3

STANDING COMMITTEE ON ENERGY

(2004-05)

FOURTEENTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS (2004-05)

[Action Taken by the Government on the recommendations contained in the First Report of the Standing Committee on Energy (Fourteenth Lok Sabha)]

THIRD REPORT

S

E

A

L

LOK SABHA SECRETARIAT
NEW DELHI
February , 2005/ Magha, 1926 (Saka)

3

THIRD REPORT
STANDING COMMITTEE ON ENERGY

(2004-05)

(FOURTEENTH LOK SABHA)

MINISTRY OF POWER

DEMANDS FOR GRANTS
(2004-2005)

[Action Taken by the Government on the recommendations contained in the First Report of the Standing Committee on Energy (Fourteenth Lok Sabha)]

Presented to Lok Sabha on 2.3.2005

Laid in Rajya Sabha on 1.3.2005

S
E
A
L

LOK SABHA SECRETARIAT
NEW DELHI

February , 2005 / Magha, 1926 (Saka)

C. E. No.

Price: ______

C O N T E N T S

COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2004-05)

LOK SABHA

1. Shri Gurudas Kamat - Chairman
2. Shri Gauri Shankar Chaturbhuj Bisen
3. Shri Ajay Chakraborty
4. Shri Nandkumar Singh Chauhan
5. Shri A.B.A Ghani Khan Choudhary
6. Shri B. Vinod Kumar
7. Shri Chander Kumar
8. Shri Subodh Mohite
9. Shri Dharmendra Pradhan
10. Shri Prashanta Pradhan
11. Shri Rabindra Kumar Rana
12. Shri J.M. Aaron Rashid
13. Shri Khiren Rijiju
14. Shri Nandkumar Sai
15. Shri M. Shivanna
16. Shri Vijayendra Pal Singh
17. Shri M.K. Subba
18. Shri E.G. Sugavanam
19. Shri Tarit Baran Topdar
20. Shri G. Venkataswamy
21. Shri Chandrapal Singh Yadav

RAJYA SABHA

22. Shri Kamal Akhtar
23. Shri Sudarshan Akarapu
24. Shri Vedprakash P. Goyal
25. Dr. (Smt.) Najma A. Heptullah
26. Shri Bimal Jalan
27. Dr. K. Kasturirangan
28. Shri V. Hanumantha Rao
29. Shri Matilal Sarkar
30. Shri Motilal Vora
31. Shri Jesudas Seelam

SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri Anand B.Kulkarni - Joint Secretary
2. Shri P.K.Bhandari - Director
4. Dr. Ram Raj Rai - Assistant Director

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Third Report (Fourteenth Lok Sabha) on the Action taken by the Government on the recommendations contained in the 1st Report of the Standing Committee on Energy on Demands for Grants (2004-2005) of the Ministry of Power.

2. The First Report of the Standing Committee on Energy was presented to Lok Sabha on 19th August 2004. Replies of the Government to all the recommendations contained in the Report were received on 17th January,2005.

3. The Standing Committee on Energy considered and adopted this Report at their sitting held on 28th January, 2005.

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

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

NEW DELHI;
February 10 , 2005
Magha 21 , 1926 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee on Energy.

Chapter-I
Report

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the 1st Report (14th Lok Sabha) of the Standing Committee on Energy on the Demands for Grants (2004-05) of the Ministry of Power which was presented to the Lok Sabha on 19th August, 2004.

2. Action taken notes have been received from the Government in respect of all the 24 recommendations contained in the Report. These have been categorized as follows: -

(i) Recommendations/Observations which have been accepted by the Government: Sl Nos.4, 20 and 21

(ii) Recommendations/Observations which the Committee do not desire to persue in view of the Government's replies:
Sl Nos. 5,6,12,14,18, 19 and 22

(iii) Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee:
Sl Nos. 1, 2,7,9,10 and 11

(iv) Recommendations/Observations in respect of which the final replies of the Government are still awaited:
Sl Nos. 3,8,13,15,16,17,23 and 24

3. The Committee desire that the final replies in respect of recommendation for which only interim reply have been given by the Government should be furnished at the earliest.

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

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

A. UNDER-UTILIZATION OF BUDGETARY ALLOCATION

Recommendation (Serial Nos. 1& 2 Paragrah Nos. 2.10 & 2.11)

6. The Committee were perturbed to note that the Ministry of Power had projected higher plan outlays during the years 2002-03 and 2003-04 which were drastically reduced at RE stage and ultimately they had failed to utilise the reduced amount also. The Ministry of Power had used only 8649.22 crore during 2002-03 against the Budget Estimate of 13483 crore and Revised Estimate of 11268.36 crore and only surrendered an amount of Rs. 4833.78 crore similarly the Plan Outlays of the Ministry for 2003-04 were Rs. 14667.61 crore which was reduced to Rs. 12037.77 crore at RE stage. The actual utilization of funds during 2003-04 was Rs. 10741.00 and the Ministry of Power had surrendered an amount of Rs. 3927.00 as compared to BE for the year. The Committee were not satisfied with the reasons furnished by the Government for non-utilisation of the amount. The Committee did not approve the practice being followed by the Ministry of Power which had been asking for higher allocations year after year, but the implementation of plans and policies were poor as ground realities were not taken into account while formulating and implementing the plans. The Committee were pained to note that although they had repeatedly recommended for formulation of realistic plans but no action had been taken by the Government on those recommendations. The Committee had, however, expected that intensified monitoring mechanism which was being put in place by the Ministry of Power would ensure that budgeted amounts earmarked at the BE stage would fully utilised during 2004-05. At the same time the Committee had desired that the Government should review all the on-going schemes in the month of July-August and if required, re-allocate the funds budgeted amounts during the financial year.

7. While observing the quarterly utilisation of funds by the Ministry of Power during 2003-04 the committee had noted that the quarterly comparison with preceding year indicated that expenditure during first three quarters of the financial year was very low and it was only in the last quarter, the percentage utilization of funds was above the normal. They had viewed that unhealthy trend of not spending any amount during first quarter of the financial year and rushing to major expenditure in the last quarter, especially in the month of February and March against the financial norms and treated that as a system failure on large-scale. The Committee had, therefore, strongly recommended the that a

meaningful and relevant programmes and policies be formulated for regular infusion of funds in various projects / schemes in all quarters of the financial year and the total utilization plan outlays. The Committee liked to be apprised of the action taken by the Government in this regard.

8. In their reply, the Ministry of Power has submitted the following explanation in this regard:-

"In this connection is mentioned that out of the BE or Rs. 3600.00 crore an amount of Rs. 2760.00 crore is provided for on-going projects or projects likely to be approved i.e. on-going projects of NHPC, two projects of NEEPCO are likely to be approved by the Cabinet, Tehri-project for which the approval for RCE is at an advanced stage and for AGSP and Rural Electrification programme. It is, therefore, every possibility that the budgeted amount for the year 2004-05 would be fully utilized. As regards monitoring mechanism it is mentioned that Ministry of Power has taken the corrective measures to ensure that the budgeted amounts earmarked at the BE stage is fully utilized during 2004-05. An intensified monitoring mechanism has been put in place as indicated herewith:-

i) Weekly review by Secretary (Power) of the status of investment approval new of 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) Representatives from Planning Commission and Programme Implementation.
vi) Periodical review with States on Capacity addition / APDRP/ Village Electrification
vii) Periodical reviews with States on Capacity meetings with M/o P&NG; M/o Coal; M/o E&F; M/o WR for expositions 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 visit.

As regard review of the project, it is mentioned that while preparation of the RE for 2004-05, the complete review of al ongoing projects/ plans would be done. A circular has already been issued to all concerned in this regard"

9. About the regular utilisation of funds in all quarters of the financial year, the Ministry of Power has stated as under:-

"It is mentioned that in a meeting taken by Finance Minister with FAs on 23.7.2004, it is also desired that the existing instructions about 33% utilisation of the budget during the last quarter should be strictly followed. Accordingly, a circular has already been issued to all concerned for compliance of the instructions of Ministry of Finance as well as observations of the Audit/ Standing Committee".

10. The Committee are concerned to note the under- utilisation of budgeted amount over the years. The Committee are surprised to note that without learning anything from the past, the Ministry of Power is still following the same approach and by the end of third quarter, most of the Projects/ Schemes are at approval stage only. The Ministry has not obtained the Review Reports from the PSUs about the performance of their schemes. Moreover, they have issued instructions to the PSUs to restrict their utilisation of Budget upto 33% during the last quarter of the year. Under these circumstances, the Committee do not find any convincing reason to believe the tall claim of the Ministry of Power hoping full utilisation of allocation during the current Financial year. The Committee, therefore, do not agree with the present approach of the Government and desire that the Ministry of Power should take all corrective measures for maximum utilisation of budgeted amount during 2004-05 after obtaining the Project Review Reports from all the undertakings on priority basis. The Committee expect that by proper and timely implementation of monitoring mechanism, the Ministry of Power would ensure better utilisation of funds during the remaining months of current Financial year.

B. ENHANCED DELEGATION OF FINANCIAL POWERS FOR CLEARANCE OF PROJECTS

Recommendation (Sl. No. 3 Paragraph No. 2.12)

11. The Committee had found that budget utilisation was linked to the investment approval by the competent authority for each new project. The Committee had referred their observations made in their 40th Report (13th Lok Sabha) about the procedure being followed for approval of thermal and hydel projects and the suggestion made by the Ministry of Power that the existing procedures for obtaining approval of projects needed to be streamlined in order to step up the utilisation of funds. Taking note of the proposal of the Ministry of Power to enhance the delegation of powers for implementation of power projects for the consideration of the Cabinet, the Committee had found that the existing ceiling of 100 crore prescribed for CCEA approval was too meagre. The Committee had, therefore, reiterated their earlier recommendation made in their 40th Report (13th Lok Sabha)to enhance delegation of powers to the Ministry and its PSUs. The Committee had felt that there was a need for thorough analysis of the reasons for delay which could be related to environment/ forests, land acquisition, law and order problems, tying up of financial resources, selling and power purchase agreements, etc. At the same time the Committee had favored suggestion of the Ministry of Power regarding creation of Power Investment Commission for all projects in power sector on the lines of Telecom Commission or the National Highway Authority of India (NHAI) whereby PIB/ CCEA clearance could be obtained for 5 years plan target irrespective of taking clearance for individual projects. The Committee had desired that the Ministry of Power should immediately take up this matter with the Government at appropriate level and apprise the Committee of the resultant outcome.

12. On the issue of the proposal of enhanced delegation of financial powers, the Ministry of Power has submitted following reply:-

"The Ministry of Power has taken the issue of enhanced delegation of financial powers with the Ministry of Finance. The proposal mooted by this Ministry seeks to streamline the appraisal as well as the approved process for power projects. While at present, the projects for Government approval have to undergo multiple appraisals by same agencies, it has been proposed that the appraisal may be restricted only at one level with greater and more effective scrutiny. After such appraisal, the level of approval has also been proposed to be delegated with higher financial autonomy.

The matter was discussed in a meeting of the Committee of Secretaries who have recommended enhanced delegation of financial power upto Rs. 1500 crore to the Ministry of Power. A draft cabinet note on the basis of the above recommendation has been circulated for the same".

