18

STANDING COMMITTEE ON ENERGY
(2006-07)

FOURTEENTH LOK SABHA

MINISTRY OF POWER

[Action Taken on the recommendations contained in the Twelfth Report (14TH Lok Sabha) on 'Demands for Grants of the Ministry of Power for the year (2006-07)]

EIGHTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2006/Agrahayana, 1928 (Saka)

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Presented to Lok Sabha on -------
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2. Shri Rashid J.M. Aaron
3. Shri Kailash Baitha
4. Shri Gaurishanker Chaturbhuj Bisen
5. Shri Nandkumar Singh Chauhan
6. Smt. Anuradha Choudhary
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22. Shri Motilal Vora
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1.	Shri P.K. Bhandari	-	Joint Secretary
2.	Shri B.D. Swan	-	Deputy Secretary
3.	Shri Shiv Kumar	-	Under Secretary
4.	Ms. Juby Amar	-	Committee Officer

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this Eighteenth Report (Fourteenth Lok Sabha) on the action taken by the Government on the Recommendations/Observations of the Committee contained in the 12th Report (Fourteenth Lok Sabha) on the Demands for Grants of the Ministry of Power for the year (2006-07).

2. The Twelfth Report of the Standing Committee on Energy was presented to Lok Sabha on 22nd May, 2006 and laid in Rajya Sabha on the same day. Replies of the Government to all the recommendations contained in the Report were received on 18th August, 2006.

3. The Standing Committee on Energy considered and adopted this Report at their sitting held on 14th December, 2006.

4. An Analysis of the Action Taken by the Government on the recommendation contained in the Twelfth Report of the Committee is given at Appendix - 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;
14th *December,2006*
Agrahayana 23 ,1928 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee of Energy

Chapter-I

Report

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Twelfth Report (14th Lok Sabha) of the Standing Committee on Energy on Demands for Grants (2006-07) of the Ministry of Power.

2. The Twelfth Report was presented to Lok Sabha on 22.05.2006 and was laid on the Table of Rajya Sabha on the same day. It contained 17 Recommendations/Observations.

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

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

Sl No.2, 4, 5, 12, 13 and 17 — Total : 06
Chapter - II

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

Sl No.3, 14, 16 — Total : 03
Chapter - III

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

Sl No.1, 6, 7, 8, 9 and 15 — Total : 06
Chapter - IV

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

Sl No.10 and 11 — Total : 02
Chapter - V

4. **The Committee desire that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases, 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 along with reasons for their non-implementation.**

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

A. Low achievement of physical and financial targets.

Recommendation (Sl.No. 1 Para 2.6)

6. The Committee in their Fifth Report on DFG (2005-06) had recommended that Government should take elaborate steps to ensure proper and uniform utilization of Plan outlays during the year. The Minister of Power while explaining the status of implementation of the recommendation in a Statement laid on the Table of the House in August, 2005 had stated that no shortfall is likely for schemes of Ministry of Power and it is expected that full utilization of funds will take place during the year 2005-06. However, the Committee observed that budgetary estimate of Rs. 23013.90 crore allocated during the year 2005-06 was reduced to Rs. 19140.11 crore at RE stage, out of which only Rs. 16358.22 crore, i.e 71.08% could be utilized by the Ministry. Taking a serious note of the non-achievement of financial and physical targets by the Government inspite of assurance given by the Minister to Parliament the Committee desired to be apprised of the reasons for the same. The Committee further desired that planning and close monitoring should be strictly done by the Ministry to ensure full utilization of allocated funds during the year 2006-07.

7. The Ministry in its reply has stated:

> "It is mentioned that the Ministry is already monitoring closely the financial and physical progress of the projects and all effort is made for the full utilization of the allocated fund during the financial year, but sometime it is beyond the control of Ministry to utilize the allocated budget fully as at the time of preparing the budget for the next Financial year, we take into account the requirement of funds for all on-going schemes as well as new start-ups. We make full provision to prevent any uncertainty of funds leading to stoppage of work or delayed procurement or sudden demobilisation giving rise to contractual claims. However during the course of the year, certain unanticipated factors delay the process of clearance, somehow and award of work including disruptions beyond the control of the Ministry. To address such issues, we are constantly innovating to foresee problems and issues and prepare ourselves to meet such contingencies. As the alternative of lack of adequate funding provision could further exacerbate the uncertainty factors, we would like to err on the higher side than on the lower side."

8. The Committee are not convinced by the reply of the Ministry. Although the Ministry is already monitoring closely the financial and physical progress of projects for full utilisation of funds during the financial year, yet the Ministry could not fully utilise even the funds allocated to it at RE stage. The Committee view it to be a case of poor budgeting and desire that the Ministry should be more realistic in projecting its budget estimates.

B. **<u>Assigning more responsibility to State & Private Sectors for capacity addition.</u>**

Recommendation (Sl. No. 6, Paragraph No.: 2.27)

9. The Committee had noted that one of the reasons for failure to achieve the generation targets was un-equal contribution of State and Private Sectors. The targets for the Centre was 22832 MW whereas for State and Private Sectors it was 11157 MW and 7121 MW respectively. The Committee had, therefore, recommended that more responsibility in terms of capacity addition be assigned to the State & Private Sectors during the Eleventh Five Year Plan and the Centre could provide specific assistance to them, if needed. The Committee also desired that Ministry should examine the question of undertaking more and more new joint venture projects with the State Governments and the Private Sector to give the much desired impetus to power generation through these sectors.

10. The Ministry in its reply has stated:

> "In creation of generation capacity required to cater to the needs of the growing economy, Central Sector, State Sector and Private Sector; all three have vital role to play. The role of Central Sector's participation in terms of capacity addition has substantially increased as due to resource crunch State Sector is not able to harness required investible surplus for creation of adequate capacities in line with growth in demand. Thus, the capacity of the States to create the required generation capacities has been severely restricted. Till such time State utilities become commercially viable, private participation in the sector would not gain required momentum. Therefore, in the transition period role of Central Sector in generation segment would continue to be substantial.
>
> A capacity addition target of 41,110 MW was set for the 10th Plan comprising of 22,832 MW from Central Sector, 11,157 from State Sector and 7,121 MW from Private Sector. Against this target, the likely capacity addition during the 10th Plan is expected to be 34,024 MW, comprising of 18669 MW from Central Sector, 11,901 MW from State Sector and 3455 MW from Private Sector. The expected capacity addition during 10th Plan is about 82.8% of the target set for the Plan as against 53.7% and 47.5% for the 8th and 9th Plan respectively.
>
> For the 11th Plan, based upon studies carried out by CEA, it has been assessed that the feasible capacity addition of over 62,000 MW is likely which comprises of 33,740 MW(54%) in Central Sector, 15,235 MW(24.4%) in State Sector and 13,500

MW(21.6%) in private sector. However, the target capacity addition for the 11^{th} Plan is yet to be firmed up. The contribution of Central Sector viz. a viz. the State and Private Sector in the 11^{th} Plan tentative additions is of the same order as in the 10^{th} Plan. Also a number of Joint Venture(JV) projects between State, Central and Private Sector have been planned. The 11^{th} plan capacity addition of over 62,000 MW includes JV projects totaling to 5,270 MW as detailed below:

1. 1000 MW Tuticorin – JV between NLC and TNEB
2. 1000 MW Ennore – JV between NTPC and TNEB
3. 1000 MW Nabi Nagar – JV between NTPC and Railways
4. 520 MW Omkareshwar(hydro) – JV between NHPC and MPEB
5. 750 MW Tripura gas - JV between ONGC and ILFS Tripura
6. 1000 MW IFFCO Sarguja – JV between CSEB and IFFCO”

11. The Committee note with concern that the likely capacity addition during the 10th Plan is expected to be 34024 MW against the initial target of 41110 MW, comprising of 18669 MW against the target of 22832 MW from Central Sector, 11901 MW against the target of 11157 MW from State Sector and 3455 MW against the target of 7121 MW from Private Sector. The Committee are concerned to note that two of the sectors have not been able to achieve the targets set for them during the 10th Plan. In spite of this the Ministry is of the view that it would be able to achieve the target of 62000 MW during the 11th Plan. The performance of the three sectors during the 8th, 9th and 10th Plans do not inspire such a confidence. The Committee however desire that the targets for the 11th Plan be fixed on a realistic basis wherein State and Private Sectors should be encouraged to achieve the targets set for them.

C. <u>Strengthening the monitoring mechanism.</u>

Recommendation (Sl. No.: 7 Para No.: 2.33)

12. The Committee were constrained to note that power projects were regularly slipping from year to year – some projects such as Nathpa Jhakri took 9 long years for completion, Dulhasti HE Project which was scheduled for commissioning in 1990 is now targeted for commissioning in December, 2006, i.e. after 16 years. The cost overrun in terms of percentage has been 2531.58% for Dulhasti and 387.9% for Nathpa Jhakri Project. Similarly during the Tenth Five Year Plan, the capacity addition slippage has increased over the years. During the year 2002-03, 250 MW capacity slipped, this increased to 1140 MW in 2003-04 and 1570 MW in the year 2004-05. The committee were at a loss to understand how this happened in spite of a monitoring mechanism in place with the Ministry and Central Electricity Authority. The Ministry had stated that "detailed investigations are carried out before the project is taken up for execution to minimize geological surprises at time of actual execution". The Committee, however, noted that one of the reasons for slippage of Dulhasti Project was poor geological strata and in case of Nathpa Jhakri – landslide, flood and rock fall in desilting chambers. The Committee wonderd as to whether the detailed investigation in these cases were really carried out in a serious manner.

13. The Ministry further informed that steps were being taken for tieing up of necessary funds before commencement of project execution. The Committee, however, noted that Bansagar Tons PM-IV Project of MPEB & Karbi Langi HE Project of ASEB were delayed due to funds constraints. Similarly, Tenughat TPS of Bihar could not be taken up due to paucity of funds. The Committee felt that there were serious lacunae in the monitoring mechanism of the Government and recommended that the monitoring mechanism be further strengthened. The Committee felt that resolution of the problems identified by monitoring mechanism is not properly attended to. The Committee desired that problems should be resolved in a time bound manner. Detailed investigation in terms of geological feasibility be undertaken before taking up a project. The Committee further recommended that the Government should take advance measures to ensure that projects do not slip due to geological factors or funds constraints – leading to time and cost overruns. The Committee desired that the Ministry should conduct a full scale review of the causative factors that resulted in slippages in various projects during the last One and half decades and thereby come out with the corresponding schedule and financial overruns in these projects. The Committee also desired to be apprised thereof.

14. In its reply the Ministry of Power has stated:

> "An effective monitoring mechanism has been put in place to see that the cleared power projects are executed in time. The CEA has a nodal officer to each project, both at the conception stage as well

as during the execution. In addition, regular review meetings are being organized in the Ministry of Power.

New benchmarks for setting up of power projects have been achieved as under: -

(i) **Coal based:** The average lead time for the 500 MW unit reduced from 49 months to 38 months. The average lead time for the 210/250 MW units reduced from 32 months to 28 months. Ramagundam STPS-III of NTPC commissioned in 37 months. The Raichur TPS unit of Karnataka Power Corporation Ltd. commissioned in 26 months.

(ii) **Gas based:** Average lead time for gas based projects has come from 24 months to 20 months. Ramgarh CCPP open cycle commissioned in 15 months.

(iii) **Hydro based:** Average lead time of new hydro project is likely to be 60 months. Chamera II (3x100 MW) of NHPC commissioned in 49 months.

Thermal power projects are being executed in time. However, in case of some hydro projects there has been some delay due to reasons given below: -

(i) Delay in investment decisions
(ii) Contractual problems
(iii) Land acquisition problems
(iv) Geological surprises
(v) Natural calamities such as floods etc.

Through a system of rigorous monitoring some of the large hydro projects which had experienced difficulties and considerable delays such as Nathpa Jhakri (1500 MW), Sardar Sarovar (1400 MW), Dhauliganga (280 MW) and one unit of Tehri St.I have already been commissioned and the remaining projects of Tehri (remaining 3 units), Dulhasti HEP (390 MW) and Karbi Langpi (100 MW) are due to commissioning in 2006-07.

