10

STANDING COMMITTEE ON ENERGY

(2005-2006)

FOURTEENTH LOK SABHA

MINISTRY OF POWER

(Action Taken on the recommendations contained in the Fifth Report (14th Lok Sabha) on Demands for Grants of the Ministry of Power for the year 2005-2006)

TENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

February, 2006/Phalguna, 1927 (Saka)

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(Action Taken on the recommendations contained in the Fifth Report (14th Lok Sabha) on Demands for Grants of the Ministry of Power for the year 2005-2006)

Presented to Lok Sabha on 10.03.2006

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Shri S.K. Sharma	-	Additional Secretary
Shri Surinder Singh	-	Deputy Secretary
Shri Shiv Kumar	-	Under Secretary
Smt. Juby	-	Committee Officer
Shri Manoj Pahuja	-	Executive Assistant

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authoriZed by the Committee to present the Report on their behalf, present this Tenth Report (Fourteenth Lok Sabha) on the action taken by the Government on the recommendations contained in the 5th Report of the Standing Committee on Energy on Demands for Grants (2005-20065) of the Ministry of Power.

2. The Fifth Report of the Standing Committee on Energy was presented to Lok Sabha on 21st April 2005. Replies of the Government to all the recommendations contained in the Report were received on 19th July, 2005.

3. The Standing Committee on Energy considered and adopted this Report at their sitting held on 28th February, 2006.

4. An Analysis on the Action Taken by the Government on the recommendation contained in the Fifth Report of the Committee is given at Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI; **GURUDAS KAMAT,**

February 28, 2006	**Chairman,**
Phalguna 9, 1927 (Saka)	**Standing Committee on Energy**

Chapter-I
Report

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Fifth Report (14^{th} Lok Sabha) of the Standing Committee on Energy on the Demands for Grants (2005-06) of the Ministry of Power which was presented to the Lok Sabha on 21^{st} April, 2005.

2. Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorized as follows: -

(i) Recommendations/Observations which have been accepted by the Government:

Sl No. 1,2,3,4,7,9,10,11,15,16,17,18,19,20,21,28,29 and 30

(ii) Recommendations/Observations which the Committee do not desire to persue in view of the Government's replies:

Sl No. 6, 8, 12 and 14

(iii) Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee:

Sl Nos. 13, 22, 23, 24, 25, 26 and 27

(iv) Recommendations/Observations in respect of which the final replies of the Government are still awaited:

Sl Nos. 5

3. The Committee also desire that utmost importance should be given to the implementation of recommendations accepted by the Government. In case, where it is not possible for the Government to implement the recommendations in letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.

4. The Committee will now deal with action taken by the Government on some of their recommendations:

A. <u>Equal utilization of Funds in all quarter of the year</u>

Recommendation No. 5 (Para No. 2.15)

5. During the course of examination of Demands for Grants of the Ministry of Power for the year 2005-06, the Committee had observed that in a meeting taken by Finance Minister with Financial Advisors on 23.07.2004, it was desired that the existing instructions about 33% utilization of the budget during the last quarter should be strictly followed and a circular had already been issued to all concerned for compliance of the instructions of Ministry of Finance. The Committee were of the view that though emphasis should be laid on equal utilization of funds in all the four quarters of the year, the restrictions imposed by the Ministry of Finance would further limit the utilization of the funds and achievements of the targets and suggested that putting a restriction on the use of funds during the last quarter should be gone into and a decision be taken based on views of the various ministries. The Committee also felt that Revised Estimates should rather be based on the utilization of the funds during the last financial year. The Committee had categorically desired that the matter might be taken up with the Ministry of Finance and the Committee might be apprised of the position.

6. In response, the Ministry has stated:

> "The total expenditure during the financial year 2004-05 is Rs. 12947.57 crore representing the 82.84% utilization by the Ministry of Power which is better than the percentage in 2002-03 (64.15%) and 2003-04 (73.23%) . It may be seen from the above that the % utilization by the Ministry of Power is increasing every year. This is the result of the constant monitoring of the ongoing projects as well as the approval for the new schemes.
>
> As regards the expenditure in the last 16 days it is stated that it was Rs.1785.57crores against the target of more than Rs.3000 crores. The position in the last quarters of the year 2004-05,2003-04 & 2002-03 is as follows: -

Plan Expenditure in the last quarter of the financial year during last 3 years

Sr.No.	YEAR	GBS	IEBR	TOTAL	% Utilization of Actual Exp.
1	2004-05	979.40	4370.55	5349.95	41.32
2	2003-04	795.61	4199.14	4994.75	46.49
3	2002-03	1140.40	2929.10	4069.50	47.05

It can be seen from the table the position in 2004-05 was a much-improved position as compared to 2002-03 & 2003-04. It can also be seen that the GBS utilization in the last quarter of 2004-05 was less than 33% of the GBS outlay of Rs.3600 crores, as per the instructions of the Ministry of Finance. It is also mentioned that there was no restriction on the IEBR utilization., therefore the IEBR utilization was better than the previous year in the last quarter. However, the observation of the Committee have been duly taken note of and instructions have been issued to all concerned to properly phase out the expenditure."

However, the Minister of Power in his statement under direction 73A of the Directions by the speaker made in the Parliament just a month after the submission of Action Taken Replies had stated that in accordance with the pursuance of the recommendation of the Committee the matter will be taken up with the Ministry of Finance during RE discussions.

7. The Committee had desired that putting a restriction on the use of funds during the last quarter by Ministry of Finance should be gone into and a decision be taken based on views of various Ministries. The Committee are of the view that 33% expenditure during the last quarter should be the maximum limit and not the minimum. The Committee would like to be apprised of the steps taken in this direction.

B. Delays in according clearance to power projects

Recommendation No. 13 (Para No. 2.49)

8. The Committee in their recommendation had strongly noted the inaction of the Ministry of Environment & Forests to the operationalisation of draft Memorandum of Understanding between Ministry of Power and Ministry of Environment & Forests on creation of Special Purpose Vehicle with an objective to coordinate with the Ministry of Environment & Forests and State Forests Departments. The Committee observed that this draft agreement was pending with them since 20.09.2001. The Committee also took a strong note of the casual manner in which the matter regarding grant of clearances to the Power Projects was being dealt with by the Ministry of Water Resources/CWC and Ministry of Environment and Forests and desired that this matter be brought to the notice of Prime Minister's office so that the Special Purpose Vehicle could be operationlized and further desired that a Central Committee consisting of officials from Ministry of Power, Water Resources and Environment & Forests and other related Departments should be created with a task of providing all clearances to the Power Projects in a time bound manner.

9. The Ministry in its reply has stated :

> "The hydro power proposals are received through the Central Electricity Authority (CEA) for scrutiny in Central Water Commission (CWC) from the view point of hydrology, civil design, inter-state and cost angles and the proposals for thermal projects costing more than Rs. 2500 crore are received in CWC through CEA for examination related to water availability for cooling and other purposes. The proposals for thermal projects costing less than Rs. 2500 crore, now being cleared by the concerned states themselves, are also received in CWC for clearance of water availability aspect. Appraisal of the proposals in respect of power projects are carried out and the observations / comments are promptly communicated to the concerned State Governments. The time taken for clearances of these projects depends on the satisfactory compliances to the comments/observations of CWC and promptness with which these compliances are furnished to CWC. Bi-monthly co-ordination meetings are being held between Secretary (Power) and Secretary, Ministry of Environment and Forests. In these meetings, all projects pending for want of forest and environment clearances are discussed and issues are sorted out. This forum has yielded positive results."

10. The Committee have noted that there has been an enhanced delegation of power to States for clearance of the Thermal Power Projects upto Rs. 2500 crore. Besides, bi-monthly coordination meetings are also being held between Secretaries of Ministry of Power and Ministry of Environment & Forests. In the view of the Ministry this forum is yielding positive results. However, the Committee are surprised to note that the Ministry of Water Resources - which happens to be a major player in the matter of according clearance to Power Projects- has been left out from these meetings.

11. The Committee would, therefore, reiterate that a Standing Coordination Committee consisting of Secretaries of the Ministries of Power, Water Resources, Environment & Forests and other concerned Departments should be created with a view to providing all the necessary clearances to Power Projects in a time bound manner.

C. <u>Action Plan of Bureau of Energy Efficiency (BEE)</u>

Recommendation No. 16 (Para No.2.62)

12. The Committee in its recommendation had stated that 100% depreciation of energy conservation equipment and other schemes were proposed to be taken up during 2004-05. Also, about the present status of implementation of the scheme, the Committee had been informed that Bureau of Energy Efficiency had invited quotations for conducting studies on 100% depreciation incentive to encourage faster penetrations of energy efficient technologies. The objectives of the study will include review of the existing list of devices which were eligible for this incentive and to evaluate latest energy efficient, monitoring, instrumentation and control devices that would qualify. The Committee urged the Government to complete the proposed study in shortest possible time and take necessary steps to provide 100% depreciation including energy saving devices during the current financial year itself.

13. In its reply, the Ministry has stated :

"BEE has awarded the study on Fiscal incentive of 100% depreciation."

14. The Committee desire that the proposed study should be conducted in a time-bound manner and the Committee should be kept informed about the outcome of the same.

D. <u>Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)</u>

Recommendation (Sl. No. 17, 18 and 20, Para No.2.71, 2.72 & 2.74)

15. The Committee had observed that Ministry of Power had issued Guidelines in May, 2004 for Rural Electrification Programme for One Lakh Villages and One Crore Households and approved a new scheme for electrification. The scheme was to be implemented through the Rural Electrification Corporation which may associate other financial institutions in the implementation of the programme. These guildelines were reported to be aligned with the policies being formulated under Sections 4 and 5 of the Electricity Act, 2003 that would facilitate sustainable provision of electricity in the rural areas. The State Governments were required to make all projects receiving subsidy under the scheme compliant with Section 13 and 14 of the Electricity Act, 2003 so as to enable the Rural Electricity Services Providers (other than existing State Utilities/ Distribution Licensees) to act outside the purview of the State Electricity Regulatory Commissions for purposes of tariff determination (Section 61, 62 and 86 of the Electricity Act, 2003). Observing that about 1.25 lakh villages were still to be electrified as per the new definition (which provide that at least 10% of household should be electrified), the Committee failed to understand as to how the Government would achieve the targets of electricity to all by 2007 and cover the all villages and household by 2009-10 as per the National Common Minimum Programme - in spite of low new capacity addition and lesser fund utilization for Rural Electrification activities.

16. The Committee, taking note of the fact that the electricity in rural areas is characterized by poor network and lack of maintenance primarily due to weak financial health of utilities and the utilities supplying power to rural areas consider

such supply as commercially unviable on account of high fixed cost alongwith high variable cost and unsustainable commercial arrangements, desired the Ministry of Power & Non-Conventional Energy Sources to come out with concrete time-bound plan & suggestions so as to ensure that the target set under the National Common Minimum Programme and the National Energy Policy for completing rural household electrification in the next five years is achieved.

17. The Committee were also constrained to note that disbursement of funds by the Rural Electrification Corporation as loan amount to the State Utilities was very low as compared to the amount sanctioned. During 2002-03, against the sanctioned funds of Rs.12,125 crore, the disbursements were only to the tune of Rs.6607 crore and during 2003-04 , these were Rs.6017 crore against the sanctioned loan amount of Rs.15, 978 crore. The Committee took a strong note of the fact that in spite of their repeated recommendations for disbursement of funds released by REC since 1999-2000 for different schemes were much below the sanctioned funds. The Committee also observed that as per the feedback available from various States, it is felt that if a sustainable rural electricity supply is to be ensured, then the burden of servicing the infrastructural cost should at most be a nominal 10% as the States were not in a position to take the debt burden required under the scheme. As a matter of fact, the general assessment is that even with zero burden of infrastructural cost on tariff, acceptance by consumers for paying at least the cost of electricity supplied would itself be a major challenge for the States. Thus, an enhancement in capital subsidy to 90% was required if the objective of providing access to all rural households was to be achieved within stipulated time frame. In view of this, a scheme for providing 90% subsidy had been approved. The REC also initiated necessary steps required for

the implementation of the scheme for its approval by the Government, the State Governments/ agencies were reluctant to take loan for this unattractive Rural Electrification Scheme as there would be no profits to be earned. The Committee had expected that at least now the funds which will be available for 90% capital subsidy should be disbursed during a particular year in future. In view of the low disbursement of funds, the Committee recommended that the Government /REC should take all necessary steps so that the schemes planned for completion by the year 2009-10, be implemented and funds disbursed thereon. The Committee desired to know the action taken by the Government / REC in this regard.

18. The Ministry in its Action Taken Reply has stated :

> "National Common Minimum Programme (NCMP) envisages household electrification in next five year. "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) – Scheme of Rural Electricity Infrastructure and Household Electrification" has been launched in April, 2005 for the attainment of the NCMP goal. Ninety per cent capital subsidy would be provided for overall cost of the projects under the scheme. Approval has been accorded for implementation of Phase I of the scheme with capital subsidy of Rs.5000 crore during the X Plan Period. Scheme provides that states must make adequate arrangements for supply of electricity and there should be no discrimination in the hours of supply between rural and urban households. For projects to be eligible for capital subsidy under the scheme, prior commitment of the States would also be obtained before sanction of projects under the scheme for :
>
> i) deployment of franchisees for the management of rural distribution in projects financed under the scheme, and
>
> ii) the provision of requisite revenue subsidies to the State Utilities as required under the Electricity Act, 2003 - if it would hike tariff for any category of consumer to be lower than the tariff determined by the SERC.
>
> <u>SCOPE of the Scheme</u>
>
> Under the scheme, projects could be financed with capital subsidy for provision of :
>
> 1. Rural Electricity Distribution Backbone (REDB)
>   - provision of 33/11 KV (or 66/11 KV) sub-stations of adequate capacity and lines in blocks where these do not exist.
> 2. Creation of Village Electrification Infrastructure (VEI)

- Electrification of un-electrified villages.
- Electrification of un-electrified habitations.
- Provision of distribution transformers of appropriate capacity in electrified villages/ habitation(s).

3. Decentralized Distributed Generation (DDG) and Supply
   - Decentralized generation cum distribution from conventional sources for villages where grid connectivity is either not feasible or not cost-effective provided it is not covered under the programme of Ministry of Non-conventional Energy Sources for providing electricity from non-conventional energy sources under their remote village electrification programme of 25000 villages.
4. Electrification of un-electrified Below Power Line (BPL) households would be financed with 100% capital subsidy as per norms of Kutir Jyoti Programme in all rural habitations.

The Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination.

In the event, the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy could be converted into interest bearing loans.

Comprehensive guidelines relating to project specifications, construction standards, project formulation and procurement have been circulated by the REC. The agreements relating to acceptance of conditionalities under the scheme have also been sent to the State for acceptance and signing.

The services of CPSUs have been offered to the States for assisting them in the execution of Rural Electrification projects as per their willingness and requirements. The States where the magnitude of the task is very large, are choosing to utilize the services of CPSUs and for this distinct agreements have been put in place.

A typical project cycle will be as follows :-

a)	Preparation of DPR	-	2 to 3 months
b)	Sanction of REC from the date of receipt of DPRs	-	1 month
c)	Award of turn-key contract form the date of sanction after invitation through bidding	-	6 months
d)	Project completion from the date of award	-	18 months
	Total	-	28 months

Phasing of expenditure for a typical project has been set as follows :

- 30% at the time of award of contract.
- Balance to be released in instalments of 30%, 30% and 10% on receipt of utilization certificates.

The response from the states is very positive and the REC is likely to receive projects from all States in the coming months. Based on preparatory work initiated earlier, 118 projects DPRs with a cost of Rs.4547 crore have already been cleared subject to the State Governments accepting the conditionalities in the agreements forwarded to them. Around 10,000 villages are targeted to be electrified in the year 2005-06. DPRs for electrification of about 57,000 villages/ habitations have been cleared.

The projects are to be subject to physical verification and quality checks through a concurrent evaluation system. The projects are to be executed on turnkey basis.

The earlier Kutir Jyoti, MNP and AREP programmes have all been merged in the Rajiv Gandhi Grameen Vidyutikaran Yojana.