13. **The Committee are happy to note that Ministry of Power has taken the issue of enhanced delegation of financial powers with Ministry of Finance and the matter has been discussed in a meeting of the Committee of Secretaries and draft Cabinet note has been circulated for the same. The Committee, therefore, desire that the Ministry of Power should continue their sincere efforts at this stage at the highest level so that the final decision in this regard is taken in the shortest possible time. Simultaneously, the Ministry should undertake a through analysis of the reasons for delay which can be related to environment , forests, land acquisition, law and order problem, tying up of financial sources selling and power purchase agreements etc. with a view to find solutions for such delays in implementations of projects. The Committee are surprised to note that the Ministry has not taken any initiative in the direction of establishing power Investment Commission for all project in power sector. The Committee, therefore, reiterate that Ministry should also pursue their suggestion regarding creation of power Investment Commission for all projects in power sector vigorously and apprise the Committee about the outcome of the efforts made by them in these areas.**

C. CAPACITY ADDITION TARGETS

Recommendation (Sl. No. 4, Paragraph No. 2.22)

14. The Committee had observed that capacity addition programme of the Government during 9^{th} Plan was no better than 8^{th} Plan achievements. Against a target capacity addition of 40245.2 MW set for the 9^{th} Plan, the actuals were only 19015 MW. The Committee had noted that both Central and Private sectors have lagged behind the targets set during 9^{th} plan in both thermal and hydel sectors. The Committee therefore, had come

to an irresistible conclusion that over-optimistic and unachievable targets were set by the Government which they had never come close to achievement during the last two Plan periods. In spite of Committee's earlier recommendations to project realistic and achievable targets, the matter had not been seriously considered. The hydel Sector had failed to materialize its targets, consequently leading to adverse hydel thermal mix. Over-dependence and a total reliance on private sector had failed to show any positive results so far. In the same context, the Committee had reiterated their earlier recommendation that it might not be desirable for the Government to diminish their role or withdraw themselves from the power sector lest private sector should fail again (29th Report of 13th Lok Sabha). The Committee were of the opinion that power sector should be rejuvenated and restructured. There was a need to extend adequate Budgetary support to hydel sector, so that optimal 60: 40 hydel-thermal ratio mix be attained. The Planning Commission estimated a feasible capacity addition of 47,000 MW during the 10th Plan. Considering the 8th & 9th Plans performance, the Committee treated this target a difficult one to achieve. The Committee opined that the Government did not take any corrective action to check those reasons which resulted in failure of 9th Plan targets. The Committee had, therefore, reiterated their earlier recommendation, that only achievable and realistic targets with firm details of the source of funding for capacity generation programme. The Committee had desired that somewhere accountability should be fixed for projecting unrealistic targets and failure to achieve the targets fixed. The Committee had urged that the Government should, at least now, ensure that the projected 10th Plan targets were achieved. The Committee liked to be apprised of the follow-up corrective action taken by the Government.

15. In their Action Taken Reply, the Ministry of Power has submitted the following details about the 10th Plan targets:-

> "Taking note of the experience in the 8th and 9th Plan periods, the 10th Plan capacity addition target has consciously provided a more modest role for the private sector projects. The Central Power Sector Undertakings have a major share of the target for capacity addition in the 10th Plan.

A capacity addition target of 41,110 MW has been set for the 10th Plan. Out of this, the share of Central Sector is 22832 MW and that of the Private Sector is 7121 MW. The State Sector has a share of 11157 MW. The 10th Plan target details are summarized in the table presented below:

(in MW)

Source	Central	State	Private	Total
Hydro	8742	4481	1170	14393
Thermal	12790	6676	5951	25417
Nuclear	1300	-	-	1300
Total	22832	11157	7121	41110

16. About the efforts being made to achieve the targets, the Ministry of Power have stated as under: -

"Capacity addition realization was less than 50% of the targets in VIII and IX Five Year Plans and it was imperative to have alternate strategy in place. The following efforts are being made for realization of targets:-

- The 10th Plan capacity addition targets were finalized in consultation with the States and on the basis of identification of individual projects
- The monitoring mechanism has been strengthened. The CEA has a nodal officer for each project, both at the conception stage as well as during execution. In addition, regular review meetings are being organized in the Ministry of Power.
- The experience of earlier Plans' capacity addition programme suggest that number of power projects could not take off within the plan period in want of necessary clearances from various Organizations / Ministries and other project related issues. To overcome this deficiency, during X Plan, back up projects totaling 10,873 MW, comprising of 10643 MW in thermal and 230 MW in hydro, have been identified for being taken up in case originally targeted power projects could not take off due to various reasons.
- The role of REC has been expanded to cover financing of generation projects. This would enable REC to supplement the efforts of PFC in financing generation projects. These two organizations have mobilized themselves adequately to see that the execution of a good project is not hampered due to lack of funds.

- Procedure for getting clearances has been simplified. As per the Electricity Act, 2003, the requirement of according Techno-economic clearance by CEA has been dispensed with for thermal generation. However, any generating company intending to set up a hydro generating station shall prepare and submit to the Authority for its concurrence a scheme estimated to involve a capital expenditure exceeding such sum, as may be fixed by the Central Government from time to time, by Notification. Planning Commission has delegated full powers to State Governments for approval of power projects without any ceiling. Clearance from Planning Commission is to be restricted only to those hydro-electric projects where inter-State issues are involved.

The Central Plan outlay has been increased by more than three times in the 10th Plan in comparison to 9th Plan. The Planning Commission has allocated an outlay of Rs.1,43,399 crore for the Ministry of Power for the 10th Plan. This includes a budgetary support of Rs.25,000 crore. The corresponding figures for the 9th Plan were Rs.45591 crore and Rs.14943 crore respectively. To promote hydro power development in the country, Planning Commission had provided adequate budgetary support to the extent of Rs.17,000 crore exclusively for Central Hydro Power Corporations out of the total budgetary support of Rs.25,000 crore for Ministry of Power during the Tenth Plan period. This works out to 68% budgetary support exclusively for hydro power projects in the Central Sector.

17. About the achievements in 10th Plan the Ministry have stated as under:-

"The status of the 10th Plan projects is presented in the table given below:-

Total (Thermal+Hydro+Nuclear)	Central	State	Private	Total
Target	22832	11157	7111	41110
A. Already commissioned	5705	2290	648	8643
A as % of Target	25%	20.5%	9.1%	21%
B. Under Construction	12392	9939	4406	26637
B as % of Target	54.2%	89.1%	62%	65%
A+B as % of Target	79.2%	109.6%	71.1%	86%

As presented in table above, 20.7% of the target has been commissioned, 65.3% of the target is under execution and the remaining is under award stage. With this picture, it is expected that achievement of 10th Plan will be very close to the target. In any case, actual achievement during the X Plan is likely to be more than achievement of VIII and IX Plans put together."

18. **The Committee note that during the first three years of 10th Plan, only 20.7% power projects have been commissioned, 65.3% are under construction and remaining 14% are still under award stage. This data shows a slight improvement over the performances during the 8th and 9th Plan periods but not up to mark. The Committee do not find any satisfactory answer that how many projects will be commissioned actually by the end of Tenth Five Year Plan? The Committee, therefore, desire that the Government should continue their sincere efforts to ensure that all the power projects under the construction are completed by the end of 10th Five Year Plan. They must also take every possible initiative to expedite the approval process of remaining projects relating to capacity addition so that an early work may start on these projects. The Government should also pursue the State Governments and private sector operators with a view to ensure their significant role in achieving the targets. The Committee feel still there is a need to take fresh initiatives by the Government for achieving the targets set for capacity addition during the 10th Plan period in the remaining period of current Plan especially for completion of 65.3% projects which are under implementation. The Committee would like to be apprised of the action taken in the matter.**

D. ENERGY CONSERVATION SCHEMES

Recommendation (Sl. No. 7, Paragraph No. 2.36)

19. The Committee had felt that conservation and efficient use of energy should be treated as one of the major thrust areas to bridge the gap between the demand and supply of power. The Committee had also observed that only one energy conservation activity each in the year 2002-03 and 2003-04 was completed by agencies other than BEE. The Committee were constrained to note that although the Government on the one hand were claiming high that a large number of schemes/activities had been initiated to promote the energy efficiency and savings had accrued, but the Government had failed to enthuse conservation and energy efficiency agencies for undertaking such schemes. The Committee had, therefore, reiterated their earlier recommendation that there was a greater need to bring about public awareness regarding energy efficiency measures of the Government and the

Government should set the targets to be achieved for energy savings during a particular year. The Committee had, therefore, desired that short-term as well as long-term action plans should be formulated and the Committee should be apprised of the action taken by the Government in that regard.

20. The Ministry of Power has submitted following reply in this regard: -

"The Government has decided to launch an inclusive and extensive awareness campaign on energy efficiency and its conservation whereby all sections of the population would be brought together, but children would be specifically focused. In pursuance of the chalked out National Campaign on Energy Conservation, a Postage Stamp on Energy Conservation has been released by the Hon'ble Prime Minister of India has also launched the 'National Campaign on Energy Conservation 2005'. The National Campaign has been planned to focus on the creation of public awareness and understanding the significance of energy conservation drive by optimizing the use of energy and making energy saving a habit. The national campaign targets the following sectors:-

(i) Domestic Sector, (ii) Commercial Sector, (iii) Agricultural Sector, (iv) Industrial Sector, (v) Government Buildings and (vi) Public Sector Units, Educational Institutions.

21. The Committee strongly criticize the lackadaisical approach of the Government in undertaking the energy conservation schemes. They are moving without any specific targets and objectives. The Committee are anguished to note that even after repeated recommendations of the Committee, the Government have not come out with any specific targets to be achieved during a particular period. The Committee express their serious concern and reiterate that the Government should formulate short-term and long-term plans on energy efficiency and its conservation with specific targets and should proceed further in that direction as per those targets. The Committee would like to be apprised of the action taken by the Government in this regard within the shortest possible time.

E. <u>RENOVATION AND MODERNIZATION OF POWER PLANTS</u>

Recommendation (Sl. No. 9, Para No. 2.54)

22. The Committee had observed that power continued to grow at a rapid rate outstripping the availability for the same. But, the Committee were constrained to note the slow pace of completion of well-proven and cost-effective R&M activities, as out of a total of 636 activities identified for R&M work in thermal power units, only 95 were completed during 2002-2003. The Committee had observed that against 92 thermal units that are targeted for major refurbishment during 10^{th} Plan (2002-2003 to 2006-07), RLA studies on 48 units only had reported to be completed so far. The Committee were further distressed to note that out of 60 units which would need R&M works to improve/sustain the performance, work on 25 units had been started during the first two years of 10^{th} Plan. With only 13 schemes programmed for completion during 2004-2005, out of a total of 74 hydro schemes, only 33 were likely to implemented/completed during the first three years of the 10^{th} Plan. Although, the Ministry of Power had informed the Committee that adequate funds were available for life extension and R&M of thermal power station under AG&SP at concessional rates, the Committee had observed that against the estimated fund requirements of Rs.8700 crore and Rs.1100 crore for Life Extension Programme (LEP) and Renovation and Modernization (R&M) works; the expenditure incurred during 2002-2003 were only Rs.33 crore and Rs.30 crore respectively. Observing the low infusion of funds against the total funds requirements for the R&M projects, the Committee had come to the conclusion that there was not enough interest on the part of the Government in pursuing R&M work for power projects vigorously. The Committee had, therefore, recommended that R&M of all the identified potential units should be undertaken in a fixed time frame and CEA should monitor the work. The Committee had also recommended that private sector should also be involved in implementation of R&M schemes to ensure the speedily achievement of targets. The Committee also noted that the Government had not given enough attention to the R&M of transmission lines and sub-stations, etc. set up by Powergrid. The Committee had asked Government to draw up a programme for R&M of these assets and inform the Committee within 3 months of the presentation of the Report.

23. About the status of R&M projects, the Ministry of Power has submitted the following reply: -

> "The 636 R&M activities were programmed to be completed during whole span of 9^{th} Plan. Out of this, only 434 activities were completed during 9^{th} Plan and balance

were carried over to 10th Plan. Out of balance 95 numbers could be completed in the year 2002-03. Earlier the exact scope of R&M works was decided on the basis of Residual Life Assessment (RLA) Studies for which separate shut down of plant was needed. To expedite the Life Extension (LE) works, it was decided by the Task Force for R&M/Life Extension that the basic scope of works could be decided based on the condition of the units and experience of station engineers and the RLA of the units RLA is not being now carried out prior to LE works.

At present, R&M works have started on 36 units. For the remaining units, the R&M proposals have been finalized/ approved and the orders are being placed for the R&M activities. R&M works on all the units is likely to be completed by the end of 10th Plan.

24. About the Life Extension works, the Ministry have submitted following: -

"The LE works involve the activities of finalisation of feasibility report, placement of order, manufacturing & supply of material and the execution of works, which are spanned over 30-36 months. The major portion of expenditure is done during the supply of materials & execution, which start after almost 2 years. The exenditure incurred against LEP and R&M works till now Rs. 605 crore and Rs. 143 crore respectively.

The present status of LE works is as under:

(i) No. of units on which LE works has been completed – 6 Nos.
(ii) No. of units on which LE works are in progress – 5 Nos.
(iii) No. of units on which orders for LE works have been placed – 6 Nos.
(iv) No. of units on where feasibility study reports completed – 38 Nos.

The above-mentioned progress is slow. Despite of the well-known fact that the R&M/LE Programmes rapidly improve performance of the units, some of the utilities have shown the casual approach to such an important programme.

