

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3234
ANSWERED ON:13.08.2010
FDI IN POWER SECTOR
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Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government has stressed on the need for creating confidence among the foreign investors to attract FDI in the power sector;
- (b) if so, the details thereof;
- (c) the progress achieved so far in this regard; and
- (d) the plan of action prepared for the remaining Eleventh Plan ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (S.S.PALANIMANICKAM)

(a) to (C) Government has allowed 100% Foreign Direct Investment (FDI) on automatic route for projects of electric generation (except atomic energy), transmission, distribution and trading. Based on the information regarding FDI compiled by Department of Industrial Policy & Promotion, Ministry of Commerce, the year wise FDI inflows in power sector have gradually increased from 2003-04 to 2009-10. The details are as under:

Amount in Crores

Sector 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 2009-10

| | | | | | | | |
|-------|------|------|------|-------|-------|-------|--------|
| Power | 131 | 241 | 386 | 713 | 3875 | 4382 | 6908 |
| | (28) | (53) | (87) | (157) | (967) | (985) | (1437) |

Note: The figures in brackets show the amount in US \$ Millions

(d) Government of India has taken a number of legislative, policy and administrative measures to enhance private participation in the Power Sector. Some of the measures are:

- (i) Enactment of new Electricity Act, 2003
- (ii) De-licensing of thermal generation. Further, captive generation is freely permitted.
- (iii) Structural reforms of State Electricity Board,
- (iv) Formation of Central & State Regulatory Commissions
- (v) Formulation of National Grid,
- (vi) Open access in Transmission & Distribution
- (vii) Power trading being recognized as a distinct activity,
- (viii) Accelerated Power Development & Reforms Programme
- (ix) Reduction in T&D losses

- (x) Mega Power Policy under which further rationalization measures have been approved recently,
- (xi) Issue of guidelines for competitive bidding for procurement of Power by distribution licensees under the Electricity Act.
- (xii) Notification of Tariff Policy
- (xiii) Notification of National Electricity Policy
- (xiv) Notification of the Hydro Policy, 2008
- (xv) Ultra Mega Power Plants (UMPP) Initiative.

As a result of the above measures, private sector capacity addition in the eleventh plan is expected to be much higher compared to earlier plans.