

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:2651  
ANSWERED ON:04.12.2009  
RULES FOR SETTING UP OF POWER PROJECTS  
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**Will the Minister of POWER be pleased to state:**

(a) whether the Government proposes to bring change in the financial facilities and rules regarding the setting up of power projects in the country; and

(b) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) & (b): Government has approved the following changes in the existing Mega Power Policy :-

(i) The existing condition of privatization of distribution by power purchasing states would be replaced by the condition that power purchasing states shall undertake to carry out distribution reforms as laid down by Ministry of Power (MoP).

(ii) The conditions requiring inter-state sale of power for getting mega power status would be removed.

(iii) The present dispensation of 15% price preference available to the domestic bidders in case of cost plus projects of Public Sector Undertakings (PSUs) would continue. However, the price preference will not apply to tariff based competitively bid projects of PSUs.

(iv) The requirement of undertaking ICB by the developers for procurement of equipment for mega power projects would not be mandatory, if the requisite quantum of power has been tied up through tariff based competitive bidding or the project has been awarded through tariff based competitive bidding.

(v) A basic custom duty of 2.5% only would be applicable on brownfield expansion of existing mega projects. All other benefits under mega power policy available to Greenfield projects would also be available to expansion unit(s) (Brownfield projects) even if the total capacity of expansion unit(s) is less than the threshold qualifying capacity, provided the size of the unit(s) is not less than that provided in the earlier phase of the project granted mega power project certificate. All other conditions for grant of the mega power status shall remain the same.

(vi) Mega Power Projects would be required to tie up power supply to the distribution companies/utilities through long term Power Purchase Agreements (PPA(s)) and may also sell power outside long term PPA(s) in accordance with the National Electricity Policy 2005 and Tariff Policy 2006, as amended from time to time, of Government of India.