The reason for delays by such utilities are as under:

i) Procedural delays in placement of orders

ii) Delay/indecision by State Government in finalization of placement of orders. Some of the example are given below: -

Obra TPS (UP)	3x100 MW
Opra TPS (UP)	5x200 MW
Panipat TPS (Haryana)	3x110 MW
Chandrapura TPS (DVC)	3x120 MW”

25. About the delays in implementation, of R&M / LE Projects the Ministry of Power has given following explanation:-

“Ministry of Power and CEA are vigorously following up with the utilities for expediting the R&M/LE works in following ways:

(a) Frequent meetings in CEA

(b) Frequent site visits by CEA?NTPC?BHEL engineers

(c) Technology inputs by CEA/NTPC

(d) Guaranteed funds at concessional rates of interest are available through PFC.

(e) Compensation (to a limited extent) for generation loss during shut down for LE works are being offered from Central pool.

(f) Vigorous follow up is done through meetings and correspondence at the levels of Member, CEA, Chairman, CEA and Secretary (Power), Government of India

(g) Guidelines have been issued by Ministry of Power for speedy implementation of the R&M/LE works.

It is well know that there has been tremendous improvement in the performance of the thermal units where LE works have been completed. It is disappointing that the stations which are running with poor performance are also slow in implementation of R&M/LE works despite of vigorous follow up by CEA and the Ministry of Power

Private sector is already involved in LE works at various thermal power stations."

26. The Committee are not convinced with the justification given by the Ministry about the delays in Renovation and Modernization Schemes and Life Extension Schemes of Power Plants. It is disappointing to note despite of the availability of adequate funds for Life Extension and Renovation & Modernization Schemes at concessional rates and regular follow up by CEA and the Ministry of Power, the Government have failed to achieve the targets. This shows the weaknesses of implementation and monitoring system. The Committee, therefore, reiterate that the Government should change their present approach and prepare a time-bound programme for R&M and Life Extension Schemes of all the identified potential units and vigorously pursue the concerned utilities to follow those schedules strictly so that the targets fixed for the 10th Five Year Plan are achieved. The Committee strongly criticize the Government for not paying attention towards the Renovation and Modernization of transmission lines and sub-stations, etc. and desire that the Government should prepare a time-bound programme for R&M of these assets also without any further delay.

F. IMPLEMENTATION OF APDRP IN STATES

Recommendation (Sl. No. 10, Para No. 2.66)

27. The Committee had observed that the Government of India had approved APDRP scheme as an intervention strategy with a focus on distribution reforms with an objective to reduce AT&C losses, bring about commercial viability in the power sector, reduce outages & interruptions, and increase consumer satisfaction. The outlay of Rs.40,000 crore as additional Central Plan assistance to State Governments during 10th Five Year Plan was expected. The Committee were dismayed to note that as per the conditions decided for availing APDRP funds all States had signed MOU, MOA, Tripartite Agreements and 21 States had constituted SERCs and 17 SERCs had issued tariff orders, only 10 States had unbundled/ corporatized their SEBs and two States viz. Delhi & Orissa had privatized their SEBs so far. Further, 100% feeder metering had been completed in 16 States only and two States had reported to achieve more than 90% metering. The Committee were constrained to note that 100% consumer metering which was to be done on priority basis was reported

to be completed only in 3 States so far. The Committee had desired that the Government should take elaborate steps to speed up these schemes.

28. The Ministry of Power has submitted the following reply in response to the observations made by the Committee: -

> "Under distribution reforms, there is an emphasis on achieving 100% consumer metering. The Ministry of Power is regularly monitoring the progress achieved by the States. Further, assistance under APDRP shall be provided to the State based on progress made against various parameters, which include progress on consumer metering also."

29. **The Committee find that the objectives of APDRP include the reduction in AT&C losses, improvement in commercial viability of power sector, reduction in outages and interruption and increasing the consumers' satisfaction. For this purpose, specific distribution sector reforms are to be undertaken by the State Governments on priority basis. The Committee are not satisfied with the progress made so far in the States particularly regarding the un-bundling of State Electricity Boards, feeder metering and consumer metering. The Committee understand that States have to complete these reforms on priority basis for getting loans and grants under APDRP. The Committee also want to remind that for successful implementation of the Electricity Act, 2003, to bring commercial viability in power sector and for achieving the national targets in power sector, these schemes are to be completed urgently. The Committee are not satisfied with the present status of these schemes in the States. The Committee, therefore, desire that the Central Government should ensure a speedy implementation of these schemes in States through their active participation and inform the Committee about the elaborate steps taken by them and the outcome thereof.**

G. COMPLAINTS AFTER PRIVATIZATION OF ELECTRICITY DISTRIBUTIONS

Recommendation (Sl. No. 11, Paragraph No. 2.67)

30. The Committee had taken a serious note of the fact that in cities where distribution of electricity had been privatized there had been a sudden rise in complaints from consumers regarding sharp increase in their electricity bills. The Committee had felt that the issue should be enquired into detail and the Committee should be apprised of the action taken for quick redressal of consumers' grievances. At the same time, the Committee had strongly recommended the Government to ensure that Grievance Redressal Forum and Ombudsman should be set up in all the States within three months.

31. In their reply, the Ministry of Power has submitted the following status report:-

> "The sudden rise in complaints regarding electricity bills has been observed in States where the distribution has been privatized. States have been asked to submit their comments. As per the provisions of the Electricity Act, 2003, every distribution licensee shall, within six months from the appointed date or date of grant of license whichever is earlier, establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the State Commission. All the States are being asked to forum redressal forums and appoint Ombudsman in the distribution companies in accordance with the Electricity Act, 2003."

32. The Committee are surprised to note that inspite of specific provisions in the Electricity Act, 2003 in Section 42(5) and (6) to form Redressal Forums and appoint Ombudsman, distribution Companies State Commissions have not done much in most of the States. As these Forums are to be established under the guidelines of the respective State Commissions, the Committee feel that the Ministry of Power may direct the State Governments to impress upon the State Commissions to ensure the appointments of Ombudsman and Redressal Forums by the distribution Companies. Such distribution Companies which fail to appoint Redressal Forum should not be allowed any hike in tariff till they meet this condition. The Committee feel where these appointments have been made, these should be given wide publicity in local Newspapers. The Committee regret the delays in ensuring appointments of Redresal Forum and Ombudsman and also for not furnishing details or implementation in States, although the Committee had desired these details within three months i.e. by November, 2004. The Committee now desire that these

appointments should be made immediately and Committee may be kept informed of the action taken by the Ministry in the matter.

H. VILLAGE ELECTRIFICATION ACCORDING TO NEW DEFINITION

Recommendation (Sl.No. 15 Paragraph No. 2.84)

33. The Committee were happy to note that after their repeated recommendations to redefine the existing definition of village electrification, the Government had accepted the same and a new definition of village electrification had been notified. While welcoming the change in definition, the Committee had felt that urgent steps should be taken to ensure that at least 50% of the total village households electrified in the next five years. The Committee had also felt that under the ambit of new definition the number of non-electrified villages, which stood at 92,849 should go up and the number of remote villages might also change based on more accurate survey. The Committee had, therefore, urged that new definition should be practiced uniformly and adopted by all the arms of the Government, including the Ministry of Power. At the same time, the Committee had desired that the Ministry of Power should impress upon the State to update their statistics based on the new definition and carryout fresh survey for identifying the non-electrified villages on priority basis. The Committee had desired to be apprised of the action taken by the Government in this regard.

34. The Ministry of Power has submitted the following status report in this regard:-

> "Ministry of Power has directed all States/ UTs authorities for compilation of rural electrification statistics as per new definition in the prescribed format, and forward the same by 15.12.2004 for this year and subsequently by 15th May every year. We have received information from Government of Rajasthan. The same is awaited from other States".

35. **The Committee are anguished to note that by the schedule date, only one State has provided the rural electrification statistics as per the new definition. This shows the non-**

seriousness of States in the rural electrification schemes. The Committee are surprised to note that the States are undertaking their rural electrification schemes without updating their statistics in the light of new definition. The Committee, therefore, desire that the Ministry should take a serious note of it and ask all the State Governments to submit the latest information about rural electrification based on the new definition and modify their rural schemes accordingly. The Committee would like to know the latest statistical details relating to rural electrification and the steps taken by the Government to modify the rural electrification schemes in the light of updated statistics.

I. NATIONAL ELECTRICITY POLICY

Recommendation (Sl.No. 17, Paragraph No. 2.94)

36. The Committee were constrained to note that the State Governments had failed to respond on the report of Task Force on National Electricity Policy, Policies for Rural Areas and Tariff Policy, which was sent by the Ministry of Power for their comments. The Committee had, therefore, stressed that the Government should take all desired steps to frame and notify the new Electricity policy at the earliest. The Committee had also desired that the task of framing policies for Rural Areas and Tariff Policy should be also be completed in a time-bound manner.

37. In their reply the Ministry of Power submitted the following details:-

> "Soon after the Electricity Act was brought into effect, Ministry of Power initiated the exercise for formulation of this policy in July, 2003. The State Governments were requested to give their views and the Central Electricity Regulatory Commission (CERC) was also requested to send its advice. Regional meetings with the State Governments and with the State Electricity Regulatory Commissions were organized for discussion and to ascertain their views. A Task Force on 'Power Sector Investments and Reforms' was constituted in August, 2003 the Chairmanship of Member (Energy), Planning Commission. The Task Force had in its terms of reference, inter alia, recommending National Electricity Policy and Tariff Policy. It held consultations with all stakeholders. The report of the Task Force with the draft

National Electricity Policy and Tariff Policy was sent to the State Governments for their views.

On assumption of the office by the new Government, a fresh draft of the National Electricity Policy was formulated in June 2004 based on comments received from the States on the previous draft and the objectives of the National Common Minimum Programme. The views received from other stakeholders were also taken into account. The revised draft National Electricity Policy was forwarded to the State Governments. The Minister of Power wrote to all the Chief Ministers on 28th June, 2003 for views of the State Governments on the National Electricity Policy , tariff Policy and Rural Policies envisaged in the Act. Ministry of Power also organized region wise meetings with the State Governments in July/ August 2004 for discussion and to ascertain their views on the draft National Electricity Policy.

The draft of the National Policy has been finalized after considering the views received from the State Governments, discussions held with the State Governments in region wise meetings, advise of CERC and the comments of CEA and the draft Cabinet Note is presently under inter Ministerial consultation.

Tariff Policy and Rural Policies would be taken up for finalization on the basis of National Electricity Policy after due consultation with the State Governments".

38. **The Committee are happy to note that the Government have finalized the draft of National Electricity Policy after considering the views of State Governments, advise of CERC and comments of CEA and a Cabinet Note has also been prepared in this regard. Since the finalization of National Electricity Policy has already been delayed a lot, the Committee, desire that the Ministry should continue their sincere efforts so that final shape of National Electricity Policy comes out within the shortest possible time. Simultaneously, the Committee reiterate that the Government should also take initiatives for framing Policies for Rural Areas and Tariff Policy so that these Polices are also finalized immediately after the framing and notification of National Electricity Policy.**

J. FUND UTILIZATION FOR ON-GOING PROJECTS/R&M/LIFE EXTESNION SCHEMES OF DVC DURING 10TH PLAN

Recommendation (Sl. Nos. 23 &24, Paragraph Nos. 2.126 and 2.127)

39. The Committee were constrained to note that during 2003-04 against BE of Rs. 1450.00 crore and RE Rs. 600.00 crore , the actual fund utilization by Damodar Valley Corporation (DVC) were only Rs. 317.00 crore. The reasons adduced by DVC on each of the schemes where investments could not be utilized during the year resulting in surrendering the plan outlays were not convincing and only indicated the casual manner in which project/plans were framed and executed. Taking a strong note of the under-utilization of funds by DVC, the Committee had deplored the way, the unrealistic plan outlays were being proposed by DVC management for different projects/schemes. The Committee were dismayed to note that where as an average Rs. 1000.00 crore was to be infused in the 3 ongoing projects of DVC during 10th Plan to augment 1210 MW of additional capacity, only Rs. 536.00 crore had been invested during the first two years of the Plan. The Committee had, therefore, desired that the Government should review the existing system of budget formulation by DVC and all necessary steps be taken to improve budget formulation of plan outlays at the budget stage itself so that realistic targets could be set for generation, transmission & distribution and renovation & modernization activities proposed by the DVC during 10th Plan.

