

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:2213
ANSWERED ON:06.08.2010
COST OF POWER GENERATION
Swamygowda Shri N Cheluvarya Swamy

Will the Minister of POWER be pleased to state:

- (a) whether there is a wide gap between the per unit cost of power generation and the selling price of electricity to the consumers in the country;
- (b) if so, the details thereof, State-wise; and
- (c) the steps taken by the Government to narrow the gap between per unit cost of power generation and its selling price to the consumers?

Answer

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

(a) & (b) : A statement indicating state wise details of power purchase cost (PP), average cost of supply (ACS) and gap between ACS & PP by distribution licensees /SEBs/Power Departments for the year 2008-09 is given in Annex.

The distribution companies procure power for distribution to their consumers mainly from generating stations whose tariff is regulated by the State Electricity Regulatory Commission or the Central Electricity Regulatory Commission. The source of power generation and the mix of generation viz coal, lignite, gas, liquid fuel, hydro, nuclear and renewable etc. vary from state to state and therefore there is wide variation in average cost of power procured by the various distribution companies. The selling price of power by the distribution company to the consumers is regulated by the concerned State Electricity Regulatory Commission and is based on the average cost of supply to a distribution licensee.

The average cost of supply consists of power purchase cost, transmission charges including technical transmission losses and distribution costs. The distribution cost, in turn, depends on factors like Aggregate Technical and Commercial (AT&C) losses, employee cost, O&M cost, interest on loan and working capital, depreciation, return on equity, administrative & general expenses and other miscellaneous expenses. As the weightage of the above factors varies from Distribution Company to Distribution Company, the average cost of supply also varies.

As can be seen from the statement at Annex, the maximum gap between Average Cost of Supply and Power Purchase Cost is in the range of Rs (-) 1.28/kWh to Rs + 2.09 /kwh.

(c) : The gap between the sale rate of power by generating companies and the consumer tariffs is mainly on account of the high Aggregate Technical and Commercial (AT&C) losses of the State Electricity Boards (SEBs)/Power Utilities and the level of cross-subsidies. The SEBs/Power Utilities are under the jurisdiction of their respective State Governments and Regulatory Commissions. However, the Central Government has taken the following major initiatives in this regard:

- 1) The Electricity Act, 2003 provides that the tariff will be regulated by the Electricity Regulatory Commissions on the basis of principles laid down in the Act, which, inter-alia include efficiency improvement and reduction of cross-subsidies.
- 2) Theft is one of the main reasons of high AT&C losses. Legal provisions in Electricity Act, 2003 for dealing with theft of electricity have been further strengthened by the Electricity (Amendment) Act, 2007.
- 3) Emphasis is given on metering of feeders and supply to consumers for energy accounting and auditing for identifying the locations of high losses areas so that corrective measures can be taken.
- 4) Restructured Accelerated Power Development and Reforms Programme (R-APDRP) has been sanctioned for the XI Plan as a Central Sector Scheme. The focus of the programme is on actual demonstrable performance in terms of sustained loss reduction.
- 5) Tariff Policy stipulate that for achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap, with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

Power Finance Corporation