opt for energy efficient pump sets. The Committee desired that steps must be taken in the direction of coordinated watershed management along with electrification of *pump sets* for efficient use of both water and power. The Committee also desired the Ministry of Power to explore the possibility of charging a common water-cum-electricity tariff wherever this can be implemented in consultation with all concerned agencies.

21. Regarding operation of inefficient pump sets in the country, The Ministry of Power *inter-alia* stated that funding of pump sets to farmers is mostly done through banks where certain conditions have been stipulated by NABARD for selection of energy efficient pump sets. In spite of certain checks, farmers do not necessarily go in for standard or efficient pump sets.

22. The Ministry of Power also stated that since power supply to agriculture is subsidised, or even free in certain States,

particularly of lower HP capacity, the farmer is not affected by on the installation of inefficient pump sets. The Ministry of Power suggested that the problem of inefficient pump sets can be resolved only if the farmers are called upon to pay for the electricity based on metered consumption.

23. The Committee had observed that more power than necessary is being consumed due to installation of inefficient pump sets. The Committee had stressed on the prudent management of electricity and water by installing energy efficient pump sets. The Ministry had informed that in spite of checks and conditions farmers do not go in for standardised or efficient pump sets. The Ministry suggested that problems of inefficient pump sets can be solved only when the farmers are called upon to pay for the electricity actually consumed by them. The Committee are unhappy to note that the Ministry could not find the solution to the problem of inefficient pump sets except compelling the farmers to pay more for their electricity consumption. The Committee had suggested extension of suitable incentives to farmers for opting energy efficient pump sets. The Committee reiterate their earlier suggestion and desire that the Government should find ways and means to extend some sort of incentive for the use of energy efficient pump sets.

#### F. Financing Rural Electrification Programmes

##### Recommendation (Sl. No. 20)

24. The Committee had observed that most of the identified backward areas, including tribal areas, were covered under the Minimum Needs Programme. Rural Electrification was one component for which funds are channelled through REC. The Committee were surprised to note that even for these funds which were meant for backward and tribale areas the interest rate was as high as in the case of funds provided under normal budgetary support. The Committee found that the Ministry of Power and REC were pursuing the Planning Commission and Ministry of Finance to provide the fund as grant or as grant-cum-soft-term-loans in the ratio of 50:50 to boost electrification programmes in backward and tribal regions of the country. The Committee suggested that the interest rate on the loan component should also be considerably lower than that of funds provided under

other schemes. The Committee desired the Ministry of Power to continue to pursue and convince the Planning Commission and the Ministry of Finance to see reason in revising the terms of allocation of funds and the matter should also be taken up at the National Development Council level.

25. The Ministry of Power in their reply have stated that the assistance to States under MNP Programme is covered under the formula approved by the NDC. Any change in the pattern of assistance and MNP may, therefore, require approval of NDC. The Planning Commission have been requested to consider reviewing the position and provide assistance under MNP in the form of grant to States through REC. The actual funding of MNP has been reviewed and it has now been decided to discontinue this practice totally. Normal Central assistance allocated by the Planning Commission will hereafter be released by the Ministry of Finance directly to the States in the form of block grant and loans from 1998-99 onwards.

26. The Ministry of Power have mentioned that the rural electrification programme is vital in nature, but as it is highly unremunerative and capital intensive, the executing agencies i.e., SEBs are reluctant to take up rural electrification. However, the Ministry of Finance have been requested to consider the reduction of rate of interest for rural electrification programme.

27. The Committee had observed that backward and tribal areas were electrified under the Minimum Needs Programme. The Committee were surprised to note that even for these funds which were meant for backward and tribal areas the interest rate was as high as for funds provided under the normal budgetary support. As rural electrification programme was highly unremunerative for the executing SEBs, they were reluctant to take up rural electrification. The Committee had asked to lower the interest rate on the loan component. The Ministry of Power have stated that the Ministry of Finance have been requested to consider the reduction of rate of interest for rural electrification programme. The Committee are of the firm view that interest rate on the loan meant for rural electrification of backward and tribal areas should be reduced. The Ministry of Power should pursue with the Ministry of Finance accordingly and intimate the Committee about the step taken thereon and reaction of the Ministry of Finance.



## G. Fund Allocation & Utilisation

### Recommendation (Sl. No. 24)

28. The Committee found that the Planning Commission approved an outlay of Rs. 4000 crore for electrification of 50,000 villages and energisation of 25 lakh pump sets during the 8th Plan. However, the Committee found that only about 30% of village electrification targets and 68% of 8th Plan pump set targets were achieved. The shortfall in achievement was attributed to inadequate allocation by the Planning Commission. The Committee deprecated the policy of fixing high targets and allocating inadequate funds for the same and recommended that realistic targets and matching allocation should be made by taking into account cost escalation also.

29. The Ministry of Power in their reply mentioned that the targets fixed at the time of finalisation of the Eighth Five Year Plan were on the basis of the prevailing average unit cost for village electrification and due to cost escalation during the Eighth Plan, the funds provided were found inadequate to match the targets. During Annual Plans, in view of the above reasons, the targets were fixed to match with the availability of financial resources.