40. The Committee were also unhappy to note that the meager amount was earmarked for R&M works which needed a much bigger allocation. The Committee had recommended that DVC should carry out R&M related works in a time-bound manner and the Committee should be informed of the schedule chalked our for the purpose.

41. In regard to the utilization of Plan outlay by DVC, the Ministry of Power submitted the following reply:-

> "The projected Plan Capital Expenditure in Revised Estimates (RE) 2003-04 was estimated at Rs. 599.26 crore as against Rs. 1450.00 crore in Budget Estimates (BE) 200304, based on the actual expenditure incurred against various projects till

September, 2003 and the anticipated progress to be achieved till the end of the year 2003-04. The actual fund that could, however, be utilized during 2003-04 was Rs. 437.89 crore (73% utilization) due to the following major constraints encountered by the Corporation.

(i) Power Projects

The entire amount of Rs. 170.00 crore kept in RE 2003-04, for making advance payment to the EPC Contractor of Mejia TPS Extn. Unit # 5&6 project remained un-utilized on account of delay in finalizing the contract price, acceptable both to DVC and BHEL through several rounds of negotiation. Further, the provision kept in RE 2003-04 for equity contribution to Maithon Power Limited (MPL) for development of Maithon Right Bank Thermal Power Project also could not be utilized fully due to the unforeseen next exit of erstwhile Joint Venture M/s. BSES Limited from MPL leading to slow progress of land acquisition and other preliminary activities.

The Engineering Project Contract (EPC) for the two proejcts viz. Mejia TPS Extn. Unit # 5&6 (2x250 MW) and Chandrapura TPS Exnt. Unit #7&6 (2x250 MW) have since been awarded in June, 2004 with commissioning targets in 2006-07 and hence, most of the estimated project cost is anticipated to be spent during the remaining years of 10^{th} Plan commencing 2004-05. In order to ensure timely completion of the on-going projects taken up by DVC. Government has approved Rs. 2373.51 crore budget allocations at BE stage for the year 2005-06.

(ii) Transmission and associated Communication Projects

Against projection of Rs. 49.47 crore in RE 2003-04, an expenditure of Rs. 63.71 crore has been booked in the year in respect of entire T&D works. The upward variation in actual expenditure over budgetary allocation resulted because of higer achievement in some on-going project as compared to what was justified because and the same could not be restricted within the limit. However, some works still remain pending due to non-receipt of land and forest clearances. An expenditure of

Rs. 15.83 crore has been incurred up to September, 2004 and it is expected to cover up the whole RE 2004-05 projection of Rs. 72 crore for the remaining period of the year, considering present status of the work.

In the case of communication schemes, the expenditure allocated in RE 2003-04 could not be utilized fully on account of deferred procurement schedule of PLCC equipment so as to match with the HV line schedule, re-scheduling of commissioning of ULDC project, etc. Consequently, the expenditure requirements have been shifted to the remaining years of the 10th Plan.

All endeavours is being made to achieve most of the plan targets in the remaining period subject to early resolution of land acquisition, forest clearance and ROW problems."

42. About the implementation of R&M/Life Extension Schemes in DVC, the Ministry of Power has submitted the following details: -

"Provision of comparatively lower amounts during the first 3 years of 10th Plan against R&M work was against due to slow progress of preparatory work towards finalization of scope, cost, etc., resulting delay in finalization of technical specifications and bid documents. Even today the fate of R&M for Chandrapura TPS Units 4, 5 & 6 I is undecided in view of non-availability of any specific engineering solution to the generic problems of the boilers of these units. The matter is, however, under review by CEA and some decision is expected by the end of 2004.

In view of non-plan expenditure of the R&M/LE jobs are expected to be placed during the later part of 2004-05 and early 2005-06 and allocations to the tune of Rs. 202.38 crore has been approved at B.E. stage for R&M schemes for the year 2005-06.

Variation in non-plan expenditure occurred mainly due to revised procurement programme in respect of power House Plant & Machinery like HT Motors, Generator Rotor, Excitation Transformers, etc. followed by deferment of civil works in four major thermal power plants. The replacement of various plant & machinery proposed under non-plan capital expenditure has been shifted to R&M package under plan outlay, resulting in variance. Efforts are being made to stream line the formulation of non-plan outlays so as to minimize the variance.

DVC has taken note of the observations of the Standing Committee on Energy and would strive to formulate the future plan & non-plan outlays with realistic targets to the extent practicable, however, this is to emphasize that certain uncertainties viz. land acquisition, physical possession of land, receipt of statutory clearance, etc. are beyond the control of the Corporation. The Corporation is reviewing physical and financial progress of Plan and Non-Plan schemes on monthly basis and the areas of constraints/issues requiring attention are being followed up for achieving the set targets."

43. The Committee are note that in most of the cases where DVC could not utilize the allocated funds, the reasons are administrative in nature like delay in finalizing the contract price in case of Mejia TPS ext. and exit of Joint Venture partner M/s BSES from Maithon Power Limited. Similarly, in case of R&M work failure was due to slow progress of preparatory work towards finalisation of scope and cost etc. The Committee take a serious note of these delays and desire that the Ministry of Power should review each and every project of DVC and take corrective actions. Suitable action may also be taken against concerned officers responsible for such slackness.

CHAPTER –II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

(Recommendation Sl.No. 4 Paragraph No.2.22)

The Committee observe that capacity addition programme of the Government during 9th Plan was no better than 8th Plan achievements. Against a target capacity addition of 40245.2 MW set for the 9th Plan, the actuals were only 19015 MW. The Committee note that both Central and Private sectors have lagged behind the targets set during 9th Plan in both thermal and hydel Sectors. As against the targets set for 7574 MW for Central Sector (Thermal), achievement were only 3084 MW and the actuals were only 540 MW for hydro power against the targets of 3455 MW. Similarly, Private Sector achieved capacity addition of 4975 MW of thermal power and 86 MW of hydro power generation against the targeted 17038.5 MW and 550 MW of thermal and hydro power respectively. The Committee, therefore, have come to an irresistible conclusion that over-optimistic and unachievable targets are set by the government which they have never come close to achievement during the last 2 Plan periods. In spite of Committee's earlier recommendations to project realistic and achievable targets, the matter has not been seriously considered. The hydel Sector has failed to materialize its targets, consequently leading to adverse hydel thermal mix. Over-dependence and a total reliance on private sector have failed to show any positive results so far. It is in this context, the Committee reiterate their earlier recommendation that it may not be desirable for the Government to diminish their role or withdraw themselves from the power sector lest private sector should fail again (29th Report of 13th Lok Sabha). The Committee are of the opinion that power sector should be rejuvenated and restructured. There is a need to extend adequate Budgetary support to hydel sector, so that optimal 60:40 hydel-thermal ratio mix be attained. The Planning Commission estimated a feasible capacity addition of 47,000 MW during the 10th Plan. Considering the 8th & 9th Plans performance, the Committee observe that this target seems to be difficult to achieve. The Committee's close scrutiny has revealed that lack of investment decision in thermal PSUs, delay in receipt of foreign assistance, submission of DPRs, are some of the reasons under Central Thermal Sector, for projects being slipped from 9th Plan. The projects under private sector slipped on account of failure to achieve Financial Closure, litigation etc. Funds constraints, land acquisition / R&R problems, adverse law & order, contractual problems were some of the reasons attributed for slippage of hydel Projects. A close look at these reasons indicate that these are not the new reasons and it was precisely because of these reasons the targets could not be achieved during the 8th Plan. But, the government did not take any corrective action to check those reasons which resulted in failure of 9th Plan. The Committee, therefore, reiterate their source of funding for capacity generation programme. The Committee desire that somewhere accountability should be fixed for projecting unrealistic targets and failure to achieve the targets fixed. The Committee urge that the Government should, at least now, ensure that the projected 10th Plan targets are achieved. The Committee would, therefore, like to be apprised of the follow-up corrective action taken by the Government.

REPLY OF THE GOVERNMENT

1. Taking note of the experience in the 8th and 9th Plan periods, the 10th Plan capacity addition target has consciously provided a more modest role for the private sector projects. The Central Power Sector Undertakings have a major share of the target for capacity addition in the 10th Plan.

2. A capacity addition target of 41,110 MW has been set for the 10th Plan. Out of this, the share of Central Sector is 22832 MW and that of the Private Sector is 7121 MW. The State Sector has a share of 11157 MW. The 10th Plan target details are summarized in the table presented below:

(in MW)

Source	Central	State	Private	Total
Hydro	8742	4481	1170	14393
Thermal	12790	6676	5951	25417
Nuclear	1300	-	-	1300
Total	22832	11157	7121	41110

3. Capacity addition realization was less than 50% of the targets in VIII and IX Five Year Plans and it was imperative to have alternate strategy in place. The following efforts are being made for realization of targets:-

The 10th Plan capacity addition targets were finalized in consultation with the States and on the basis of identification of individual projects.

The monitoring mechanism has been strengthened. The CEA has a nodal officer for each project, both at the conception stage as well as during execution. In addition, regular review meetings are being organized in the Ministry of Power.

The experience of earlier Plans' capacity addition programme suggest that number of power projects could not take off within the plan period in want of necessary clearances from various Organizations / Ministries and other project related issues. To overcome this deficiency, during X Plan, back up projects totaling 10,873 MW, comprising of 10643 MW in thermal and 230 MW in hydro, have been identified for being taken up in case originally targeted power projects could not take off due to various reasons.

The role of REC has been expanded to cover financing of generation projects. This would enable REC to supplement the efforts of PFC in financing generation projects. These two organizations have mobilized themselves adequately to see that the execution of a good project is not hampered due to lack of funds.

Procedure for getting clearances has been simplified. As per the Electricity Act, 2003, the requirement of according Techno-economic clearance by CEA has been dispensed with for thermal generation. However, any generating company intending to set up a hydro generating station shall prepare and submit to the Authority for its concurrence a scheme estimated to involve a capital expenditure exceeding such sum, as may be fixed by the Central Government from time to time, by Notification. Planning Commission has delegated full powers to State Governments for approval of power projects without any ceiling. Clearance from Planning Commission is to be restricted only to those hydro-electric projects where inter-State issues are involved.

4. The Central Plan outlay has been increased by more than three times in the 10th Plan in comparison to 9th Plan. The Planning Commission has allocated an outlay of Rs.1,43,399 crore for the Ministry of Power for the 10th Plan. This includes a budgetary support of Rs.25,000 crore. The corresponding figures for the 9th Plan were Rs.45591 crore and Rs.14943 crore respectively. To promote hydro power development in the country, Planning Commission had provided adequate budgetary support to the extent of Rs.17,000 crore exclusively for Central Hydro Power Corporations out of the total budgetary support of Rs.25,000 crore for Ministry of Power during the Tenth Plan period. This works out to 68% budgetary support exclusively for hydro power projects in the Central Sector.

Achievements in 10th Plan

5. The status of the 10th Plan projects is presented in the table given below:-

Total (Thermal+Hydro+Nuclear)	**Central**	**State**	**Private**	**Total**
Target	22832	11157	7111	41110
A. Already commissioned	5705	2290	648	8643
A as % of Target	25%	20.5%	9.1%	21%
B. Under Construction	12392	9939	4406	26637
B as % of Target	54.2%	89.1%	62%	65%
A+B as % of Target	**79.2%**	**109.6%**	**71.1%**	**86%**

As presented in table above, 20.7% of the target has been commissioned, 65.3% of the target is under execution and the remaining is under award stage. With this picture, it is expected that achievement of 10th Plan will be very close to the target. In any case, actual achievement during the X Plan is likely to be more than achievement of VIII and IX Plans put together.

