

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:4748
ANSWERED ON:07.08.2009
FOREIGN PARTICIPATION IN NEW POWER PROJECTS
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Will the Minister of POWER be pleased to state:

- (a) whether the Government has identified the areas for foreign participation in setting up of new power projects in the country;
- (b) if so, the details thereof;
- (c) whether the Government has issued any guidelines in respect to power tariff and counter guarantee in this regard; and
- (d) if so, the details thereof?

Answer

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

(a) & (b) : 100% Foreign Direct Investment (FDI) is permissible on the automatic route for the projects of power generation, transmission and distribution (except Atomic Energy).

(c) & (d) : In order to ensure that the tariff for sale of electricity is determined competitively, the tariff policy was notified by the Government in January 2006, which provides that all future requirement of power should be procured competitively by distribution licensees except in case of expansion of existing projects or where there is a state controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity.

Even for the public sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the regulatory commission is satisfied that the situation is ripe to introduce such competition.

However, a developer, of a hydroelectric project, not being a State controlled/ owned company, would have the option of getting the tariff determined by the appropriate Electricity Regulatory Commission on the basis of performance based cost of service regulations subject to fulfillment of certain conditions.

Government's counter guarantee scheme was developed as a transitory measure to boost private investment and in 1994 it was decided to extend counter-guarantee to 8 fast track power projects. However, Government has later decided not to give counter guarantee to any other private power projects.