A Standing Committee under the Chairmanship of Additional Secretary in the Ministry of Power to fix the responsibility for time and cost overruns of the projects has been constituted on 7.9.1998 and includes representatives of Planning Commission and Ministry of Finance, Department of Expenditure. The observations made by the Committee are to be necessarily included in the PIB notes for Revised Cost Estimates. The Committee has been functioning since then and examining projects in depth, which need approval for time and cost overruns”.

15. The Committee have been informed that Ministry has an effective monitoring mechanism in place to see that cleared power projects are executed in time. Each project has a nodal officer both at conception and execution stage. In addition, regular review meetings are being organized in the Ministry. A Standing Committee under the Chairmanship of Additional Secretary in the Ministry was constituted on 7.9.1998 to fix the responsibility for time and cost overruns of the projects. The Committee are surprised to note that in spite of all these measures there have been abnormal delays in the execution of some hydro projects due to various reasons viz. delay in investment decisions, contractual problems, land acquisition problems and geological surprises, etc. The Committee are inclined to believe that proper assessment of certain forseeable factors such as geological and funds, etc is not done with due seriousness and recommend the Ministry to take adequate steps in that direction. The Committee feel that on completion of projects, a review should be done in each case to assess various factors which led to delays in execution, steps taken to attend to those factors and check whether something more was required to be done. Thereafter, such study can be taken note of while formulating future projects.

D. <u>Adherence to time schedule for clearance of Projects.</u>

Recommendation (Sl.No. 8 Para 2.45)

16. The Committee had noted with concern that out of Rs. 32226 crore allocated to NHPC for the 10th Plan, expected utilization is Rs. 12064 crore only. Similarly, there had been a huge shortfall in achieving the capacity addition targets. The reasons for under utilization of funds were stated to be delay in getting clearances for some schemes of NHPC such as Sewa-II, Omkareshwar, Teesta Low Dam-III, etc. The Committee noted that to overcome such delays, the procedure for the sanction of HE Schemes has been streamlined and it would take 24 weeks for obtaining all the clearances. The Committee, therefore strongly recommended that time schedule for giving clearances be strictly adhered to by all concerned. The Committee had desired to be appraised in this regard as to how far this schedule is being adhered to.

17. The Ministry in its reply has stated:

> "Out of Rs. 32226 crores allocated to NHPC for the 10th Plan, expected utilization is Rs. 11684 crores only. The reasons for under utilization of funds has been indicated as delay in getting clearances for some of schemes such as Sewa-II, Omkareshwar, Teesta Low Dam-III etc. However, there are many other reasons which contributed to the under utilization of funds during 10th Plan. Major reasons for non-achievement of financial targets since 2002-03 are given below:-

1. The proposal for formation of Joint Venture for execution of Purulia Pump Storage Scheme was dropped from capacity addition programme of NHPC as per the decision of Government of West Bengal. Accordingly, the funds for this project could not be utilized.

2. Subansiri Lower, Arunachal Pradesh – Formal forest clearance was delayed because of NPV issue. Further, works got slowed down due to local resistance resulting in less utilization of outlay.

3. Non-availability of Site clearance stage-II from MoEF for Subansiri Upper, Arunachal Pradesh and Subansiri Middle, Arunachal Pradesh due to decision of Hon'ble Supreme Court of India that "there will be no construction of dam upstream of Subansiri river in future". Therefore, the DPRs of these two projects could not be finally prepared and work could not

commence and hence the outlay could not be utilized as envisaged.

4. There was delay in Survey & Investigation works related to Siang Upper Project and Siang Lower Project in Arunachal Pradesh duye to opposition of local people and non-cooperation of local administration. State Government is not supporting Survey & Investigation at intermediate site and is insisting for project construction at upper site as a run of river scheme only.

5. DPR for Siyom HE Project, Arunachal Pradesh was submitted to CEA on 16.9.2003. Both TAC clearance and TEC of the project were still awaited, thus delaying the sanction schedule of the project resulting in less utilization of outlay than envisaged.

6. Works on Pakal Dul and Bursar Projects in J&K suffered doe to non-availability of security coverage & for want of settlement of issue of Kishtwar High Altitude National Park as some of components of the project fall inside the boundaries of the National Park. Therefore, work for preparation of DPRs and the subsequent activities got delayed and the outlay could not be utilized as envisaged.

7. Work on Loktak Downstream Project, Manipur was held up due to non-availability of security coverage at project.

8. Delay in finalization of DPR of Teesta Low Dam-IV due to change in layout of the project to avoid Mahananda Wild Life Sanctuary resulted in less likely utilization of funds during 10^{th} Plan.

9. Upper Krishna, Karnataka and Farakka Barrage, West Bengal – Projects were abandoned due to non-availability of commercial viability. Hence, outlays in respect of these projects could not be utilized.

10. Cauvery Power Project, Karnataka/Tamil Nadu could not be taken up due to non-settlement of inter-state issues between Govt. of Karnataka and Govt. of Tamil Nadu. Hence outlays in respect of these projects could not be utilized.

11. Works on Koel Karo HE Project in Jharkhand could not be started due to non-availability of Govt. sanction. Finally

CCEA sanction for closure of the project has been issued on 30.9.2005.

12. Bav-II Project was not found commercially viable by CEA. The capacity of the project was revised to 20 MW. Commercial viability was accorded for revised capacity in January 2004. Government of Maharashtra agreed to purchase the entire power from this project only in January 2005. DPR was submitted to CEA. However, CEA has returned the same as the scheme is considered as unviable. This has resulted in less likely utilization of funds during 10th Plan.

13. Reduction in the equity portion of NHPC for Omkareshwar Project because of more equity participation of Government of Madhya Pradesh.

As far as adherence to the time schedule for appraisal and approval cycle is concerned, two recent cases are elaborated below:

a) CCEA in its meeting held on 2.6.06 has sanctioned Nimoo Bazgo (45 MW) and Chutak (44 MW) projects in J&K. As against a stipulated period of 13 weeks for CCEA sanction after convening of PIB meeting (which was held on 8.6.2005), more than the stipulated time was taken in getting CCEA approval was on account of the following:

- The observations of PIB, which had recommended the proposal, had to complied with which needed follow up with NHPC, State and Central Government agencies.
- Appraising agencies have not had sufficient time to go into various aspects at PIB stage and it was suggested during PIB meeting that further detailed scrutiny be done when the draft note for CCEA is circulated. After complying with the observations of PIB, the draft CCEA notes were circulated in July 2005 itself.
- Comments of appraising agencies were received in August 2005. However, matter regarding purchase of power by Army, para-military forces and State could not be sorted out for some time. Finally, PPA was signed with the State Government on 26.10.2005. Still, Government of J&K refused to forego 12% free power.
- After incorporating comments of appraising agencies, the revised CCEA notes were sent to the Ministry of Finance

(MoF) on 8.12.2005. The comments of MoF were received on 2.1.2006.

- As the basic issue regarding grant funding of the projects remained unresolved, a meeting was taken by the Principal Secretary to PM on 31.3.2006 and it was decided that CCEA notes will be circulated by Ministry of Power (MOP) incorporating provisions of viability gap funding.
- Finally, the CCEA notes were submitted to the Cabinet Secretariat on 23.5.06 and projects were cleared by CCEA on 2.6.06 with certain observations.

b) PIB meeting of Kishanganga (330 MW) in J&K is scheduled to be held on 28.6.2006, whose draft PIB was circulated by MOP on 25.11.05. It has taken more than the stipulated time for convening of PIB meeting after zero date i.e. circulation of PIB memo against stipulated time schedule of 11 weeks. The delay was on account of late receipt of comments of appraising agencies. The comments of Planning Commission were received as late as on 26.4.06. The revised environment clearance was received from MoEF on 9.3.06. The final PIB memo was sent by MOP to MOF on 19.5.06."

18. The Committee were informed during evidence on Demands for Grants (2006-07) that the expected utilisation of fund is Rs. 12064 crore during the 10th Plan. Now it has been informed that expcted utilisation during the 10th Plan is Rs 11684 crore which is reduced by Rs 380 crore against the reported utilisation during evidence. The Committee are concerned to note that time schedule of 24 weeks fixed for appraisal & approval of new schemes of power projects is not being strictly adhered to. The Committee feel that if the process of appraisal & approval is delayed then the whole purpose of fixing the time schedule will be defeated. Considering the huge loss due to time and cost overruns in the project, the Committee reiterate that the time schedule of 24 weeks for giving all the clearances be strictly adhered to by all the agencies concerned. The Committee feel that the question of delays in clearing projects should always be highlighted by identifying the stages where delays have taken place so that it can be taken care of at the highest level like CCEA. State Governments should also be periodically reminded to adhere to the time schedule in clearing the projects highlighting especially the cost and time overruns of the projects because of their non-adherence to the time schedules.

E. <u>Non Achievement of targets under the scheme of Renovation & Modernisation of Power Plants.</u>

Recommendation (Sl. No. 9 Para No. 2.46)

19. The Committee had noted that out of Rs. 50 crore earmarked for Renovation and Modernisation of Power Houses under the 10^{th} Plan only Rs. 1.61 crore had been utilised till December 2005 by NHPC after the completion of four years of the 10^{th} Plan. The Committee noted that NHPC had awarded a contract of Rs. 19.13 crore for Loktak Power Station and tenders had been floated for Salal Power Station. The Committee failed to understand the reasons for lack of interest of NHPC in R&M schemes. The Committee found it astonishing that only two power stations were identified for R&M during the 10^{th} Plan and that too, at the fag end of the Plan period. The Committee, therefore, recommended that R&M of these two projects should be completed in fixed time schedule. The Committee further desired that NHPC should formulate a well articulated perspective plan for Eleventh Plan, so that the funds allocated are properly utilized and benefit of R&M Schemes is reaped in terms of increased generation.

20. The Ministry in its reply has stated:

> "A provision of Rs. 20 crores was kept in approved 10^{th} Plan Outlay for Renovation and Modernization of Power Houses. A provision of Rs. 22 crores has been kept in BE for 2006-07 for Renovation and Modernization.
>
> NHPC has identified power station for Renovation and Modernization (R&M) activities i.e. Loktak and Salal. The contract for R&M of Loktak Power Station has been awarded to M/s LMZ Energy (India) Ltd., New Delhi on 6.7.2005 at Rs. 19.13 crores and notice inviting tenders (NIT) has already been floated for Salal, we would like to re-assure that there is no lack of interest on the part of NHPC in R&M schemes. NHPC has planned completion of the renovation and modernization works of these two power stations i.e. Loktak and Salal during Eleventh Plan and will take necessary action so that funds allocated are properly utilized and benefit of R&M Schemes is reaped in terms of increased generation.
>
> A tentative provision of Rs. 50 crore has been kept for R&M activities in 11^{th} Plan."

21. The Committee note that the Government has failed to utilize the plan outlay for the scheme of Renovation and Modernization of Power Plants during the 10^{th} Plan. Out or Rs. 20 crore allocated for the scheme, only a contract of Rs. 19.3 crore has been awarded and tenders for another project have been floated in the last year of the plan period just to camouflage its non – performance during the 10^{th} Plan. The Ministry has now informed that NHPC is planning to complete the renovation & modernisation of these two projects in the 11^{th} Plan. The Committee have been informed that a tentative provision of Rs 50 crore has been kept for R&M activities in 11^{th} Plan. The Committee are surprised to note that in view of the slow pace of R&M activities of NHPC during the 10^{th} Plan, how the Government would be able to fully utilise Rs 50 crore. The Committee would like to be apprised about projects identified for R&M in addition to Loktak and Salal and modalities to be adopted for full utilisation of funds.