[Ministry of Power F.No. 2/23/2004-P&P dated 17.12.2004]

Comments of the Committee

(Please see para No. 18 of Chapter I of the Report)

(Recommendation Serial No. 20 Paragraph 2.117)

The Committee observe that POWERGRID is executing ambitious plan for development of National POWERGRID by 2012 and is targeting to complete it ahead by 3 years i.e. 2009. For development of National Grid which can support additional capacity addition of 1,00,000 MW in 10^{th} & 11^{th} Plans (by 2012), POWERGRID has envisaged an investment of about Rs.70,000.00 crore. Out of this, Rs.50,000.00 crore is planned to be invested by POWERGRID and balance Rs.20,000.00 crore is proposed to be mobilized from private sector. According to the Ministry of Power, POWERGRID plans to invest Rs.21,370.00 crore in 10^{th} plan and Rs.28,258 crore in 11^{th} Plan for Central Transmission Sector. Such a network would be capable of carrying 60% power generated in the country. Taking note of the present infusion of investments and completion of projects ahead of their targeted schedules, the Committee hope and trust that the POWERGRID would be able to set up the National POWERGRID three years in advance i.e. by 2009. The Committee desire that the Government/ POWERGRID should take elaborate steps and redraw the completion of remaining phases for developing National Powergrid by 2009.

Reply of the Government

Integration of Regional Grids for development of a robust National Power Grid is a continuous process. The present scheme for National Power Grid, with inter-regional power transfer capacity of 30,000 MW by the year 2011-12, has been planned envisaging high capacity inter-regional transmission highways for transfer of power from resource rich Eastern and North-Eastern Region to the power deficit Northern, Western and Southern Regions. During X & XI five year plan periods, transmission projects costing about Rs. 71,000 Crore are to be implemented under Central Transmission Sector. The existing plan to achieve a target of inter-regional power transfer capacity of 30,000 MW by the year 2011-12 has been drawn having record to the power generation projects envisaged to be commissioned during the corresponding period. Different transmission schemes are to be taken up progressively matching with the schedule of generation addition and requirements of strengthening/ interconnecting the grid. For example, transmission system associated with Kahalgaon-II (1500 MW) has been approved and transmission systems associated with new generation projects like, Barh (1980 MW), North Karanpura (1980 MW), Teesta (500 MW), Parbati (1300 MW) etc are at various stages of approval/finalization, which contain the elements of National Power Grid. Regular co-ordination is being undertaken by Power Grid Corporation of India Ltd. with all the agencies like CEA, generation companies and beneficiaries to ensure establishment of required transmission system in the country. Acceleration of the pace of implementation of the National Grid and achieving the target of inter-regional power transmission capacity of 30,000 MW before 2011-12 would largely depend upon the implementation of the associated generation projects.

[Ministry of Power O.M. No. 9/1/2004-PG December, 2004]

(Recommendation Sl.No. 21 Paragraph No. 2.118)

The Committee are, however, constrained to note that the transmission and distribution of electricity is not given the desired attention as the present level of investments in T&D sector is only 28% against the 50% actually required. The absence of power evacuation facilities have resulted in accumulation and wastage of power generation. Although, the Government have stated that infusion of investment by Union Government through PSUs has helped to achieve the requisite level of development in regional grid system, the Committee find that investment in inter-state transmission system had been on lower side. Due to financial constraints, the State Utilities, by and large, have been concentrating on developing the basic State Grid Systems, but have been compromising on required margins and reliability. Further, the picture on investment in sub-transmission and distribution has been dismal. The Committee, thus, strongly urge the Government to vigorously speed up the implementation of APDRP scheme to help investments in the T&D Sector at the desired level. The Committee are of the opinion that with the financial support for APDRP for strengthening sub-transmission and distribution network, the T&D losses will be minimized.

Reply of the Government

With a view to reduce the transmission, distribution and commercial losses, the Ministry is implementing Accelerated Power Development and Reforms Programme (APDRP). Funds are released as Additional Central Plan Assistance to State Electricity Boards (SEBs)/ Utilities for Upgradation and strengthening of the Sub-Transmission, and Distribution system in the country with the objective of reducing Aggregate Technical and Commercial (AT&C) losses, improving quality of supply of power, increasing revenue collection and improving consumer satisfaction.

Since the year 2002-03 the Government has sanctioned projects amounting to Rs. 17619.07 crores under APDRP out of which APDRP component is Rs. 10096.11 crores. So far 499 projects have been sanctioned in 29 states amounting to Rs.17619.07 crores during the year 2002-03, 2003-04 and 2004-05. The disbursement for the year 2002-03 was Rs. 1755.51 crores and for 2003-04 was Rs. 2356.51 crores. Ministry is pursuing all the states to implement the APDRP expeditiously to achieve the objective of the programme to bring commercial viability to the sector.

The Government has allocated Rs. 3500 crores for Accelerated Power Development and Reforms Programme (APDRP) for the year 2004-05 i.e. Rs. 1750 crores under investment component and Rs. 1750 crores under incentive component.

Under incentive component of APDRP, funds are released to the SEBs for actual cash loss reduction, for every Rs.2 of cash loss reduction Rs.1 is given as grant. The cash losses are calculated net of subsidy and receivables. The year 2000-01 has been adopted as the base year.

The details of incentives given are as under:-

(Rs. In Crores)

S.No.	Name of State	Reduction in cash loss	Incentive Released
1	Maharashtra	275.78	137.89
2	Gujarat	472.76	236.38
3	Haryana	210.98	105.49
4.	Rajasthan	275.42	137.71
5.	Andhra Pradesh	530.22	265.11
6	West Bengal	146.00	73.00
	Total	1911.16	955.58

The grant under incentive component is also to be utilized in improvement of power sector only.

[Ministry of Power F.No. No. 5/1/2004-APDRP Dated 7.12.2004]

CHAPTER-III

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

(Recommendation Sl.No. 5 Para No. 2.34)

The Committee observe that the Bureau of Energy Efficiency (BEE) is presently in the initial phase of establishing the institutional, promotional and regulatory arrangements and the corresponding expenditure incurred is reportedly being met from the interest earned on the corpus fund of Rs. 50.00 crore which is placed with NTPC in long-term (20- years) Secured Non-Convertible, Cumulative Redeemable Taxable NTPC Bonds of Rs. 10.00 lakh each (Series SVll) at an interest rate of (8.75%) per annum, payabIe on quarterly basis and annually BEE is earning about Rs. 4 to 4.5 crore from the investment so made. Taking note of various energy conservation/efficiency activities undertaken by BEE, the Committee feel that the amount of Rs. 4 to 4.5 crore is too meager for the BEE to execute and supervise all its proposed activities. The Committee, therefore, recommend that the Government should provide adequate budgetary support as well as take elaborate steps to ensure that agencies carrying out energy conservation activities should get enough and timely financial assistance through the Power Finance Corporation or other financial institutions. At the same time the Committee expect that the payment and security mechanism worked out by BEE for Energy Service Companies for their investment in energy conservation activities with designated consumers would be rational. The Committee would like to know the present status of different energy efficiencies schemes which have not been taken up due to fund constraints and desire that the Government should ensure that no energy conservation scheme be held-up due to lack of funds. The Committee would like to know the action taken by the Government in this regard.

Reply of the Ministry of Power

The Government has established Bureau of Energy Efficiency (BEE) under the provisions of Energy Conservation Act, 2001 w.e.f. 1st March, 2002. A one-time corpus fund of Rs. 50 crores has been provided to BEE with the authorization to invest in a manner to earn the best possible return. This Corpus has been fetching enough returns to BEE during the last two years so as to enable it to execute and supervise all its existing programmes and activities. During the year 2002-03, after utilizing Rs. 92.66 lakhs for its programmes, there were a surplus of Rs. 112.38 lakhs left with BEE. Similarly, in the next year, the balance surplus available with BEE rose to Rs. 690.51 lakhs after meeting out Rs. 230.37 lakhs for various expenditure. Therefore, there is no constraint of funds with BEE for its various on-going programmes.

However, in order to ensure that funds do not become a constraint, Government of India has provided a token provision in the demands for grants of Ministry of Power for any additionality required to meet its energy conservation schemes over and above the cash surplus available with BEE. So far there has been no requirement over and above this cash surplus. Hence, the question of any energy conservation scheme suffering due to lack of funds does not arise at this juncture.

(Ministry of Power O.M. No. 14/3/04-EM dated December, 28,2004)
(Recommendation Sl.No. 6 Para No. 2.35)

The Committee note that various projects/schemes such as National Energy Conservation Award Scheme, execution of the Energy Conservation act, 2001 and the Bureau of Energy Efficiency's Action Plan which include Indian Industry Programme for energy conservation, demand side management, standard labelling programme, energy efficiency in buildings, development of energy performance code, research programme, school education, etc. The Committee further observe that BEE has already taken various steps such as energy audit in Central Government buildings, testing facilities for standard and labelling, guidelines for building codes, pilot project for school education, etc. Although, the Committee appreciate the various steps taken by BEE for various energy conservation activities resulting in a total saving of Rs. 2291.00 crore for the period 1999 to 2003 in 17 sub-sectors of industries, resulting in savings of avoided capacity generation (460 MW) against the investment on energy conservation devises to the tune of Rs. 3991.00 crore made in these industries. The Committee note that the Government have not furnished the recurring benefits of the investments made in various industries as the proportion of investments did not indicate the desired monetary gains by the industry. In this context, the Committee would like to be apprised of the recurring benefits which should accrue to the industries on account of one time investments on energy conservation devices.

Reply of the Government

Energy savings accrued and investment made on energy efficiency improvement projects, which have been presented to the Standing Committee, pertain to the reference year in which projects were commissioned by the industry. The savings presented in each year reflect only the first year energy savings and these savings have not been included in the subsequent years as recurring energy savings.

In industry, energy saving for the second and subsequent year for each of the projects tends to decline over the years due to wear and tear of the energy savings equipment and host of other operational and maintenance practices of such equipments. Therefore, to avoid complexity or to introduce simplicity in presenting data, recurring energy savings or benefits have not been considered. However, assuming 20% deterioration of energy savings in each subsequent year, the energy saving achievements in monetary term work out to be Rs.4810 crore for the Award scheme (1999-2003), which is presented below:

Summary of energy saving achieved by industrial units during the Award scheme (1999-2003) taking into account recurring benefits.

Year	First Year	* Recurring	Cumulative	Investment (Rs.

	Savings in Rs. Crores	benefits of the previous years (Rs. Crores)	savings (Rs. Crores)	Crores)
2003	539	1122	1661	1071
2002	594	809	1403	691
2001	587	424	1011	659
2000	366	164	530	630
1999	205	-	205	940
Total			4810	3991

* Note:A factor of 20% deterioration has been assumed while working out the recurring monetary benefits.

(Ministry of Power O.M. No. 14/3/04/-EM dated December, 28, 2004)

(Recommendation Sl.No. 12 Paragraph No. 2.68)

The Committee further observed that APDRP has two components. The investment component is meant for projects to strengthen and upgrade ST&D network and these are sanctioned for reduction in losses & outages and better reliability & increased customer satisfaction. Under this scheme, Government of India provides additional central assistance of 50% of the project cost in the ratio of grant and loan as 1:1. Utilities have to arrange remaining 50%from financial institutions. Special categories states are entitled for 100% assistance in the ratio of grant and loan as 9:1 (NE states, J&K, H.P., Uttaranchal and Sikkim). The Committee are constrained to note that although an investment target of Rs. 16610.19 crore has been laid, the funds released during 2002-03 and 2003-04 are Rs. 1755.51 crore and Rs. 2356.51 crore respectively. As regard to the incentive component of APDRP, the Committee observe that funds are provided to SEBs/utilities for actual loss reduction by way of one for two matching grants. Although, the scheme started from the financial year 2000-01 as base year with a provision of Rs. 20,000 Crore grant, the total Incentive amount released to the state of Andhra Pradesh, Gujarat, Haryana, Maharashtra and Rajasthan during 2002-03 and 2003-04 are Rs. 379.27 Crore and Rs. 503.30 Crore respectively. The Committee observe that the funds under APDRP are released based on financial progress of implementation of the projects sanctioned, as per scheme guidelines. Further funds are released to the State Government based on the utilization of funds both APDRP and counter part by the State Government. As and when States/Utilities fulfills the above conditions, the recommendations of release of funds are made to the Ministry of Finance for release of funds against sanctioned projects. The Secretary, Ministry of Power was candid enough to admit before the Committee that Government of Maharashtra was pursued by the Ministry of Power to invest the matching amount, as the grants sanctioned under the scheme were not utilized even after expiry of 9 months. The Committee, therefore, recommend that the Government should take elaborate steps to ensure that matching funds are made available by the respective State Governments. The Committee expect the Ministry of Power to ensure that each State enthusiastically participate in the scheme so as to make APDRP scheme a success.