According to the feedback available from various States, it was felt that if a sustainable rural electricity supply was to be ensured, then the burden of servicing the infrastrucutural cost should at most be a nominal 10%. Achieving revenue sustainability for supply of electricity itself poses a formidable challenge. As a result, states were not being able to incur significant debt burden for extending electrification in rural areas at the required pace specially as the financial health of the SEBs was under stress.”

19. The Committee appreciate the Government for launching the scheme of Rural Electricity Infrastructure & Household Electrification – Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in April 2005, for electrification of rural households in the next five years.

20. The Committee note that approval has been accorded for implementation of Phase-I of the scheme with a capital subsidy of Rs. 5000 crore during X plan. Further, 118 projects DPR with a cost of Rs. 4547 crore have already been cleared subject to the State Governments accepting the conditionalities. The Committee would, therefore, re-iterate their earlier recommendation that disbursements of funds should be matching with the sanctioned funds and there should not be a huge gap between the two. The Committee also desire that the Ministry should strictly monitor the implementation of the sanctioned projects especially the adequate arrangements for supply of electricity and deployment of franchisees etc.

E. <u>Disbursement of funds under APDRP</u>

Recommendation No. 22 (Para No. 2.82)

21. The Committee in their earlier recommendation took a serious note of the fact that although through investment component of APDRP, the States are disbursing funds to private distribution companies to upgrade/ strengthen sub-transmission system under APDRP and thus benefiting the distribution companies to help them reducing the T&D losses, by 17 per cent in a fixed period of five years. The Committee are anguished to note that the resultant benefit which was anticipated to go to the consumer is not coming up as there is regular increase in tariff and the distributing agencies have also failed to bring down the T&D losses to the desired level. The Committee desired that the private companies which had been awarded the Transmission and Distribution contracts to reduce the losses and make certain amount of investment to improve Transmission & Distribution network in their area work should not be considered for the grant of any additional incentives for reduction of losses under the APDRP schemes and the same be made available to the SEBs/ State transmission and distribution utilities only. The Committee further desired that the Government should review the present scheme of providing subsidies to private companies. The Committee also recommended that the distributing companies shall bear the T&D losses and in no case these be passed on consumers by increasing the rate of electricity as they are duty bound to efficiently manage their affairs and the consumers should not be made to pay for inefficiency of the distribution companies.

22. The Ministry in its reply has contended as under:

"The Committee have raised the following concerns:

(i) APDRP funds should not be sanctioned in favour of private distribution companies, as benefits of releasing APDRP funds to private distribution companies are not going to the consumers as there is regular increase in tariff

(ii) Private distribution companies should not be considered for grant of incentive for reduction in losses under APDRP scheme

(iii) Government should review the present scheme of providing subsidies to private companies

(iv) Distribution companies should bear the T&D losses and in no case these be passed on the consumers by increasing the rate of electricity.

No incentive claims are entertained from the private DISCOMs for reduction of cash losses under APDRP. In respect of the investment component under APDRP, a decision was initially taken, while considering projects of private DISCOMs in Orissa, by APDRP Monitoring Committee, held under the chairmanship of the then Minister of Power on 20.2.2001, to the effect that:-

> "In respect of States where distribution has been privatized (e.g. Orissa) projects aimed at improving/ upgrading the sub-transmission system in distribution circles could be funded subject to the settlement of the terms and conditions under which funds received by the State Governments will be released to the private distribution companies."

Thereafter, it was decided to fund the projects of private DISCOMs (of Orissa) subject to the conditions, inter-alia, that the assistance given under APDRP including grant-in-aid along with quantifiable benefits expected from such investment shall be intimated to SERC so that additional benefits/ reliefs are passed on to consumer over and above what DISCOMs were obliged to provide under extant agreement/ orders of regulations.

Accordingly, projects of private DISCOMs in States namely Orissa, Delhi, Gujarat and Maharashtra have also been sanctioned, amounting to Rs. 2757.48 crore, with a component of APDRP to the extent of Rs. 1378.75 crore against which an amount of Rs. 364.74 crore has already been released. These projects are in various stages of implementation and further release of funds as per criteria for release of funds under APDRP would be required for completion of these projects. The apprehension of the Standing Committee that the burden of T&D losses and resultant benefits of the APDRP may not be passed on to the consumers are taken care of by the SERCs, to whom the receipt of grants is to be reported compulsorily. Therefore, the need to review the scheme guidelines on APDRP (investment component) for release of funds to private DISCOMs is not considered necessary."

23. On the same subject in their 9th report on 'Implementation of APDRP', expressing concern over with the dismal performance of private DISCOMs in Delhi, the Committee had strongly recommended that if private DISCOMs are not able to produce the desired results after using cheap APDRP funds, the Government should seriously consider to exclude them from providing financial assistance under APDRP. In pursuance of this recommendation, the Committee have been informed that the matter was taken by the Ministry of Power and Government of NCT of Delhi with

Ministry of Finance. The Ministry of Finance were of the view that assistance for investment purpose is provided under APDRP only to the SEBs/Utilities. Hence, the funds to DISCOMs to Delhi could not be further released. However, Government of NCT have stated that as per section 2(75) of Electricity Amendment Bill 2003, Rule 5 of Delhi Electricity Reform (Transfer Sceheme) Rules, 2001 and Clause 4.5 of Shareholder's Agreement, private DISCOMs are eligible for availing APDRP funds. The Ministry of Power while agreeing with the views of the Government of NCT of Delhi requested Ministry of Finance for release of funds to private DISCOMs under APDRP.

24. The Committee are not in agreement with the views of the Ministry of Power that there is no need to review the guidelines on APDRP (investment components) for release of funds to private DISCOMs. The Committee are of the firm opinion that the private DISCOMs should be barred from getting APDRP funds if they fail to show the desired results. The Committee would categorically like to be informed of the final outcome of the matter regarding release of APDRP funds to private DISCOMs which was pending with the Ministry of Finance.

F. Slow pace of Renovation & Modernization Programme

Recommendation No. 23 (Para No. 2.97)

25. During the examination of Demands for Grants of the Ministry of Power for the year 2005-2006, the Committee were constrained to note the slow pace of completion of R&M activities as, during 2003-04, while the life extension works of 4 units of Kothagudem unit-8(1x110 MW) and Korba(E) units 1, 4 & 6(2x40+120 MW) had been completed and works on remaining other units are at various stages of implementation. The Committee also expressed their unhappiness to note that adequate funds were not provided for R&M activities as against the total funds requirement of Rs.9200 crore during 10th Plan for Life Extension Programme, only Rs.193 crore were actually spent during 2003-04, which was about 1.5 per cent of the total outlay. Similarly for R&M of 57 proposed units to be taken up during the 10th Plan, against the funds requirement of Rs.978 crore, the expenditure during 2003-04 is Rs.48 crore i.e. less than 5% of the total outlay and felt that investment made in R&M schemes could have a beneficial outcome only if these are completed in a time bound manner. The Committee were also surprised to note that despite low infusion of funds during the first three years of the 10th Plan, no action plan had been formulated by the Government that far to strictly utilize the targeted outlays. The Committee, therefore, desired that the Government should at least act now and formulate an Action Plan to vigorously pursue the R&M activities without any further delay and apprise the Committee of the action taken in this regard. The Committee further desired that all efforts should be made to ensure that plant load factor of all power plants in Central and State Sector should be at par with national average.

26. The Ministry has replied to these observations as under:

> "The Renovation & Modernization (R&M) works which needs Life Extension(LE) of old units involve the activities of finalization of feasibility report, placement of order, manufacturing and supply of materials and execution of works which are spanned over 30-36 months. A shut down period of 12-18 months is needed to complete R&M works. Out of 106 units for Life Extension during 10th plan period, the LE works on 1(one) unit in 2002-03, 4(four) units in 2003-04 and 2(two) units in 2004-05 have been completed. Earlier it was expected that during 2004-05, the works on 6 units would be completed as the works on Bhatinda unit-2 has been delayed and now

it is likely to be completed by May, 2005 and the works on the 3 units of Obra TPS was delayed due to delay in shipment of Plant & Equipment from Russia. The works on these units are likely to be completed by the end of current financial year. On 55 units, related activities such as supply of materials, placement of orders for LE, preparation and finalization of feasibility report and RLA studies etc. are under progress.

The 684 R&M activities(earlier 687 activities planned) were programmed to be completed during whole span of 10th five year Plan, Out of 684 activities, 42 activities were completed during 2003-04 and 182 activities were completed during 2004-05 against 100 activities expected to be completed.

Adequate funds are being provided through Power Finance Corporation (PFC)/Rural Electrification (REC) under Accelerated Generation & Supply Programme (AG&SP) at concessional rate of interest of Power Utilities/Electricity Boards to carry out LE/R&M works. Rs.723 Crore have been spent on LE works against the Estimated Cost of Rs.9200 Crore, which comes out to about 8% of the total estimated cost while Rs.229 Crore has been spent on R&M works against the estimated cost of Rs.978 Crore, which comes out to be about 23% of the total estimated cost. The percentage of expenditure during the balance period of the 10th plan is expected to increase in future.

The Ministry of Power and Central Electricity Authority (CEA) are vigorously following up with the utilities for expediting the R&M/LE works. Besides, "Guidelines" have been issued by Ministry of Power for speedy implementation of the R&M/LE works. The Highlights of the Guidelines are:

a) Assessment of economic viability of reviving units under ling shut down;
b) Improving O&M Practices;
c) Option to SEBs/Utilities to place order directly on BHEL through negotiation on BHEL supplied units:
d) Clubbing the Residual Life Assessment studies with Life Extension works to cut down time; and
e) Compensation from central pool for loss of generation during shut down for R&M/LE works.

There has been a tremendous improvement in the performance of the thermal units where LE works have been completed. State Electricity Boards/ Power Utilitites need to take up R&M/LE works, which have been included for implementation during 10th Plant Ministry of Power and CEA are vigorously following up with them to ensure timely implementation of the scheduled Programme.

The performance of all the present 89 thermal stations has been analysed and it has been noticed that out of above 89 thermal power stations, 26 thermal power stations are presently operating at a PLF of 60% or less. Action Plan has been drawn up to improve the performance by adopting short term, medium term and long term measures. Besides, steps are being taken to link these 26 thermal power stations having low PLF with the thermal power stations having better PLF to imbibe better operation practices & better management. In the case of Tenughat TPS(PLF 36% for the year 2004-05), it is proposed to be linked with a better performing station by adopting above measures. Through implementation of these measures, it is aimed at that these poorly performing stations will attain a PLF of 60% or more within one year and afterwards and these stations are expected to attain the PLF at par with National average ultimately.”

27. **The Committee are unhappy to note the slow progress of work in Renovation & Modernisation of power plants. Out of 684 R&M activities which were programmed to be competed during 10th five year plan, only 224 have so far been completed. Other 100 activities are expected to be completed. This is even less than 50% of the targets fixed. Out of estimated cost of Rs. 978 crore of these activities, only Rs. 229 crore have been spent.**

28. **The Committee further note that out of 89 thermal stations in the country, 26 stations are presently operating at a Power Load Factor (PLF) of 60% or less. Thus there is an urgent need to carry out R&M activities and Life Extension Works.**

29. **The Committee, therefore, reiterate their recommendation and desire that R&M works of Life Extension Works should be carried out in a time bound manner and the Committee be kept informed of the Action Taken in the matter.**

G. R&M of Hydro Power Plants

Recommendation No. 24 (Para No. 2.98)

30. The Committee observed that against an anticipated expenditure of Rs.2888.63 crore during the 10th Plan for RM&U of 62 hydro power schemes, anticipated expenditure would only be Rs. 493.41 crore on 17 schemes. The Committee were also concerned to note the slow pace of renovation, modernisation and uprating of hydro power station by the Government / PSUs in spite of National Perspective Plan and review of these activities for 10th and 11th Plan Programmes. The Committee also deplored the poor state of Renovation, Modernization and uprating schemes of hydro power stations and low targets fixed by the Government to carry out these schemes and recommended that the targets for these activities should be enhanced for 2005-06 and 2006-07, i.e. during the remaining two years of the 10th Plan to ensure that all 62 schemes identified for RM&U, be completed in the plan period itself. The Committee further desired that a time bound programme should be drawn to complete these projects so that the set targets can be achieved.

31. The Ministry in response has stated:

> "The 10th Plan programme for Renovation & Modernisation (R&M) of hydro schemes was finalized in April, 2002 and 74 hydro schemes (11 nos. in Central Sector and 63 nos. under State Sector) were identified for implementation/completion. The following 9 hydro R&M schemes of State Sector have been completed during the year 2002-03 accruing a benefit of 349 MW with an installed capacity of 678.80 MW at the cost of Rs. 429.94 Crores: -
>
> | Sl.No. | Name of the Scheme |
> |---|---|
> | 1. | Nagjhari U-1&3 (2x135 MW), KPCL |
> | 2. | Supa (2x50 MW), KPCL |
> | 3. | Mani Dam (2x4.5 MW), KPCL |
> | 4. | Mahatma Gandhi (4x12+4x18 MW), VVNL |
> | 5. | Munirabad (2x9+1x10.3 MW), VVNL |
> | 6. | Pallivasal (3x5+3x7.5 MW), KSEB |
> | 7. | Sengulum (4x12 MW), KSEB |
> | 8. | Panniar (2x15 MW), KSEB |
> | 9. | Umium St. I (4x9 MW), MeSEB |
>
> The programme was reviewed in totality in consultation with all the concerned Utilities during May 2003 and subsequently in April/May, 2004. Accordingly, a total of 62 hydro RM&U schemes (11 nos.

under Central sector and 51 nos. under State sector) having a total installed capacity of 9977.5 MW accruing a benefit of 1516.31 MW at an estimated cost of Rs. 2227.06 crore have been targeted for completion during the 10th Plan period, as per the reviewed Xth Plan programme. Details of revised Xth plan programme and year wise targeted schedule of completion is as under: -

Plan Period

	2002-03	2003-04	2004-05	2005-06	2006-07	Total 2002-07
No. of Schems						
Programmed		11	13	4 +8 spill over	32	62
Completed-	9	4	5			

Out of the 62 schemes programmed for implementation/completion during the Xth Plan period, 4 hydro R&M schemes, namely Shanan, Ph-A (4x15+1x50 MW) PSEB, Pong (6x60 MW), BBMB, Bhira Tail Race (2x25 MW), MSEB, Khandong (2x25 MW), NEEPCO of Central and State Sector have been completed during the year 2003-04 accruing a benefit of 36 MW having an installed capacity of 600 MW, at a cost of Rs. 32.77 crore.

During the year 2004-05, out of 13 schemes, R&M works on 5 schemes, with an installed capacity of 1100.95 MW, have been completed at an expenditure of Rs. 143.317 Crores accruing a benefit of 132.35 MW. The details of these schemes are given below: -

a) Schemes completed during 2004-05

1. Tillari (1x60 MW), MSEB, Maharashtra
2. Koyna Gen. Complex (4x70 + 4x80+4x80 MW), MSEB, Maharashtra
3. Shivasamudram (6x3+4x6 MW), VVNL, Karnataka
4. Pykara (3x6.65+1x11+2x14 MW), TNEB, Tamil Nadu
5. Maithon, U-2 (1x20 MW), DVC, West Bengal

The R&M works of the remaining 8 schemes are in advance stages and likely to be completed during the current year 2005-06. The details are:-

b) Schemes slipped from 2004-05 likely to be completed in 2005-06**:**

1. Chibro (4x60 MW), UJVNL, Uttaranchal
2. Chilla (4x36 MW), UJVNL, Uttaranchal
3. Khodri (4x30 MW), UJVNL, Uttaranchal
4. Bhadra (1x2 MW), KPCL, Karnataka
5. Sharavathy Ph-A (10x103.5 MW), KPCL, Karnataka
6. Papanasam(4x7 MW), TNEB, Tamil Nadu

7. Mettur Dam(4x10 MW), TNEB, Tamil Nadu
8. Hirakud-I, U-3&4 (2x24 MW), OHPC, Orissa

During the years 2005-06 and 2006-07, a total of 44 schemes have been programmed for completion.

Out of 12 schemes (including the 8 nos. spillover schemes of 2004-05) programmed for completion during the year 2005-06, 10 schemes are ongoing and 2 schemes are yet to commence. As per the report on the progress of works at site, completion of 4 nos. of schemes namely Hirakud-I (Sw.yd) of OHPC, Koyna-III (4x80MW) of MSEB and Anandpur Sahib (4x33.5 MW) & Mukerian St-I (3x15 MW) of PSEB during 2005-06 is likely to be delayed. For completion of these schemes during 2005-06, the respective utilities are being advised to put in extra efforts.