F. ACHIEVEMENTS UNDER RAJIV GANDHI GRAMIN VIDYUTIKARAN YOJANA

Recommendation (Sl. No.15 Para 2.90)

22. The Committee were highly concerned to note that out of 6 lakhs villages, 125000 villages were un-electrified and out of 13.8 crore rural households, 7.8 crore did not have access to electricity as per 2001 census. The Committee were informed that RGGVY Scheme was introduced in April, 2005 to provide access to electricity to all rural households in four years and Rs.5000 crore had been earmarked for the remaining two years of 10^{th} Plan. Rs.1100 crore was allocated for 2005-06 and target was to electrify 10000 villages but about 6300 villages were electrified that far. The Committee felt that the scheme if implemented in its true spirit could change the scenario in rural India. For the year 2006-07, Rs.3000 crore were allocated and a target was set to electrify 40000 villages. The Committee apprehended that with present pace of physical and financial achievement during the previous year, the target for 2006-07 appeared to be un-achieveable. Therefore, the Committee trusted the Ministry would make all out efforts to fully achieve the target. The Committee recommended that special attention should be given to the States, which have a large number of un-electrified villages. Against Rs.5000 crore earmarked for the remaining two years of the 10^{th} Plan, Rs.4100 crore were allocated but no reason was furnished to the Committee for making less allocation. The Committee desired to be apprised about the reasons for less allocation and the projects sacrificed as a result thereof.

23. The Ministry in its reply has stated:

> "During the year 2005-06, 9819 villages were electrified under RGGVY against the target of 10,000 villages. As the achievement during 2005-06 has been as per the target, it is expected that target of electrifying 40,000 villages in 2006-07 will also be achieved. The Ministry is making all efforts and monitoring constantly to see that targets are met. Already 192 projects covering 51284 un-electrified villages have been sanctioned and 132 projects covering 45518 un-electrified villages have been awarded. 3085 villages have already been electrified in the first quarter of 2006-07.
>
> For the years 2005-06 and 2006-07, Rs.5000 crore have been earmarked for rural electrification under RGGVY. However, Rs.1100 crore were allocated during 2005-06 and Rs.3000 crore have been allocated for 2006-07. The balance Rs.900 crore will be asked for at RE stage. It is expected that much more will be required than Rs.5000 crore which has been allocated for X-Plan and the Ministry shall be shortly approaching the Cabinet for

enhanced funds allocation so that the target set for 2006-07 can be adequately met."

24. The Committee appreciate that the Ministry has achieved the physical target under RGGVY during the year 2005-06, but it has not mentioned anything regarding the achievement of financial target during the year. The Committee have been informed that the Ministry require more funds than the actual allocation of Rs 5000 crore for the 10th Plan under RGGVY and Ministry shall be shortly approaching the Cabinet for more funds so that the target for the year 2006-07 can be adequately met. The Committee would like to be apprised of the Cabinet's decision in this regard. The Committee also reiterate that in addition to making efforts for achieving the targets for the year 2006-07, special attention should be given to the States which have a large number of unelectrified villages.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl.No. 2 Para 2.7)

The Committee note that out of Gross Budgetary Support (GBS) o fRs. 25,000 corre for 10th Plan, only Rs. 7785.77 crore have been utilized by the Ministry during the first four years. For the fifth and last year i.e 2006-07, the Government have proposed a GBS of Rs. 5500 crore. Similarly under IEBR category, the total expenditure in four years has been only Rs. 34015.52 crore out of the total 10th plan outlay of Rs. 1,18,399 crore. In fifth year allocation under IEBR has been placed at Rs. 22123.70 crore. Keeping in view the performance of the Government during the first four years of 10th Plan, it is very unlikely that the Ministry would be able to fully utilize GBS of Rs. 5500 corre and IEBR of Rs. 22123 crore. The Committee are very unhappy to note that 10th Plan Outlay would not be fully expended.

Reply of the Government

In this connection it is mentioned that the total 10th Plan allocation to M/o Power was Rs.143399.00 crore comprising of Rs.25000.00 crore of GBS and Rs.118399.00 crore of IEBR. The above allocation was revised to Rs.92941.00 crore during the Mid Term Review taken by Planning Commission. Against that M/o Power has already utilized an amount of Rs.48873.99 crore and the Ministry is confident to utilize the allocated Annual Plan during the current financial year. Thus the expected utilization against the Mid Term target fixed by M/o Power is Rs.76497.69 crore. The detail reason for short-fall in utilization of 10th Plan's provision for the first 4 years are given below:-

The reasons for shortfall in the financial year 2005-06 i.e. last Financial year are as follows: -

(Rs. In crores)

Organisation / Scheme	BE	RE	Actuals (Prov.)	Major Reasons for saving
NHPC	3791.96	2523.81	2040.54	The reason for savings in Major projects are as follows:- ➢ Subansiri Lower (Rs.67.73 crore) – Due to delay in formal forest clearance the work could only be started w.e.f. 01.01.2005 as against Oct. 2004 envisaged earlier. Thereafter, resistance from the local persons has resulted in

				slow progress at Power House. ➢ Testa Low Dam-IV (Rs.41.50 crores), Uri-II (Rs.92.00 crore) & Parbati-III (Rs.97.60 crore) - Due to delay in investment approval. ➢ Siyom (Rs.180 crore) – TEC is not available so far. ➢ Kishan Ganga (Rs.100 crore) – due to non award of the work because of revision in the scheme.
NEEPCO	996.79	323.49	206.00	The reason for savings in Major projects are as follows:- ➢ Tripura Gas Based Power Project - due to dropping of the project (Rs.159 crore) in the absence of gas linkage. ➢ Kameng HEP – Due to slow progress of the project (Rs.200 crores)
Power Grid	4787.63	4010.74	4110.93	Powergrid was able to utilize the budgeted amount for their on-going scheme, the shortfall is in the new schemes namely Transmission Lines linked to Gas projects of NTPC i.e. Gandhar, Kawas & Barh.
SJVN	407.70	-27.51	45.72	➢ Possibility of investment approval of Rampur HEP in current financial year and expenditure thereon being remote.
DVC	2373.00	1013.07	976.93	The reason for savings in Major Projects are as follows:- Reduction of Rs.1015 crores in on-going scheme of CTPS unit 7 & 8 and Mejia TPA Ext. 5 & 6. Reduction of about Rs.90 crore

				in the new scheme. Reduction of about Rs.30 crore in T&D schemes and also Reduction of Rs.170 crore in R&M
Other Schemes of MOP	10654.31	11296.07	9467.42	Saving was due to Lower Expenditure by NTPC, which was partly offset by the higher expenditure by THDC.
TOTAL	23013.90	19140.11	**16847.54.00**	**Total Savings- 6166.36**

The reasons for shortfall in the Financial year 2004-05 i.e. last Financial year are as follows: -

(Rs. in crores)

Organisation/ Scheme	BE	RE	Actuals	Major Reasons for saving
NHPC	2849.86	2730.37	2424.34	a) New schemes of NHPC like Uri-II, Kishanganga, Nimoo Bazgo, Chutak, Siang were not ripe for investment approval. b) Teesta Low Dam IV, Chamera-III and Parbati-III could not obtain environ-ment and forest clearance resulting in delay in according approval for the same. c) As regards Survey and Investigation schemes, it was decided that NHPC would utilize its internal resources under the delegated powers to fund the Survey and Investigation projects. GBS was therefore reduced to Nil with a corresponding increase in IEBR.

				d) For the Joint Venture project of Purlia, PSP, PIB has decided that no GBS shall be earmarked for the same and the equity will come from the retained earnings of the NHPC. Total savings - Rs.425.52 crores
NEEPCO	482.00	240.00	166.53	a) The major reason for saving is the non-approval of Tripura Gas based project for which Rs. 190 crores was earmarked at BE stage. This is because the associated transmission line which was originally planned by Powergrid, was not matching the commissioning schedule of the generation project. The transmission project has now been revisited and is now slated to be constructed by NEEPCO itself, pari passu with the schedule of generation project. As a result of generation project, not been cleared by the PIB. The transmission project could not be taken up for investment approval.

				b) The Turial HE project, which is an on-going project, has been held up due to adverse law and order situation in Mizoram. There has been no work on the project since May 2004. Total savings- Rs. 315.47 crores
PFC (AG&SP)	300.00	250.00	250.00	For the scheme of interest subsidy to PFC (AG & SP), it is due to less claims received for the R&M projects in the state sector, resulting in saving of Rs.50 crores.
Power grid	3738.00	3413.79	3216.18	As against an outlay of Rs. 3738 crores, the RE has been pegged at Rs.3413.79 crs. This is because of the fact that certain projects like Sipat stage-II supplementary, Transmission system for Turial (RCE), Transmission System for Tala (RCE) were not ripe for investment approval whereas the Monarchak Transmission System is now to be done by NEEPCO. Total Savings- Rs.521.42 Crores
New Schemes of MOP	32.50	5.00	5.00	The competent authority has not approved the new schemes except Consultancy Charges for APDRP Project & Fund for Evaluation studies and Consultancy of MOP, so the amount of provided for, could not be spent. Total Savings- Rs.27.50 crores
CEA	108.99	26.61	19.55	Out of the total budget of Rs. 108.99 crore provided to CEA for their on-going as

				well as for the new schemes, the major allocation was for Preparation Of Detailed Project reports of New Hydro Electric Schemes and Scheme for 100,000 MW environment friendly thermal initiative, Modernization of CEA with low height partitioning including provision for EPBX , Up gradation of information technology facilities in CEA. As the Preparation Of Detailed Project reports of New Hydro Electric Schemes and Scheme for 100,000 MW environment friendly thermal initiative have not been approved by the competent authority, a token provision of Rs.1 crore is retained. As regard Modernization of CEA with low height partitioning including provision for EPBX, it is mentioned that only Rs.5.11 crore is left over to be released against the approved cost of the scheme, hence the reduction. The savings under upgradation of information technology facilities in CEA was due to reduction in the cost of the scheme. **Total Savings – Rs.89.44 crore**
Kutir Jyoti Programme	300.00	200.00	200.00	This programme has been merged with the New scheme i.e. Scheme for Rural Electricity Infrastructure and Household Electrification, which has been approved by the Cabinet in February, 2005 **Total Savings- Rs.100.00**

				Crores
Other Schemes of MOP	7818.97	7815.57	6665.95	Saving was due to Lower Expenditure by SJVNL which was partly offset by the higher expenditure by NTPC, DVC & THDC Savings-Rs.1153.02 crores
TOTAL	15630.32	14681.34	12947.57	**Total Savings- Rs. 2682.75 crore**

<u>2003-04</u>

The approved Plan Outlay for 2003-04 was Rs.14667.61 crores comprising of Rs.11167.61 crore of IEBR and Rs. 3500 crore of GBS. This has been reduced to Rs. 12037.77 crore at RE stage comprising of Rs. 10187.77 crore of IEBR and Rs. 1850 crore of GBS. The actual utilization (Provisional) of Plan Outlay during 2003-04 was Rs. 10741.30 crore comprising of Rs. 1846.96 crore as GBS and Rs. 8849.34 crores as IEBR. ;

The reasons for shortfall are as follows: -

(Rs. In crores)

Organisation/ scheme	BE	Actual Expendi-ture	Reasons for saving
NEEPCO	414.5	61.17	Saving of Rs.353.33 crores in case of NEEPCO was due to the non approval of new schemes namely Tipaimukh HEP, Tripura Gas and Kameng. Increase in the cost of Tipaimukh was due to the security concerns and commercial unviability of tariff was the reason for non approval .Tripura Gas Project had to be reconfigured to 280 MW in light of less availability of Gas, while Kameng HEP was not fully prepared for grant of approval.
NHPC	3269.72	2087.11	The saving of Rs.1182.59 crores in case of NHPC was due to following reasons ⇒ Non approval of the Purulia Pump storage schemes (due to absence of clarification/clearance for West Bengal), ⇒ Kishan ganga, Parbati-III,

			Chamera-III,projects were not ready for approval . ⇒ With regard to the funds budgeted for survey of investigation and the other new schemes, it was decided that NHPC would utilise its internal resources under the delegated powers. This has resulted in expediting the S&I work. However, the utilisation of GBS was affected as a result. Approval of the Competent Authority for capitalization of IDC for the completed schemes could not be obtained.
NPTI	24.60	5.09	The saving of Rs.19.51 crore in NPTI was due non-approval of the New Schemes and slow progress of ongoing schemes.
CPRI	25.00	1.48	The saving of Rs.23.52 crore in CPRI was due non-approval of the New Schemes and slow progress of ongoing schemes.
REC (AREP)	100.00	0.00	The scheme of interest subsidy to REC (AREP) is being merged with other schemes of Rural Electrification as approved by the Government. Expenditure rescheduled for next year. Hence there was the saving of Rs. 100 crore.
PFC (AG&SP)	300.00	191.91	For the scheme of interest subsidy to PFC (AG & SP), it is due to less claims received for the R&M projects in the state sector, resulting saving of of Rs.108.09 crore.
Powergrid	2670.00	2301.08	There was a saving of Rs.368.92 crore. With regard to the Powergrid Grant, the scheme of NERLDC was completed at lesser cost. In addition, delay in Associated transmission projects to match with the schedule of delayed hydro projects (like Dulhasti, Tehri) led to a slower pace of expenditure.
New	20.00	0.00	The competent authority could not

Schemes of MOP			approve the new schemes of MOP, so the full amount of Rs.20 crore provided for, could not be spent.
THDC	924.29	560.05	There was a saving of 364.24 crore due to delay in commissioning of Tehri Stage-1 and non approval of Tehri PSP as it was not ripe for investment approval.
DVC	1450.00	316.51	There was a saving of Rs.1133.49 crores due to non-approval of the schemes.
SJVN	758.05	504.00	There was a saving of Rs.254.05 crores as remaining equity from Govt. of Himahcal Pradesh which was pending for a long time was released.
Other schemes of MOP	4711.45	4712.90	There was no saving.
Total	14667.61	10741.30	**Total Saving Rs.3926.31 crores.**

2002-03

The approved Plan Outlay for 2002-03 was Rs.13483 crores comprising of Rs.10183 crore of IEBR and Rs. 3300 crore of GBS. This has been reduced to Rs. 11268.36 crore at RE stage comprising of Rs. 8668.36 crore of IEBR and Rs. 2600 crore of GBS. The actual utilisation of Plan Outlay during 2002-03 was Rs. 8649.22 crore comprising of Rs. 1830.46 crore as GBS and Rs.6818.76 crores as IEBR.