30. Thus Eighth Plan targets were indicated on the basis of the left-out villages to be electrified at the end of the seventh Plan, the targets were set for every year during formulation of Annual Plans in consultation with the State Governments based on their proposals. This has resulted in a large gap between Eighth Plan targets and achievements. Against the approved outlay of Rs. 4000 crore for Eighth Plan, the likely expenditure was of the order of Rs. 3,800 crore at current prices and around Rs. 2300 crore at constant prices. There is thus shortfall in expenditure because State Governments could not mobilise resources. Even the Rural Electrification Corporation could not provide loans at decried levels because of the default in repayments by some SEBs.

31. The Committee had deprecated the policy of setting higher targets without adequate fund support. The Ministry have now come

out with the fact that 8th Plan targets for village electrification were set on the basis of left out villages from the 7th Plan. Due to inadequate fund the 8th Plan targets were kept aside and each year new targets were set in consultation with the State Governments. Even these revised targets could not be achieved as State Governments failed to mobilise resources and the Rural Electrification Corporation could not provide loans at the desired level and thus there was a shortfall of expenditure amounting to about (Rs. 4000-2300 crore) Rs. 1700 crore at constant prices and Rs. 200 crores at current prices (Rs. 4000-3800 crore). The Committee desire that the targets set under a Five Year Plan should be realistic rather than misleading. Considering the fact that village electrification is unremunerative for the executing agencies adequate finance should be ensured for the programme keeping in mind the cost escalation factor during the Plan period.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Sl. No. 1)

The Committee acknowledged the process of development of Rural Electrification Programme. Rural Electrification Programme was originally designed to provide electricity as a social amenity to rural areas. The main components of the programmes are village electrification and pumpset energisation. Following the three successive droughts, during 1966-69 which severely affected the agricultural production the REC was incorporated in 1969 (July) to promote and finance a comprehensive rural electrification programme with primary emphasis on energisation of pump sets to use the available ground water. It was further expanded under the Minimum Needs Programme (MNP) in the year 1974 with the objective of extending electricity to a large population to the extent possible. This has helped in increasing the lift irrigation system in agriculture and has led to the success of the "Green Revolution". As a consequence the share of electricity consumption in the agriculture sector has increased from 3.9% in 1950 to over 29% in 1993-94. Operationally the entire programme was executed through State Electricity Boards. Since last four and a half decades SEBs acted as the State instrument for implementing Rural Electrification Programme.

#### Recommendation (Sl. No. 2)

Despite these achievements, the Committee are concerned to find that Rural Electrification was viewed in isolation from overall planning of electrification *vis-a-vis* rural development of the nation. It has neither been included in the governments Basic Minimum Needs Programme is rural areas which includes rural electrification as a component are not monitoring the progress and achievements of rural electrification. It appears that rural electricity, which is a critical input in the rural area for expanding employment opportunity, rural industries and increasing agriculture output is not treated as a component of rural development.

### **Reply of the Government**

Though rural electrification is not a part of Basic Minimum Services (BMS) it continues to enjoy a high priority in the Governments programme of action. Rural Electrification Corporation (REC) financing has also been categorised as priority sector lending by the Reserve Bank of India (RBI).

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Comments of the Committee**

(Please see paras 8 and 9 of Chapter I of the Report)

### **Recommendation (Sl. No. 3)**

The Committee feel that the growth of the rural electrification system, particularly during the last two decades has not been accompanied by a commensurate strengthening of distribution and sub-transmission network. The resource crunch at State level has led to under investment in the transmission capacity addition and non-augmentation of network and has resulted in increased system losses and damage to the consumer equipments. It reveals that the average T&D losses in the country is around 23% of which nearly 15-18% is estimated to be due to losses incurred in distribution network in rural areas.

### **Reply of the Government**

Rural Electrification Programmes by that very nature are unremunerative for the agencies involved in the execution. Also on account of the critical financial condition of most SEBs, Rural Electrification works has suffered somewhat as the work involved is highly capital intensive in nature. SEBs are now clamouring for funds as grants-in-aid rather than loans as far as Rural Electrification work is concerned. This is particularly true of distribution and sub-transmission network which are capital intensive and the returns are poor. However, in the recent years, Rural Electrification Corporation has been financing System Improvement works to improve the quality of supply and reduce T&D losses. At the same time, efforts are being made to introduce energy efficient equipment technologies besides application of load management techniques and installation of capacitors for improving the quality of supply. Ministry of Power is also providing financial help for pilot projects which seek to improve load management and are energy efficient in nature.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Recommendation (Sl. No. 4)**

The Committee note that the existing pattern of rural electrification is also unremunerative in nature that operation and maintenance are neglected causing uncertainty to the consumers. Therefore, the rural beneficiaries in many cases are depending on diesel pump sets for irrigation. The installation of diesel pump sets has continued to proliferate despite large scale investment being channelised for the Rural Electrification Programme. Besides kerosene oil is used in households as a major fuel for lighting inspite of the claim that India has achieved 85% village electrification.

### **Reply of the Government**

The tariff policies of the State Governments for use of electricity in the agricultural sector and the high levels of subsidies makes supply of the power to agricultural connections highly unremunerative and commercially unviable, with increasing demand unauthorised connections and poor availability of power due to shortages has made power supply to rural areas erratic. Therefore farmers may continue to use diesel pump sets. Moreover, since household electrification is still very low, kerosene is used for lighting purposes.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Recommendation (Sl. No. 5)**

The Committee are of the opinion that, in principle rural electrification programme is an integral part of rural development programme similar to the components included in Basic Minimum Services for rural areas. The programme was linked up with SEB for operational convenience and technical supplier. Graduate process of de-linking from SEBs and involvement of Zilla Parishad Panchayat in execution process should be initiated. SEBs support and infrastructural facilities may be utilised as external assistance on cost basis.

