

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:330

ANSWERED ON:20.11.2009

REFORMS IN POWER SECTOR

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Will the Minister of POWER be pleased to state:

- (a) whether the Government proposes to usher reforms in the power sector to attract private sector participation;
- (b) if so, the details thereof;
- (c) whether the Government also proposes to take measures, including privatisation of distribution for reducing transmission and distribution losses; and
- (d) if so, the details thereof and the blueprint chalked out, in this regard?

Answer

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

(a) & (b) : Although a Policy on Private Sector participation was announced in 1991, the pace of private investment has been slow due to

(i) inability of most Independent Power Producers (IPPs) to achieve financial closure in spite of progressing well on the other inputs/clearances;

(ii) poor financial health of the state utilities who did not have the financial capabilities to support more private projects in terms of regular reimbursement of bills, opening of letter of credit and escrow accounts;

(iii) delays in finalisation of Power Purchase Agreement; and

(iv) high cost of power estimated for the projects. Govt. of India has taken a number of legislative, policy and administrative measures to enhance private participation in the power sector. Some of these measures are:

- (i) Enactment of new Electricity Act, 2003.
- (ii) De-licensing of thermal generation. Further captive generation is freely permitted.
- (iii) Structural reforms for 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.
- (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.

(c) & (d) : Government approved 'Re-structured APDRP' for XI Plan on 31.7.2009 with a focus on actual, demonstrable performance in terms of AT&C loss reduction. Projects under the scheme are being taken up in two parts. Part-A is the projects for establishment of baseline data and IT applications for energy accounting / auditing & IT based consumer service centers and Part-B is regular distribution strengthening projects.