The reasons for shortfall are as follows: -

(Rs. In crores)

Organisa-tion/ Scheme	BE	Actual Expendi-ture	Reasons for saving
NTPC	3506	2945	It was decided that no GBS support to NTPC be given. Further projects involving new technology of 660 MW unit at Barh, Kahalgaon etc. were delayed as it was first instance of going for this technology. Hence there was a saving of Rs.561.00 crores.
NJPC	653	10	Saving of Rs.643.00 crores occurred as remaining equity from Government

			of Himachal Pradesh, which was pending for a long time was released.
NEEPCO	375.76	71.77	The saving of Rs.304.00 crores under NEEPCO was due to non approval of their new schemes of Tipaimukh , Tuiral HEP , Tuivai HEP , Lower Kopili HEP , Ranganadi Stage-II , Tripura Gas Based Project Project and Kameng as they were not ripe for investment approval.
NHPC	2925	1830	There was a saving of Rs.1095.00 crores under the NHPC due to non approval of schemes i.e. Teesta Low Dam-III , Sewa-II , Omkareshwar , Subansiri Lower , Parvati-III , Teesta Low Dam-IV, Purulia , Chamera HEP-III , Uri-II HEP .These projects were not ripe for investment approval. Further non-approval/release of IDC component of Rs.94.26 crores for completed projects (Tanakpur and Chamera-I) added to the savings.
PTC	1.00	0.00	There was a saving of Rs.1 crore under PTC as it was decided to restructure the Company with equity participation from Powergrid, NTPC etc instead of Government of India.
CEA	40.24	14.65	The saving of Rs.25.59 crores occurred in CEA. It was mainly due to non approval of the new schemes namely :- 1. Creation of Sub-transmission & Distribution wing in CEA(Rs.5.5 crores in Revenue and Rs.2.5 crores in capital), 2. Technology Improvement in Grid Operation (Rs. 1.1 crore in Revenue), 3. Modernisation of CEA with low height partitioning including provision for EPBX (Rs. 1.5 crore in Revenue), 4. Up-gradation of IT in CEA (Rs. 2.26 crore in Revenue), 5. Technology Improvement in Thermal Power Sector (Rs.

			3.06 crore in Revenue & Rs. 54 lakhs in Capital) And also due to the slow progress of schemes namely : - 1. Review of H.E. potential & ranking studies of Balance H.E. schemes. (Rs.5.57 crores in Revenue) 2. Technology Improvement in Power System including procurement of Software packages (Rs. 74 lakh in Revenue and Rs. 79 lakh in Capital), 3. Strengthening of Regional Electricity Boards (Rs. 56 lakh in Capital), 4. Interaction with North American Electricity Reliability Council (NERC) (Rs. 28 lakh in Capital)
DVC	840.66	146.02	There was a saving of 694.64 crore due to non approval of new projects i.e. Mejia TPS extension & Chandrapura TPS during the year.
THDC	1139.80	339.68	There was a saving of 800.12 crore due to delay in commissioning of Tehri Stage-1 and non approval of Tehri PSP as it was not ripe for investment approval.
Powergrid	3312.00	2561.20	There was a saving of Rs.750.80 crores due to non approval of new schemes.
Other Schemes of MOP	686.54	730.90	There was no saving.
Total	13483.00	8649.22	Total Saving Rs.4833.78 crores.

[Ministry of Power's U.O No. 10/3/2006-Budget dated 19.07.2006]

Recommendation (Sl.No. 4 Para No. 2.9)

The Committee observe that out of total outlay of Rs. 143399 crore allocated for the Ministry of Power for the 10th Plan, Rs. 139920 crore has been earmarked for the scheme of investment in Public Enterprises, Provision under the scheme is towards capital investment in generation & transmission projects taken up in the Central Sector through Public Sector Undertakings like NTPC, NHPC, NEEPCO, THDC, SJVNL, BHDC & POWERGRID.

The Committee are surprised to note that allocated funds have not been fully expended by PSUs such as DVC & NEEPCO – the utilization is even less than 50% of the allocated funds. During the year 2002-03 Rs. 840.66 crore was allocated to DVC, out of this only Rs. 146.02 crore was utilized. Again during 2003-04, out of the allocated Rs. 1450 crore only Rs. 316.51 crore was utilized. Similarly for the year 2005-06, out of Rs. 2373.51 crore, utilization was only to the tune of Rs. 394.69 crore (till December, 2005). Similarly the achievement of NEEPCO was Rs. 61.17 crore against the target of Rs. 414.49 crore earmarked for the year 2003-04, and out of Rs. 482 core, only Rs. 166.53 was utilized in 2004-05, utilization in 2005-06 was only Rs. 135.93 crore against the allocated Rs. 9996.79 crore. Needless to mentioned, the under utilization of funds would have an adverse affect on the on-going and future power projects. The Committee would, therefore, like to impress upon the Ministry to ascertain the reasons of persistent under utilization of allocated fund and take remedial action for full utilization of allocated funds during the year. The Committee further desire that learning from the experience of the 10th Plan, planning for the 11th Plan be done in such a way that there is proper utilization of funds during all the years of the plan period.

Reply of the Government

10th Plan allocation to M/o Power was Rs.143399.00 crore comprising of Rs.25000.00 crore of GBS and Rs.118399.00 crore of IEBR. The above allocation was revised to Rs.92941.00 crore during the Mid Term Review taken by Planning Commission. Against that M/o Power has already utilized an amount of Rs.48873.99 crore. While the major defaulters are DVC and NEEPCO, there is also reduction in utilization of funds by other organizations. Detailed reason for under utilization of funds by DVC & NEEPCO are given below:-

NEEPCO

(Rs. in crore)

YEAR	BE	RE	Actuals (Prov.)	Major Reasons for saving
2005-06	996.79	323.49	202.48	The reason for savings in Major projects are as follows:- ➢ Tripura Gas Based Power Project - due to dropping of the project (Rs.159 crore) in the absence of gas linkage.

				➢ Kameng HEP – Due to slow progress of the project (Rs.200 crores)
2004-05	482.00	240.00	166.53	a) The major reason for saving is the non-approval of Tripura Gas based project for which Rs. 190 crores was earmarked at BE stage. This is because the associated transmission line which was originally planned by Powergrid, was not matching the commissioning schedule of the generation project. The transmission project has now been revisited and is now slated to be constructed by NEEPCO itself, pari passu with the schedule of generation project. As a result of generation project, not been cleared by the PIB. The transmission project could not be taken up for investment approval. c) The Turial HE project, which is an on-going project, has been held up due to adverse law and order situation in Mizoram. There has been no work on the project since May 2004. Total savings- Rs. 315.47 crores
2003-04	414.5	173.19	61.17	Saving of Rs.353.33 crores in case of NEEPCO was due to the non approval of new schemes namely Tipaimukh HEP, Tripura Gas and Kameng. Increase in the cost of Tipaimukh was due to the security concerns and commercial unavailability of tariff was the reason for non approval .Tripura

				Gas Project had to be reconfigured to 280 MW in light of less availability of Gas, while Kameng HEP was not fully prepared for grant of approval.
2002-03	375.76	178.92	71.77	The saving of Rs.304.00 crores under NEEPCO was due to non approval of their new schemes of Tipaimukh , Tuiral HEP , Tuivai HEP , Lower Kopili HEP , Ranganadi Stage-II , Tripura Gas Based Project Project and Kameng as they were not ripe for investment approval

DVC

YEAR	BE	RE	Actuals (Prov.)	Major Reasons for saving
2005-06	2373.00	1013.07	976.93	The reason for savings in Major Projects are as follows:- ➢ Reduction of Rs.1015 crores in on-going scheme of CTPS unit 7 & 8 and Mejia TPA Ext. 5 & 6. ➢ Reduction of about Rs.90 crore in the new scheme. ➢ Reduction of about Rs.30 crore in T&D schemes and also Reduction of Rs.170 crore in R&M
2004-05	999.70	1087.71	757.36	Delay in supply of Boiler Str. Materials for Mejia Unit-5 and slow progress of Civil work in Power House/Boiler area & other Plant systems of Mejia U-5&6 and Chandrapura TPS U-7&8, etc.
2003-04	1450.00	599.26	316.51	There was a saving of Rs.1133.49 crores due to non-approval of the schemes.
2002-03	840.66	973.55	146.02	There was a saving of 694.64 crore due to non approval of new projects i.e. Mejia TPS extension & Chandrapura TPS during the year.

In this regard it is stated that utilisation of budgeted amount is linked to the accord of the investment approval by the competent authority for new projects. Though the primary responsibility of obtaining requisite approvals lie with the Ministry/Department but sometime it is beyond the control of Ministry of Power to obtain the necessary clearance within the time limit/within the financial year, resulting in surrender of funds.

During the current financial year the Annual Plan is Rs. 27623.70 crore and we are confident that the said amount would be fully utilized.

As regards the remedial actions for utilization of allocated fund during the current financial year by the Ministry, it is mentioned that an intensified monitoring mechanism at the Secretary level has been put in place as indicated below:-

i) Weekly review by Secretary (Power) of the status of investment approval of new projects. Constant follow-up with Finance Ministry and Planning Commission is taken up to expedite the same so as to ensure approval of the Competent Authority and thereby utilization of budgeted expenditure.

ii) Monthly review by Chairman, CEA of all projects.

iii) Three-stage approval process for Hydro Projects to ensure adequacy of Survey & Investigation, creation of all essential infrastructure required for commencement of construction before accord of final approval by the CCEA.

iv) Comprehensive quarterly review by Secretary (Power) of status of all ongoing and new projects.

v) Meeting with representatives from Planning Commission and Programme Implementation.

vi) Periodical reviews with States on Capacity addition / APDRP/ Village Electrification.

vii) Periodic Inter-ministerial coordination meetings with M/o Petroleum &Natural Gas; M/o Coal; M/o Environment & Forest; M/o Water Resources for expeditious clearances for the projects.

viii) Periodic reviews with Private projects developers.

ix) Periodic visits to States- Comprehensive individual review with the State Governments.

x) Periodic project visits.

[Ministry of Power's U.O No. 10/3/2006-Budget dated 31.07.2006]

Recommendation (Sl No.5 Paragraph No.: 2.26)

The Committee is dissatisfied with the slow progress in capacity addition during the last four years of the 10th Plan and are apprehensive regarding achieving the targets fixed to the effect for the last year of 10th Plan. It has been assured to the Committee that Government would be able to achieve 90% of the targeted generation i.e. 36926 MW (targeted 41110 MW), which was revised during Mid Term Appraisal at 36956 MW. Now it has been stated by the Government that a capacity of only 34024 MW is likely to be achieved during the 10th Five Year Plan.