### **Reply of the Government**

Rural Electrification no doubt is an integral part of rural development programme. The programme was linked up with State Electricity Boards for operational convenience and demand support but also because of the fact that there are no support distribution

system for rural and urban areas. The transmission and distribution system for rural and urban areas are common and therefore, it is difficult to de-link rural electrification from State Electricity Boards. The distribution network has not been decentralised by the State Electricity Boards. We hope with the reorganisation and restructuring of the electricity boards there would be independent agencies for distribution and hope it will lead to greater involvement of local bodies.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

#### **Recommendation (Sl. No. 14)**

The Committee note that it is difficult to attain viability and sustainability of the Rural Electrification Programme in its present form. Unless it is linked to productive use, it will not ensure value addition in the rural economy. The Rural Electrification Programme is presently being carried out as a separate agenda by SEBs without having any direct link with the existing programmes under rural development and promotion of village level and small scale-based industries. This is surely not a priority agenda before the SEBs. The present institutional set-up of SEBs is not geared to take up this massive task of electricity load development in the rural areas which requires coordinated and integrated effort among various development agencies, augmentation of generation capacity with a judicious mix of conventional and non-conventional sources of energy, scientific management of the distribution network, financial management, billing and recovery to revenue and capacity utilisation for improving the system reliability and the quality of supply.

#### **Reply of the Government**

It is expected that with the restructuring of the Electricity Boards and unbundling of the distribution network will take care of the above recommendation. The Government is urging the State Governments and the Electricity Boards to take up the restructuring exercise.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

#### **Comments of the Committee**

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

### **Recommendation (Sl. No. 17)**

A few States like Karnataka, Tamil Nadu, West Bengal among others, however, have taken up programmes for providing single point connections to the rural poor. The Government of India also launched Kutir Jyoti Programme in 1988-89 for extending single point connections to households or rural poor (below poverty line and including Harijan and Adivasi families). The Committee are concerned to note that only 21.2 Lakhs connections have been released, which is really a small percentage of the total number of 716 lakhs households which are still deprived of electricity.

Generally popular, Kutir Jyoti Programme has been constrained with several impediments, e.g. misuse of electricity for purposes other than lighting absence of LT distribution network in most villages and difficulties in collecting revenue.

The Committee feel that the scheme itself should be made more attractive. In this connection, the Committee recommend that the Ministry of Power should convince the Ministry of Welfare, Department of Rural Areas and Employment and Planning Commission for linking various rural development programmes and welfare schemes with the Kutir Jyoti Programmes so that the scheme can get additional attention and funds as a social development scheme and SEBs are encouraged to take up and expand the Kutir Jyoti Programme.

### **Reply of the Government**

The Ministry of Power had taken up the matter of linking Indira Awas Yojana with the Kutir Jyoti Programme. Attempts are also being made to utilise welfare funds for Scheduled Tribes *etc.*, to augment the household electrification programme.

For giving a fillip to the programme during the current financial year a provision of Rs. 25 crores has been made in the Demand for Grant of the Ministry of Power for 1997-98. It has also been proposed to increase this grant amount to Rs. 40 crores.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III, Dt. 20 March, 1998]

**Recommendation (Sl. No. 21)**

Thus, Rural Electrification programme was formulated on the basis of economic viability (not financial viability) taking into account the benefits which would accrue to the Nation in terms of food production and in minimising the use of costlier fuels like diesel and kerosene. The four major provisions are fuel for cooking domestic illumination, drinking water and electricity for agriculture. Whereas the weightage of agriculture in GDP is around 35% which includes crop production and value addition in allied agricultural products relating to forestry and fishery, it has been observed that during the last four years, the growth in agriculture sector has led to marginally lower growth in GDP. Hence, major emphasis is still required for further intensive use of electricity in agriculture and also for providing safe drinking water.

**Reply of the Government**

Agricultural sector is the backbone of the Indian economy. Pumpset energisation programme over the years has contributed significantly in increasing agricultural production and productivity and helped the farmers from vagaries of monsoon. In the interest of development of rural economy and generate rural income adequate priority is being accorded to rural electrification and productive use of electricity in agriculture in as efficient a manner as possible and to extend the size of programme with commensurate financial allocation.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III, Dt. 20th March, 1998]

**Recommendation No. 24**

The Planning Commission has approved an outlay of Rs. 4000 crores for electrification of 10,000 villages and energisation of 25 lakhs pumpsets. However, the Committee find that only about 30% of village electrification target and 68% of 8th Plan targets have been achieved. The shortfall in achievement has been attributed to inadequate allocation by Planning Commission. The Committee deprecate the policy of fixing high targets and allocating inadequate funds for the Rural Electrification Programme. The Committee recommend that realistic target and appropriate allocation should be made for Rural Electrification Programmes taking into account cost escalation.



### **Reply of the Government**

Planning Commission earlier in reply to the questionnaire circulated by the Sub-Committee on rural electrification of the Standing Committee on energy had indicated that the targets fixed at the time of finalisation of the Eighth Five Year Plan were on the basis of the prevailing average unit cost for village electrification. However due to cost escalation during the Eighth Plan the funds provided were inadequate to match the targets. During Annual Plans in view of the above reasons the targets were so decided to match with the availability of financial resources.