Out of the 32 schemes programmed for completion during the year 2006-07, R&M works of 21 schemes are ongoing and 11 schemes are yet to commence. Greater concerted efforts are required by the utilities for timely completion of all the 32 schemes programmed for completion during 2006-07. CEA is constantly monitoring the progress of the schemes.

The summary highlighting the hydro R&M schemes programmed/completed/on going/yet to commence during the 10^{th} Plan is given below: -

Sl. No	**Schemes Status**	**No.of Schemes**			**Installed Capacity (MW)**	**Cost (Rs. in Crs.)**		**Benefit (MW)**
		Central Sector	**State Sector**	**Total**		**Actual**	**Estimate**	
i)	Schemes programmed	11	51	62	9977.50	-	2227.062	1516.31
ii)	Schemes completed (as on 30.04.2005)	3	15	18	2379.75	681.0469	617.61	517.35
iii)	Schemes ongoing	5	26	31	5873.45	-	1296.02	778.93
iv)	Schemes yet to commence	3	10	13	1724.30	-	313.432	220.03

Action Plan of the Government to accelerate R&M works of hydro schemes:

- Provision of interest subsidy on loans raised by the SEBs for schemes to be financed through PFC/REC under the Accelerated Generation & Supply Programme (AG&SP) upto the 10^{th} Plan.

- Technical appraisal of hydro schemes on request from SEBs/PSUs. Advise by CEA to SEBs/PSUs on all technical aspects of hydro R&M schemes/proposals.
- The physical progress/status of each scheme is monitored by CEA regularly.
- Frequent site visits are made by CEA officers to discuss the ongoing R&M activities and to assist the project authorities to overcome the bottlenecks for expeditious completion.
- Annual review meetings are held at C.E.A. with the representatives of the SEBs/PSUs to ascertain the timely completion of the identified R&M schemes.

Further, 50 hydro RM&U schemes involving 3 schemes under Central Sector and 47 schemes under State Sector having a total installed capacity of 8534.30 MW to accrue a benefit of 5315.65 MW at an estimated cost of Rs. 2888.63 Crore have been programmed for completion during the XIth Plan.”

32. Like in the Renovation & Modernization of Thermal Power Plants, the performance of the Ministry in the similar schemes of hydel sector is also not up to the mark in the 10th Plan to materialize. It appears that everything has been kept for the last year of the 10th Plan. Out of 62 scheme, only 18 have been completed in the first three years of the 10th Plan, four fresh ones and eight carry forward schemes of the past three financial years are targeted for completion during the present fiscal. Work on 13 schemes is yet to start and hence are not likely to be competed during 10th Plan. Even some of the schemes which are in hand, may not be completed during 10th Plan. More than 50% of the schemes to be completed in 10th Plan have been targeted for completion in the year 2006-2007, which incidentally is the last year of the 10th Plan. This appears to be a case of improper planning and execution of these schemes by the Ministry. The Committee would like to reiterate that as in the thermal power sector, the Ministry ought to make Herculean efforts to accomplish the targets set for the 10th Plan for the purpose.

H. Performance of NEEPCO

Recommendation No. 25 (Para No. 2.106)

33. The Committee expressed their unhappiness to note that although NEEPCO was established on 2nd April 1976 with the objective to plan, promote, investigate, survey, design, construct, generate, operate and maintain power stations in the North Eastern region, the Corporation could add only 1130 MW of Power in the 30 yrs of its operation and desired that NEEPCO should analyze their performance during the last 30 yrs and come out with some concrete plan to enhance their performance, particularly in respect of capacity addition during 10th and 11th Five year Plan periods. The committee also observed the huge reduction in IEBR component of NEEPCO from Rs. 265 crore to90 crore during 2004-05. The Committee also desired to know as to how NEEPCO would ensure to raise Rs. 372.79 crore during 2005-06 and invest the same as targeted.

34. The Ministry in its reply has submitted:

> "It is indeed a fact that the total installed capacity of NEEPCO after 30 yrs. of existence in the power sector is only 1130 MW. NEEPCO has added this capacity by commissioning 2 (two) nos of Thermal and 5 (five) nos of Hydro projects all of which were taken up at different point of time. Further the N.E.Region's constraints such as non-availability of approach roads, poor communication system, remoteness of sites and extremely difficult law and order situation had contributed significantly in slow progress of NEEPCO who is entrusted to improve the power scenario of the N.E.Region. The Doyang HE Project in Nagaland was commissioned by NEEPCO at a time when no other Central agency could implement their project in the State.
>
> The reduction in IEBR component during 2004-05 from Rs. 265 crore to Rs. 90.00 crore was mainly due to non receipt of approval from the Govt. of India in respect of TGBPP, TKTS and also in view of stoppage of work in Tuirial HEP."

35. The response of the Ministry is not only half-hearted but incomplete as well. It fails to discuss in detail the non receipt of approvals, which lead to drastic reduction in the Internal and External Budgetary Resources (IEBR) component of the NEEPCO during 2004-2005, i.e., from Rs. 265 crore to Rs. 90 crore. It is also totally silent on as to how NEEPCO would raise Rs. 372.79 crore during the year 2005-2006. The Committee would appreciate complete and focused reply in the matter and would like the Ministry to submit complete information for the Committee's perusal in future.

36. The Committee would like to know the reasons for non-approval of TGBPP, TKTS and stoppage of work in Tuirial HEP and whether NEEPCO could raise the desired resources and invest during 2005-06.

I. <u>Delay in execution of Projects of NEEPCO</u>

Recommendation No. 26 (Para No. 2.107)

37. The Committee observed that delay in execution of projects had resulted in huge cost escalation in the case of Tuirial HEP for which latest revised cost is about Rs. 808 crore from Rs. 368.72 crore originally targeted. The project not only got delayed and huge investment blocked but it also become unviable. The Committee recommended the Ministry to ensure that projects should be commissioned with a maximum of 5-10% of cost escalation and also desired to know the steps taken by the Government to ensure the same - for all the on going and future projects of NEEPCO.

38. The Ministry in its reply has stated:

> "The cost estimate of Tuirial H.E. Project was revised at October 2004 Price Level. The original cost estimate of Rs. 368.72 crore was at June 1997 Price Level. The revised cost estimate has been submitted to CEA on 13.11.2004 and the same is under scrutiny by them. The cost of the project increased due to delay in commissioning of the project, poor law and order situation and other unavoidable technical reasons.
>
> All efforts shall be taken to ensure completion of all On-going and Future Projects with minimum time and cost over-run."

39. The Committee are not at all convinced by the reply of the Ministry. As per its own admission, the cost estimate of the Tuirial HEP was revised from 368.72 crore (1997 price level) to Rs. 808.00 crore at October 2004 price level. The revised cost estimate was submitted to Central Electricity Authority (CEA) in November 2004 and it still happened to be under the scrutiny of CEA. The Committee can very well understand the cost and time overruns that will be incremental on this project from now onwards even especially when the scrutiny of CEA has entered into second year. The Committee, therefore, desire that the Ministry should get the clearance from CEA at the earliest and execute the project at the minimum cost.

J. <u>Implementation of Power Projects</u>

Recommendation No. 27 (Para No. 2.108)

40. The Committee recommended that all the three ongoing projects namely Tuirial HEP, Kameng HEP and Tripura GasBased Power Project of NEEPCO with 940 MW of power generation targets should be completed within the10th Plan period.

41. The Ministry in its reply has merely stated :

> "Three on going projects namely Tuirial HEP, Kameng HEP and TGBPP having a total capacity of 940 MW are scheduled to be completed during XIth plan period."

42. The Committee have noted with concern that the Ministry would be completing three ongoing projects namely Tuirial HEP, Kameng HEP and Tripura GasBased Power Project during 11th Plan period. The Committee note that Tuirial HEP, which was scheduled to be completed in July 2006 has also been staggered to 11th Plan now, which is quite unfortunate. Keeping in view the past track record of implementation of projects by the Ministry, the Committee desire that a well laid down schedule of implementation may be prepared for all these three projects so that these are completed on priority in the beginning of the 11th Plan. The Committee would, however, appreciate if these three projects are accorded priority in the remaining part of the 10th plan. The Committee would like to be apprised of the action taken by the Ministry in the matter.

K. **<u>Setting up of Regulatory Commission & Redressal Forums in States</u>**

Recommendation No.29 (Para No.2.118)

43. In their recommendation, the Committee noted that any person aggrieved by an order made by an order made by an adjudicating officer under the electricity Act 2003 or an order made by the Appropriate Commission under the Act may prefer an appeal to the Appellate Tribunal for Electricity as provided in section 110 of the Electricity Act, 2003. The Committee were, however, constrained to note that although the Appellate Tribunal was notified on 7th April, 2004, the appointment of Chairperson, members and other officers have yet to take place. The Committee further noted the inordinate delay in constitution of Regulatory Commission in Bihar and stressed that all-out efforts should be made to set up the same immediately. The Committee further desired that the Tribunal should be operationalised within next 3 months and also desired to know the present status of appointments of Ombudsman and Redressal Forums in all the States which were to be set-up within six months as per Section 42(5) and (6) of the Electricity Act, 2003 by the every distribution license under the guidelines of the respective State Commissions.

44. In its reply, the Ministry stated:

> "Central Government has the appointed the Chairperson and all three Members of the Appellate Tribunal for Electricity on 13th May, 2005. Bihar has also constituted its State Electricity Regulatory Commission. Privatization of distribution has taken place in Orissa and Delhi in the recent past. In both the States, the distribution licensees have established Consumer Redressal Forums as required under the provisions of the Electricity Act, 2003. State Electricity Regulatory Commissions of both the States have also appointed Ombudsman. SERCs of both the States have also notified Grievances Redressal Forum and Ombudsman Regulations.
>
> As per information available with Ministry of Power the SERCs in the States of Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttaranchal and West Bengal have also notified Regulations regarding Grievances Redressal Forum and Ombudsman.
>
> The Distribution Licensees in the States of Andhra Pradesh, Assam, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan,

TamilNadu, Uttar Pradesh, Uttaranchal and West Bengal have established Consumer Redressal Forums. The SERCs of Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Uttaranchal and West Bengal have appointed/designated Ombudsman. The National Electricity Policy (NEP) notified on 12th February, 2005 also calls upon the SERCs to formulate the guidelines for setting up Consumer Redressal Forums by the Licensees as well as Regulations regarding the Ombudsman and also to appoint/designate the Ombudsman within six months."

45. The Committee note with satisfaction that in terms of the National Electricity Policy (NEP) notified on 12th February 2005, the SERCs of Andhra Pradesh, Assam, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, TamilNadu, Uttar Pradesh, Uttaranchal and West Bengal States have either set up Consumer Redressal Forums (CRFs) or Ombudsman to attend the public grievances.

46. The National Electricity Policy (NEP) also stipulates the SERCs to formulate the guidelines for setting up Consumer Redressal Forums by the Licensees as well as Regulations regarding the Ombudsman and also to appoint/designate the Ombudsman within six months. Since the said time frame is over a long back, the Committee expect that SERCs in the remaining States would follow suit at the earliest. The Committee desire the latest position as obtaining in the matter be reported to them.

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation Sl. No. 1 (Para No. 2.11)

The Committee observe that against the plan outlay of Rs. 1,43,399 crore comprising of Rs. 1,18,399 crore of IEBR and Rs. 25,000 crore as Gross Budgetary Support (GBS) for Ministry of Power, the anticipated utilization during the Tenth Plan period is Rs. 1,10,069,59 crore comprising of Rs. 24821.60 crore of GBS. Taking note of the fact that there is a gap of about Rs. 33,339 crore in the actual allocation and anticipated utilization of the Xth Plan outlay of the Ministry of Power, the Committee are of the opinion that the present trend of under utilization of Plan outlay will adversely affect the on-going and future power projects. The Ministry of Power have claimed that during 2004-05, they would be able to utilize the Revised Estimates of Rs. 14681.34 crore which is 93.93% of the Budget Estimates of Rs. 15630.32 crore as compared to 73.23% utilization during the year 2003-04. The Committee are however, unhappy to note that till 15th March, 2005 the actual utilization was reported to be Rs. 11162 crore only, which is less than 73% of the Budget amount for the year. To reach the 94% utilization of the budget estimates, the Ministry of Power/its PSUs have to spend more than Rs. 3,000 crore i.e 21% of the Budgeted amount during the last 16 days of the financial year, 2004-05. The Committee do not approve such huge chunk of expenditures in the last few days of the financial year which is against the normal financial discipline. The Committee strongly recommend that the Ministry should stop this practice of imbalanced utilization of unspent funds during the last few days of the financial year because this may sometimes lead to unproductive expenditure which may not help the Ministry in achieving the targets and implementation of schemes.

Reply of the Government

The total expenditure during the financial year 2004-05 is Rs. 12947.57 crore representing the 82.84% utilization by the Ministry of Power which is better than the percentage in 2002-03 (64.15%) and 2003-04 (73.23%) . It may be seen from the above that the % utilization by the Ministry of Power is increasing every year. This is the result of the constant monitoring of the ongoing projects as well as the approval for the new schemes.

As regards the expenditure in the last 16 days it is stated that it was Rs.1785.57crores against the target of more than Rs.3000 crores. The position in the last quarters of the year 2004-05,2003-04 & 2002-03 is as follows: -

Plan Expenditure in the last quarter of the financial year during last 3 years

Sr.No.	YEAR	GBS	IEBR	TOTAL	% Utilisation of Actual Exp.
1	2004-05	979.40	4370.55	5349.95	41.32
2	2003-04	795.61	4199.14	4994.75	46.49
3	2002-03	1140.40	2929.10	4069.50	47.05

It can be seen from the table the position in 2004-05 was a much-improved position as compared to 2002-03 & 2003-04. It can also be seen that the GBS utilization in the last quarter of 2004-05 was less than 33% of the GBS outlay of Rs.3600 crores, as per the instructions of the Ministry of Finance. It is also mentioned that there was no restriction on the IEBR utilization., therefore the IEBR utilization was better than the previous yearin the last quarter. However, the observation of the Committee have been duly taken note of and instructions have been issued to all concerned to properly phase out the expenditure.

[Ministry's U.O No. 20020/5/2005-Budget Dated19.07.2005]

Recommendation Sl. No. 2 (Para No. 2.12)

The Committee note that with the reduced annual outlay and utilization during the first three years of the 10th Plan, the targets set for capacity addition of 41,000 MW has already been revised to about 36,956 MW. The Committee feels that the plan of the Government for 1,00,000 MW of fresh capacity addition by the end of 11th Plan will thus seems to be impossible. The reasons forwarded for reduction in Budget Estimates for the year 2004-05 are reported to be non-approval of new schemes of Power Grid Corporation of India Limited, slow progress in approval of new schemes of NHPC such as Parvati-III, Teesta Lower Dam-IV, Chamera etc., resulting in reduction b y Rs. 121 crore and 447.52 crore respectively. As regard to the reason for reduction in Plan outlays of NEEPCO, the Committee find that there was a total reduction of Rs. 67 crore due to slow progress in approval of new schemes i.e Tripura gas project and Ranganadi HEP and also due to the slow progress in survey and investigation works. Further due to non approval of the CEA's scheme of preparation of Detailed Project Reports of New Hydro-Electric Schemes and Scheme for 100,000 MW environment friendly thermal initiative for preparation of Feasibility Report; there was a reduction of Rs. 82.38 crore. The Committee are not convinced with the reasons forwarded by the Government for reduced outlays during the first three years of the current Plan and feel that no concrete acti9on has been taken by the Government in spite of Committee's repeated recommendations for formulating realistic plan. The Committee are not happy to note the Government's inaction in formulating realistic plan as observed from non-approval of the CEA's scheme of preparation of Detailed Project Reports of New Hydro Electric Schemes and Scheme for 100,000 MW environment friendly thermal initiative for preparation of Feasibility Report, resulting in reduction of Rs. 82.38 crore. The Committee therefore, reiterate their ear5lier recommendation that the Ministry of Power and its Psus should formulate more realistic plans so that the Budget Estimates are not revised due to non-approval of schemes. The Committee urge that the Government/PSUs should fix realistic annual financial and physical targets keeping in view all the constraints like financial and environmental clearances etc, involved in clearance of Power projects. The Committee be informed regularly about the targets for various schemes, actual achievements and the reasons for slippages, if any. The Committee expect a positive action taken by the Government in this regard.