Non-availability of fuels – coal and gas are stated to be the major reasons for non-achieving the targets. Though import of coal is being done yet the problem continues with gas based power plants. The Government failed to achieve the target during the year 2004-05 and 2005-06. Out of targeted 5245.52 MW, only 3948.92 MW capacity could be added, this further declined in the year 2005-06 – out of targeted 6934.52 MW the achievement was only 3425.8 MW.

The Committee are surprised to note that inspite of such poor performance in capacity addition, the target for the year 2006-07 has been kept at 17974 MW, i.e. almost 53% of the target fixed for 10th Five Year Plan. Though Government is planning to import coal and gas to meet the target, but still the Committee feel the target for the year 2006-07 is too ambitious. The Committee feel that instead of going in for the frequent revisions of targets, the Government should plan the capacity addition for each year properly, keeping in mind all the relevant factors like fuel supply, etc. The Committee feel that the Government has failed in terms of perspective planning. The scarcity of fuel was not sudden, the Government should have foreseen it and should have planned accordingly. The Committee believe that the capacity addition targets for 2006-07 will be optimally achieved.

Reply of the Government

At the time of the Mid Term Appraisal (MTA), it emerged that the capacity addition to the tune of 36,956 MW is feasible to achieve. This was considered feasible on the basis of status of various projects and also intimation received from agencies like Nuclear Power Corporation of India Limited (NPCIL) regarding the inclusion of few nuclear projects in the 10th Plan under the best effort scenario.

Considering the comparatively lesser gestation period associated with gas based projects, the revised capacity addition figures included number of such projects, which could not finally materialize due to prevailing shortage of gas in the country. Since the finalization of revised target of 36,956 MW, following gas based power projects totaling 1670 MW have slipped from the 10th Plan:-

(a) Kawas (NTPC) 725 MW
(b) Gandhar (NTPC) 725 MW
(c) Monarchak (NEEPCO) 220MW

Against the MTA target of 36,956 MW, now capacity totaling 34,024 MW is being monitored for commissioning during the X Plan as per details given below:-

(in MW)

	Mid Term Appraisal target	**Units commissioned**	**Under Execution**	**Overall capacity addition now anticipated**
Central	19817	8915	8310	17225
State	12240	4773.64	7127.02	11901
Private	4899	2470.6	2428	4898
Total	**36956**	16159.24	17865.02	**34024**

Out of the above, 3,300 MW are being attempted under the best effort scenario and in case of their slippage, they are expected to be commissioned during the first half of 2007-08. The project-wise details of capacity under construction and being monitored to give benefit in the current year 2006-07 are given below:-

Details of X Plan projects -Under construction and being monitored to give benefits in the current year 2006-07.

Central Sector

(figs. in MW)

Name of Project	Under execution	Commissioning Schedule
THERMAL **NTPC**		
Vindhyachal	1000	7/2006 9/2006
Kahalgaon –II (Phase –I)	500	U-5 9/2006 U-6- 12/2006
Kahalgaon –II (Phase –II)	1000	3/2007
Unchahar –III	210	8/2006
Sipat -II	1000	12/2006 3/2007(best efforts)
	3710	
DVC Thermal		

Mejia - 5 - 6 (additional unit) Chandrapur U-7&8	250 250 500	2/2007 3/2007 11/2006 1/2007(best efforts)
	1000	
Central Sector (Thermal)	**4710**	
HYDRO		
THDC Tehri HEP	1000	July to Sept.2006
	1000	
NHPC Dulhasti Teesta –V Omkareshwar (JV)(520)	390 510 260	12/2006 to 2/07 Feb.to Mar.07 Mar.07(best efforts)
	1160	
Central Sector (Hydro)	**2160**	
NUCLEAR Kaiga, NPC RAPP-V, Raj. Kudankulam U-1 **Central Sector (Nuclear)**	220 220 1000 **1440**	Mar 2007 Mar 2007 (with best efforts) Mar 2007 (with best efforts)
Overall Central Sector	**8310**	

State Sector

(figs. in MW)

Name of Project	Under execution	Commissioning Schedule
Th ermal		
Punjab GHTP -II (T)	500	10/2006 11/2006
Rajasthan Giral (T) (additional project identified) Dholpur CCPP (T) (additional project)	125 330	9/2006 GT-1- 12/2006 GT-11- 12/2006 ST-3/2007(best efforts)
Uttar Pradesh		

Parichha Extn. (T) (additional unit identified)	210	U-4-9/2006
Chattisgarh Korba East Extn. (T)	500	U-1-1/2007 U-2-3/2007(best efforts)
Madhya Pradesh Birsingpur Extn. (T) Amarkantak(T)	500 210	9/2006 3/2007(best efforts)
Maharashtra Parli Extn. (T) Paras (T) Ext. (addl. project identified)	250 250	7/2006 12/2006
Gujarat KLTPS Extn. (T) Dhuvaran CCPP Extn.(T) ST (additional project)	75 40	1/2007 ST9/06(best efforts)
Andhra Pradesh Rayalseema -II (T)	420	U-3-07/2006 U-4-12/2006
Karnataka Bellary (T)	500	12/06
West Bengal Sagardighi U-1 & 2 (T) Santaldih(Additional Project) (T) Durgapur TPS Extn. U-7 (T) Bakreshwar (T)	600 250 300 210	U-1- 1/2007 , U-2- 3/2007 3/2007 1/2007 3/2007
Nagaland Deemapur (T)	22.92	uncertain
State Sector (Thermal)	**5292.92**	
H YDRO		
Himachal Pradesh Larji –I (H)	126	July-Sept.06
J&K Baghaliar (H)	450	Mar.07(best efforts)
Uttaranchal Maneri Bhali –II (H)	304	Dec.06-Feb.07
Madhya Pradesh Bansagar –IV (H) Marikheda (H)	20 40	July-Aug.06 July-Aug.06
Maharashtra		

Ghatghar PSS (H)	250	Jan.to Mar.07
Tamil Nadu Bhawani Katlai (H)	30	July-Aug.06
Andhra Pradesh Jurala Priyadarshini (H)(78.2)	39.1	Mar.07
Kerala Kuttiyadi augmentation (H)	100	Feb-Mar.07
Orissa Balimela –II (H)	150	Feb-Mar.07
West Bengal		
Purulia PSS	225	Mar.07
Assam		
Karbi Langpi	100	Dec.06-Feb.07
State Sector Hydro	**1834.1**	
Overall State Sector	**7127.02**	

Private Sector

(figs. In MW)

Name of Project	Under execution	Commissioning Schedule
THERMAL		
Chhattisgarh Raigarh (T)	250	3/2007
Gujarat Akhakhol CCPP	365	3/2007(best efforts)
Maharashtra Dabhol -II (T)	704	1/2007
Andhra Pradesh Gowthami –I (T) Konaseema (T)	464 445	GT-I - 7/2006 GT-2-7/2006 ST – 9/2006 GT-1&2 – 7/06 ST- 08/2006
Private Sector Thermal	**2228**	
HYDRO		
Uttaranchal Vishnu Prayag (H)	200	Aug-Sept.06

Private Sector Hydro	**200**	
Overall Private Sector	**2428**	
Grand Total Under Execution	**17865.02**	

Out of the target of capacity addition set for the year 2006-07, projects aggregating to 1832 MW have been commissioned till 30th June,2006.

Regarding the preparedness for commissioning of large chunk of capacity in the last year of the 10th Plan, it is to mention that as per original schedule worked out at the time of firming up the X Plan, capacity aggregating 18,000 MW was shown as due for commissioning in the last year of the X Plan, i.e. 2006-07. Further, due to late identification of back up projects to substitute the original 10th Plan projects, which were almost certain to slip from the X Plan, coupled with constraint posed by gestation period associated with the projects, commissioning of almost all the additional projects were expected in the last year of the Plan only. While chunk of capacities were added in the last year in earlier Plans as well, the skewed capacity addition schedule for the 10th Plan was a consequence of shift in strategy in favour of an enhanced role for the public sector and recognition that earlier plan results had been disappointing as a result of undue optimism regarding private sector. The shift in strategy has yielded positive results and now 39,000 MW of projects are under execution in the country.

The progress of the projects was reviewed with the States in the Conference held on 30th May,2006. Further, as over 9,000 MW is to be added through BHEL alone, in the recent reviews with them, BHEL have given commitment dates associated with the projects being executed by them as under:-

Sl.No.	Project Name	Unit Size (in MW)	Date of Commissioning
1.	Vindyachal U-9	500	July, 06
2.	FG Unchahar	210	August, 06
3.	New Parli	250	Sept, 06
4.	Parichha U-4	210	Sept., 06
5.	Rayalseema U-3	210	Sept., 06

6.	GSECL/DHUVARAN	650	Sept., 06
7.	Giral	125	Nov., 06
8.	Vindyachal 10	500	Nov., 06
9.	Kahalgaon U-5	500	Sept., 06
10.	Sanjay Gandhi St.III U-5	500	Dec., 06
11.	Bellary	500	Dec., 06
12.	Rayalseema U-4	500	Dec., 06
13.	Paras U-1	250	Dec., 06
14.	Lehra Mohabbat U-3	250	Jan., 07
15.	Mejia U-5	250	Feb., 07
16.	Korba East U-1	250	Jan., 07
17.	Sipat U-4	500	Dec., 06
18.	GEB-Kutch Lignite	75	Jan., 07
19.	Santaldih	250	March., 07
20.	Kahalgaon U-6	500	Dec., 06
21.	Mejia U-6	250	March, 07
22.	Bakreswar U-4	210	March, 07
23.	Korba East U-2	250	March, 07
24.	Lehra Mohabbat U-4	250	March, 07
25.	Kahalgaon U-7	500	March, 07
26.	JPL-Raigarh U-1	250	March, 07
27.	Sipat U-5	500	March, 07
	TOTAL	**9190**	

Based on the assurance given by BHEL and their preparedness to meet the challenge in task of record capacity addition in the year 2006-07 and also the status of projects being executed by other vendors (other than BHEL), it is anticipated that capacity addition in 2006-07 would create a new historic benchmark for the country.

[Ministry of Power's U.O No. 2/9/2006-P &P dated 13.07.2006]

Recommendation (Sl. No. 12 Para No. 2.73)

The Committee are not happy with the pace of Renovation and Modernization of power plants because after the completion of four years of the plan period LE of only 8 units has been completed against the target of 106 units. Work is stated to be in progress on another 10 units. The Committee are informed that 57 units which are comparatively new have been identified for R&M works and works on them are likely to be completed during the Tenth Plan period. It seems unlikely that the target for Tenth Five Year Plan fixed to this effect will be achieved. One of the reasons given for poor performance is that for some of the units R&M/LE was not found to be economical. The Committee also fail to understand why comparatively new units have been identified for R&M whereas according to them, priority should have been given to units earlier identified. The Committee feel that the Ministry has adopted a very casual approach towards the R&M Schemes and efforts have not been made to resolve the problems being encountered in the implementation of the Schemes. A large number of projects have been held up due to procedural delays and lack of taking decisions by the State Governments.

The Committee, therefore, recommend that prior to setting up physical targets, the units which are actually required to be renovated and modernized should be properly identified by the Government. The Committee further recommend that proper plan of action be formulated by the Government in the beginning of each year, giving priority to the units which are in a dire need of renovation and modernization and strictly adhere to the plan.