Reply of the Government

Govt. of India has asked Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to provide matching fund and Rs. 6233.92Crore have been already sanctioned against total requirement of Rs. 7522.98Crore. As per the terms and conditions of release of APDRP funds, Govt. of India releases fund in three installments. The first installment of 25% is released upfront on sanction of the project. Next installment is released only after utilisation of Government of India fund along with equal amount of matching fund.

Ministry is pursuing all the states to implement the APDRP expeditiously to achieve the objective of the programme to bring commercial viability to the sector.

(Ministry of Power F.No. No. 5/1/2004-APDRP Dated 7.12.2004)

(Recommendation Sl.No. 14 Para No. 2.83)

The Committee are further constrained to note that although funds for rural electrification are made available to SEBs/implementation agencies through various Ministries including Rural Electrification Corporation, the actual utilization/disbursements are very low as compared to the sanctioned funds. The Committee observe that during the year 2002-03, against sanctioned funds of Rs.12125 crore, the disbursements were only Rs. 6607 crore. Similarly, for the year 2003-04, against Rs. 15,976 crore, the disbursement made by REC were only Rs. 6017 crore. The Committee take a strong note of the fact that in spite of their repeated recommendations for disbursement of funds for rural electrification schemes as sanctioned, the funds released by REC since 1996. -97 for different schemes were much below the sanctioned funds. In the absence of any explanations, the Committ4ee failed to understand why the sanctioned funds could not be disbursed during a particular year. The Committee would like to know the status of implementation of all Rural Electrification Schemes, including Kutir Jyoti Programme, during 2003-04. In view of the low disbursement of funds, the Committee recommend that the Government/REC should take necessary steps so that the schemes planned in any particular year for which funds have been earmarked should be implemented and funds disbursed thereon. The committee would like to know the action taken by the Government/REC in this regard.

REPLY OF THE GOVERNMENT

Disbursement is lower than sanctioned funds due to various factors such as:

After appropriate documentation (which depends on the borrower), funds are released in tranches in accordance with the sanctions.

Releases are linked to the physical progress of the scheme. As very few schemes have a completion schedule of less than one year, there will always be a gap between sanctions and disbursement, even when schemes progress on schedule.

Slow implementation of schemes,

Non-fulfillment of legal and other requisite formalities, Withdrawal of schemes by some SEBs/State Power Utilities after sanctioning of the schemes etc.

With specific reference to the observations of the Committee that during the year 2002-03, against the sanctioned funds of Rs.12125 crores, the disbursements made were only Rs.6607 crore; and for the year 2003-04 against sanctioned amount of Rs.15,976 crores, the disbursements made were Rs.6017 crores, R.E.C. has clarified that the above sanctioned amounts include, for the first time, sanctions for major generation projects also, amounting to Rs.736 crores and Rs.8034 crores respectively for the above two years. The huge step-up in such sanctions is in view of the recent change in the mandate of REC, whereby new generation projects are also being financed by REC. As generation projects are capital intensive and the securitization//documentation of such loans takes considerable time, there is invariably a time lag of about six months to a year before disbursements against such projects pick up. Also generation projects have an implementation period of 4-5 years and therefore, the disbursements are spread over a number of years depending upon the progress of work. Obviously, in such cases, disbursements would be less than the sanctioned amount in the year of sanction.

The status of progress (financial) of REC schemes for the year 2003-2004 is given below:

S.No	Category of schemes	Loan amount disbursed (Rs. Crore)
1	Village Electrification	27
2	Dalit basti Electrification	74
3	Hamlet Electrification	132
4	Intensive Electrification	297
5	Pumpset Energisation	275
6	System Improvement	2058
7	APDRP	736
8	Generation	260
9	Other schemes	2097
	Total	5956

Apart from the above, Kutir Jyoti grant of Rs. 60.44 crore was drawn by the power utilities and they have released 5.09 lakh connections during the year 2003-04.

(Ministry of Power F.No. 44/137/2004-REC dated 17.01.2005)

(Recommendation Sl.No. 18 Para No. 2.95)

The Committee have observed that recently a number of States have announced free power to various consumers particularly to farmers. While examining the Electricity Bill, 2001, the Committee have commented upon at Para No.10.67 (31st Report, 13th Lok Sabha) that in guise of free power to agriculture sector, subsidy to farm sector is being misused/misappropriated, thus defeating the very purpose of introducing of such a system for farm sector. The Committee had observed that such subsidy was cornered by persons other than for whom it was intended. The Committee per-se were not against the concept of subsidy to farm sector, but stressed that it needs to be regulated. It is in this context, the Committee had desired that electricity supply to agriculture should be compulsorily metered and duly reflected in the monthly Bill raised for the purpose. It would also help in checking the theft of electricity by non-agricultural sector as at present SEBs are showing all their losses against agricultural sector because it is not metered. The State Governments concerned can decide as to how much free power is to be given to a beneficiary and for how much power he has to pay. The Committee reiterate their earlier recommendation on free power to consumers and desire that it should compulsorily be metered so that the State Governments concerned can decided as to how much free power is to be given to a beneficiary and for how much power he has to pay. Taking note of the Tamil Nadu Electricity Regulatory Commission's orders directing Tamil Nadu Government to pay Rs.196.00 crore for full year towards subsidy for execution of free supply of power to agriculture and the Andhra Pradesh Electricity Regulatory Commission order asking Andhra Pradesh Government to pay an amount of Rs.380.45 crore from 15.5.2004 to 31.3.2005 towards subsidy for extension of free power, the Committee find that the Government have not clarified about the present policy guidelines to ensure that subsidy amount is either paid by the State Government in advance to the distribution licensee or these be released by the State Government in equal quarterly installments subject to final adjustment at the end of the year. The Committee, therefore, desire to be apprised of the present guidelines issued by the Government in this regard.

REPLY OF THE GOVERNMENT

1. Section 65 of the Electricity Act which relates to the provision of subsidy by the State Government reads as follows:

"If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government.

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard".

It is evident from the above provision that the subsidy is to be paid by the State Government in accordance with the directions of the State Electricity Regulatory Commission.

2. Section 55(1) of the Electricity Act mandates supply of electricity through meter. This sections reads as follows:

No licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with the regulations to be made in this behalf by the Authority:

Provided that the licensee may require the consumer to give him security for the price of a meter and enter into an agreement for the hire thereof, unless the consumer elects to purchase a meter:

Provided further that the State Commission may, by notification, extend the said period of two years for a class or classes of persons or for such area as may be specified in that notification.

3. All the State Governments have committed for metering of consumers in the MOA / MOU signed with the Central Government. A statement indicating the State-wise position of consumer metering is enclosed.

OVERALL STATUS OF REFORMS AND RESTRUCTURING OF STATES IN DISTRIBUTION

States	11kV feeder metering	Consumer metering
Delhi	96%	100%
Haryana	√	100%
Himachal Pradesh	93%	100%
Jammu & Kashmir	40%	40%
Punjab	√	100%
Rajasthan	√	94%
Uttar Pradesh	√	91%
Uttranchal	√	87%
Chhattisgarh	70%	72%
Gujarat	√	93%
Goa	√	95%
Madhya Pradesh	√	63%
Maharashtra	97%	88%
Andhra Pradesh	√	91%
Karnataka	√	80%
Kerala	√	100%
Tamil Nadu	√	81%
Bihar	41%	50%
Jharkhand	86%	62%
Orissa	46%	83%
West Bengal	98%	98%
Assam	62%	90%
Meghalaya	24%	44%
Arunachal Pradesh	0%	46%
Mizoram	52%	52%
Manipur	21%	82%
Nagaland	19%	61%
Tripura	√	81%
Sikkim	49%	62%
Total	94%	86%

√ = 100%

(Ministry of Power F.No. 27/7/2004 (R&R) (Pt.) Dated 17.12.2004)

(Recommendation Sl.No. 19 Para No. 2.102)

The Committee observe that the Ministry of Finance/ Planning commission have issued instructions to all the Ministries/Departments for allocation of 10% of their Plan Budget for the projects in the North Eastern Region including Sikkim. Accordingly, Ministry of Power is providing not only 10% of its Plan Budget but in excess of the 10% of the Plan Budget to the North-Eastern Region including Sikkim. Taking note of the low

% utilization which varies from 9% to 36% of the total outlays with respect to North-Eastern Region and Sikkim during the last 3 years, the Committee feel that the very purpose of providing 10% of the total outlays of the Ministry to North-Eastern Region gets defeated. The Committee are further perturbed to note that though the Planning Commission conducts quarterly performance review (QPR) on a regular basis for each State including the States of the North-Eastern region which inter-alia also covers the power sector and in the said QPR both physical and financial progress in NE States are reviewed, it appear to the Committee that no corrective actions to expedite the timely completion of the projects have been taken. The Committee, therefore, strongly recommend the Government to take all desired steps to ensure that funds earmarked for North-Eastern Region which are meant for overall development of the region must be utilized and projects/ schemes should be completed as targeted. The Committee are constrained to note the low utilisation of Budget outlays by NEEPCO which is undertaking power generation projects in North-Eastern Region. During the previous years as against BE of Rs.414 crore during 2003-04, the actuals were only Rs.61 crore. It appears that in spite of Committee's earlier recommendations that NEEPCO should set achievable targets and IEBR projections, the Government/NEEPCO had done nothing to implement these suggestions. Although, a number of projects like Tipaimukh gas based power Project (280 MW), Tipaimukh Hydro-electric Project (1500 MW), Turial Hydro-electric Project (60 MW), Tuivai Hydroelectric Project, (3X70 MW) etc. are being executed by NEEPCO, the Committee are at a loss to observe the downward revision of Budget Estimates during 2003-04. The Committee feel that the Government/ NEEPCO will at least now ensure the utilisation of the plan outlays fully which are targeted for the 2004-05. The Committee would like to be apprised of the steps taken to fully utilize the Budget Estimates of Rs. 482 crore from 2004-05 with 217 crore Gross Budgetary Support for the year. Since the funds for North-Eastern region get accredited to a non-lapsable fund every year, the Government should think of utilising these funds for creation of basic infrastructure in the region which in term would help in reducing the cost of various projects in the region. The Government may also analysis the possibility of utilising this fund to meet the expenditure on security activities at various projects sites to ensure proper law and order situation to avoid loading the cost on the project. The Committee also suggest that part of the unutilised amounts of the Ministry could be transferred to the non-lapsable fund. The Committee may be informed of the action take in the matter.

Reply of the Government

In this connection it is mentioned that M/o Finance/Planning Commission have issued instructions for providing of 10% of the Plan budget of the Ministries/Departments for the development of the North Eastern Region including Sikkim. Based on the instructions M/o Power is providing budget to North Eastern Region separately which is more than the stipulated limit of the M/o Finance / Planning Commission, as most of the NHPC's projects and NEEPCO in particular are located in North Eastern Region.

As regards under utilization of during 2003-04 in North Eastern Region (NEEPCO), it is mentioned that saving of Rs. 195.23 crore in case of NEEPCO is due to non approval of their new schemes i.e Tipaimukh, Tripura Gas and Kameng. Increase of cost of Tipaimukh due to security concern and commercial unviability of tariff was the reason for non approval of 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.

As regard the possibility of utilization of budget during 2004-05 provided to NEEPCO, it is mentioned that against the BE of Rs. 482 crore comprising of Rs. 217 crore of Gross Budgetary Support, NEEPCO will be able to utilize atleast 200 crore during the current financial year as their two schemes have recently been approved by the CCEA.

As regard transfer of the fund by the Ministry to Non-lapsable pool, it is mentioned that M/o Power is incurring more than 10% budget of the M/o Power Plan Fund. The question of transferring of plan fund to non-lapsable pool does not arise as per M/o Finance/Planning Commission instructions. The details showing the available budget of M/o Power and the actual utilization in North Eastern Region during the last 3 years are given in Annexure-I, II and III respectively.