Reply of the Government

As observed by the Committee, the Ministry has taken steps to ensure that financial targets of expenditure are fixed based on a realistic presumption of the absorptive capacity of a project/scheme. This involves a thorough review of the status of a new project, its preparedness in terms of statutory and administrative approvals, etc. In the present plan, efforts have been make to ensure that allocations are made only for projects that are:-

(a) Already under implementation and are progressing as scheduled and
(b) Likely new starts during the year in terms of preparedness.

It is expected that by taking these steps, there is likely to be no surrender of budgetary allocations in the current year.

As regards the observations of the Committee pertaining to physical targets of various schemes/projects during the year, it may be mentioned that the Ministry has already undertaken this exercise and the same is at Annexure.

[Ministry's U.O No. 20020/5/2005-Budget Dated 19.07.2005]

Recommendation Sl. No. 3 (Para No. 2.13)

The Committee further observe that although the Ministry of Power and its PSUs have under utilized the Plan outlays during the last 3 years, the Ministry of Power have proposed an outlay of Rs. 25,156.68 crore (6202.78 crore as GBS) during 2005-06 against which Rs. 21,913.90 crore (Rs. 3000 crore as GBS) have been finally approved by the Planning Commission. Ministry of Power have also informed the Committee that they are pursuing for giving more budgetary support for the year 2005-06 with the Planning Commission. In view of the huge reduction of Rs. 731 crore in Gross Budgetary Scheme to NHPC [from Rs. 2,337.38 crore (proposed) to Rs. 1,606 crore] as approved by the Planning Commission and Rs. 26 crore to nil for Satluj Jal Vidyut Nigam Limited, the Committee will like to know the hydel projects that will be adversely affected due to these reduced outlays as approved by Planning Commission for the year 2005-06.

Reply of the Government

Reduction of Rs. 770.78 crore (from Rs. 2377.38 crore to Rs. 1606 crore) in Gross Budgetary Support was made in respect of NHPC, mostly due to reduction in provision of budgetary support for the new schemes (namely Uri-II, Chamera-III, Parbati-III, Kishenganga, Teesta Low Dam-IV and Siyom), which are under sanction. Provision for these projects was kept based on the assumption that the CCEA sanction will be available during the 1st quarter of 2005-06. However, as of now, sanction of these schemes is expected during 2nd quarter of 2005-06 and as such NHPC is of the opinion that provision kept in the Budget Estimate will suffice. However, variation if any, will be taken into account at the revised estimate (2005-06) stage depending on status of sanction of the projects.

Satluj Jal Vidyut Nigam Limited has executed Nathpa Jhakri Hydro-Electric Project (1500 MW) and all the six units of the project are in operation. Satluj Jal Vidyut Nigam Limited has been given the task of execution of Rampur Hydroelectric Project (412 MW) and also preparation of Feasibility Reports of Khab-I (450 MW) and Luhri (465 MW) Hydro-Electric Projects in Himachal Pradesh. The works in these projects will be financed through internal resources generated through the operation of Nathpa Jhakri Hydro-Electric Project. Therefore, their activities shall not be adversely affected for want of Budgetary Support.

[Ministry's U.O No. 20020/5/2005-Budget Dated 19.07.2005]

Recommendation Sl. No. 4 (Para No. 2.14)

Although, the Govt. have reportedly taken various steps like weekly review by the Secretary, Ministry of Power, periodic and monthly review of all the ongoing and future schemes to ensure that Budget Estimates are fully utilized, the Committee have no hesitation that similar steps taken by the Government earlier had not yielded desired results. The Committee, therefore, desire that the Government should take elaborate steps to ensure that there is proper and uniform utilization of the Plan outlays during the year 2005-06.

Reply of the Government

The Power Ministry is confident in spending the Annual Plan 2005-06 outlay fully due to the following reasons:-

(i)NTPC (Total outlay-Rs.8550 crores), PCCIL (Total outlay-Rs.4368.25 crores) likely to meet the targets as in the past.

(ii) NHPC – Most of the outlay (Total outlay Rs.3791.96) is for approved projects or such projects, which are at advanced stage of investment approval. The details of the various projects are given below: -

(Rs. in crores)

(A). Approved Projects	Plan outlay	Status of Approval
1. Dulhasti (390MW)	122.35	-
2. Dhauliganga(280MW)	90.60	-
3. Teesta –V(510MW)	448.60	-
4. Parbati-II(800 MW)	787.85	-
5.Subansiri Lower(2000 MW)	300.00	-
6. Sewa-II(120MW)	159.82	-
7. Teesta Low Dam-III(132MW	153.20	-
(B)Projects at the advanced stage of investment approval		
8.Uri-II (240 MW)	290.73	PIB meeting held on 9th May,2005.
9. Teesta Low Dam IV-(160MW)	150.00	PIB meeting is scheduled to be held on 24thJune,2005.
10.Chamera-III (231MW)	160.00	PIBmeeting held on May13,2005.
11. Parbati-III (520MW)	330.00	Secretary has written To Secretary(Exp.)for the scheduling of the PIB meeting.
12.Kishanganga-(330MW)	100.00	Secretary has written To Secretary(Exp.)for the holding of the PIB meeting.

(iii) NEEPCO – (Total allocation-Rs.996.79crores) Major allocation for– Kameng HEP-600MW (outlay-Rs.450 crores),Turial HEP-60MW(outlay-Rs.43.11 crores)approved projects and for Tripura Gas Based Project-280MW (outlay-Rs.391crores), which is cleared by PIB and is likely to be posed for CCEA approval.

(iv) No shortfall likely for AG&SP(Rs.300crores), Rural Electrification scheme for which Rs.1100 crores were allocated to State Sector and likely to be transferred to MOP budget after the first batch of Supplementary demand for Grant as promised by the Secretary (Expenditure).

[Ministry's U.O No. 20020/5/2005-Budget Dated 19.07.2005]

Recommendation Sl. No. 7 (Para No. 2.39)

The Committee observe that due to delay in getting PIB/CCEA clearances, two thermal power projects based on lignite viz. Neyveli TPS Exp.II, 500 MW and Barsingsar, 250 MW; the Neyveli Lignite Corporation could not commission them during 10th Plan. The Committee are unhappy to note the delay in getting PIB clearances for these two lignite based power projects and would like to know the targeted completion of these plants where all clearances have been reported to be available. At the same time, the Committee stress that the total potential of Lignite based thermal projects in the country be identified and a time bound action plan be formulated by the Government to implement them. The Committee would like to know the action taken by the Government in this regard.

Reply of the Government:

GOI sanction for two thermal power projects viz. Neyveli TPS-II Expansion (500 MW) and Barsingsar TPS (250 MW) was received by Neyveli Lignite Corporation vide Ministry of Coal's letter dated 18.10.2004 and 15.12.2004 respectively. The targeted completion of these projects is given below:-

a) Neyveli TPS-II Expansion (2x250 MW):

Commercial operation of Unit 1 - 53rd month from GOI sanction (i.e. March, 2009) and Unit 2 – 57th month from GOI sanction (i.e. July, 2009)

b) Barsingsar TPS (2x125 MW):

Commercial operation of Unit 1 – 48th month from GOI sanction (i.e. December, 2008) and 54th month from GOI sanction (i.e. June, 2009)

With regard to the total potential of lignite based thermal projects in the country, the Sub-Group on Lignite Development and Utilisation formed to assist the Working Group on Coal & Lignite for formulation of 10th Five Year Plan has indicated the following potential in its report dated May, 2001:-

Gujarat- 1800 MW
Rajasthan - 2500 MW
Tamil Nadu - 11755 MW

The Sub-Group in its report had also identified lignite based power stations for capacity addition during X, XI and XII Plan in the country to the extent of 3635 MW, 3025 MW and 3260 MW and the details are enclosed.

[Ministry of Power O.M.No. - 2/17/2005-P&P Dated: 20th May 2005]

Recommendation Sl. No. 9 (Para No.2.41)

The Committee is constrained to observe that because of inadequate coal and gas supply, there was a loss of about two billion units of electricity during 2003-04 and 2004-05 against the set targets of power generation. The Committee failed to understand that although there exist a Standing Committee on Coal Linkage of Ministry of Coal on which Ministry of Power also have representation, how inadequate supply of coal affected the power generation programme. The Committee, therefore urge the Ministry of Power to take up the matter with the Ministry of Coal and Ministry of Petroleum & Natural Gas to ensure adequate supply of coal and gas.

Reply of the Government

A) Following steps are being taken by the Government to overcome the coal and gas shortages to power plants:

1. **Monitoring at various levels in the government.**

1.1 The coal supply position t[o thermal power stations is vigorously monitored in Central Electricity Authority and Ministry of Power on **daily basis**.

1.2 The Infrastructure Constraints Review Committee, headed by Secretary (Co-ordination) in the Cabinet Secretariat, reviews the coal production and supply to thermal power stations in the country **every month**.

1.3 A Sub-group of the Infrastructure Constraints Review Committee headed by the Joint Secretary in the Department of Coal, consisting of the representatives from the Ministry of Power, Central Electricity Authority, Ministry of Railways and Coal India Ltd., **every week** reviews and resolves the problems of coal supply to thermal power stations having coal stocks below 7 days requirement.

2. **Short-term Measures**

2.1 Ministry of Coal is being insisted upon to enhance the production of coal in the country.

2.2 Efforts are being made to import coal to meet the shortfall.

2.3 As per the decision taken in the Cabinet Secretariat a contingency plan to supply coal to critical power stations have been prepared and is being implemented.

3. **Long-term Measures**

3.1 New Coal Blocks are being allocated by the Ministry of Coal to power producers/utilities for captive mining to meet requirement of their power plants.

3.2 In order to bridge the gap between Demands and supply of natural gas, apart from augmenting production of natural gas from domestic sources by awarding about 90 blocks for exploration and production (E&P) activities in various sedimentary basins of 0the country under New Exploration Licensing Policy (NELP), government is encouraging import of gas in the form of Liquefied Natural Gas (LNG) and also making efforts of gas imports through international pipelines projects.

B) Coal Linkage for Quarter I of 2005-06 to Power Utilities

The CEA after detailed discussions with the utilities had recommended total coal requirement of 28.970 million tones per month during Quarter I of 20h05-06 after taking into consideration the requirement for meeting the generation targets and stock position. During the SLC (ST) meeting held on 24th March 2005 the Ministry of Coal has, however, given a linkage of only 25.762 million tones per month. This quantity is not adequate. As against this, the linkage for the same quarter during the year 2004-05 was 26.409 million tones per month. If we add coal requirement of 1.2 million tonnes per months for capacity addition of 2710 MW of coal based thermal power stations during the year 2004-05, the total linkage of the coal for the Quarter I of 2005-06 should at least be 27,.609 million tonnes per month. The CEA requested Ministry of Coal during the SLC (ST) meeting held on 24th March 2005 for coal linkage of at least this quantity. The Ministry of coal however, did not relent and told that the power utilities should either import the coal or buy the same from Coal India Ltd. through e-auction to make up for the shortfall.

C. Latest status of import of coal.

1. Latest status of import of coal against the gap of about 14 Million Tonnes (MT) to be imported by the power utilities during 2005-06 is as given below:

Sl. No.	Name of Board/Utility	Quantity in Million Tonnes
1.	TNEB	1.56
2.	MSEB	1.38
3.	Reliance Energy	0.42
4.	GSECL	1.38

5.	KPCL	0.96
6.	RRVUNL	0.78
7.	HPGCL	0.36
8.	PSEB	0.50
9.	NTPC	3.98
10.	APAGENCO	0.60
11.	WBPDCL	0.36
12.	CESC	0.49
13.	Torrent AEC	0.48
14.	DPL	0.20
	TOTAL	**13.45**

[Ministry of Power OM No.-13/10/2005-OM dated 02.08.05]

Recommendation Sl. No. 10 (Para No.2.42)

As regard to private sector participation in power generation programme, the Committee finds that targets set for 9th and 10th Five Year Plans could not be achieved. The 10th Plan target of power generation by private sector have been revised to 4899 MW against the original targeted power generation of 7121 MW. Out of this 4899 MW of power generation being attempted, projects only worth 648 MW have been commissioned so far and 3886 MW of power generation projects are reported to be under execution. The Committee, feel that in spite of sound policy initiative taken by the Government to attract the private sector participation, its performance has not been found upto the mark. Eighth and Ninth Five Year plans basically failed to achieve their power generation targets because of the failure of the private sector. The same story is being repeated in 10th Plan. The Committee also disapprove the present trend of setting higher targets at the Plan formulation stage which are far less than those actually accomplished especially in the Central Sector and Private sector and desire that the Government should try to set realistic target for Government sector which can be achieved during the specific period. The Committee note that an Inter Institutional Group (IIG) comprising senior representatives from the financial institutions and the Ministry of Power has been set up for facilitating early financial closure of private power projects. The Committee, desire that an indepth study of the failure of the private sector may be made and corrective steps should be taken to improve their performance. The Committee also observe that there are a number of power projects which were approved and had reached an advanced stage but have been held up due to various reasons resulting in time and cost over runs. The Committee strongly recommend that these projects, e.g. Dabhol in Maharashtra and similar other projects be started on priority after settling the issues and ensuring that additional power is given to the State Electricity Boards / consumers at reasonable rates.

Reply of the Government

The slow pace of private investment in power sector has been due to a number of constraints. Foremost problem due to which most IPPs have been unable to achieve financial closure inspite of progressing well on the other inputs/ clearances, has been the 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 bill, opening of letter of credit and escrow accounts. A bankable escrow cover was being sought by virtually all the lenders financing the IPPs. The other reasons for the private projects not achieving financial closure, has been due to inordinate delays in finalisation of PPA and the high cost of power perceived by the buying utilities.

Targets so far have been fixed in consultation with the states and on the basis of CEA's identification of individual projects. Setting challenging targets was also meant to stimulate the stakeholders to strive for achieving higher capacity addition.

One of the main bottlenecks for private power projects in Hydro Sector not coming up is financial closure. Most of the projects undertaken by private sector are held up for want of financial closure such as Maheshwar, Srinagar, Karcham Wangtoo etc. However, in view of the PFC, LIC, REC & other FIs now being ready to finance private projects, the response may be encouraging in near future.

[Ministry of Power O.M.No.PS-31/2005-IPC dated 15.7.2005]

Recommendation Sl. No.: 11 (Para No.2.43)

The Committee further observe that the Tenth Plan envisaged building 15.6% of the thermal capacity using the more efficient super critical 660 MW modules but due to technological constraints, all these projects would not materialize during the 10th Plan and instead capacity addition based on the proven 500 MW units will be taken up. The thermal power projects based on Super Critical Technologies are Sipat-I 1320 MW, Barh STPP 660 MW, North Karanpura 660 MW, Kahalgaon STPS-II (Phase-I) U-5 660 MW and Sipat STPS-II 660 MW. Further, capacity of Tripura (Monarchak) CCGT has been revised from 500 MW to 280 MW and work in respect of Tuirial (NEEPCO) (60 MW) has already been stopped due to law and order problem since 10th June 2004. The NTPC has also dropped the implementation of 490 MW Thermal Power Plant extensions at Dadri and Maithon RBC (1000 MW) to be set up by DVC in Joint Venture with M/s Tata Power could not be taken up due to delay in agreement for joint venture although most of the clearances were available. The Committee find that the Government have failed to explain the reasons due to which technological constraints for plants, based on Super Critical Technology were not observed/identified at the Plan formulation stage resulting in their present slipping from the 10th Plan. The Committee feel that the technological constraints, as sighted by the Government now should have been noticed at the time of initiation of these projects. The Committee, desire that all out efforts should be made to execute the projects as per schedule before these projects are either dropped or their capacity is revised. The Committee further desires that the Ministry/NTPC should put in R&D efforts to master the Super Critical Technology so that these projects can be completed during 11th Plan period.

Reply of the Government

As super critical technology was being used for the first time in the country, NTPC went out of its way to provide adequate time to BHEL to be in a position to take part in the International Competitive Bidding process for the super critical projects.