Reply of the Government

It has been endeavor of the Ministry of Power to achieve optimal generation at the minimum cost and it is with this in view that the Ministry of Power launched Renovation and Modernization/ Life Extension programme of thermal power plants since 7th Plan. While LE works are planned for units for extending their life beyond a specified period, R&M programme are planned for units (including new units) with a view to sustaining their performance as also to avoid further deterioration/damages. During 10th Plan, Ministry of Power also launched Partnership in Excellence programme by associating them with better performing utilities like NTPC,APGENCO etc/

With reference to the general observations made by the Committee, it may be stated that with regard to the LE programme, 106 units which had completed use full life were identified for LE works in consultation with power utilities during the 10th Plan and after going through detailed examination by the utilities and their consultants it was found that LE works on 14 units are not techno economically viable. Further, while reviewing the progress of the scheme it was noticed that in some cases the amount of expenditure involved to carry out LE works was on higher side as compared to he benefits being gained, as such for 32 out of 106 thermal units which were included in LE programme and not performing well. It was decided to improve their performance level first upto 60% before going in for major investment for R&M. Accordingly an Action Plan was drawn up to improve the Plant availability and Plant Load Factor (PLF) by introducing through improved O&M practices under 'Partnership in Excellence (PIE) programme by involving the low performing utilities with better performing utilities. NTPC has already signed the agreement with 8 utilities owing 26 units out of 32 units under 'Partnership in Excellence, On remaining 6 units signing of agreement with better performing organizations is in progress. NTPC has already deputed 72 expert executives on these 26 units. After attaining the desired results the major Renovation and Modernization (R&M)/Life Extension (LE) works will be taken up, if found techno-economically viable. In the case of the units not found to be techno-economically viable for carrying out major R&M/ LE works, replacement of such units with new units of higher size would be considered.

Since time required to carryout LE works on a unit is 18 to 30 months which involves the preparation of Feasibility Report, Detailed Project Report (DPR) , Tendering, placement of orders, procurement of Materials and spares, Execution of LE works including Residential Life Assessment (RLA) studies and commissioning of the unit. It cannot be planned on year to year basis, but units are monitored on continuous basis and corrective action are taken wherever required.

In addition to units identified for LE works in which major R&M works are involved and as indicated above, 57 units (which include new units also) were identified for R&M works where the quantum of work involved is much less as compared to the works required to do LE works & It is considered necessary take up R&M works on these units at this stage itself for their sustenance & to avoid further deterioration/ damage.

As may be seen from above, the Ministry of Power redesigned the strategy with a view to attaining optimal generation with minimum cost from the existing units.

With regard to the recommendation made by the Committee for drawal up an Action Plan & its implementation, it is submitted that the recommendations of the Committee have been taken note of and with a view to further strengthen the review mechanism, the following strategy is proposed to be adopted:

i. Action Plan, as was being done earlier, will be drawn up in consultation with power utilities;
ii. Action Plan drawn/progress will be reviewed by CEA every quarter i.e. once in three months;
iii. Action Plan drawn/progress will be reviewed in the Ministry of Power at least once in six months.

[Ministry of Power's U.O No.5/9/2006-Th dated 10.08.2006]

Recommendation (No.13 Para No.2.74)

The committee are quite unhappy with the poor performance of DVC in regard to implementation of R&M /LE programme, Out of Rs.31742.02 lakh allocated under the 10th Plan, only Rs. 5093.03 lakh have been utilized till date. Poor performance of bidders, extension of pre-bid conference and post bid conference, etc. are some of the reasons put forth by the Ministry with regard to poor performance in this regard which are not acceptable to the Committee. The Committee feel if there was poor response of bidders against the open tenders floated by DVC, the bid conditions should have been relaxed much earlier as is being done now. The Committee take this to be an indication of lackadaisical approach of DVC towards R&M programme. The Committee strongly recommend that DVC take R&M programme seriously and make all out efforts to achieve the target set for the year 2006-07

<u>Reply of the Government</u>

R&M/LE programmes of DVC have suffered a setback due to poor performance / response of bidders, extension of Pre-bid conference and Post-bid conference etc. Meanwhile, the units which were identified for R&M/LE have come under PIE (Partnership in Excellence) programme with NTPC since 30.8.05 for improvement in performance through short term/ medium / long term measures.

R&M/LE programme on these units have been kept on hold till performance of these units stabilizes with the aforesaid measures. Thereafter R&M/LE programme to be taken up depending upon the results/achievements under the above PIE programme.

In case of BTPS 'A'U# 1, 2 & 3 an action plan for replacement of these units by a new unit of 1 x 500 MW capacity has been taken up. In case of CTPS units 4, 5 & 6 CEA has been approached to consider retirement of these units in view of their uneconomical performance since inception as well as involvement of a huge investment on R&M of these units without meeting the CERC norms.

[Ministry of Power's U.O No.13/1/2006-DVC Dated 7.07.2006]

Recommendation (Sl.No.17 Para 2.94)

The Committee observe that free supply of power is being given by three States viz. Andhra Pradesh, Punjab, Tamil Nadu, to certain categories of consumer without any ceiling on consumption. The Committee further observe that State Electricity Regulatory Commission (SERCs) have been empowered, under the Electricity Act, 2003, to fix tariff for sale of electricity to consumers. If state Governments are interested to give subsidy to certain class of consumers, they will have to pay full amount required to compensate the grant to concerned utility/Licensee. The Tariff Policy, however states that provision of free electricity is not desirable as it encourages wasteful expenditure of electricity. The

Committee are in agreement with the provisions of the Tariff Policy and feel that in the era of privatization, to go on giving free power to certain categories of consumers is not logical. Being concerned with the absence of any time framework to bring tariff in line with the cost of supply to each consumer, the Committee in their 31st report on Electricity Bill, 2001, had recommended that a time frame be fixed within which the tariff may be brought in line with cost of supply of power. The Committee had recommended that this time limit can be notified by each State Government within six months from the date of coming into force of this Act. However, this provision was not included in the Electricity Act, 2003. The Committee, therefore, recommend again that a time frame be fixed by the State Governments within which the tariff may be brought in line with the cost of supply of power, so that special privilege is not given to certain categories of consumers. The Committee also desire that a limit should also be fixed on the quantity of supply of the free electricity to any category of consumers like people living below the poverty line/those living in tribal areas or hamlets and small farmers and strict control be maintained by the State Governments ensure that only the targeted section sections of society are given subsidies on the power tariff.

Reply of the Government

The issue regarding time frame for brining the tariff in line with the cost of supply of power has been addressed in the Tariff Policy, which provides as follows:

> "For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.
>
> For example if the average cost of service is Rs 3 per unit, at the end of year 2010-2011 the tariff for the cross subsidised categories excluding those referred to in para 1 above should not be lower than Rs 2.40 per unit and that for any of the cross-subsidising categories should not go beyond Rs 3.60 per unit."

The National Electricity Policy addresses the issue of supply of subsidised electricity to consumers below poverty line. The Policy does make a stipulation on the maximum quantity of supply of such categories. The relevant provision of the Policy is reproduced below:

> "A minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of tariff, which are cross subsidized. Tariffs for such designated group of consumers will be at least 50 % of the average (overall) cost of supply. This provision will be further re-examined after five years."

The Tariff Policy emphasizes on the need to levy reasonable level of user charges and also that subsidized rates of electricity be permitted only upto a pre-identified level of consumption. Relevant extracts of the Tariff Policy are reproduced below:

> "Extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects. But provision of free electricity is not desirable as it encourages wasteful consumption of electricity besides, in most cases, lowering of water table in turn creating avoidable problem of water shortage for irrigation and drinking water for later generations. It is also likely to lead to rapid rise in demand of electricity putting severe strain on the distribution network thus adversely affecting the quality of supply of power. Therefore, it is necessary that reasonable level of user charges is levied. The subsidized rates of electricity should be permitted only up to a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers the amount can be paid in cash or any other suitable way. Use of prepaid meters can also facilitate this transfer of subsidy to such consumers."

As per provisions of the Electricity Act, 2003, the Electricity Regulatory Commissions are required to be guided by the above policies in the discharge of their functions.

[Ministry of Power's U.O No. 27/5/-2006-R &R Dated 10.07.06]

CHAPTER III

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

Recommendation (Sl.No.3 Para No. 2.8)

The Committee in the Fifth Report on DFG (2005-06) had also recommended that instead of revising the allocated budget at RE stage based on the performance of first two quarters of the financial year, it should be based on the utilization of the funds during the last financial year. The Minister of Power in his Statement laid on the Table of the House in August, 2005 had stated that the matter will be taken up with Ministry of Finance during RE discussion. The Committee would like to be apprised of the final outcome of the discussion held in the matter.

Reply of the Government

It is mentioned that on the advise of Standing Committee of Energy the matter was taken up with M/o Finance for fixation of the Revised Estimate on the basis of the over all performance of the Ministry/Department instead of the expenditure incurred by Ministry during the first two quarters of the Financial year. M/o Finance has not agreed for change of practice. A copy of the letter received from Ministry of Finance is given at Annexure - I.

[Ministry of Power's U.O No. 10/3/2006-Budget dated 19.07.2006]

Recommendation (Sl.No.14 Para 2.89)

The Committee are concerned to note that some of the steps which are to be taken by the State Governments to prepare the ground for rural electrification are yet to be taken. For example under Section-14 of the Electricity Act, 2003, the states are required to notify rural areas. So far only 12 states have notified these areas. States have been advised to set up District Committees and only 19 states have notified the same. Deployment of franchisees is also to be done by the State Governments. A few states feel that appointment of franchisees lead to cost escalation and need not be made compulsory. Demand for enhanced electricity is also to be met.

Reply of the Government

State Governments are taking necessary steps to prepare the ground for rural electrification. Under Section 14 of the Electricity Act, 19 states have notified Rural Areas. 23 states have issued notifications for setting up of District Committees. Deployment of Franchisees is mandatory under the scheme for Distribution Management to which all the states agreed.

Input based franchisees deployment will definitely reduce AT & C losses thereby increasing the revenue. Apprehension of a few states that installation of Franchisees may lead to escalation of cost, is unfounded. Experience in some states like Assam, Uttranchal, West Bengal has shown that with the installation of Franchisees for Distribution Management, revenue has increased.

[Ministry of Power's U.O No. 44/25/-2006-RE dated 14.07.06]

Recommendation (Sl.No.16 Para 2.91)

The electrification of villages under RGGVY will increase the demand for electricity considerably because this Scheme is not only restricted to households. Considering the present status of generation of electricity, the Committee are concerned regarding meeting this demand by the Government. The Committee are of the view that the electrification of villages should not just mean existence of infrastructure, but the people in rural areas should really get electricity for their varied needs. The Committee, therefore, desires that the Ministry make all out efforts to increase the generation of electricity by exploring all the possibilities.

Reply of the Government

Ministry of Power has the programme of creating one lakh MW capacity addition for power generation in X & XI Plan. Further, transmission system is also being strengthened. Supply of electricity to the rural area is a state subject, and the states have to see that there is no discrimination in supply of power between rural and urban areas. Further, according to proviso 8 of Section-14 of Electricity Act, 2003 generation of power in rural areas has been de-licensed so as to encourage setting up of Distributed Generation projects. Ministry of Power

[Ministry of Power's U.O No. 44/25/-2006-RE dated 14.07.06]

CHAPTER IV

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

Recommendation (Sl.No. 1 Para 2.6)

The Committee in their Fifth Report on DFG (2005-06) had recommended that that Government should take elaborate steps to ensure proper and uniform utilization of Plan outlays during the year. The Minister of Power while explaining the status of implementation of the recommendation in a Statement lay on the Table of the House in August, 2005 had stated that no shortfall is likely for schemes of Ministry of Power and it is expected that full utilization of fund will take place during the year 2005-06. However, the Committee observe that budgetary estimate of Rs. 23013.90 crore allocated during the year 2005-06 was reduced to Rs. 19140.11 crore at RE stage, out of which only Rs. 16358.22 crore, i.e 71.08% could be utilized by the Ministry. The Committee take a serious note of the non-achievement of financial and physical targets by the Government inspite of assurance given by the Minister to Parliament and desire to be apprised of the reasons for the same. The Committee further desire that planning and close monitoring should be strictly done by the Ministry to ensure full utilization of allocated funds during the year 2006-07.

Reply of the Government

It is mentioned that the Ministry is already monitoring closely the financial and physical progress of the projects and all effort is made for the full utilization of the allocated fund during the financial year, but sometime it is beyond the control of Ministry to utilize the allocated budget fully as at the time of preparing the budget for the next Financial year, we take into account the requirement of funds for all on-going schemes as well as new start-ups. We make full provision to prevent any uncertainty of funds leading to stoppage of work or delayed procurement or sudden demobilisation giving rise to contractual claims. However during the course of the year, certain unanticipated factors delay the process of clearance, somehow and award of work including disruptions beyond the control of the Ministry. To address such issues, we are constantly innovating to foresee problems and issues and prepare ourselves to meet such contingencies. As the alternative of lack of adequate funding provision could further exacerbate the uncertainty factors, we would like to err on the higher side than on the lower side.