Although Eighth Plan targets were indicated on the basis of the left-out village to be electrified at the end of the Seventh Plan. The targets were set for every year during formulation of Annual Plans in consultation with the State Governments based on their proposals. This has resulted in a large gap between Eighth Plan target and achievements.

Against the approved outlay of Rs. 4000 crores for Eighth Plan the likely expenditure is of the order of Rs. 3,800 crores at current prices and around Rs. 2300 crore at constant prices. There is thus shortfall in the expenditure because State Governments could not mobilise resources. Even Rural Electrification could not provide loans at desired levels because of the default of repayments by some SEBs.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III, Dt. 20th March, 1998]

### **Comments of the Committee**

(Please see para 31 of the Chapter I of the Report)

## CHAPTER III

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

#### Recommendation (Sl. No. 22)

Rural Electrification Programme executed by the State Electricity Boards with the help of REC funds is one of the major reasons for the impoverishment of SEBs. REC obtains loans from the Government of India on comparatively easy terms but the terms on which the loans are advanced to the SEBs have been made very restrictive. This tendency has been much more pronounced during the last few years. At present even the loans for Minimum Needs Programme (MNP) which is non-remunerative from the nomenclature itself have been made very constantly by way of making the interest payment of quarterly basis and introducing very high penal interest in case of default beyond three months. A few examples of how the REC have made the terms of loans very restrictive are appended below:

Term of loan from (i) GOI to REC and (ii) REC to SEB.

Name of the Scheme	Period Moratorium of loan	Rate of Interest	Made of repayment	Penal Interest
MNP	(I) 30 yrs-5 yrs	12%	Annual	Adl. 2.5%
	(II) 30 yrs-5 yrs	12%	Qtrly.	2.5% Upto 3 months & beyond 3 months 5% above RBI rate.

It will thus appear that the Government of India loan for rural electrification has mainly helped the REC as an intermediary at the cost of the SEB who have been impoverished because of the policies followed.

### **Reply of the Government**

It is not correct to say that Rural Electrification Corporation gets loans at conventional rate. OECF funds are provided to Rural Electrification Corporation at 12% and the lent to State Electricity Boards at 15% w.e.f. 1.4.97. The other loans are taxable/non-taxable bonds. SLR Bonds. In addition budgetary support is also provided at 12%. MNP fund borrowed from Government at 12% and lent at 12.5%.

Rural Electrification Corporation has to sustains it commercial operations as it borrows from the open market, raises bonds and resources to meet its operations and does not get adequate budgetary support from Government. Rural Electrification Corporation is also under great financial stress as over 2000 crores are defaulted by the States and have strained its legitimate programmes. Most States feel that rural electrification should be a grant and therefore, flatly refuse to even consider repayment and States like Uttar Pradesh have sought for waiver of the entire amount it owes to Rural Electrification Corporation. Rural Electrification Corporation has not, therefore, benefited by any Government largessee.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III, Dt. 20th March, 1998]

## CHAPTER IV

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

#### **Recommendation (Sl. No. 6)**

The Committee observe that there is a multiplicity in the monitoring of the Rural Electrification Programme. The target, monitoring alongwith cost effectiveness is being steered by CEA but Rural Energy Division of Planning Commission is looking after the annual and five year plans of the State and also the programme financing and implementation through Rural Electric Cooperatives and the State Plan. The same is also being monitored under the Twenty Point Programme by the Department of Programme Implementation. Instead of so many agencies performing the same task the Committee would like the Ministry of Power to pursue the concerned authorities so that the Rural Electrification Programme can suitable be dovetailed to achieve better result.

#### **Reply of the Government**

Each of the agencies monitors specific areas. However, monitoring on continuous basis is performed by the Ministry of Power and Central Electricity Authority.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20th March, 1998]

#### **Recommendation (Sl. No. 8)**

87% of the villages has been declared electrified on the basis of existing definition which requires at least one service connection within the revenue boundary of a village. The Committee understand that it has been proposed to redefine the village electrification scheme. Under the new definition it has been proposed that a village will be deemed to be electrified if electricity is used for any purpose in the inhabited locality within the revenue boundary of the village. The Committee have been given to understand by some SEBs and State

Governments that this proposed definition may also lead to same confusion *viz.* Declaring an entire village to be electrified whereas only one pole has been erected in the inhabited locality. The Committee therefore recommend that a village or a hamlet should be declared electrified only when at least 10% of the households in that village or hamlet are electrified as agreed to by the Ministry of Power.

### **Reply of the Government**

To evolve a national consensus the recommendations of the Committee set up for the purpose of redefining the definition of village electrification, were sent to the State Governments for their consent/ views. Divergent views were expressed by the State Governments. The Government has now finalised the definition as under: "a village will be deemed to be electrified if electricity is used in the inhabited locality. Within the revenue boundary of village for any purpose whatsoever". The new definition has been communicated to the State Governments.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20th March, 1998]

### **Comments of the Committee**

(Please see para 13 of Chapter I of the Report)

### **Recommendation (Sl. No. 12)**

The Committee are concerned to note that a number of villages have become de-electrified due to natural calamities like flood, earthquake and theft of line materials and equipments. This problem of de-electrification of villages is rampant in some States. The Committee note that no agency is keeping the record of de-electrified villages and re-electrification of these villages is dependent totally on the availability funds with the concerned State Electricity Boards. As most of the State Electricity Boards have a shortage of funds they are unable to take up re-electrification work in time thereby making further extension work impossible. The Committee find that REC and Planning Commission are extending support in cases of emergency only. The Committee emphasise that a proper record of these de-electrified villages should be maintained so that a specific fund can be arranged for re-electrification of these villages. The Committee desire the Ministry of Power to include electrification of de-electrified villages in the Rural Electrification Programme as assured by them.