Award of main plant package for first supercritical plant, Sipat I, was placed in April 2004 and it is targeted to be completed in 2009-10. The work on the site is in progress. Main plant package for Barh (3x660 MW) has been awarded in March 2005 and this project is likely to be completed in 2010-11.The works on this project has also started. Further, all clearances in respect of North Karanpura STPP (3x660MW) have been obtained and land acquisition activity is currently in progress. The project is envisaged to be completed in 2011-12.

Apprehending delay in the introduction of supercritical technology in the country, appropriate action plan was put in place to reconfigure originally planned Kahalgaon St II (2x660 MW) as 3x500 MW. Similar reconfiguration was also done for Sipat II from 660 MW to 2x500 MW. In addition, back up projects such as Vindhyachal III (500 MW), Kawas II and Gandhar II (1450MW) were undertaken for completion within the X Plan on best efforts basis to ensure that the capacity addition target of X Plan is not effected due to delayed introduction of supercritical technology.

[Ministry of Power O.M.No. - 2/17/2005-P&P Dated: 20th May 2005]

Recommendation Sl. No. 15 (Para No.2.61)

The Ministry of Power have informed the committee that most of the Energy Efficiency schemes like Designated Consumer programmes for industries and commercial establishments, energy efficiency programme for government buildings and standards & labeling programme are self financed and implementation of energy conservation measures is a financially viable and self paying proposition and therefore it does not need budgetary outlay for the same. The committee feels that since is a new programme and require huge investments to provide for energy efficient appliances/equipment the government should provide more funds in the form of loans/grants to encourage people to take up these schemes.

Reply of the Government

Various Energy Conservation Companies (ESCOs) are taking up the Energy Conservation investment programme where they will be paid out of the cost of energy saved by the owner. Presently Bureau of Energy Efficiency is meeting its expenditure by fee charged for services provided, interest earned on Corpus Fund of Rs. 50 crores and bilateral programmes which is sufficient to carry out its present level of activities. As and when the need for any other scheme to be sponsored by Centre is felt, the Government will provide the financial support.

[Ministry of Power F.No.14/7/2005-EM dated19.07.05]

Recommendation Sl. No. 16 (Para No.2.62)

During the examination of the Demands for Grants 2004-05 of the Ministry of Power, the Committee were informed that 100% depreciation of energy conservation equipment and other schemes were proposed to be taken up during 2004-05. About the present status of implementation of the scheme, the Committee have been informed that Bureau of Energy Efficiency have invited quotations for conducting studies on 100% depreciation incentive to encourage faster penetrations of energy efficient technologies. The objectives of the study will include review of the existing list of devices which are eligible for this incentive and to evaluate latest energy efficient, monitoring, instrumentation and control devices that would qualify. Six bids are reported to be received and are being evaluated for entrusting the study. The Committee urge the Government to complete the proposed study in shortest possible time and take necessary steps to provide 100% depreciation including energy saving devices during the current financial year itself.

Reply of the Government

BEE has awarded the study on Fiscal incentive of 100% depreciation.

[Ministry of Power F.No.14/7/2005-EM dated 19.07.05]

Comments of the Committee

(Please see para No.14 of Chapter-I of the Report)

Recommendation Sl No.17 (Para No.2.71)

The Committee observe that Ministry of Power have issued Guidelines in May, 2004 for Rural Electrification Programme for One Lakh Villages and One Crore Households and approved a new scheme for electrification. The scheme is to be implemented through the Rural Electrification Corporation which may associate other financial institutions in the implementation of the programme. These guildelines are reported to be aligned with the policies being formulated under Section 4 and 5 of the Electricity Act, 2003 that would facilitate sustainable provision of electricity in rural areas. The State Governments are required to make all projects receiving subsidy under the scheme compliant with Section 13 and 14 of the Electricity Act, 2003 so as to enable the Rural Electricity Services Providers (other than existing State Utilities/ Distribution Licensees) to act outside the purview of the State Electricity Regulatory Commissions for purposes of tariff determination (Section 61, 62 and 86 of the Electricity Act, 2003). Observing that about 1.25 lakh villages are still to be electrified as per the new definition (which provide that at least 10% of household should be electrified), the Committee failed t understand how the Government will achieve the targets of electricity to all by 2007 and cover the all villages and household by 2009-10 as per the National Common Minimum Programme in spite of low new capacity addition and lesser fund utilization for Rural Electrification activities.

Comments of the Committee

(Please see para Nos.19 & 20 of Chapter-I of the Report)

Recommendation Sl. No.18 (Para No.2.72)

Taking note of the fact that the electricity in rural areas is characterized by poor network and lack of maintenance primarily due to weak financial health of utilities and the utilities supplying power to rural areas consider such supply as commercially unviable on account of high fixed cost alongwith high variable cost and unsustainable commercial arrangements, the Committee desire the Ministry of Power & Non-Conventional Energy Sources to come out with concrete time-bound plan & suggestions so as to ensure that the target set under National Common Minimum Programme and National Energy Policy for completing rural household electrification in the next five years is achieved.

Comments of the Committee

(Please see para Nos.19 & 20 of Chapter-I of the Report)

Recommendation Sl. No.19 (Para No.2.73

The Committee are further dismayed to note that although the Government have announced the programme of "One Lakh village electrification and One crore household" in February, 2004, by covering both Kutir Jyoti Programme and Accelerated Rural Electrification Programme, against the budgeted amount of Rs.500 crore, the revised estimates during 2004-05 were only Rs.400 crore. The Committee are further surprised to note that against the total capital subsidy of Rs.525 crore, a huge amount of Rs.148 crore still remain to be disbursed during the last 16 days of the financial year which is difficult to be achieved. The Committee feel that the whole amount should be utilized equally in all the four quarters of the year.

Recommendation Sl. No.20 (Para No.2.74)

The Committee are constrained to note that disbursement of funds by Rural Electrification Corporation as loan amount to the State Utilities is very low as compared to the amount sanctioned. During 2002-03, against the sanctioned funds of Rs.12,125 crore, the disbursements were only Rs.6607 crore and during 2003-04 , these were Rs.6017 crore against the sanctioned loan amount of Rs.15, 978 crore. The Committee take a strong note of the fact that in spite of their repeated recommendations for disbursement of funds released by REC since 1999-2000 for different schemes were much below the sanctioned funds. The Committee also observe that as per the feedback available from various States, it is felt that if a sustainable rural electricity supply is to be ensured, then the burden of servicing the infrastructural cost should at most be a nominal 10%. States are not in a position to take the debt burden required under the scheme. As a matter of fact, the general assessment is that even with zero burden of infrastructural cost on tariff, acceptance by consumers for paying at least the cost of electricity supplied would itself be a major challenge for the States. Thus, an enhancement in capital subsidy to 90% is required if the objective of providing access to all rural households is to be achieved within stipulated time frame. In view of this a scheme for providing 90% subsidy has been approved. The REC also initiated necessary steps required for the implementation of the scheme for its approval by the Government. State Governments/ agencies are reluctant to take loan for this unattractive Rural Electrification Scheme as there will be no profits to be earned. The Committee expect that at least now the funds which will be available for 90% capital subsidy should be disbursed during a particular year in future. In view of the low disbursement of funds, the Committee recommend that the Government /REC should take all necessary steps so that the schemes planned for completion by the year 2009-10, be implemented and funds disbursed thereon. The Committee would like to know the action taken by the Government / REC in this regard.

Reply of the Government (Para No.2.71 to 2.74)

National Common Minimum Programme (NCMP) envisages household electrification in next five year. "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) – Scheme of Rural Electricity Infrastructure and Household Electrification" has been launched in April, 2005 for the attainment of the NCMP goal. Ninety per cent capital subsidy would be provided for overall cost of the projects under the scheme. Approval has been accorded for implementation of Phase I of the scheme with capital subsidy of Rs.5000 crore during the X Plan Period. Scheme provides that states must make adequate arrangements for supply of electricity and there should be no discrimination in the hours of supply between rural and urban households. For projects to be eligible for capital subsidy under the scheme, prior commitment of the States would also be obtained before sanction of projects under the scheme for :

i) deployment of franchisees for the management of rural distribution in projects financed under the scheme, and

ii) the provision of requisite revenue subsidies to the State Utilities as required under the Electricity Act, 2003 if it would hike tariff for any category of consumer to be lower than the tariff determined by the SERC.

<u>SCOPE of the Scheme</u>

Under the scheme, projects could be financed with capital subsidy for provision of :

1. Rural Electricity Distribution Backbone (REDB)
   - provision of 33/11 KV (or 66/11 KV) sub-stations of adequate capacity and lines in blocks where these do not exist.

2. Creation of Village Electrification Infrastructure (VEI)
   - Electrification of un-electrified villages.
   - Electrification of un-electrified habitations.
   - Provision of distribution transformers of appropriate capacity in electrified villages/ habitation(s).
3. Decentralized Distributed Generation (DDG) and Supply
   - Decentralized generation cum distribution from conventional sources for villages where grid connectivity is either not feasible or not cost-effective provided it is not covered under the programme of Ministry of Non-conventional Energy Sources for providing electricity from non-conventional energy sources under their remote village electrification programme of 25000 villages.
4. Electrification of un-electrified Below Power Line (BPL) households would be financed with 100% capital subsidy as per norms of Kutir Jyoti Programme in all rural habitations.

The Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination.

In the event the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy could be converted into interest bearing loans.

Comprehensive guidelines relating to project specifications, construction standards, project formulation and procurement have been circulated by the REC. The agreements relating to acceptance of conditionalities under the scheme have also been sent to the State for acceptance and signing.

The services of CPSUs have been offered to the States for assisting them in the execution of Rural Electrification projects as per their willingness and requirements. The States where the magnitude of the task is very large, are choosing to utilize the services of CPSUs and for this distinct agreements have been put in place.

A typical project cycle will be as follows :-

a)	Preparation of DPR	-	2 to 3 months
b)	Sanction of REC from the date of receipt of DPRs	-	1 month
c)	Award of turn-key contract form the date of sanction after invitation through bidding	-	6 months
d)	Project completion from the date of award	-	18 months
	Total	-	28 months

Phasing of expenditure for a typical project has been set as follows :

- 30% at the time of award of contract.
- Balance to be released in instalments of 30%, 30% and 10% on receipt of utilization certificates.

The response from the states is very positive and the REC is likely to receive projects from all States in the coming months. Based on preparatory work initiated earlier, 118 projects DPRs with a cost of Rs.4547 crore have already been cleared subject to the State Governments accepting the conditionalities in the agreements forwarded to them. Around 10,000 villages are targeted to be electrified in the year 2005-06. DPRs for electrification of about 57,000 villages/ habitations have been cleared.

The projects are to be subject to physical verification and quality checks through a concurrent evaluation system. The projects are to be executed on turnkey basis.

The earlier Kutir Jyoti, MNP and AREP programmes have all been merged in the Rajiv Gandhi Grameen Vidyutikaran Yojana.

According to the feedback available from various States, it was felt that if a sustainable rural electricity supply was to be ensured, then the burden of servicing the infrastrucutural cost should at most be a nominal 10%. Achieving revenue sustainability for supply of electricity itself poses a formidable challenge. As a result, states were not being able to incur significant debt burden for extending electrification in rural areas at the required pace specially as the financial health of the SEBs was under stress.

[Ministry of Power O.M.No.44/9/2005-RE dated 19.07.2005]

Comments of the Committee

(Please see para Nos.19 & 20 of Chapter-I of the Report)

Recommendation Sl. No.21 (Para No. 2.81)

The Committee observe that the Government have launched the Accelerated Power Development and Reforms Programme (APDRP) which aims at upgradation of the sub-transmission and distribution (ST&D) system in the country and improving the commercial viability of - State Electricity Boards (SEBs) by reducing their aggregate technical and commercial (AT&C) losses to around 15% as against the existing over 50%. This strategy envisages technical, commercial, financial and IT initiatives. The programme has two components i.e. investment component and incentive component, having expected outlay of Rs.20,000 crores each during the 10^{th} Plan. The Committee further observe that the States were asked to commit a time bound programme of reforms as elaborated in the Memorandum of Understanding (MoU) and Memorandum of Agreement (MoA). States have to take administrative and commercial steps in addition to the technical interventions, which will help them in efficiency improvement in the sector. Although, the Ministry are reported to be closely monitoring the progress of States on activities committee under Memorandum of Agreement (MoA) and implementation of APDRP projects directly and through NTPC and POWERGRID, who are working as Advisor-cum-Consultant to the States from the APDRP. Investment component, the Committee are dismayed to note that against an expected Plan Outlay of Rs. 20,000 crores and sanctioned projects of Rs. 17612.36 crores, the release of funds till date is only Rs. 4112.03 crores. The Committee are further perturbed to note that States like Bihar, Arunachal Pradesh, Manipur and Uttar Pradesh have very low utilization of funds released as on 1st January, 2005. The Committee are also not satisfied with the present level of reduction of T&D losses from 33.98% in 2001-02 to 32.54% during 2002-03 on national basis. Further, progress on metering in the distribution sector for feeders increased from 81% in 2000 to 95% in 2004 and for consumers, it has been reported to be increased from 77.6% in 2000 to 87% during 2004. Taking note of the slow progress in the investment made to carryout reform in the States to reduce the transmission and distribution losses, the Committee feel that the funds of Rs. 4112.03 crores which have been released so far are too meager against the total projects worth Rs. 17619.07 crores sanctioned. As a result of low disbursement, the Committee observe that out of total number of 499 projects/ schemes approved for strengthening/ upgrading sub-transmission and distribution network and sanctioned in the year 2002, the work completion of majority of the schemes is less than 50%. The Committee, therefore, recommend that the Government should take elaborate steps or liberalise the terms and condition to ensure that the State Government may make appropriate contribution of matching funds and participate enthusiastically in the scheme so as to make APDRP scheme a success.

Reply of the Government

The Committee have raised the following concerns:

(i) Against an expected Plan Outlay of Rs. 20,000 crores and sanctioned projects of Rs. 17612.36 crores, the release of funds till date is only Rs. 4112.03 crores.

(ii) States like Biihar, Arunachal Pradesh, Manipur and Uttar Pradesh have very low utilization of funds as on January 1, 2005

(iii) Present level of reduction of T&D losses from 33.98% in 2001-02 to 32.54% during 2002-03 on national basis.

(iv) The work completion of majority of the scheme is less than 50%

(v) Take elaborate steps or liberalise the terms and conditions of the schemes to ensure that the State Governments may make appropriate contribution of matching funds

On sanction of the projects**,** funds are released as per the following pattern:

i. 25 percent of the APDRP amount – after approval of project under APDRP and on tie up of counterpart funds from financial institutions and release of matching fund by financial institutions (FIs)

ii On utilization of the 25 percent of sanctioned project cost, 50 percent of the APDRP amount is released.

iii On utilization of 75 percent of the sanctioned project cost, balance 25 percent is released

The second and the subsequent installments are released based on actual financial progress of the projects viz., utilisation of funds released under APDRP and prorata drawal of counter part funds by the concerned SEB/ Utility.

The Government has sanctioned APDRP projects amounting to Rs. 19488.75 crores, out of which APDRP component i.e. the funds to be released by Government of India is only Rs. 11469.14 crores. The Government of India has so far released 5540.76 crores i.e. 50 % of the APDRP component. It may be stated that projects have been sanctioned during a period of three years i.e. 2002-03, 2003-04 and 2004-05 and the projects sanctioned under APDRP have a project implementation period ranging from 24 months to 36 months excluding the time required for calling tenders and processing for award. The States have utilized the funds amounting to Rs. 6708.68 crores including counter-part funds. Of late, the utilization of funds by the States have picked up considerably and during coming year, the release of funds by the Government of India is likely to be picked up.

It is true that utilization of funds in States of Bihar, Arunachal Pradesh, Manipur and Uttar Pradesh is low. Secretary (Power) during the review meeting with the state officers has repeatedly stressed upon the timely completion of APDRP projects so that the desired results envisaged while formulating APDRP could be achieved.

The APDRP has been launched only in 2002-03 and the various projects sanctioned under it are in implementation stage. When these projects are completed, the sub-transmission and distribution network of the states is bound to improve which will result in improved quality of supply of power, increased revenue collection and improved consumer satisfaction. The AT&C losses will also go down due to the various steps undertaken by states under MoU and MoA.