[Ministry of Power's U.O No. 10/3/2006-Budget dated 19.07.2006]

Comments of the Committee
(Please see Para 8 of Chapter – I of the Report)

Recommendation (Sl No. 6 Paragraph No.: 2.27)

The Committee feel that one of the reasons for failure to achieve the generation target could be un-equal contribution of State and Private Sectors. The target for the Centre was 22832 MW whereas for State and Private Sector it was 11157 MW and 7121 MW respectively. The Committee, therefore, recommend that more responsibility in terms of capacity addition be assigned to the State & Private Sectors during the Eleventh Five Year Plan and the Centre can provide specific assistance to them, if needed. The Committee also desire that Ministry should examine the question of undertaking more and more new joint venture projects with the State Governments and the Private Sector to give the much desired impetus to power generation through these sectors.

Reply of the Government:

In creation of generation capacity required to cater to the needs of the growing economy, Central Sector, State Sector and Private Sector; all three have vital role to play. The role of Central Sector's participation in terms of capacity addition has substantially increased as due to resource crunch State Sector is not able to harness required investible surplus for creation of adequate capacities in line with growth in demand. Thus, the capacity of the States to create the required generation capacities has been severely restricted. Till such time State utilities become commercially viable, private participation in the sector would not gain required momentum. Therefore, in the transition period role of Central Sector in generation segment would continue to be substantial.

A capacity addition target of 41,110 MW was set for the 10th Plan comprising of 22,832 MW from Central Sector, 11,157 from State Sector and 7,121 MW from Private Sector. Against this target, the likely capacity addition during the 10th Plan is expected to be 34,024 MW, comprising of 18669 MW from Central Sector, 11,901 MW from State Sector and 3455 MW from Private Sector. The expected capacity addition during 10th Plan is about 82.8% of the target set for the Plan as against 53.7% and 47.5% for the 8th and 9th Plan respectively.

For the 11th Plan, based upon studies carried out by CEA, it has been assessed that the feasible capacity addition of over 62,000 MW is likely which comprises of 33,740 MW(54%) in Central Sector, 15,235 MW(24.4%) in State Sector and 13,500 MW(21.6%) in private sector. However, the target capacity addition for the 11th Plan is yet to be firmed up. The contribution of Central Sector viz. a viz. the State and Private Sector in the 11th Plan tentative additions is of the same order as in the 10th Plan. Also a number of Joint Venture(JV) projects between State, Central and Private Sector have been planned. The 11th plan capacity addition of over 62,000 MW includes JV projects totaling to 5,270 MW as detailed below:

7. 1000 MW Tuticorin – JV between NLC and TNEB
8. 1000 MW Ennore – JV between NTPC and TNEB
9. 1000 MW Nabi Nagar – JV between NTPC and Railways

10. 520 MW Omkareshwar(hydro) – JV between NHPC and MPEB
11. 750 MW Tripura gas - JV between ONGC and ILFS Tripura
12. 1000 MW IFFCO Sarguja – JV between CSEB and IFFCO

[Ministry of Power's U.O No. 2/9/2006-P &P dated 13.07.2006]

Comments of the Committee
(Please see Para 11 of Chapter – I of the Report)

Recommendation (Sl No.: 7 Paragraph No.:2.33)

The Committee are constrained to note that power projects are regularly slipping from year to year – some projects such as Nathpa Jhakri took 9 long years for completion, Dulhasti HE Project which was scheduled for commissioning in 1990 is now targeted for commissioning in December, 2006, i.e. after 16 years. The cost overrun in terms of percentage has been 2531.58% for Dulhasti and 387.9% for Nathpa Jhakri Project. Similarly during the Tenth Five Year Plan, the capacity addition slipped has increased over the years. During the year 2002-03, 250 MW capacity slipped, this increased to 1140 MW in 2003-04 and 1570 MW in the year 2004-05. The committee are at a loss to understand how this happened in spite of a monitoring mechanism in place with the Ministry and Central Electricity Authority. The Ministry has stated that "detailed investigations are carried out before the project is taken up for execution to minimize geological surprises at time of actual execution". The Committee, however, note that one of the reasons for slippage of Dulhasti Project was poor geological strata and in case of Nathpa Jhakri – landslide, flood and rock fall in desilting chambers. The Committee wonder as to whether the detailed investigation in these cases were really carried out in a serious manner.

The Ministry further informed that steps are being taken for tieing up of necessary funds before commencement of project execution. The Committee, however, note that Bansagar Tons PM-IV Project of MPEB & Karbi Langi HE Project of ASEB were delayed due to funds constraints. Similarly, Tenughat TPS of Bihar could not be taken up due to paucity of funds. The Committee feel that there are serious lacunae in the monitoring mechanism of the Government and recommend that the monitoring mechanism be further strengthened. The committee feel that resolution of the problems identified by monitoring mechanism is not properly attended to. The Committee desire that problems should be resolved in a time bound manner. Detailed investigation in terms of geological feasibility be undertaken before taking up a project. The Committee further recommend that the Government should take advance measures to ensure that projects do not slip due to geological factors or funds constraints – leading to time and cost overruns. The Committee desire that the Ministry should conduct a full scale review of the causative factors that resulted in slippages in various projects during the last One and half decades and thereby come out with the corresponding schedule and financial overruns in these projects. The Committee would like to be apprised thereof.

Reply of the Government

An effective monitoring mechanism has been put in place to see that the cleared power projects are executed in time. The CEA has a nodal officer to each project, both at the conception stage as well as during the execution. In addition, regular review meetings are being organized in the Ministry of Power.

New benchmarks for setting up of power projects have been achieved as under :-

(i) **Coal based :** The average lead time for the 500 MW unit reduced from 49 months to 38 months. The average lead time for the 210/250 MW units reduced from 32 months to 28 months. Ramagundam STPS-III of NTPC commissioned in 37 months. The Raichur TPS unit of Karnataka Power Corporation Ltd. commissioned in 26 months.

(ii) **Gas based:** Average lead time for gas based projects has come from 24 months to 20 months. Ramgarh CCPP open cycle commissioned in 15 months.

(iii) **Hydro based:** Average lead time of new hydro project is likely to be 60 months. Chamera II (3x100 MW) of NHPC commissioned in 49 months.

Thermal power projects are being executed in time. However, in case of some hydro projects there has been some delay due to reasons given below :-

(vi) Delay in investment decisions
(vii) Contractual problems
(viii) Land acquisition problems
(ix) Geological surprises
(x) Natural calamities such as floods etc.

Through a system of rigorous monitoring some of the large hydro projects which had experienced difficulties and considerable delays such as Nathpa Jhakri (1500 MW), Sardar Sarovar (1400 MW), Dhauliganga (280 MW) and one unit of Tehri St.I have already been commissioned and the remaining projects of Tehri (remaining 3 units), Dulhasti HEP (390 MW) and Karbi Langpi (100 MW) are due to commissioning in 2006-07.

A Standing Committee under the Chairmanship of Additional Secretary in the Ministry of Power to fix the responsibility for time and cost overruns of the projects has been constituted on 7.9.1998 and includes representatives of Planning Commission and Ministry of Finance, Department of Expenditure. The observations made by the Committee are to be necessarily included in the PIB notes for Revised Cost Estimates. The Committee has been functioning since then and examining projects in depth, which need approval for time and cost overruns.

[Ministry of Power's U.O. No.2/9/2006-P&P dated : 18.08.2006]

Comments of the Committee
(Please see Para 15 of Chapter – I of the Report)

Recommendation (Sl No. 8 Para 2.45)

The Committee note with concern that out of Rs. 32226 crore allocated to NHPC for the 10th Plan, expected utilization of Rs. 12064 crore only. Similarly, there has been a huge shortfall in achieving the capacity addition targets. The reasons for under utilization of funds are stated to be delay in getting clearances for some schemes of NHPC such as Sewa-II, Omkareshwar, Teesta Low Dam-III, etc. However, to overcome such delay, the procedure for the sanction of HE Schemes has now been streamlined and it would take 24 weeks for obtaining all the clearances. The Committee, therefore strongly recommend that time schedule for giving clearances be strictly adhered to by all concerned. The Committee would like to be appraised in this regard as to how far this schedule is being adhered to.

Reply of the Government

Out of Rs. 32226 crores allocated to NHPC for the 10th Plan, expected utilization is Rs. 11684 crores only. The reasons for under utilization of funds has been indicated as delay in getting clearances for some of schemes such as Sewa-II, Omkareshwar, Teesta Low Dam-III etc. However, there are many other reasons which contributed to the under utilization of funds during 10th Plan. These are given below:-

MAJOR REASONS FOR NON-ACHIEVEMENT OF FINANCIAL TARGETS SINCE 2002-2003

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1. The proposal for formation of Joint Venture for execution of Purulia Pump Storage Scheme was dropped from capacity addition programme of NHPC as per the decision of Government of West Bengal. Accordingly, the funds for this project could not be utilized.

2. Subansiri Lower, Arunachal Pradesh – Formal forest clearance was delayed because of NPV issue. Further, works got slowed down due to local resistance resulting in less utilization of outlay.

3. Non-availability of Site clearance stage-II from MoEF for Subansiri Upper, Arunachal Pradesh and Subansiri Middle, Arunachal Pradesh due to decision of Hon'ble Supreme Court of India that "there will be no construction of dam upstream of Subansiri river in future". Therefore, the DPRs of these two projects could not be finally prepared and work could not commence and hence the outlay could not be utilized as envisaged.

4. There was delay in Survey & Investigation works related to Siang Upper Project and Siang Lower Project in Arunachal Pradesh duye to opposition of local people and non-cooperation of local administration. State Government is not supporting Survey & Investigation at intermediate site and is insisting for project construction at upper site as a run of river scheme only.

5. DPR for Siyom HE Project, Arunachal Pradesh was submitted to CEA on 16.9.2003. Both TAC clearance and TEC of the project were still awaited, thus delaying the sanction schedule of the project resulting in less utilization of outlay than envisaged.

6. Works on Pakal Dul and Bursar Projects in J&K suffered doe to non-availability of security coverage & for want of settlement of issue of Kishtwar High Altitude National Park as some of components of the project fall inside the boundaries of the National Park. Therefore, work for preparation of DPRs and the subsequent activities got delayed and the outlay could not be utilized as envisaged.

7. Work on Loktak Downstream Project, Manipur was held up due to non-availability of security coverage at project.

8. Delay in finalization of DPR of Teesta Low Dam-IV due to change in layout of the project to avoid Mahananda Wild Life Sanctuary resulted in less likely utilization of funds during 10th Plan.

9. Upper Krishna, Karnataka and Farakka Barrage, West Bengal – Projects were abandoned due to non-availability of commercial viability. Hence, outlays in respect of these projects could not be utilized.

10. Cauvery Power Project, Karnataka/Tamil Nadu could not be taken up due to non-settlement of inter-state issues between Govt. of Karnataka and Govt. of Tamil Nadu. Hence outlays in respect of these projects could not be utilized.

11. Works on Koel Karo HE Project in Jharkhand could not be started due to non-availability of Govt. sanction. Finally CCEA sanction for closure of the project has been issued on 30.9.2005.

12. Bav-II Project was not found commercially viable by CEA. The capacity of the project was revised to 20 MW. Commercial viability was accorded for revised capacity in January 2004. Government of Maharashtra agreed to purchase the entire power from this project only in January 2005. DPR was submitted to CEA. However, CEA has returned the same as the scheme is considered as unviable. This has resulted in less likely utilization of funds during 10th Plan.

13. Reduction in the equity portion of NHPC for Omkareshwar Project because of more equity participation of Government of Madhya Pradesh.

