

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:1349  
ANSWERED ON:17.08.2012  
PRIVATE INVESTMENT IN POWER SECTOR  
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**Will the Minister of POWER be pleased to state:**

- (a) whether the Union Government is promoting private investment in power sector instead of setting up power plants and taking interests in their operation;
- (b) if so, the details thereof;
- (c) the reasons for promoting private investment in power sector;
- (d) the details of the provisions under which the private sector are guided to work in the interests of the country and the power consumers are to be protected from their exploitations; and
- (e) the reaction of the Government in respect of compliance of the said provisions?

**Answer**

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

(a) to (e) :

(i) As per Section 7 of the Electricity Act, 2003, any generating company may establish, operate and maintain a generating station without obtaining a license if it complies with the technical standards relating to connectivity with the grid. The Act creates a conducive environment for investments in all segments of the industry, both for public sector and private sector, by removing barrier to entry in different segments. Section 63 of the Act provides for determination of tariff through a bidding process which encourages private sector investment.

(ii) The main reason for promoting private investment in power sector has been the magnitude of expansion required in the sector and need for sizeable investments required from the private sector.

(iii) There are provisions in the Electricity Act, 2003 which require private sector to work in the interests of the country and protect the interests of power consumers, namely, Section 3(1) empowers the Central Government to formulate the tariff policy; Section 3(3) enables the Central Government to review or revise the tariff policy from time to time; the Act also requires that the Central Electricity Regulatory Commission (CERC) and SERCs shall be guided by the tariff policy in discharging their functions including framing the regulations under section 61 of the Act; and Section 61 of the Act provides that Regulatory Commissions shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to generating companies and transmission licensees.

(iv) The Forum of Regulators has been constituted by the Central Government under the provisions of the Act which would, inter alia, facilitate consistency in approach specially in the area of distribution.