Under APDRP, the Government provides assistance to the tune of 50% of the project cost for the up gradation and strengthening of sub-transmission and distribution system. The balance 50% has to be arranged by the Utilities as counter-part funds from PFC/REC/Other Financial Institution/own resources. Under APDRP, there is no restriction on the Utilities to arrange counter-part funds from any of the above sources.

[Ministry of Power F.No. No. 5/1/2005-APDRP Dated June 15, 2005]

Recommendation Sl No. 28 (Para No. 2.113)

The Committee are dismayed to note that although the power sector is treated as one of the important infrastructure sectors and tax incentives have been given to Mega power generation projects, the transmission, sub-transmission and distribution sectors have been totally neglected in the existing duty structure regime. Although, Ministry of Power in their Memorandum submitted to Ministry of Finance have repeatedly asked to reduce the import duties on major sub-transmission and distribution equipment such as Meters, Switch-Gears, Cables, Transformers, Capacitors etc., an important duty as high as 39.2% is being imposed on these equipments. The Committee are further perturbed to note that although 100 percent metering is being targeted and the demand of meters is short by 36 million against the installed capacity of domestic manufacturers (which is reported to be 24 million), import duty of 33.4 percent is being imposed on Meters as compared to just 5 percent on mobile phones. As the repeated requests of the Ministry of Power have not been acceded to by the Ministry of Finance, the Committee strongly urge the Ministry of Power to take up the matter at the highest level of the Government and apprise the Committee of the resultant outcome. At the same time, the Committee also endorse the opinion of Ministry of Power that generation and distribution for which provision of tax laws and concession there under exist, should also include the word "Transmission" which may have been overtly omitted so as to reduce the taxation on transmission equipment from 35% to 21% for transmission projects linked with Mega power generation projects. The Committee desire that the Ministry should also peruse to make necessary amendments in the relevant tax laws to cover the transmission projects also.

Reply of the Government

The following steps have been taken by this Ministry in this connection:-

(1) In the pre Budget Memorandum submitted by the Ministry of Power to Ministry of Finance, Ministry of Power has been taking up the proposals for (a) reducing the custom duty on transmission and distribution systems to 5% along with reduction in excise duty/CVD and (b) reducing customs duty on distribution equipment like meters, etc. to 5%;

(2) Transmission project imports do not get the deemed export benefits under EXIM Policy as is available to generation project imports. This Ministry has taken up this matter with Ministry of Commerce explaining that this would reduce the incidence of taxation on such imports, which will be passed on as reduced user charges to consumers; and

(3) Although, these proposals did not figure in the Union Budget for 2005-06 or the Trade Policy announced, this Ministry would forcefully take these issues up again in the next financial year 2006-07.

[Ministry of Power F.No. 8/2/2005-Fin. Dated 19.07.2005]

Recommendation Sl. No.29 (Para No.2.118)

The Committee observe that any person aggrieved by an order made by an order made by an adjudicating officer under the electricity Act 2003 or an order made by the Appropriate Commission under the Act may prefer an appeal to the Appellate

Tribunal for Electricity as provided in section 110 of the Electricity Act, 2003. The Committee are constrained to note that although the Appellate Tribunal was notified on 7th April, 2004, the appointment of Chairperson, members and other officers have yet to take place. Whereas, almost all States have set up State Commissions and they are passing judgements as per law, the Appellate Tribunal has not started working, thus denying the aggrieved persons on opportunity to file an appeal. The Committee can not but regret the delays already committed in operationalisation of the Appellate Tribunal, the process of which is reported to be in progress. The Committee are further concerned to note the inordinate delay in constitution of Regulatory Commission in Bihar and stress that all-out efforts should be made to set up the same immediately. The Committee desires that the Tribunal should be operationalised within next 3 months. At the same time, the Committee would also like to know the present status of appointments of Ombudsman and Redressal Forums in all the States which are to be set-up within six months as per Section 42(5) and (6) of the Electricity Act, 2003 by the every distribution licence under the guidelines of the respective State Commissions.

Reply of the Government

Central Government has the appointed the Chairperson and all three Members of the Appellate Tribunal for Electricity on 13th May, 2005.

Bihar has also constituted its State Electricity Regulatory Commission. Privatization of distribution has taken place in Orissa and Delhi in the recent past. In both the States, the distribution licensees have established Consumer Redressal Forums as required under the provisions of the Electricity Act, 2003. State Electricity Regulatory Commissions of both the States have also appointed Ombudsman. SERCs of both the States have also notified Grievances Redressal Forum and Ombudsman Regulations.

As per information available with Ministry of Power the SERCs in the States of Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttaranchal and West Bengal have also notified Regulations regarding Grievances Redressal Forum and Ombudsman.

The Distribution Licensees in the States of Andhra Pradesh, Assam, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, TamilNadu, Uttar Pradesh, Uttaranchal and West Bengal have established Consumer Redressal Forums. The SERCs of Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, Uttaranchal and West Bengal have appointed/designated Ombudsman.

The National Electricity Policy (NEP) notified on 12th February, 2005 also calls upon the SERCs to formulate the guidelines for setting up Consumer Redressal Forums by the Licensees as well as Regulations regarding the Ombudsman and also to appoint/designate the Ombudsman within six months.

[Ministry of Power F.No27/7/2004-R&R dated 19.07.2005]

Comments of the Committee

(Please see para Nos.42 & 43 of Chapter-I of the Report)

Recommendation Sl. No. 30 (Para No. 2.120)

The Committee are constrained to observe that as per the Annual report (2004-05) of the Ministry of Power, only Public Sector Undertaking under their purview i.e National Thermal Power Corporation have Social Responsibility Community Development Policy and scholarships are given to SC and ST students pursuing Degree/Diploma in Engineering Course @ Rs 1000/- p.m/ Rs. 600/- p.m respectively. For students pursuing full time MBA/PGDBM Course, stipend is given at the rate of Rs. 1000/- p.m and NTPC Gold Medal has been instituted for SC/ST students pursuing Personnel Management Course and Rural Development Course at XISS, Ranchi and XIMB, Bhubaneswar. Although, the PSUs under the Ministry of Power are carrying out activities related to one of the important infrastructure sec or engaged in overall development of the society and the country at large and also recruiting SC/ST candidated as per the rules, the Committee have failed to understand as to why the other PSUs have no Socio Economic Development Policy as is being implemented by NTPC. They are ignoring the social responsibility towards the most affected people of their area of work. The Committee, therefore, recommend that the Government should frame a Socio Economic Development Policy to be implemented by each PSU under the Ministry of Power on priority basis. This should cover and target the social sectors including education/technical training imparted to weaker sections of the society, training to other students getting technical education from different Institutes operating in the country, stipend be given to these trainees, a target be fixed for number of weeks/months of training imparted to such students etc.

Reply of the Government

The PSUs under this Ministry are required to comply with all the laws, rules and regulations of the land in general and those pertaining to Weaker Sections o the society in particular. The orders, rules, regulations of the Government issued through the Ministry of Social Justice and Empowerment are being followed by all.

[Ministry of Power Ministry's U.O No. 20020/5/2005-Budget Dated 19.07.2005]

CHAPTER-III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PERSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation Sl. No.6 (Para No. 2.38)

The Committee observe that out of a total of 1,16,245 MW of present power generation capacity, thermal power accounts of 80,702 MW i.e. 69.52 percent of the total power generation and Hydro at 30,335 MW is only 26.09 percent. The Committee is perturbed to note the slow achievements of targets for Hydropower generation during 2004-05. As against the hydropower capacity addition targets of 2,585 MW, the actual achievement till 30th November 2004 were only 405 MW. The Committee is unhappy to observe the failure of the executing agencies to achieve the targets leading to further deterioration in hydel-thermal mix. The Committee find that although the Government have formulated 50,000 MW of schemes for additional Hydro power generation in all the six river systems of the country, the present trend indicate that the targets fixed for hydel power generation are unlikely to be achieved. The Committee, therefore, recommend that a time-bound action plan be prepared by the Government to fully explore the hydro-power potential and achieve the targets set for capacity addition and apprise the Committee of the same.

Reply of the Government

Hydro Capacity additions targeted programme for the year 2004-05 was 2585 MW (Central Sector 1920 MW and State Sector 665 MW). The actual achievement for the year was 1015 MW (Central Sector 500 MW and State Sector 515 MW). Beside this, 3 machines in Pykara ultimate (3x50= 150 MW) were rotated but because of non-completion of transmission lines (delayed clearance of MOEF) affect commissioning of the units. The slippages of capacity addition from the year 2004-05 was mainly due to Dulhasti (3x130 = 390 MW) and Dhauliganga (280 MW) H.E. Projects (being executed by National Hydroelectric Power Corporation Limited) & Tehri HE Project, 4x250=1000 MW (being executed by Tehri Hydro Development Corporation Limited). In Dulhasti HE Project the slow progress of lining works in Head Race Tunnel mainly due to poor geology and in Tehri Stage-I HE Project mishap in the vertical shaft T3 in August & December, 2004 had affected the progress of works. In case of Dhauliganga HEP associated transmission system was not ready. To achieve the target in any year and 10th Plan as a whole following steps have been taken.

► Monitoring mechanism has been strengthened to achieve 10th Plan capacity addition targets. The Central Electricity Authority (CEA) has a nodal officer for each project, both at the conception stage as well as during execution. In addition, regular review meetings are being organized in the Ministry of Power. The nodal officer keep track of and facilitate resolution of problems which may delay the project by escalating the issue to appropriate levels for immediate resolution.

► Review meetings are held with project authorities for identifying bottlenecks and taking corrective measures.

- ► Visits are made by officers to the various projects under construction and various bottlenecks are identified and solution thereof are decided in consultation with the project authorities. In addition, high level meeting are held for major projects with the state authorities.
- ► Comprehensive Quarterly Review meetings are being held in CEA in order to review the status of X Plan projects by MOP.
- ► Meetings are held with major equipment suppliers and other major contractors executing the major works of dam, head race tunnel, power house etc., for solving the major constraints delaying the execution of the projects at project site/their works.
- ► Efforts are being made to minimize contractual problems to avoid delays in project execution.

50,000 MW Hydro-electric Initiative was launched by Govt. of India during the year 2003-04 under which preparation of PFRs of 162 schemes spread over 16 states was taken up by CEA as nodal agency with 7 Central / State Agencies as consultants. Preparation of PFRs of 162 schemes with aggregate installed capacity of 47,930 MW has been completed by CEA in August 2004.

As a follow up of preparation of PFRs, 78 schemes having aggregate installed capacity of 34,020 MW, whose first year indicative tariff worked out below Rs. 2.50 / Kwh, were selected for taking up detailed S&I and preparation of DPRs. Out of 78 schemes, 8 schemes with an installed capacity of 4,304 MW involve environment / international issues and cannot be taken up for preparation of DPRs / implementation for the time being. All the remaining 70 schemes have since been allocated to CPSUs / State Power Utilities / IPPs for preparation of DPR and subsequent execution with the consent of concerned State Governments.

In addition to above 70 schemes, 4 schemes with a total installed capacity of 645 MW having first year indicative tariff between Rs. 2.50 to 3.00 / Kwh in Himachal Pradesh and Uttaranchal have also been proposed to be developed as the transmission cost of wheeling power from these states to the Northern Grid is minimal. These schemes have also been allocated to various agencies for preparation of DPR/subsequent development with the consent of concerned State Governments.

The DPRs of these schemes are likely to be completed within a period of 2 years from the date of allocation / signing of MOUs with the State Governments.

These projects are expected to yield benefits during 11th plan and beyond.

[Ministry of Power F.No.3/1/2005-H-II dated 01.07.2005]

Recommendation Sl. No. 8 (Para No. 2.40)

The Committee observe that as against the targets set for the 10th Plan at 22832 MW, 11157 MW and 7121 MW for Central, State and Private Sectors respectively for power generation, only 29.9% (6830 MW) in Central Sector, 26% (2905.64 MW) in State Sector and 10.1% (648 MW) in Private Sector have been commissioned so far. The Ministry of Power have informed the Committee that 34861 MW of capacity addition is likely to be achieved out of the total target of 41110 MW for the 10th Plan. The committee feel that programme of the Government to add one lakh mega watt of power generation by the end of Eleventh Plan seems to be unachievable with the reduction of total Plan outlays by about Rs.33,300 crore and delay in completion of projects under construction. The Committee find that the majority of power projects which were to be completed during 10th Plan are still under construction stage and only 25.4% of the projects have been commissioned so far. To achieve the targets of 1,00,000 MW by the end of 11th Plan, the Committee note that more than 63,000 MW capacity addition will have to be achieved during 10h Plan even if 34,861 MW of power capacity addition projects are completed within 10th Plan. The Committee also observe that out of 34027 MW capacity addition projects, projects of 20,337 MW are being executed by Bharat Heavy Electricals Limited (BHEL) during 10th Plan. BHEL is reported to be enhancing their capacity to enable it to execute 10,000 MW worth projects in a single year. The Committee hope capacity augmentation programme of BHEL will be rejuvenate the Central Sector in achieving the target of about 79%. But, the Committee desire advance action plan should be prepared by the Government so that 11th Plan projections for capacity addition are achieved. At the same time, the Committee also recommend that all out efforts should be made by the Government/Power Grid Corporation India Ltd. to expedite the completion of the National Grid at the earliest.

Reply of the Government:

Ministry of Power is committed to provide power to all by 2012. Central Electricity Authority has estimated that a capacity addition of 1,00,000 MW would be required during X and XI plans to meet this target.

(a) <u>X Plan Targets and Anticipated achievement</u>

A capacity addition target of 41,110 MW has been set for the 10th Plan. Out of 41,110 MW targeted for 10th Plan, a capacity of 11499 MW has already been commissioned and another 23977 MW is under construction. Projects worth of 1450 MW are under award process. Thus, a capacity of 36926 MW (90% of the target) is likely to be achieved during 10th Plan.

(b) <u>XI Plan Preparedness</u>

- Peak demand by the end of XI and XII Plans is projected as 157107 and 212725 MW.
- To meet the projected demand, over 67000 MW is to be added to the Power system during XI Plan. In order to achieve this, a shelf of thermal projects worth 88000 MW and hydro projects worth of 29000 MW have been identified by CEA.
- In order to assess XI Plan preparedness of capacity addition programme, the Regional level meetings were organized by this Ministry on 26th July, 2004, 27th July, 2004 and 9th August, 2004. After detailed discussions with the State Governments, the following decisions were taken:

a. Based on projected growth scenario and consequent increase in power demand, each State would firm up the XI Plan capacity addition programme and send to Ministry of Power within two months.
b. Letter of Award (LOA) matrix and Commissioning Schedule matrix is to be firmed up simultaneously in respect of the State Sector/Private Sector projects, which have been identified for development during XI Plan.
c. Matrix of year-wise phasing of major activities from concept to commissioning is to be developed in such a manner so that bunching of projects for commissioning in later half of the plan can be avoided.

- The regular meeting with BHEL have been institutionalized.

- BHEL has been asked for augmentation of its capacity and capability to handle the introduction of 800/1000 MW Rating Plants in a big way.

- BHEL has put necessary steps in place its capacity to handle 10,000 MW worth projects by 2006-07.

- The requirement of Electrical Equipments was made known to IEEMA with a view that they too augment their capacity to meet the challenges of over 60,000 MW Capacity Addition during the 11th Plan.

- Similar meetings were held with the major suppliers of ash handling equipments, coal handling equipments, supply of compressors and thermal insulation units.

- To sensitized towards shortages of special grade steel i.e. CRGO for transformers meetings with Steel manufacturers including SAIL,TISCO and Jindal was organized.

(c) <u>National Grid</u>

Ministry of Power has envisaged establishment of an integrated National Power Grid in the country by the year 2012 with an inter-regional power transfer capacity of 30,000 MW. A perspective transmission plan has been evolved for strengthening the regional grids with ultimate objective of establishment of strong and vibrant National Power Grid in a phased manner to support the generation capacity addition programme of about 1,00,000 MW during X & XI plans.