As far as adherence to the time schedule for appraisal and approval cycle is concerned, two recent cases are elaborated below:

a) CCEA in its meeting held on 2.6.06 has sanctioned Nimoo Bazgo (45 MW) and Chutak (44 MW) projects in J&K. As against a stipulated period of 13 weeks for CCEA sanction after convening of PIB meeting (which was held on 8.6.2005), more than the stipulated time was taken in getting CCEA approval was on account of the following:

- The observations of PIB, which had recommended the proposal, had to complied with which needed follow up with NHPC, State and Central Government agencies.
- Appraising agencies have not had sufficient time to go into various aspects at PIB stage and it was suggested during PIB meeting that further detailed scrutiny be done when the draft note for CCEA is circulated. After complying with the observations of PIB, the draft CCEA notes were circulated in July 2005 itself.
- Comments of appraising agencies were received in August 2005. However, matter regarding purchase of power by Army, para-military forces and State could not be sorted out for some time. Finally, PPA was signed with the State Government on 26.10.2005. Still, Government of J&K refused to forego 12% free power.
- After incorporating comments of appraising agencies, the revised CCEA notes were sent to the Ministry of Finance (MoF) on 8.12.2005. The comments of MoF were received on 2.1.2006.

- As the basic issue regarding grant funding of the projects remained unresolved, a meeting was taken by the Principal Secretary to PM on 31.3.2006 and it was decided that CCEA notes will be circulated by Ministry of Power (MOP) incorporating provisions of viability gap funding.
- Finally, the CCEA notes were submitted to the Cabinet Secretariat on 23.5.06 and projects were cleared by CCEA on 2.6.06 with certain observations.

b) PIB meeting of Kishanganga (330 MW) in J&K is scheduled to be held on 28.6.2006, whose draft PIB was circulated by MOP on 25.11.05. It has taken more than the stipulated time for convening of PIB meeting after zero date i.e. circulation of PIB memo against stipulated time schedule of 11 weeks. The delay was on account of late receipt of comments of appraising agencies. The comments of Planning Commission were received as late as on 26.4.06. The revised environment clearance was received from MoEF on 9.3.06. The final PIB memo was sent by MOP to MOF on 19.5.06.

[Ministry of Power's U.O No. 1/1/2006- DO(NHPC)dated 28.06.2006]

Comments of the Committee
(Please see Para 18 of Chapter – I of the Report)

Recommendation (Sl. NO. 9 Para No. 2.46)

The Committee note that out of Rs. 50 crore earmarked for Renovation and Modernisation of Power Houses under the 10th Plan only Rs. 1.61 crore has been utilikzed till December 2005 by NHPC after the completion of four years of the 10th Plan. Now NHPC has awarded a contract of Rs. 19.13 crore for Loktak Power Station and tenders have been floated for Salal Power Station. The Committee fail to understand the reasons for lack of interest or NHPC in R&M schemes. The Committee find it astonishing that only two power stations have been identified for R&M during the 10th Plan and that too, at the fag end of the Plan period. The Committee, therefore, recommend that R&M of these two projects should be completed in fixed time schedule. The Committee further desire that NHPC should formulate a well articulated perspective plan for Eleventh Plan, so that the funds allocated are properly utilized and benefit of R&M Schemes is reaped in terms of increased generation.

Reply of the Government

A provision of Rs. 20 crores was kept in approved 10th Plan Outlay for Renovation and Modernization of Power Houses. A provision of Rs. 22 crores has been kept in BE for 2006-07 for Renovation and Modernization.

NHPC has identified power station for Renovation and Modernization (R&M) activities i.e. Loktak and Salal. The contract for R&M of Loktak Power Station has been awarded to M/s LMZ Energy (India) Ltd., New Delhi on 6.7.2005 at Rs. 19.13 crores and notice inviting tenders (NIT) has already been floated for Salal, we would like to re-assure that there is no lack of interest on the part of NHPC in R&M schemes. NHPC has planned completion of the renovation and modernization works of these two power stations i.e. Loktak and Salal during Eleventh Plan and will take necessary action so that funds allocated are properly utilized and benefit of R&M Schemes is reaped in terms of increased generation.

A tentative provision of Rs. 50 crores has been kept for R&M activities in 11th Plan.

[Ministry of Power's U.O No. 1/1/2006- DO(NHPC)dated 28.06.2006]

Comments of the Committee
(Please see Para 21 of Chapter – I of the Report)

Recommendation (Sl No.15 Para 2.90)

The Committee are highly concerned to note that out of 6 lakhs villages, 125000 villages are un-electrified and out of 13.8 crore rural households, 7.8 crore do not have access to electricity as per 2001 census. The Committee are informed that RGGVY Scheme was introduced in April, 2005 to provide access to electricity to all rural households in four years and Rs.5000 crore had been earmarked for the remaining two years of 10th Plan. Rs.1100 crore was allocated for 2005-06 and target was to electrify 10000 villages but about 6300 villages have been electrified so far. The Committee feel that the scheme if implemented in its true spirit can change the scenario in rural India. For the year 2006-07, Rs.3000 crore has been allocated and a target has been set to electrify 40000 villages. The Committee apprehend with present pace of physical and financial achievement during the previous year, the target for 2006-07 appear to be un-achieveable. Therefore, the Committee trust the Ministry would make all out efforts to fully achieve the target. Special attention should be given to the states, which have a large number of un-electrified villages. Against Rs.5000 crore earmarked for the remaining two years of the 10th Plan, Rs.4100 crore has been allocated but no reason has been furnished to the Committee for less allocation. The Committee would like to be apprised about the reasons for less allocation and projects sacrificed.

Reply of the Government

During the year 2005-06, 9819 villages were electrified under RGGVY against the target of 10,000 villages. As the achievement during 2005-06 has been as per the target, it is expected that target of electrifying 40,000 villages in 2006-07 will also be achieved. The Ministry is making all efforts and monitoring constantly to see that targets are met. Already 192 projects covering 51284 un-electrified villages have been sanctioned and 132 projects covering 45518 un-electrified villages have been awarded. 3085 villages have already been electrified in the first quarter of 2006-07.

For the years 2005-06 and 2006-07, Rs.5000 crore have been earmarked for rural electrification under RGGVY. However, Rs.1100 crore were allocated during 2005-06 and Rs.3000 crore have been allocated for 2006-07. The balance Rs.900 crore will be asked for at RE stage. It is expected that much more will be required than Rs.5000 crore which has been allocated for X-Plan and the Ministry shall be shortly approaching the Cabinet for enhanced funds allocation so that the target set for 2006-07 can be adequately met.

[Ministry's U.O No. 44/25/-2006-RE dated 14.07.06]

Comments of the Committee
(Please see Para 24 of Chapter – I of the Report)

CHAPTER V

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

Recommendations (Sl NO.10 Para No. 2.58)

Being concerned over the slow progress of power projects in the NE Region, the committee in their 5th report on DFG 2005-06 had recommended that three on going projects of NEEPCO namely Tuirial HEP, Kameng HEP and TGBPP be completed within 10th Plan period. The Ministry in its action taken reply had stated that all these projects are scheduled to be completed during XIth plan period.However, the committee now note that TGBPP has been abandoned and no progress has been made on Tuirial H.E. Project – the work being held up since June, 2004 due to agitation demanding crop compensation on forest land, poor law and order situation and increase in project cost. Continuation or otherwise of the project is being reviewed by CEA in view of increase in project cost. The Committee are disappointed with the performance of NEEPCO during Xth Plan period because only 25 MW capacity has been added against proposed capacity addition of 155 MW. The Committee note that NEEPCO was constituted with the objective of developing the power potential of NE region, its performance has however deteriorated over the years. 2 years have passed and NEEPCO have not taken any steps to resolve the difficulties due to which work on Tuirial had to be stopped. The Committee recommended that all out efforts be made to start work at Tuirial HEP at the earliest. The Committee further recommend that NEEPCO should formulate and implement a well laid out strategy for the XIth Plan to accomplish its projects and make all efforts to improve its performance.

Reply of Government

The works of Tuirial HEP was stopped since 09.06.2004 in view of illegal demand for crop compensation on forestland, poor law and order problem and increase in the project cost making it unviable. The Government of Mizoram has neither agreed to forego/staffer its 12% free power to make the project viable nor purchase power at the revised tariff. Therefore, attempts are being made to avail the Viability Gap Funding (VGF) under Public Private Partnership (PPP) scheme of the Govt. of India so that the project could be restarted.

In regard to Kameng HEP, investment approval was accorded on 2nd Dec'04 with completion schedule of 5 years. Accordingly, the project is slated for commissioning in 2009-10. The works on the project are progressing and are being monitored for its completion as scheduled.

In regard to Tripura GBPP, the infrastructural works of the project were taken up but investment approval to this project could not be accorded. In view of the decision of ONGC, Govt. of Tripura and IL&FS to jointly set up a 1100 MW Combined Cycle Gas Based Power Project in the vicinity at Palatana, South Tripura District in Tripura. Also on the advice of the Ministry of Finance, it was decided to keep in abeyance the 280 MW

Combined Cycle Gas Based Project of NEEPCO at Monarchak, West Tripura District in Tripura. Moreover, there were issues relating to availability/pricing of gas and sufficient viable options being available in the North East for alternate power generation. However, subsequently attempts have been made by NEEPCO to execute the project as a Joint Venture between NEEPCO & Govt. of Tripura. The Govt. of Tripura having communicated their in principle agreement on the proposal for executing the project in Joint Venture, the matter is under discussion.

The performance of NEEPCO in the field of O&M of projects, profitability and collection of revenues from beneficiaries in the preceding few years is as under :

	2003-04	2004-05	2005-06
Generation (MU)	4149	5195	5260
Profit (Rs. Crs)	208	206	209
Revenue Collection (Rs. Crs)	584	770	930.88
%age of collection	87%	96%	96.82%

[Ministry of Power's U.O No. 37/5/2006-H-I dated 26.07.2006]

Recommendations (Sl No. 11 Para No.2.59)

The Committee are not happy with the way the Ministry has handled its 280 MW Tripura Gas Based Combined Cycle Power Project. While a lot of money and efforts have gone in to prepare the ground for this project, the Ministry has decided to abandon the project. The Committee strongly condemn the action of GAIL/ONGC on going back on their commitment to supply gas to this project. Instead, they have now agreed to supply gas to another green field project in the same state. The Committee desires that all out efforts should be made to restart this project at the earliest.

Reply of the Government

As stated in reply to para 2.58, efforts are being made to revive the project through inter-ministerial consultations.

[Ministry of Power's U.O No. 37/5/2006-H-I dated 26.07.2006]

New Delhi;
14th *December, 2006*
Agrahayana 23, 1928 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee of Energy

APPENDIX – I

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON ENERGY HELD ON 14th DECEMBER 2006 IN COMMITTEE ROOM NO 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1500 hrs. to 1530 hrs.

PRESENT

Shri Gurudas Kamat – Chairman

MEMBERS

LOK SABHA

2. Shri Rashid J.M. Aaron
3. Prof. Chander Kumar
4. Sardar Sukhdev Singh Libra
5. Dr. Ravindra Kumar Rana
6. Shri Tarit Baran Topdar
7. Shri Chandra Pal Singh Yadav
8. Shri Kailash Nath Singh Yadav

RAJYA SABHA

9. Shri Syed Azeez Pasha
10. Shri Jesudasu Seelam
11. Shri Veer Pal Singh Yadav

SECRETARIAT

1. Shri B.D. Swan - Deputy Secretary
2. Shri Shiv Kumar - Under Secretary

At the outset, the Chairman welcomed Members to the sitting of the Committee. The Committee then took up for consideration the Draft Eighteenth Report on Action Taken on the recommendations contained in the 12th Report of the Standing Committee on Energy on Demands for Grants (2006-07) of the Ministry of Power.

2. The Committee then adopted the draft Report.

3. The Committee also authorized the Chairman to finalise the Report and to present/lay the same to both the Houses of Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Introduction of Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE TWELFTH REPORT OF STANDING COMMITTEE ON ENERGY (14^{TH} LOK SABHA)

I.	Total Number of Recommendations	17
II.	Recommendations/Observations which have been accepted by the Government:	
	Sl No.2, 4, 5, 12, 13 and 17	06 35.3%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:	
	Sl No.3, 14, 16	03 17.6%
	Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:	
	Sl No.1, 6, 7, 8, 9 and 15	06 35.3%
	Recommendations/Observations in respect of which the final replies of the Government are still awaited:	
	Sl No.10 and 11	02 11.8%