

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:4779
ANSWERED ON:07.08.2009
MERCHANT CAPTIVE POWER PLANTS
Rao Shri Kavuri Samba Siva

Will the Minister of POWER be pleased to state:

(a) the details of the observations made at the recent inter-ministerial meetings regarding the benefits being extended to Merchant Power Plants (MPPs) and Captive Power Plants (CPPs); and

(b) the number of such power projects built up or proposes to be build up along with the power generation capacity of each MPPs and CPPs during the last three years and the current year?

Answer

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

(a) : According to Section 9 of the Indian Electricity Act, 2003, no sanction/ license for setting up of captive power plant is required. The government has taken various legislative, policy and administrative measures to facilitate captive generation and utilization of surplus capacity. The details are given below:

i) Under the Electricity Act, 2003, captive power plants, including group captive, have been freely permitted. The Act provides that any person may construct, maintain or operate a captive generating plant and dedicated transmission lines. Under the provisions of the Act, every person, who has constructed a captive generating plant and maintains and operates such plant, shall have the right to open access for the purposes of carrying electricity from his captive generating plant to the destination of his use subject to the availability of transmission capacity.

ii) National Electricity Policy, notified in February, 2005, emphasizes the need for bringing surplus capacity available with captive and standby generating stations in India to the grid continuously or during certain time periods.

iii) Tariff Policy, notified in January 2006, recognizes that captive generation is an important means to make competitive power available and urges the Electricity Regulatory Commission to create an enabling environment that encourages captive plants to be connected to the grid.

iv) The Conference of Chief Ministers on Power Sector issues held in May, 2007, has resolved to facilitate captive power plants to provide the spare generating capacity to the grid and strive to do away with restrictive levies, duties and regulations in a time bound manner.

v) The National Electricity Policy, 2006, allows a part of new generating capacities say 15% to be sold outside long term PPAs to promote market development. Under the Tariff Policy notified in 2006 and amended vide resolution dated 31.03.2008, the developers of hydro projects are allowed, a special incentive by way of merchant sales of up to a maximum of 40% of the saleable energy.

Ministry of Power has taken the following operational measures to encourage setting up of Merchant Power Plants :-

(i) Fuel tie-ups are being facilitated for Merchant Power Plants.

(ii) Open access in transmission has been introduced in the Electricity Act, 2003. In distribution, open access is to be introduced in phases. For consumers with requirement of more than one Mega Watt open access is to be mandatorily introduced by January, 2009.

(b) : Information is being compiled and will be laid on the Table of the House.