As on today, strong Regional grids exist in all the five Regions. The process of integration of the regional grids into one all India grid has also started. The Eastern, North-eastern and Western regions have been integrated and synchronous inter-regional transmission capacity of 1300 MW between the Eastern region and North-eastern region, and 1850 MW between the Eastern region and Western region is operational. The Northern region, which at present has asynchronous radial links and HVDC back-to-back inter-regional transmission connectivity of 700 MW with the Eastern region, and 900 MW with the Western region, would also get synchronously integrated with the ER/NER/WR system with commissioning of the 400kV Muzaffarpur-Gorakhpur line, which is programmed for completion in the 10th plan and would add 2000 MW to the ER-NR inter-regional transmission capacity.

Towards the Southern region, with 2000 MW Talcher-Kolar HVDC Bipole line, which was commissioned in July 2002, and with the commissioning of second 500 MW HVDC back-to back module at Gazuwaka during 2004, the inter-regional transmission capacity between Eastern region and Southern region has been enhanced to 3150 MW. Also, between Southern region and Western region, inter-regional transmission capacity of 1600 MW exists. An upgradation of Talcher-Kolar HVDC Bi-pole capacity from 2000MW to 2500MW has also been planned to be realised by 2006-07. All the inter-regional transmission links of the Southern region that are existing / under construction as of now, are either asynchronous radial mode lines or HVDC inter-connections. Synchronous integration of the Southern region with rest of Indian grid has been tentatively programmed during 11th Plan period.

With integrated ER/NER/WR/NR system and asynchronous inter-regional transmission capacity of 4750 MW for the SR, the National grid is a reality in the 10th plan time frame itself. Total inter-regional transmission capacity by end of 10th plan has been envisaged to be enhanced from the present capacity of 9500MW to 18400 MW and it would be further doubled by end of 11th plan.

[Ministry of Power O.M.No. - 2/17/2005-P&P Dated: 20th May 2005]

Recommendation Sl. No 12 (Para No. 2.48)

The Committee are surprised to note that even for setting up a thermal power plant, clearances have to be obtained by the project authorities from as many as 10 different authorities besides getting investment clearances from financial institutions and public investment board in respect of projects taken up by PSUs. A close look at these clearances / commitment indicate that projects like Vindhyachal State III was delayed by more than 4 years only because necessary clearances regarding water commitment was made available by CWC/Ministry of Water Resources after 4 years from the date of applications. These clearance from Ministry of Environment and Forest regarding site and environment should have been given within one year".

Reply of the Government

Vindhyachal Stage IIII project was taken up for commissioning by National thermal Power Corporation(NTPC). While applications for obtaining water clearance/environmental clearance were submitted by NTPC in time but it took an exceptionally long time of four years for obtaining water clearance from Central Water Commission/ Ministry of Water Resources on account of water source being from an inter state river basin where the concerned basin states viz., Madhya Pradesh, Uttar Pradesh and Bihar did not arrive at consensus on water sharing. With regard to the environmental clearances, it may be mentioned that while environmental clearance to project has been accorded in a time from of 12 months 13 days from the date of submission of application by NTPC, Ministry of Power has been taking up the issue for obtaining environment clearance for various projects at the earliest possible. Concern expressed by Hon'ble Committee has been communicated to the Ministry of Water Resources and Ministry of Environment and Forests.

[Ministry of Power Ministry's U.O. No. 3/3/2005-Th. 1 Dated: 5.7.2005]

Recommendation No. 14 (Para No.2.60)

The Committee observes that although Bureau of Energy Efficiency was established w.e.f. 1st March 2002, the programmes initiated by it such as Standards and Labeling, energy audit in Government Buildings, energy conservation building codes etc. have yet to get momentum. The committee therefore desires that the standards & labeling of electric equipment be speedily taken up and completed within a fixed time schedule of the next 3 months, as it would help in significant saving of the energy.

Reply of the Government

Bureau has completed technical parameters for energy labeling of electrical equipment and appliances such as refrigerator, agricultural pumpsets, electric motors, fluorescent tube lights and distribution transformers. As a pilot test case it has been decided to launch energy labeling for refrigerators so as to gain experience on the administrative, institutional, publicity/awareness campaign, legal matters, public reaction to such programmes. Further for check/challenge testing of the claims made by the manufacturer on their energy efficiency performance requires testing laboratories of international standards. Bureau of Energy Efficiency has provided technical support for establishment of new test facilities and upgrading the existing test labs. These interactions have resulted in establishment of 4 such laboratories in the country which can test refrigerators at international standards. BEE shall attempt that the labeling programme for refrigerators will be put in place within 3 months time.

The Committee further note that energy audit of only 8 government buildings have been completed so far and even in these buildings, although energy saving potential in the range of 23% to 46% has been identified, energy conservation work is yet to be taken up. Since conservation and efficient use of energy is the need of hour, the committee desire that energy audit for more and more government buildings should be undertaken .

Reply of the Government

The draft of the Energy Conservation Building Codes is now ready and is currently being reviewed by expert government agencies, state agencies, architects, engineers, and stakeholders. The energy conservation building codes would also be sought to be finalized and issued in the next 3 months.

Rashatrapati Bhawan, Shram Shakti Bhawan & Transport Bhawan have awarded the energy conservation implementation project on performance contract basis to energy service companies (ESCOs). Further, Airport Authority of India, Sanchar Bhawan, Prime Minister's Office, All India Institute of Medical Sciences (AIIMS) are expected to award the contract by this year end.

The Bureau is continuously interacting with CPWD for expansion of this programme. CPWD now through their letter dated 27 April, 2005 have informed that they would implement energy efficiency in 15 more government buildings in Delhi in the second phase. They have circulated the questionnaires, designed by BEE, to the concerned Superintending Engineers for collection of data. These filled in questionnaires will be used for inviting tenders from ESCOs. Further, energy audits of 3 Government buildings in Maharastra, Gujarat & Andhra Pradesh are to be taken up in coordination with State Designated Agencies & PWD of these states. The necessary support for this is being provided by Indian Renewable Energy Development Agency (IREDA).

The committee also find that only one pilot project to educate students of 31 schools in Delhi has been taken up by BEE so far. Further, industrial/corporate houses should be encouraged to take up the energy conservation schemes. The committee also stress that an action plan should be prepared to insure that all states should take up elaborate steps to ensure that a minimum of 23% of the Energy, which can be saved by means of energy audit, and use of energy efficient devices should be taken up and completed in the 10^{th} & 11^{th} Plan periods. The committee also recommend that pilot projects like on undertaken to educate school children in Delhi should be taken up initially in all State capitals as it would also work as on awareness campaign about the energy efficient/saving devices.

Reply of the Government

A Scheme to pursue this end with forming of Energy Clubs in the Schools is being worked out.

[Ministry of Power F.No.14/7/2005-EM dated19.07.05]

CHAPTER-IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 13 (Para No. 2.49)

At the same time, the Committee take a strong note on the inaction of the Ministry of Environment and Forests (MOEF) to the operationalisation of draft Memorandum of Understanding between Ministry of Power and Ministry of Environment and Forest on creation of Special Purpose Vehicle with an objective to coordinate with the MOEF and State Forest Departments. This Draft agreement is pending with them since 20.09.2001. The Committee take a strong note of the casual manner in which the matter regarding grant of clearances to the power projects is being dealt with by the ministry of Water Resources/CWC and Ministry of Environment and Forests and desire that this matter be brought to the notice of Prime Minister's Office so that the Special Purpose Vehicle can be operationalised. The Committee also desire that a Central Committee consisting of officials from Ministries of Power, Water Resources and Environment and Forests and other related departments should be created which can be assigned the task of providing all clearances to the power projects in a time bound manner.

Reply of the Government

The hydro power proposals are received through Central Electricity Authority (CEA) for scrutiny in Central Water Commission (CWC) from the view point of hydrology, civil design, inter-state and cost angles and the proposals for thermal projects costing more than Rs. 2500 crore are received in CWC through CEA for examination related to water availability for cooling and other purposes. The proposals for thermal projects costing less than Rs. 2500 crore, now being cleared by the concerned states themselves, are also received in CWC for clearance of water availability aspect. Appraisal of the proposals in respect of power projects are carried out and the observations / comments are promptly communicated to the concerned State Governments. The time taken for clearances of these projects depend on satisfactory compliances to the comments/observations of CWC and promptness with which these compliances are furnished to CWC.

Bi-monthly co-ordination meetings are being held between Secretary (Power) and Secretary, Ministry of Environment and Forests. In these meetings, all projects pending for want of forest and environment clearances are discussed and issues are sorted out. This forum has yielded positive results.

[Ministry of Power O.M. No.3/1/2005-H-II dated 15.7.2005]

Comments of the Committee

(Please see para Nos.10 & 11 of Chapter-I of the Report)

Recommendation No.22 (Para No. 2.82)

The Committee have also taken a serious note of the fact that although through investment component of APDRP, the States are disbursing funds to private distribution companies to upgrade/ strengthen sub-transmission system under APDRP and thus benefiting the distribution companies to help them reducing the T&D losses, by 17 per cent in a fixed period of five years. The Committee are anguished to note that the resultant benefit which was anticipated to go to the consumer is not coming up as there is regular increase in tariff and the distributing agencies have also failed to bring down the T&D losses to the desired level. The Committee understand that even otherwise, the private companies which have been awarded the transmission and distribution contracts are bound by an agreement vie which they are awarded the contract, to reduce the losses and make certain amount of investments to improve transmission and distribution network in their area of work. Hence, they should not be considered for grant of any additional incentive for reduction in losses under APDRP scheme. This should be made available to the SEBs/ State transmission and distribution utilities only. The Committee, therefore, desire that the Government should review the present scheme of providing subsidies to private companies. The Committee further recommend that the distributing companies shall bear the T&D losses and in no case these be passed on consumers by increasing the rate of electricity as they are duty bound to efficiently manage their affairs and the consumers should not be made to pay for companies inefficiency.

Reply of the Government

The Committee have raised the following concerns:

(i) APDRP funds should not be sanctioned in favour of private distribution companies, as benefits of releasing APDRP funds to private distribution companies are not going to the consumers as there is regular increase in tariff

(ii) Private distribution companies should not be considered for grant of incentive for reduction in losses under APDRP scheme

(iii) Government should review the present scheme of providing subsidies to private companies

(iv) Distribution companies should bear the T&D losses and in no case these be passed on the consumers by increasing the rate of electricity

No incentive claims are entertained from the private DISCOMs for reduction of cash losses under APDRP. In respect of the investment component under APDRP, a decision was initially taken, while considering projects of private DISCOMs in Orissa, by APDP Monitoring Committee, held under the chairmanship of the then Minister of Power on 20.2.2001, to the effect that:-

> "In respect of States where distribution has been privatized (e.g. Orissa) projects aimed at improving/ upgrading the sub-transmission system in distribution circles could be funded subject to the settlement of the terms and conditions under which funds received by the State Governments will be released to the private distribution companies."

Thereafter, it was decided to fund the projects of private DISCOMs (of Orissa) subject to the conditions, inter-alia, that the assistance given under APDRP including grant-in-aid along with quantifiable benefits expected from such investment shall be intimated to SERC so that additional benefits/ reliefs are passed on to consumer over and above what DISCOMs were obliged to provide under extant agreement/ orders of regulations.

Accordingly, projects of private DISCOMs in States namely Orissa, Delhi, Gujarat and Maharashtra have also been sanctioned, amounting to Rs. 2757.48 crores, with a component of APDRP to the extent of Rs. 1378.75 crores against which an amount of Rs. 364.74 crores has already been released. These projects are in various stages of implementation and further release of funds as per criteria for release of funds under APDRP would be required for completion of these projects. The apprehension of the Standing Committee that the burden of T&D losses and resultant benefits of the APDRP may not be passed on to the consumers are taken care of by the SERCs, to whom the receipt of grants is to be reported compulsorily. Therefore, the need to review the scheme guidelines on APDRP (investment component) for release of funds to private DISCOMs is not considered necessary.

[Ministry of Power F.No. No. 5/1/2005-APDRP Dated June 15, 2005]

Comments of the Committee

(Please see para No.23 of Chapter-I of the Report)

Recommendation Sl. No.23 (Para No.2.97)

Renovation and Modernisation(R&M) and Life Extension(LE) of power plants have been recognized as a cost effective technique the world over for improving the performance/efficiency of older power plants and thereby adding additional generation of power at a much lesser cost. The Committee are however, constrained to note the slow pace of completion of R&M activities as, during 2003-04, the Life extension works of 4 units of Kothagudem unit-8(1x110 MW) and Korba(E) units 1, 4 & 6(2x40+120 MW) have been completed and works on remaining other units are at various stages of implementation. According to Ministry of Power, the works of Life Extension of 6 units will be completed during 2004-05. In addition, another 57 units will need R&M works to improve/sustain their performance. The R&M work on 36 units was undertaken during 2003-04. Works on 42 activities have been completed and 100 activities are likely to be completed during 2004-05 against total number of 687 activities targeted to be completed during 10th plan period. The Committee further express their unhappiness to note that adequate funds are not provided for R&M activities as against the total funds requirement of Rs.9200 crore during 10th Plan for Life Extension Programme, only Rs.193 crore were actually spent during 2003-04, which is about 1.5 per cent of the total outlay. Similarly for R&M of 57 proposed units to be taken up during the 10th Plan, against the funds requirement of Rs.978 crore, the expenditure during 2003-04 is Rs.48 crore i.e. less than 5% of the total outlay. The Committee are unhappy to note the slow progress made in the execution of the projects. The Committee feel that investment made in R&M schemes can have a beneficial outcome only if these are completed in a time bound manner. The

Committee are surprised to note that despite low infusion of funds during the first three years of the 10th Plan, no action plan has been formulated by the Government so far to strictly utilize the targeted outlays. The Committee, therefore, desire that the Government should at least act now and formulate an Action Plan to vigorously pursue the R&M activities without any further delay and apprise the Committee of the action taken in this regard. At the same time, the Committee also observe that Plant Load Factor of various units is ranging from 20% to 55% against the national average of about 74%. In case of Tenughat power station in Jharkhand, it is just about 10%. The Committee are constrained to observe that the Ministry of Power have yet to take up 626 power stations for increasing their plant load factor. The Committee, therefore desire that all efforts should be made to ensure that plant load factor of all power plants in Central and State sectors should be at par with national average.

Reply of the Government

The Renovation & Modernisation(R&M) works which needs Life Extension(LE) of old units involve the activities of finalization of feasibility report, placement of order, manufacturing and supply of materials and execution of works which are spanned over 30-36 months. A shut down period of 12-18 months is needed to complete R&M works. Out of 106 units for Life Extension during 10th plan period, the LE works on 1(one) unit in 2002-03, 4(four) units in 2003-04 and 2(two) units in 2004-05 have been completed. Earlier it was expected that during 2004-05, the works on 6 units would be completed as the works on Bhatinda unit-2 has been delayed and now it is likely to be completed by May, 2005 and the works on the 3 units of Obra TPS was delayed due to delay in shipment of Plant & Equipment from Russia. The works on these units are likely to be completed by the end of current financial year. On 55 units, related activities such as supply of materials, placement of orders for LE, preparation and finalization of feasibility report and RLA studies etc. are under progress.

The 684 R&M activities(earlier 687 activities planned) were programmed to be completed during whole span of 10th five year Plan, Out of 684 activities, 42 activities were completed during 2003-04 and 182 activities were completed during 2004-05 against 100 activities expected to be completed.

Adequate funds are being provided through Power Finance Corporation (PFC)/Rural Electrification (REC) under Accelerated Generation & Supply Programme (AG&SP) at concessional rate of interest of Power Utilities/Electricity Boards to carry out LE/R&M works. Rs.723 Crores have been spent on LE works against the Estimated Cost of Rs.9200 Crores, which comes out to about 8% of the total estimated cost while Rs.229 Crores has been spent on R&M works against the estimated cost of Rs.978 Crores, which comes out to be about 23% of the total estimated cost. The percentage of expenditure during the balance period of the 10th plan is expected to increase in future.

The Ministry of Power and Central Electricity Authority (CEA) are vigorously following up with the utilities for expediting the R&M/LE works. Besides, "Guidelines" have been issued by Ministry of Power for speedy implementation of the R&M/LE works. The Highlights of the Guidelines are:

f) Assessment of economic viability of reviving units under ling shut down;
g) Improving O&M Practices;
h) Option to SEBs/Utilities to place order directly on BHEL through negotiation on BHEL supplied units:

i) Clubbing the Residual Life Assessment studies with Life Extension works to cut down time; and
j) Compensation from central pool for loss of generation during shut down for R&M/LE works.

