

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2657

ANSWERED ON:04.12.2009

MEGA POWER POLICY

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Will the Minister of POWER be pleased to state:

- (a) whether the Government proposes to bring about some changes in the existing mega power policy;
- (b) if so, the details thereof;
- (c) whether the consent of the State Governments have been sought for the purpose;
- (d) if so, the details thereof;
- (e) whether the Government has assessed the impact of this revised policy in terms of the economic viability of power generation and distribution by the States; and
- (f) 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 is 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 condition requiring inter-state sale of power for getting mega power status has been 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 developers of mega power projects would not be required to undertake International Competitive Bidding (ICB) for procurement of equipment for the mega power project 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) All benefits, except a basic custom duty of 2.5% only, available under mega power policy would be extended to expansion unit(s) of existing mega power 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. All other conditions for grant of the mega power status shall remain same.

(vi) Mega Power Projects may 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.

(c) & (d): The requests of State Governments including Andhra Pradesh, Kerala, Maharashtra, Tamil Nadu who have urged for removing the existing condition of privatization of distribution by power purchasing states has been kept in view while seeking revising the existing condition of privatization of distribution by power purchasing states as given at sub-para (i) above.

(e) & (f): Mega Power Policy aims at deriving economies of scale by setting up large size power plants at pithead and transmitting power to distant regions, which were deficit in power. Mega Power Policy, in its present form, has played a vital role in the development of power sector. However, in the wake of several important statutory and policy level changes in the power sector, this Ministry revisited some of the provisions of the present Mega Power Policy and brought them in line with the changed scenario. The modified policy seeks to rationalize the procedure for grant of mega certificate and facilitate quicker capacity addition. The Mega Power Policy would have positive impact in the form lower generation cost and resultant cost of power purchased by distribution utilities.