(Ministry of Power O.M No 20020/6/2004-Budget dated 17.12.2004)

ANNEXURE I

STATEMENT SHOWING EXPENDITURE ATTRIBUTED TO THE DEVELOPMENT OF THE NORTH EASTERN REGION & SIKKIM

Proposed

Sl. No		BE 2004-05	RE 2004-05
1		2	3
1.	Total GBS of Ministry of Power	3600.00	3267.25
	10% of Gross Budgetary Support:	360.00	326.73
	North Eastern Electric Power Corpn.		
	(i) Kopili State-II	1.77	1.00
	(ii) Tipaimukh	9.00	1.00
	(iii) Tuivai HEP	0.00	0.00
	(iv) Lower Kipili HEP	5.00	0.00
	(v) Kameng HEP	140.23	145.00
	(vi) Ranganadi State-II	5.00	1.00
	(vii) Tripura Gas Based Power Project	50.00	50.00
	(viii) Dikrong, Papumpan & Pakke HE Projects	5.00	1.00
	(ix) Survey & investigation	1.00	1.00
	Total : NEEPCO	217.00	200.00
2.	National Hydro Electric Power Corpn.		
	(i) Subansiri Lower	389.23	480.00
	(ii) Loktak Down Stream	6.00	0.00
	(iii) Teesta V.	126.72	148.49
	(iv) Siang Lower	11.91	0.00
	(v) Siang Middle	75.00	0.00

1		2	3
	(vi) Siang Upper	6.84	0.00
	(vii) Subansiri Upper	20.39	0.00
	(viii) Subansiri Middle	24.98	0.00
	(ix) Divang	1.00	0.00
	Total : NHPC	662.07	628.49
	Total Provision under MH-4552(NHPC& NEEPCO)	879.07	828.49
3.	Kutir Jyoti Programme	50.00	50.00
	Total Provision under MH-2552	50.00	50.00
4.	Power Grid-Grant-ULDC (NER)	2.00	2.00
	Grand Total	931.07	880.49
	Percentage earmarked for NE	25.8%	26.9%

ANNEXURE II

2003-04

STATEMENT SHOWING EXPENDITURE ATTRIBUTED TO THE DEVELOPMENT OF THE NORTH EASTERN REGION & SIKKIM

(Rs. in crore)

Sl No.		BE 2003-04	Actual 2003-04
1	2	3	4
1.	Total GBS of Ministry of Power	3500.00	1846.46
	10% of Gross Budgetary Support:	350.00	184.64
	North Eastern Electric Power Corpn.		
	(i) Kopili State-II	21.49	0.00
	(ii) Tipaimukh	40.00	0.00
	(iii) Tuivai HEP	15.00	0.00
	(iv) Kameng HEP	70.00	21.26
	(v) Ranganadi State-II	20.00	0.00
	(vi) Tripura Gas Based Power Project	50.00	0.00
	Total : NEEPCO	216.49	21.26
2.	National Hydro Electric Power Corpn.		
	(i) Subansiri Lower	300.00	320.81
	(ii) Loktak Down Stream	22.35	0.00
	(iii) Teesta V	275.00	275.00
	(iv) Siang Lower	9.24	0.00
	(v) Siang Middle	25.00	0.00
	(vi) Siang Upper	10.00	0.00

1	2	3	4
	(vii) Subansiri Upper	25.00	0.00
	(viii) Subansiri Middle	50.00	0.00
	Total : NHPC	716.59	595.81
	Total Provision under MH-4552	933.08	617.07
3.	REC-Kutir Jyoti Programme	10.00	10.00
	Total Provision under MH-2552	10.00	10.00
	Provision for other scheme made for NER		
4.	Power Grid-Grant-ULDC(NER)	80.00	50.18
	Grand Total	1023.08	677.25
	Percentage earmarked for NE:	29.2%	36.6%

2002-03

STATEMENT SHOWING EXPENDITURE ATTRIBUTED TO THE DEVELOPMENT OF THE NORTH-EASTERN REGION & SIKKIM

(Rs. in Crore)

Sl No.	Item Description of Plan Scheme	BE 2002-03	Actuals 2002-03
1	2	3	4
	Total GBS of Ministry of Power:	3300.00	1830.46
	10% of Gross Budgetary Support:	330.00	183.05
1.	North Eastern Electric Power Corpn.		
	(i) Kopili Stage-II	12.00	30.23
	(ii) Tipaimukh	15.00	0.00
	(iii) Tuirial HEP	5.00	0.00
	(iv) Tuivai HEP	41.00	0.00
	(v) Lower Kopili HEP	10.00	0.00
	(vi) Kameng HEP	40.38	17.00
	(vii) Ranganadi Stage-II	20.00	0.00
	(viii) Tripura Gas Based Power Project	47.10	0.00
	(ix) Dikrong, Papumpam & Pakke HE Projects	10.00	2.0284
	Total : NEEPCO	200.48	49.2584
2.	National Hydro Electric Power Corpn.		
	(i) Subansiri Lower	200.00	20.99
	(ii) Loktak Down Stream	10.00	4.08
	(iii) Teesta V	202.53	289.41
	(iv) Siang Lower	11.72	7.27
1	2	3	4

	(v) Siang Middle	8.33	3.60
	(vi) Siang Upper	5.24	4.79
	(vii) Subansiri Upper	10.00	3.82
	(viii) Subansiri Middle	10.37	3.86
	(ix) Rangit		0.00
	Total : NHPC	458.19	337.82
3.	REC-Kutir Jyoti Programme	10.00	5.00
4.	PGCIL-ULDC-NER	40.00	0.00
	Grand Total	708.67	392.08
	Percentage earmarked for NE	21.4%	21.4%

STATEMENT SHOWING EXPENDITURE ATTRIBUTED TO THE DEVELOPMENT OF THE NORTH-EASTERN REGION & SIKKIM

(Rs. in Crore)

Sl No.	Item Description of Plan Scheme	BE 2001-02	Actuals 2001-02
1	2	3	4
	Total GBS of Ministry of Power:	3288.00	3089.12
	10% of Gross Budgetary Support:	282.00	308.91
1.	North Eastern Electric Power Corpn.		
	(i) Kopili Stage-II	15.24	0.00
	(ii) Tipaimukh	20.00	0.00
	(iii) Tuirial HEP	10.24	0.00
	(iv) Tuivai HEP	14.00	0.00
	(v) Lower Kopili HEP	10.00	0.00
	(vi) Kameng HEP	29.96	41.28
	(vii) Ranganadi Stage-II	5.00	0.00
	(viii) Tripura Gas Based Power Project	9.00	0.00
	(ix) Dikrong, Papumpam & Pakke HE Projects	11.56	0.00
	Total : NEEPCO	125.00	41.28
2.	National Hydro Electric Power Corpn.		
	(i) Subansiri Lower	40.00	25.44
	(ii) Loktak Down Stream	20.00	0.00
	(iii) Teesta V	189.00	207.18
	(iv) Siang Lower	25.00	0.00
	(v) Siang Middle	12.00	0.00
1	2	3	4

	(vi) Siang Upper	18.00	0.00
	(vii) Subansiri Upper	15.00	0.00
	(viii) Subansiri Middle	15.00	0.00
	Total : NHPC	334.90	232.62
3.	Inter State Transmission Line		
	(i) Marani-Mokokchung	1.76	0.85
	(ii) Umiam-Umtru Stage-IV	3.04	1.01
	Total : ISTL	4.80	1.86
4.	REC-Kutir Jyoti Programme	7.00	7.00
	Grand Total	471.70	282.76
	Percentage earmarked for NE	14.3%	9.12%

NORTH EASTERN ELECTRIC POWER CORPORATION LTD.

DETAILS OF REVISED ESTIMATE 2004-05 &
BUDGET ESTIMATE 2005-06

(Rs. in Crores)

Sl No.		Name of Project	Budget Estimate 2004-05			Revised Estimate 2004-05			Assessed RE 2004-05		
			Equity	IEBR	Total R.E 2004-05	GBS Equity	IEBR	Total R.E 2004-05	GBS Equity	IEBR	Total R.E 2004-05
	A.	Central Sector									
1.		Tirunal Hydro Electric Project (60 MW) Mizoram	0.00	115.00	115.00	0.00	50.00	50.00	0.00	50.00	50.00
2.		Kopili-2nd Stage H.E. Project (25 MW) Assam	1.77	0.00	1.77	16.79	0.00	16.79	1.00	0.00	1.00
3.		Kameng Hydro Electric Project (600 MW) Ar. Pradesh	145.00	0.00	145.00	145.00	0.00	145.00	145.00	0.00	145.00
4.		Survey & Investigation	10.00	0.00	10.00	18.00	0.00	18.00	1.00	0.00	1.00
5.		Tipaimukh Hydro Electric Project (1500 MW) Manipur	5.00	0.00	5.00	5.00	0.00	5.00	1.00	0.00	1.00
6.		Tripura Gas Based Power Project (280 MW) Tripura	40.00	150.00	190.00	150.00	40.00	190.00	50.00	40.00	90.00
7.		Tuivai Hydro Electric Project (210 MW) Mizoram	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8.		Ranganadi Stage-II H.E. Project (130 MW) Arunachal Pradesh	5.00	0.00	5.00	3.65	0.00	3.65	1.00	0.00	1.00
9.		Lower Kopili Hydro Electric Project (150 MW) Assam	2.23	0.00	2.23	0.00	0.00	0.00	0.00	0.00	0.00
10.		Dikrong H.E Project (110 MW) Arunachal Pradesh	8.00	0.00	8.00	3.40	0.00	3.40	1.00	0.00	1.00
		Total	217.00	265.00	482.00	341.84	90.00	431.84	200.00	90.00	290.00

(Recommendation Serial No. 22 Paragraph 2.119)

The Committee observe that POWERGRID has diversified into telecom sector also and investments to the tune of about Rs.650.00 crore has been made by the POWERGRID in telecom sector. The Committee find that as only few links were under commercial operation, POWERGRID earned revenue of Rs.18.00 crore during the last two years. Further, till 15th July, 2004, orders were about Rs.23.00 crore have been reported to be secured by the POWERGRID from the various customers. With the expected returns to increase only after 7-8 years, the Committee are at a loss to observe that had the committee's earlier recommendation Para No. 2.112, 16th Report, 13th Lok Sabha) been implemented; the Government/POWERGRID should have been able to plough the investments of Rs.650.00 crores in the transmission sector. The Committee, therefore, again recommend that the Government analyze the present investments made in the telecom sector vis-à-vis profit to be accrued which could be well ploughed back in the transmission sector for which the POWERGRID has been mandated. The Committee would like to know the details of such analysis carried out by the Government/POWERGRID.

Reply of the Government

The proposal for establishment of backbone telecom network by Power Grid Corporation of India Ltd. (PGCIL) was approved in March, 2003 at an estimated cost of Rs. 934.23 Crore.

The International Consultants advising on telecom project based upon assessment of market conditions, competition, financial risks etc. had estimated that the revenue from the project would grow from Rs. 2 crore in the initial years to about Rs. 556 crore by the 10th year. It was also estimated that the project would be earning profits of about Rs. 19 crore from 5th year (i.e. 2005-06) onwards from the commencement of the project and would grow to about Rs. 275 crore by the 10th year. The consultants recommended that the project IRR is expected to be 25.43% based on World Bank funding and the project would turn cash positive in the 6th year with Pay back period of 8 years after completion of the project. In line with consultants' recommendations, PGCIL obtained Infrastructure Provider-II (IP-II) license from Department of Telecommunications in January, 2001 and later ISP Category 'A' from DoT in May, 2003 to pursue telecom business.

Revised Financial Analysis

After the investment approval was accorded in March, 2003, majority of the network connecting various metro and other major cities like Chennai, Bangalore, Kolkata, Hyderabad, Cochin, cities in North-Eastern States, Jammu, etc. have been connected between September-December, 2004. Based on the market analysis, competition, prevailing tariffs, etc., PGCIL expects that the targeted market share would be achieved by the year 2008-09 and it would stabilize thereafter.

According to estimates of PGCIL, the revenue would grow from about Rs. 2 crore in the initial years to approx. Rs. 556 crore by the 10th year. The project would start earning profits of about Rs. 84 crore from 7th year (i.e. from 2007-08 which is 2 years beyond the initial estimated year of 2005-06) onwards from the commencement of the project and shall grow to about Rs. 275 crore by the 10th year (2009-10). The projected IRR shall be 21.23% based on World Bank funding and the project is expected to be cash positive by the year 2007-08 and payback by 10th year (i.e. 2010).

As telecom sector as a whole keeps on undergoing changes in accordance with Government's liberalization policy and further opening of the sector, the returns expected on the project are subject to regulatory environment, competition, pricing strategies, changing customer needs, new services to be offered, new marketing strategies to be adopted etc. This shall necessitate appointment of Consultant who will recommended strategies to be adopted by PGCIL to offer other Value Added Services to maintain utilization of its network and further increasing the profitability.