### **Reply of the Government**

At present there is no organisational set up to monitor the de-electrified villages except the State Electricity Boards. The expenditure to be incurred on rehabilitation works in de-electrified villages should normally be taken up under the revenue expenditure of the State Electricity Boards. Rural Electrification Corporation gives assistance for rehabilitation work during natural calamities and Government also gives Central Assistance from the relief fund. However regular maintenance and upkeep of the system is to be done by the Electricity Board.

The loss of material due to theft is basically a law and order problem and local administration should tackle it. Under the present fund constraint it is difficult to provide funds for such works on a recurring basis.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20th March, 1998]

### **Comments of the Committee**

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

### **Recommendation (Sl.<sup>o</sup> No. 18)**

The main thrust of rural electrification Programme so far has been on energisation of pump sets. The Committee, however note that so far about 111 lakhs pump sets have been energised which is about 56.6% of 195.94 lakhs potential pump sets. The Committee recommend that Ministry of Power in consultation with the State Governments, SEBs and other concerned agencies should prepare a time bound programme for energisation of all the potential pump sets in the country.

The Committee find that a number of inefficient pump sets have been energised throughout the country resulting in consumption of more power than required. The Committee suggest that the Government should take steps to encourage the farmer with suitable incentives to opt for efficient pump sets. The Committee desire that steps must be taken in the direction of coordinated water shed management along with electrification of pump sets for efficient use of both water and power. The Ministry of Power in consultation with all concerned agencies should also explore possibility of charging a common water

cum electricity tariff wherever this can be implemented. Panel of experts in different States from Industry should be formed for testing the efficiency of pumps and to give their recommendations.

### **Reply of the Government**

The role of Ministry of Power in pumpset energisation is limited. Rural Electrification Corporation/Ministry of Power only facilitate the availability of finances and the primary responsibility for pumpset energisation, selection of areas, location, irrigation potential and assessment of economic benefits is that of State Government. Moreover, as the related State Government Departments such as Agriculture, Irrigation, Rural Development *etc.*, in coordination and participation of Commercial Banks, State Electricity Boards *etc.* are the main agencies implementing this programme, it may not be appropriate or possible for Ministry of Power to set up a high level Central Committee or fix a time bound programme to be monitored in the Ministry of Power.

Against an estimated electric pumpset potential of 195.94 lakhs over 114 lakh pumpsets have been energised as on March 1997. Though the overall utilisation is around 59% however, the pumpsets concentration is mainly in peninsular India where the utilisation level is 75% of the estimated potential thereby restricting future energisation programme in the southern States. The maximum available pumpsets potential is mainly in the Northern States covered by the Ganga Brahmaputra basin having the utilisation level of 36% only. Most of the SEBs in these States are heavily.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20th March, 1998]

### **Comments of the Committee**

(Please see para 23 of Chapter I of the Report)

## CHAPTER V

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

#### **Recommendation (Sl. No. 7)**

The REC, at present, only provide finances to the SEBs for rural electrification programme, which includes village electrification, pumpsets energisation and system improvement schemes. It does not usually get involved in generation projects except in a limited way. The Committee desire that REC should be redefined, strengthened and upgraded as a National Rural Energy Corporation. States should in the same manner constitute a State Rural Energy Corporation to provide technical and financial support for decentralised power generation, distribution through Panchayats and Rural Cooperatives and also through their own agencies or subsidiaries if so required. This new Corporation should also support schemes on energy conservation and integration with MNIS programme.

#### **Reply of the Government**

This recommendation pertains to the upgradation of the existing Rural Electrification Corporation into National Rural Energy Corporation and also to provide technical and financial support for decentralised power generation distribution through Panchayat and Rural Cooperatives *etc.*

The National Development Council (NDC) on Power in its final Report has given the recommendation for upgrading Rural Electrification Corporation to National Rural Energy Corporation and also for de-centralised private electrical companies. Rural Electric Cooperatives and the role of Panchayats in electrification *etc.* The recommendation of the National Development Council on Power are yet to be accepted by the Government. Necessary legislative action in this regard will be initiated as soon as the recommendation of NDC are accepted by the Government.

[Ministry of Power No. 44/20-B/96-D(RE) VOL. III Dt. 20th March, 1998]



**Recommendation (Sl. No. 9)**

About 80,000 villages are still not electrified. These are posing problems as many of them are located in remote difficult and tribal areas and are not likely to have grid electricity ever as this is neither logistically nor economically viable. The energy sources which are locally available are ideally suited for these remote and inaccessible areas. The Committee recommend that these areas, which can be brought under different NCES schemes be identified and a time bound implementation programme be submitted to this Committee. All the installations of Non-conventional Energy Sources must be supported by long-term maintenance contracts.

