

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1256
ANSWERED ON:17.08.2012
HYDRO POWER SECTOR
Joshi Dr. Murli Manohar;Roy Shri Arjun

Will the Minister of POWER be pleased to state:

- (a) whether Central Electricity Regulatory Commission is contemplating to give 16.5 per cent return on equity in hydel power sector to increase investment in this sector;
- (b) if so, the details thereof;
- (c) whether after the implementation of said proposal the consumer prices of electricity are also likely to be increased in future; and
- (d) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI K.C. VENUGOPAL)

(a) & (b) : As per the information made available by the Central Electricity Regulatory Commission (CERC) the Commission has invited comments/suggestion from the stakeholders on the draft amendment to its Tariff Regulation 2009 on 13th June, 2012. This provides for base rate of return on equity of 16.5% for computing return on equity on pre tax basis for the reservoir based Hydro Generating Station including pumped storage scheme to encourage investment stations.

(c) & (d) : The main objective of the draft amendment is to encourage setting up of reservoir based hydro power plants for meeting the peaking demand of electricity. The cost of procurement of power by Distribution Companies during peak periods is generally higher. The impact of higher ROE for hydro power plants on tariffs is therefore, dependent on and relative to the cost of peak power procurement by the Distribution Companies.