There has been a tremendous improvement in the performance of the thermal units where LE works have been completed. State Electricity Boards/ Power Utilitites need to take up R&M/LE works, which have been included for implementation during 10th Plant Ministry of Power and CEA are vigorously following up with them to ensure timely implementation of the scheduled Programme.

The performance of all the present 89 thermal stations has been analysed and it has been noticed that out of above 89 thermal power stations, 26 thermal power stations are presently operating at a PLF of 60% or less. Action Plan has been drawn up to improve the performance by adopting short term, medium term and long term measures. Besides, steps are being taken to link these 26 thermal power stations having low PLF with the thermal power stations having better PLF to imbibe better operation practices & better management. In the case of Tenughat TPS(PLF 36% for the year 2004-05), it is proposed to be linked with a better performing station by adopting above measures. Through implementation of these measures, it is aimed at that these poorly performing stations will attain a PLF of 60% or more within one year and afterwards and these stations are expected to attain the PLF at par with National average ultimately.

[Ministry of Power F.No. 12/3/2005-Th-3 Dated: 13.6.2005]

Comments of the Committee

(Please see para No.27 of Chapter-I of the Report)

Recommendation Sl No: 24 (Para No. 2.98)

As regard to renovation, modernisation and uprating (RM&U) of hydropower schemes, the Committee find that out of 62 schemes programmed for implementation/completion during the 10th Plan period, 4 schemes were completed during 2002-03 and out of 13 schemes identified for 2003-04, only 4 were completed in the year and remaining schemes are likely to be completed during 2004-05. For the year 2005-06, only 4 schemes having an installed capacity of 179 MW at an estimated cost of Rs.44.57 crore are targeted to be completed. The Committee thus, observe that against an anticipated expenditure of Rs.2888.63 crore during the 10th Plan for RM&U of 62 hydro power schemes, anticipated expenditure will only be Rs. 493.41 crore on 17 schemes. The Committee are concerned to note the slow pace of renovation, modernisation and uprating of hydro power station by the Government / PSUs in spite of National Perspective Plan and review of these activities for 10th and 11th Plan Programmes. The Committee, therefore, deplore the poor state of Renovation, Modernisation and uprating schemes of hydro power stations and low targets fixed by the Government to carry out these schemes. The Committee, therefore, strongly recommend that targets for these activities should be enhanced for 2005-06 and 2006-07, i.e. during the remaining two years of the 10th Plan to ensure that all 62 schemes identified for RM&U, be completed in the plan period. The Committee desire that a time bound programme should be drawn to complete these projects so that the set targets can be achieved. The Committee will like to know the action plan of the Government formulated in this regard.

Reply of the Government

The 10th Plan programme for Renovation & Modernisation (R&M) of hydro schemes was finalized in April, 2002 and 74 hydro schemes (11 nos. in Central Sector and 63 nos. under State Sector) were identified for implementation/completion. The following 9 hydro R&M schemes of State Sector have been completed during the year 2002-03 accruing a benefit of 349 MW with an installed capacity of 678.80 MW at the cost of Rs. 429.94 Crores: -

Sl.No.	Name of the Scheme
10.	Nagjhari U-1&3 (2x135 MW), KPCL
11.	Supa (2x50 MW), KPCL
12.	Mani Dam (2x4.5 MW), KPCL
13.	Mahatma Gandhi (4x12+4x18 MW), VVNL
14.	Munirabad (2x9+1x10.3 MW), VVNL
15.	Pallivasal (3x5+3x7.5 MW), KSEB
16.	Sengulum (4x12 MW), KSEB
17.	Panniar (2x15 MW), KSEB
18.	Umium St. I (4x9 MW), MeSEB

The programme was reviewed in totality in consultation with all the concerned Utilities during May 2003 and subsequently in April/May, 2004. Accordingly, a total of 62 hydro RM&U schemes (11 nos. under Central sector and 51 nos. under State sector) having a total installed capacity of 9977.5 MW accruing a benefit of 1516.31 MW at an estimated cost of Rs. 2227.06 crores have been targeted for completion during the 10th Plan period, as per the reviewed Xth Plan programme. Details of revised Xth plan programme and year wise targeted schedule of completion is as under: -

Plan Period

	2002-03	2003-04	2004-05	2005-06	2006-07	Total 2002-07
No. of Schems						
Programmed		11	13	4 +8 spill over	32	62
Completed-	9	4	5			

Out of the 62 schemes programmed for implementation/completion during the Xth Plan period, 4 hydro R&M schemes, namely Shanan, Ph-A (4x15+1x50 MW) PSEB, Pong (6x60 MW), BBMB, Bhira Tail Race (2x25 MW), MSEB, Khandong (2x25 MW), NEEPCO of Central and State Sector have been completed during the year 2003-04 accruing a benefit of 36 MW having an installed capacity of 600 MW, at a cost of Rs. 32.77 crore.

During the year 2004-05, out of 13 schemes, R&M works on 5 schemes, with an installed capacity of 1100.95 MW, have been completed at an expenditure of Rs. 143.317 Crores accruing a benefit of 132.35 MW. The details of these schemes are given below: -

a) <u>Schemes completed during 2004-05</u>

6. Tillari (1x60 MW), MSEB, Maharashtra
7. Koyna Gen. Complex (4x70 + 4x80+4x80 MW), MSEB, Maharashtra
8. Shivasamudram (6x3+4x6 MW), VVNL, Karnataka
9. Pykara (3x6.65+1x11+2x14 MW), TNEB, Tamil Nadu
10. Maithon, U-2 (1x20 MW), DVC, West Bengal

The R&M works of the remaining 8 schemes are in advance stages and likely to be completed during the current year 2005-06. The details are given below:-

b). <u>Schemes slipped from 2004-05 likely to be completed in 2005-06</u>**:**

9. Chibro (4x60 MW), UJVNL, Uttaranchal
10. Chilla (4x36 MW), UJVNL, Uttaranchal
11. Khodri (4x30 MW), UJVNL, Uttaranchal
12. Bhadra (1x2 MW), KPCL, Karnataka
13. Sharavathy Ph-A (10x103.5 MW), KPCL, Karnataka
14. Papanasam(4x7 MW), TNEB, Tamil Nadu
15. Mettur Dam(4x10 MW), TNEB, Tamil Nadu
16. Hirakud-I, U-3&4 (2x24 MW), OHPC, Orissa

During the years 2005-06 and 2006-07, a total of 44 schemes have been programmed for completion.

Out of 12 schemes (including the 8 nos. spillover schemes of 2004-05) programmed for completion during the year 2005-06, 10 schemes are ongoing and 2 schemes are yet to commence. As per the report on the progress of works at site, completion of 4 nos. of schemes namely Hirakud-I (Sw.yd) of OHPC, Koyna-III (4x80MW) of MSEB and Anandpur Sahib (4x33.5 MW) & Mukerian St-I (3x15 MW) of PSEB during 2005-06 is likely to be delayed. For completion of these schemes during 2005-06, the respective utilities are being advised to put in extra efforts.

Out of the 32 schemes programmed for completion during the year 2006-07, R&M works of 21 schemes are ongoing and 11 schemes are yet to commence. Greater concerted efforts are required by the utilities for timely completion of all the 32 schemes programmed for completion during 2006-07. CEA is constantly monitoring the progress of the schemes.

The summary highlighting the hydro R&M schemes programmed/completed/on going/yet to commence during the 10th Plan is given below: -

Sl. No	Schemes Status	No.of Schemes			Installed Capacity (MW)	Cost (Rs. in Crs.)		Benefit (MW)
		Central Sector	State Sector	Total		Actual	Estimate	
i.	Schemes programmed	11	51	62	9977.50	-	2227.062	1516.31

ii.	**Schemes completed (as on 30.04.2005)**	**3**	**15**	**18**	**2379.75**	**681.0469**	**617.61**	**517.35**
iii.	**Schemes ongoing**	**5**	**26**	**31**	**5873.45**	**-**	**1296.02**	**778.93**
iv.	**Schemes yet to commence**	**3**	**10**	**13**	**1724.30**	**-**	**313.432**	**220.03**

Action Plan of the Government to accelerate R&M works of hydro schemes:

- Provision of interest subsidy on loans raised by the SEBs for schemes to be financed through PFC/REC under the Accelerated Generation & Supply Programme (AG&SP) upto the 10th Plan.
- Technical appraisal of hydro schemes on request from SEBs/PSUs. Advise by CEA to SEBs/PSUs on all technical aspects of hydro R&M schemes/proposals.
- The physical progress/status of each scheme is monitored by CEA regularly.
- Frequent site visits are made by CEA officers to discuss the ongoing R&M activities and to assist the project authorities to overcome the bottlenecks for expeditious completion.
- Annual review meetings are held at C.E.A. with the representatives of the SEBs/PSUs to ascertain the timely completion of the identified R&M schemes.

Further, 50 hydro RM&U schemes involving 3 schemes under Central Sector and 47 schemes under State Sector having a total installed capacity of 8534.30 MW to accrue a benefit of 5315.65 MW at an estimated cost of Rs. 2888.63 Crores have been programmed for completion during the XIth Plan.

[Ministry of Power O.M. No. 06/03/2005- BBMB dated 17th May, 2005]

Comments of the Committee

(Please see para No.30 of Chapter-I of the Report)

Recommendation Sl. No25 (Para. No2.106)

The Committee are unhappy to note that the Corporation could add only 1130 MW of Power in the 30 yrs of its operation. The Committee desire that NEEPCO should analyse their performance during the last 30 yrs and come out with some concrete plan to enhance their performance, particularly in respect of capacity addition during 10th and 11th Five year Plan periods. The committee also observe the huge reduction in IEBR component of NEEPCO from Rs. 265 crs to90 crs during 2004-05. The Committee would like to know that how NEEPCO would ensure to raise Rs. 372.79 crs during 2005-06 and invest the same as targeted.

Reply of the Government

It is indeed a fact that the total installed capacity of NEEPCO after 30 yrs. of existence in the power sector is only 1130 MW. NEEPCO has added this capacity by commissioning 2 (two) nos of Thermal and 5 (five) nos of Hydro projects all of which were taken up at different point of time. Further the N.E.Region's constraints such as non-availability of approach roads, poor communication system, remoteness of sites and extremely difficult law and order situation had contributed significantly in slow progress of NEEPCO who is entrusted to improve the power scenario of the N.E.Region. The Doyang HE Project in Nagaland was commissioned by NEEPCO at a time when no other Central agency could implement their project in the State.

The reduction in IEBR component during 2004-05 from Rs. 265 crs to Rs. 90.00 crs. was mainly due to non receipt of approval from the Govt. of India in respect of TGBPP, TKTS and also in view of stoppage of works in Tuirial HEP.

[Ministry of Power O.M. No. 37/7/2005-H-I dated 13.6.2005]

Comments of the Committee

(Please see para No.33 of Chapter-I of the Report)

Recommendation Sl. No26 (Para No 2.107)

The Committee, therefore, strongly urge the Government to ensure that projects should be commissioned with a maximum of 5-10% of cost escalation. The Committee would like to know the steps taken by the Government to ensure the same in all on going and future projects of NEEPCO.

Reply of the Government

The cost estimate of Tuirial H.E. Project was revised at October 2004 Price Level. The original cost estimate of Rs. 368.72 crs. was at June 1997 Price Level. The revised cost estimate has been submitted to CEA on 13.11.2004 and the same is under scrutiny by them. The cost of the project increased due to delay in commissioning of the project, poor law and order situation and other unavoidable technical reasons.

All efforts shall be taken to ensure completion of all On-going and Future Projects with minimum time and cost over-run.

[Ministry of Power O.M. No.37/7/2005-H-I dated 13.6.2005]

Comments of the Committee

(Please see para No.36 of Chapter-I of the Report)

Recommendation Sl. No27 (Para No. 2.108)

The Committee recommend that all the three ongoing projects namely Turiral HEP, Kameng HEP and Tripura GasBased Power Project should be completed within 10th Plan period.

Reply of the Government

Three on going projects namely Tuirial HEP, Kameng HEP and TGBPP having a total capacity of 940 MW are scheduled to be completed during XIth plan period.

[Ministry of Power O.M No. 37/7/2005-H-I dated 13.6.2005]

Comments of the Committee

(Please see para No.39 of Chapter-I of the Report)

CHAPTER-V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 5 (Para No. 2.15)

The Committee observe that in a meeting taken by Finance Minister with Financial Advisors on 23.07.2004, it was desired that the existing instructions about 33% utilization of the budget during the last quarter should be strictly followed and a circular had already been issued to all concerned for compliance of the instructions of Ministry of Finance. The Committee, are however, of the view that though emphasis should be laid on equal utilization of funds in all the four quarters of the year, the restrictions imposed by the Ministry of Finance would further limit the utilization of the funds and achievements of the targets. The Committee, therefore, suggest that putting a restriction on the use of funds during the last quarter should be gone into and a decision be taken based on views of the various ministries. Similarly there is a need to re-examine the practice of revising budgeted amount at Revised Estimates stage based on the performance of the first two quarters of the financial year. The Committee feel that Revised Estimates should rather be based on the utilization of the funds during the last financial year. The matter may be taken up with the Ministry of Finance and the Committee may be apprised of the position.

Reply of the Government

As in Recommendation No. 1 Para No. 2.11

[Ministry's U.O No. 20020/5/2005-Budget Dated 19.07.2005]

Comments of the Committee

(Please see para No.7 of Chapter-I of the Report)

NEW DELHI;
February 28, 2006
Phalguna 9, 1927 (Saka)

GURUDAS KAMAT
Chairperson,
Standing Committee on Energy

ANNEXURE – I

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2005-2006) HELD ON 28.02.2006 IN COMMITTEE ROOM NO 'C' PHA, NEW DELHI

The Committee met from 1500 hours to 16.30 hrs.

PRESENT

1. Shri Vijayendra Pal Singh - In the Chair

MEMBERS

2. Shri Gauri Shankar Chaturbhuj Bisen
3. Shri Ajay Chakraborty
4. Shri Chander Kumar
5. Shri Dharmendra Pradhan
6. Shri Prashanta Pradhan
7. Shri Kiren Rijiju
8. Shri M.K. Subba
9. Shri Tarit Baran Topdar
10. Shri Vedprakash P. Goyal
11. Shri Matilal sarkar
12. Shri Motilal Vora
13. Shri Jesu Dasu Seelam

SECRETARIAT

1. Shri P.K.Bhandari - Joint Secretary
2. Shri Surender Singh - Deputy Secretary
3. Shri Shiv Kumar - Under Secretary

WITNESSES

XX	XX	XX
XX	XX	XX

As the Chairman was not present, the Committee chose another member, Shri Vijendra Pal Singh, M.P. under Rule 258 to act as Chairman for that sitting. The Chairman, welcomed the Members of the Committee to the sitting.

2. The Committee then took up for consideration the following draft Reports: -

(i). Action Taken Report on the recommendations contained in the 5th Report (14th Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Power.

(ii). Action Taken Report on the recommendations contained in the 6th Report (14th Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Non-Conventional-Energy Sources.

3. The Committee adopted the aforesaid draft Reports with slight modifications.

4. The Committee also authorized the Chairman to finalise these Reports and to present/lay the same to the Houses of Parliament.

5. XX XX XX

6. XX XX XX

(The witnesses then withdrew)

7. A verbatim record of the proceedings of the sitting of the Committee was kept on record.

The Committee then adjourned

APPENDIX-II

(Vide Introduction of Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE FIFTH REPORT OF STANDING COMMITTEE ON ENERGY (14TH LOK SABHA)

I	Total Number of Recommendations	30
II	Recommendations/Observations which have been accepted by the Government: Recommendations Sl Nos. 1,2,3,4,7,9,10,11,15,16,17,18,19,20,21,28,29 and 30	
	Total	18
	Percentage	60%
III	Recommendations/Observations which the Committee do not desire to persue in view of the Government's replies: Recommendations Sl Nos. 6, 8, 12 and 14	
	Total	4
	Percentage	13.34%
IV	Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee: Recommendations Sl Nos. 13, 22, 23, 24, 25, 26 and 27	
	Total	7
	Percentage	23.33%
V	Recommendations/Observations in respect of which the final replies of the Government are still awaited: Recommendations Sl Nos. 5	
	Total	1
	Percentage	3.33%