**Recommendation (Sl. No. 10)**

The Committee note that as per the Eight Plan document 10,000 villages were to be electrified through the Ministry of Non-conventional Energy Sources are unaware of such a target fixed for the 8th Plan period and further note that the Ministry has failed to justify how this target of 10,000 villages is going to be achieved. Planning Commission after setting this target of electrification of 10,000 villages during the 8th Plan period have never reviewed the scheme at all. The Committee Stress the need to better co-ordination between Ministry of Power, Rural Electrification Corporation, Ministry of Non-conventional energy Sources and Planning Commission to avoid such lapses. The Committee would therefore like to be apprised about the implementing agencies of this scheme of electrification of 10,000 villages. The Committee desire that there should be continuous co-ordination among the Ministry of Non-conventional Energy Sources, REC and SEBs for electrification of these villages.

**Reply of the Government**

Ministry of Non-conventional Energy Sources (MNES) is implementing programmes for providing electricity locally in a decentralised stand alone mode through solar photovoltaic systems, biomass gasifiers and mini-micro hydel plants. Various fiscal and financial incentives are provided by the Ministry for taking up projects in these 3 sectors.

Rural Electrification Corporation (REC) provides loans, mainly to State Electricity Boards for rural electrification, including for

projects based on non-conventional energy sources. The Indian Renewable Energy Development Agency (IREDA), a Public Sector Undertaking under the administrative control of MNES, also provides loans, mainly to private sector for non-conventional energy projects including projects for generation of electricity for solar photovoltaic systems, biomass gasifier and mini-micro hydel plants. In order to have a co-ordinated approach to the subject of rural electrification using non-conventional energy sources a co-ordination mechanism has been evolved, involving MNES, REC and IREDA. A meeting between MNES, REC and IREDA to discuss "Rural Electrification through non-conventional energy sources" was held in MNES 20th May, 1997. It was decided in the meeting that MNES, REC and IREDA should work in a co-ordinated manner on the electrification of villages using non-conventional energy sources and here should be a continuous sharing of information between MNES and REC on the use of non-conventional energy sources for rural electrification. It has also been decided that REC and MNES will jointly take up the survey of unelectrified villages and get the list of unelectrified villages prepared in the following three categories:—

- (a) villages "un-electrifiable which due to difficult terrain and other logistic problems cannot be electrified through conventional electricity grid.
- (b) villages which fall in the grey areas in which the viability of electrification through grid electricity is not established and decentralised non-conventional energy systems may provide more viable opinion.
- (c) villages where grid can be extended over a period of time.

In the first phase of electrification through non-conventional energy sources it was noticed that some of the villages which were earlier electrified through solar photovoltaic have been connected to the conventional grid supply subsequent this conversion of SPV electrified villages is still going on as the State Governments, State Electricity Boards are reportedly not funding the SPV system adequate to the requirement.

### **Recommendation (Sl. No. 11)**

The exact number of Dalit Bastis in the country is not available. The Committee have been informed that there is no uniform definition for Dalit Bastis. The Committee also note that some States have given their own definition for declaring a locality as a Dalit-Bastis. At Central level neither CEA nor REC have any prescribed definition and REC is guided solely by local authorities. State authorities especially by the social Welfare Department or the State Government. The Committee are of the view that lack of proper definition of Dalit Bastis leads to misguiding figures and create impediment in extending benefits to the actual Dalit Bastis. The Committee desire that definition of Dalit Bastis should be framed immediately and all the Dalit Bastis should be identified consultation with the State Government and other agencies at the State level.

### **Reply of the Government**

The State Governments have been requested to give them suggestion. However, reply from them is still awaited.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III, Dt. 20th March, 1998]

### **Recommendation (Sl. No. 13)**

The Committee note that while nearly 87% of the villages have been claimed an electrified only 31% rural households have access to electricity. This has resulted in a poor load growth and low utilisation. 100% achievement in village electrification, as declared by a few States do not give the correct picture. The Committee desire that re-definition of village electrification scheme should be formulated alongwith stress on re-electrification of de-electrified villages. At the same time, an overall stock of the entire programme should be taken through physical verification so as to assess the ground realities and to initiate a second phase of intensive electrification programme all over the country.

### **Reply of the Government**

Consequent upon electrification, development of lead is a continuous process and it depends upon a number of factors such as availability of adequate and proper supply of power, economic conditions and ability to meet the initial cost of service connection and recurring cost of electricity. However, it is expected that with

the change in the definition of electrification. Electrification of rural households shall be accorded adequate priority to subserve socio-economic needs of the area.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Recommendation (Sl. No. 15)**

While reiterating the stand on upgradation of REC to form a National Rural Energy Corporation (NREC) and on creation of separate State Rural Energy Corporation (SREC) to provide financial and technical support, the Committee also recognise that this task would be accomplished more effectively through a decentralised institutional mechanism involving Panchayat and cooperative initiatives. SREC, after successful erection and commission of a scheme, will hand over the system to these local institutions, which will buy power from SEBs. However, the local institutions will have the flexibility to generate power from non-conventional sources and to expand the system network within its jurisdiction. The Committee desire that in line with the 73rd Amendment of the Constitution the Panchayats should be entrusted with the responsibility for rural programmes including rural electrification and NCES programmes. This would definitely improve the electricity dues recovery mechanism.

However, introduction of this decentralised system would require availability of technical manpower at the Panchayat level to carry out operation and maintenance activities. This would necessitate organisational restructuring of the SEBs and the excess and unutilised manpower of SEBs can be gainfully utilised by the SREC's and such decentralised Panchayat level institutions each State, should prepare a time bound plan for such restructuring and till that time, SEB will render technical support as an intermediary measure.

### **Reply of the Government**

As already stated in reply to recommendation No. 7, the recommendation of the National Development Council on Power are yet to be accepted by the Government. Necessary legislative action

will be taken as soon as recommendation of the National Development Council on Power are accepted by the Government.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Recommendation (Sl. No. 16)**

The Committee express their dis-satisfaction on the performance of the Rural Electric Cooperatives. The promotion of RE Cooperatives was one of the components of Eight Five Year Plan and REC was entrusted to promote the cooperatives. Only 41 Rural Electric Cooperatives have come into existence, 34 out of the these are operational and 6 have been taken over by State Governments. Majority of the States do not have any Rural Electric Cooperatives, so far. The Committee have been informed by REC and some State Electricity Boards, that quality of work and services, collection of dues, consumer satisfaction levels etc., are better in the areas of societies in comparison to other areas. However, the problems faced by Rural Electric Cooperatives are stated to be confined operation to predominantly agricultural load dependence on SEBs for supply of electricity, lack of freedom to decide on tariff. Unfavourable financial assistance and associated guidelines from REC. Moreover no provision for promotion and distribution of energy has been made in the State Cooperative Acts. The Committee in line with earlier recommendations are of the opinion that Rural Electric Cooperatives are ideally suited for decentralised distribution of electricity. The Committee are of the view that in order to popularise the advantage of Rural Electric Cooperative scheme, REC should take up some model cooperative scheme by properly mixing agricultural and industrial load in consultation with State Governments. The Committee desire the Ministry of Power to take up the matter in the proper forum to bring energy into Cooperative Acts. These cooperatives should be given the required technical and financial support and training on a systematic basis through the proposed NREC and SREC/SEBs.

### **Reply of the Government**

Rural Electrification Corporation is presently engaged in an exercise to rejuvenate the cooperatives to form model distribution networks. There has been some resistance from the State Electricity Boards. State level meetings have been convened to iron from out the difficulties. Rural Electrification Corporation proposes to conduct studies and work

on the modalities of financing a few showcase Rural Electric Cooperatives.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III Dt. 20 March, 1998]

### **Recommendation (Sl. No. 19)**

It has generally been understood that Rural Electrification Programme requires a lot of technical input in regard to system improvement to minimise loss, breakdown etc. REC is gradually shifting its role and is being projected as a financial institution neglecting the necessity of technical support at National/State level.

The Committee note that funds for system improvement schemes are not commensurate with other sections like generation and transmission etc. Out of Rs. 12,000 crores only Rs. 14.00 crores has been allotted for system improvement which is quite inadequate as stated by the Secretary, Ministry of Power. The Committee stress the need to bring in matching finance for System Improvement Programme to strengthen the system.

For System Improvement Programme, Government of India charge 12% interest with repayment period of 15 years with 5 years moratorium whereas REC's terms of loan to SEBs are 16% interest with a repayment period of 7 years with 2 years moratorium and penal interest of 5% above RBI rate. As system improvement scheme is a part of rural electrification the Committee recommend that interest charged from REC by Government of India should be reduced considerably and moratorium period increased so that REC in turn can pass on the benefit to SEBs in the form of lower rate of interest and longer moratorium period.

### **Reply of the Government**

The issue of lowering the interest rate and increasing the repayment period including moratorium period has been under consideration of Government. Ministry of finance is yet to take a final view. Meanwhile Rural Electrification Corporation has already decided to increase the repayment period from 7 to 12 years in respect of funds released under OECF loan. Rural Electrification Corporation has also reduced the interest rates *w.e.f.* 1.4.97.

However, as a part of decentralisation. State Governments are increasingly being encouraged to negotiate direct loans with external funding agencies. West Bengal has already negotiated one such loan from OECF.

Ministry of Power is also considering to provide interest subsidy to Rural Electrification Corporation so that Rural Electrification Corporation can further extend funds at a cheaper rate of interest. As far as penal rate of interest is concerned Rural Electrification Corporation is levying at a rate of 2.5% per annum for default in payment of dues upto three months and 5% for default, thereafter. Ministry of Power has taken up the issue with the Planning Commission and Ministry of Finance for MNP funds at a lower rate of interest or loan mix grant. It has now been decided by Ministry of Power that funds from the financial year 1998-99 under MNP Programme will be directly released to the States and will not be routed through Rural Electrification Corporation.

[Ministry of Power No. 44/20-B/96-D(RE) Vol. III dt. 20 March, 1998]

#### **Recommendation (Sl. No. 20)**

Most of the identified backward areas including tribal areas are covered under Minimum Needs Programme. Rural Electrification is one component for which funds are channelled through REC. The Committee are surprised to note that even for these funds which are meant for backward and tribal areas the interest rate is as high as funds provided under normal budgetary support. The Committee find that Ministry of Power and REC are pursuing the Planning Commission and Ministry of Finance to provide the fund as grant or as grant-cum-soft terms loan in the ratio of 50:50 to boost electrification programme in backward and tribal regions of the country. The interest rate on the loan component should also be considerably lower than that of funds provided under the Normal programme. The Committee desire the Ministry of Power to continue to pursue and convince Planning Commission and Ministry of Finance to see reason in revising the terms of allocation of funds. The matter should also be taken up at the National Development Council level.

#### **Reply of the Government**

The assistance to States under MNP Programme is covered under the formula approved by the NDC. Any change in the pattern of

assistance under MNP may, therefore, require approval of NDC. The Planning Commission have been requested to consider reviewing the position and provide assistance under MNP in the form of grant to States through REC. The actual funding of MNP has been reviewed and it has now been decided to dis-continue this practice totally. Normal Central assistance allocated by the Planning Commission will hereafter be released by the Ministry of Finance directly to the States in the form of Block grant and loans from 1998-99 onwards.

Since the rural electrification programmes are vital in nature but highly unremunerative for the agency executing it, SEBs are reluctant to take up rural electrification which is highly capital intensive but with low return and poor prospects of load development. The Ministry of Finance have been requested to consider the reduction of rate of interest for rural electrification programme.

[Ministry of the Power No. 44/20-B/96-D(RE) Vol. III Dt. 20th March, 1998]

#### **Comments of the Committee**

(Please see para 27 of Chapter I of the Report)

#### **Recommendation (No. 23)**

The Committee also note that SEBs are finding it difficult to pay back loans without State Government subvention. In this regard the Committee find that some States are yet to implement the 50 paise tariff for agricultural tariff to atleast 50% of the cost of supply in not more than 3 years. The Committee also feel that Central Government should share the burden of social obligation which is extended in the form of rural electricity so as to lighten the burden on State Governments/SEBs. The Committee desire Ministry of Power to reimburse a certain percentage of cost of supply of electricity to agriculture alongwith State Governments. Who are unable to bear the entire cost of rural electricity.

Further to this, four additional steps are suggested:

- (a) Freezing of the REC loan and writing-off penal interest.
- (b) Conversion of State Government loan into equity and writing off of the interest component.



- (c) REC loan be converted into equity and writing off of interest component in the same proportion as proposed for State Government.
- (d) Power Finance Corporation should also be advised to relax the conditionalities for at least the initial 3/4 years.

### **Reply of the Government**

The financial restructuring of REC and SEBs is under consideration of the Government. It includes among others the interest subsidy. MNP assistance to be given as grants, increase in spread in rate of interest and expanding its clientele. This proposal also includes conversion of outstanding loans given to REC into equity. However no final decision has yet been taken in the matter.

[Ministry of the Power No. 44/20-B/96-D(RE) VOL. III Dt. 20 March, 1998]

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

K. KARUNAKARAN,  
*Chairman,*  
*Standing Committee on Energy.*

EXTRACTS OF MINUTES OF THE NINTH SITTING OF THE  
STANDING COMMITTEE ON ENERGY HELD ON 23RD JULY,  
1998 IN COMMITTEE ROOM 'C', PARLIAMENT  
HOUSE ANNEXE, NEW DELHI

The Committee sat from 15.30 hrs. to 16.15 hrs.

PRESENT

Shri K. Karunakaran — *Chairman*

2. Shri Basudeb Acharia
3. Smt. Rani Chitralkha Bhosle
4. Shri Bikash Chowdhury
5. Shri K.C. Kondaiah
6. Shri Rajbanshi Mahto
7. Shri Sanat Kumar Mandal
8. Shri Som Marandi
9. Smt. Sukhda Mishra
10. Shri Vilas Muttemwar
11. Shri Ravindra Kumar Pandey
12. Shri Amar Roy Pradhan
13. Shri Kanumuru Bapi Raju
14. Shri Anantha Venkatrami Reddy
15. Shri Shailendra Kumar
16. Shri N.T. Shanmugam
17. Shri Th. Chaoba Singh
18. Shri Chandramani Tripathi

19. Shri Sushil Chandra Verma
20. Shri Lakkhiram Agarwal
21. Shri Gandhi Azad
22. Shri Bangaru Laxman

SECRETARIAT

1. Shri P.K. Bhandari — *Deputy Secretary*
2. Shri R.S. Kambo — *Under Secretary*
3. Shri R.K. Bajaj — *Under Secretary*

2. The Committee considered the following Draft Action Taken Reports for adoption:—

(i) \*\* \*\* \*

(ii) Action taken by the Government on the recommendations contained in the Eighteenth Report of the Standing Committee on Energy on the subject Rural Electrifications—Problems, Realities and Achievements.

3. \*\* \*\* \*

4. The draft report mentioned at para 2(ii) above was adopted by the Committee in the manner shown below:—

(i) Chapter-I Para No. 9 line 2 after 'pace' insert the following:—

"Whereas 87% of the villages supposed to have been electrified, but only 31% households have been provided with electricity".

(ii) Chapter-I Para No. 9 add the following at the last:—

"The Committee also desire that the Government should take up with the State Governments and ensure that the percentage of households covered is substantially increased from 31% during the Ninth Plan period".

(iii) Chapter-I Para No. 13 add the following at the last:—

“The Committee also desire that before declaring a village electrified it should also be ensured that the new electricity connections in that village are available on demand”.

5. 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 and to present the same to both the Houses of Parliament.

6.

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*The Committee then adjourned*



## ANNEXURE II

(Vide Para 3 of Introduction)

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

I. Total No. of Recommendations made	24
II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 1, 2, 3, 4, 5, 14, 17, 21, and 24)	9
Percentage of total	37.6
III. Recommendations which the Committee do not desire to pursue in view of the Government's replies (Vide recommendation at Sl. No. 22)	1
Percentage of total	4.16
IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee (Vide recommendations Sl. Nos. 6, 8, 12, and 18)	4
Percentage of total	16.6
V. Recommendations in respect of which final replies of the Government are still awaited (Vide recommendations at Sl. Nos. 7, 9, 10, 11, 13, 15, 16, 19, 20 and 23)	10
Percentage of total	41.6