[Ministry of Power O.M. No. 9/1/2004-PG 17th December, 2004]

CHAPTER –IV

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

(Recommendation Serial No. 1   Paragraph No. 2.10)

The Committee are perturbed to note that the Ministry of Power projected higher Plan outlays during the years 2002-03 and 2003-04 which were drastically reduced at RE stage. From the plan outlays of the Ministry of Power, the Committee observe that for the year 2002-03, these were reduced from Rs. 13483.00 crore at B.E. stage to Rs. 11268.36 crore at RE stage. The Ministry could not utilize this reduced amount and the actuals were Rs. 8649.22 crore only. Thus, the Ministry of Power surrendered an amount of Rs. 4833.78 crore during 2002-03 against the budgeted outlays. Further, the Plan Outlays of the Ministry for 2003-04 were Rs.14667.61 crore comprising of Rs.3500.00 crore as GBS and Rs.11167.61 crore as IEBR. This was reduced to Rs.12037.77 crore at RE stage comprising of Rs. 1850 crore as GBS and Rs.10187.77 crore as IEBR. The actual utilization of funds during 2003-04 was Rs. 10741.00 and the Ministry of Power surrendered an amount of Rs. 3927.00 crore as compared to BE for the year. Thus in both the last two financial years, the Ministry failed to utilise the budgeted amount. The Committee are not satisfied with the reasons furnished by the Government for non-utilisation of the amount. The scheme of NERLDC by Power Grid is said to have been completed at lesser cost and resulted in saving of Rs. 29.87 crore. Better and advance budgeting would have ensured that the surrendered amount could have been utilised for other schemes. Similarly, the Committee are dismayed to note that in case of NHPC (2002-03) an amount of Rs. 742.72 crore was surrendered due to non-approval of Purulia Pump Storage, Kirshanganga, Parbati-III, Chamera III capitalization of IDC, etc. The National Power Training Institute (NPTI) and Central Power Research Institute (CPRI) surrendered an amount of Rs. 19.5 crore and 23.52 crore respectively out of a total outlays of Rs. 24.60 crore and Rs. 25.00 crore due to non-approval of new schemes and slow progress of ongoing schemes during 2002-03. The Committee find that new schemes of the Ministry of Power for which funds to the tune of Rs. 20.00 crore were provided, could not get approved and the full amount for the purpose was surrendered during 2002-03. Further, due to non-approval of the revised cost estimates of the Tehri Stage-I by the competent authority and reluctance of the Northern Region constituents to source Power from Tehri Project, an amount of Rs. 391.56 crore was surrendered against the total outlays of Rs. 467.31 crore. Thus, it would be seen that a large number of schemes planned by the Ministry could not get even initial approval to start. This shows that those schemes were not planned by the Ministry perfectly and for which the scarce resources of the Government were blocked. The Committee do not approve the present practice being followed by the Ministry of Power which have been asking for higher allocations year after year, but the implementation of plans and policies are poor as ground realties are not taken into account while formulating and implementing the plans. The Committee feel that with such a state of affairs, the scarce resources remain locked in unproductive returns at the cost of other needy sectors of the economy. The Committee are pained to note that although they have repeatedly recommended for formulation of realistic plans but no action seems to has been taken by the Government on these recommendations. The Committee, however, expect that intensified monitoring mechanism which is being put in place by the Ministry of Power will ensure that budgeted amounts earmarked at the BE stage is fully utilised during 2004-05. At the same time, the Committee desire that the Government should review all the on-going schemes in the month of July-August and if required, re-allocate the funds so that the budgeted amount is utilised fully during the financial year.

Reply of the Government

In this connection it is mentioned that out of the BE of Rs. 3600.00 crore, an amount of Rs. 2760.00 crore is provided for on-going projects or projects likely to be approved i.e. on-going projects of NHPC, two projects of NEEPCO are likely to be approved by the Cabinet, Tehri-I project for which the approval for RCE is at an advanced stage and for AGSP and Rural Electrification programme. It is, therefore, every possibility that the budgeted amount for the year 2004-05 would be fully utilized.

As regards monitoring mechanism it is mentioned that Ministry of Power has taken the corrective measures to ensure that the budgeted amounts earmarked at the BE Stage is fully utilized during 2004-05. An intensified monitoring mechanism has been put in place as indicated hereunder :-

i. Weekly review by Secretary (Power) of the status of investment approval new of 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. 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 P&NG; M/o Coal; M/o E&F; M/o WR for expositional 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.

As regard review of the project, it is mentioned that while preparation of the RE for 2004-05, the complete review of all ongoing projects/plans would be done. A circular has already been issued to all concerned in this regard (copy enclosed).

Ministry of Power O.M. No. 20020/6/2004-Budget dated 3.09.2004

Comments of the Committee

(Please see Para No. 10 of Chapter I of the Report)

ANNEXURE –I

F.No.20020/3/2004-Budget
Government of India
Ministry of Power

New Delhi
Dated 27.8.2004

Sub: Standing Committee of Energy-Consideration of the Demands for Grants of the Ministry of Power for the year 2004-05.

The undersigned is directed to say that while considering the Demand for Grants of the Ministry of Power for 2004-05, the Standing Committee in its first report (14th Lok Sabha) observed as under:-

> "The Committee desire that the Government should review all the on-going schemes in the month of July-August and if required re-allocate the funds so that the budgeted amount is utilized fully during the financial year."

You are therefore, requested to review your all on-going schemes/projects/plans and if necessary propose for reallocation of the funds so as to ensure that surrender of fund at the end of the financial year may be avoided.

-Sd-
(Saurabh Kumar)
Deputy Secretary to the Govt. of India

To

1. CMDs of all PSUs/Autonomous Bodies/Statutory Bodies
2. All Desks/Sections, Ministry of Power, New Delhi

(Recommendation Serial No. 2 Paragraph No. 2.11)

The Committee further observe the quarterly utilization of funds by the Ministry of Power against the GBS of Rs. 3500 crore and IEBR of Rs. 11167.61 crore during 2003-04. The quarterly comparison with preceding year indicate that expenditure during first 3 quarters of the financial year are very low and it is only in the last quarter, the percentage utilization of funds is above the normal. Taking note of various ongoing projects/schemes of the Ministry of Power which are completed in a time span of three to ten years, the Committee fail to understand as to why there is rush for utilization of funds in the last quarter of the financial year. The Committee are of the view that this unhealthy trend of not spending any amount during first quarter of the financial year and rushing to major expenditure in the last quarter, especially in the month of February and March is against the financial norms. The Committee are of the concerned opinion that there has been system failure on large-scale in such cases. The Committee, therefore, strongly recommend the Government that a meaningful and relevant programmes and policies be formulated so that there should be regular infusion of funds in various projects/schemes in all quarters of the financial year and the total plan outlays are fully utilized. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

It is mentioned that in a meeting taken by Finance Minister with FAs on 23.7.2004, it is also desired that the existing instructions about 33% utilisation of the budget during the last quarter should be strictly followed. Accordingly, a circular has already been issued to all concerned for compliance of the instructions of Ministry of Finance as well as observations of the Audit/Standing Committee (copy enclosed).

Ministry of Power O.M. No. 20020/6/2004-Budget dated 3.09.2004

Comments of the Committee

(Please see Para No. 10 of Chapter I of the Report)

ANNEXURE –I

F.No.20020/3/2004-Budget
Government of India
Ministry of Power

New Delhi
Dated 31.8.2004

OFFICE MEMORANDUM

As per the existing instructions of Ministry of Finance not more than 33% of the budgeted amount should be incurred by the Ministry / Department in the last quarter of the financial year.

In the recent meeting taken by Finance Minister with all the Financial Advisors on 23.7.2004 it is desired that the existing instructions for incurring of expenditure should be strictly followed.

You are, therefore, advised to structure the programmes so that the expenditure to be incurred on the projects/plans should not exceed 33% during the last quarter of the financial year.

-Sd-
(Saurabha Kumar)
Deputy Secretary to the Govt. of India

To

1. CMDs of all PSUs/Autonomous Bodies/Statutory Bodies
2. All Desks/Sections, Ministry of Power, New Delhi

(Recommendation Sl.No. 7 Para No. 2.36)

The Committee feel that conservation and efficient use of energy should be treated as one of the major thrust areas to bridge the gap between the demand and supply of power. Although, measures to promote conservation of energy have been taken, the Committee are unhappy to note that energy audit in distribution systems in Kerala, West Bengal which were targeted to be completed in 1999-2000 by the Rural Electrification Corporation (REC) were delayed and completed only in 2000-01. The Committee are further dismayed to note that 3000 Amorphous Core Transformers which were to be introduced in the States of Andhra Pradesh, Punjab, Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Rajasthan by REC by 1999-2000, were delayed and the scheme was completed in 2003-04. The Committee observe similar fate of other schemes implemented by agencies the Punjab State Electricity Board, HVPNL, TERI, etc. The Committee also observe that only one energy conservation activity each in the year 2002-03 and 2003-04 was completed by agencies other than BEE. The Committee are constrained to note that although the Government on the one hand are claiming high that a large number of schemes/activities have been initiated to promote the energy efficiency and savings have accrued, it seems that the Government have failed to enthuse conservation and energy efficiency agencies for undertaking such schemes. The Committee, therefore, reiterate their earlier recommendation that there is a greater need to bring about public awareness regarding energy efficiency measures of the Government and the Government should set the targets to be achieved for energy savings during a particular year. The Committee desire that short-term as well as long-term action plans be formulated and the Committee be apprised of the action taken by the Government in this regard.

Reply of the Government

The Government has decided to launch an inclusive and extensive awareness campaign on energy efficiency and its conservation whereby all sections of the population would be brought together, but children would be specifically focused. In pursuance of the chalked out National Campaign on Energy Conservation, a Postage Stamp on Energy Conservation has been released by the Hon'ble Prime Minister of India on 14th December, 2004 - the National Energy Conservation Day.

On the same day, the Hon'ble Prime Minister of India has also launched the 'National Campaign on Energy Conservation 2005'. The National Campaign has been planned to focus on the creation of public awareness and understanding the significance of energy conservation and to urge people of the country to be part of the energy conservation drive by optimizing the use of energy and making energy saving a habit. The national campaign targets the following sectors:-

Domestic Sector

Commercial Sector
Agriculture Sector
Industrial Sector
Government Buildings
Public Sector Units
Educational Institutions.

(Ministry of Power O.M. No. 14/3/04-EM dated December ,28,2004)

Comments of the Committee

(Please see Para No. 21 of Chapter I of the Report)

(Recommendations Sl.No. 9 Para No. 2.54)

The Committee observe that the demand for electric power continues to grows at a rapid rate outstripping the availability for the same. In the prevailing scenario of shortage of adequate resources to build up new capacity on one hand and stringent environmental requirements on the other. Renovation and Modernisation (R&M) and Life Extension (LE) of power plants have been recognized as a well-proven cost effective techniques the world over for improving the performance / efficiency of older power plants and thereby adding additional generation of power at a much lesser cost. The Committee are of the opinion that plants performance can be increased by R&M and the power plants yield benefits in shorter span with infusion of renewable funds. However, the Committee are constrained to note the slow pace of completion of R&M activities as out of a total of 636 activities identified for R&M work in thermal power units, only 95 were completed during 2002-2003. The Committee observe that against 92 thermal units that are targeted for major refurbishment during 10th Plan (2002-2003 to 2006-07), RLA studies on 48 units only have reported to be completed so far. The Committee are further distressed to note that out of 60 units which will need R&M works to improve/sustain the performance, work on 25 units has been started during the first two years of 10th Plan. With only 13 schemes programmed for completion during 2004-2005, out of a total of 74 hydro schemes, only 33 are likely to implemented/completed during the first three years of the 10th Plan. Although, the Ministry of Power have informed the Committee that adequate funds are available for life extension and R&M of thermal power station under AG&SP at concessional rates, the Committee observe that against the estimated fund requirements of Rs.8700 crore and Rs.1100 crore for Life Extension Programme (LEP) and Renovation and Modernisation (R&M) works; the expenditure incurred during 2002-2003 were only Rs.33 crore and Rs.30 crore respectively. Observing the low infusion of funds against the total funds requirements for the R&M projects, the Committee have come to the conclusion that there is not enough interest on the part of the Government in pursuing R&M work for power projects vigorously. Although, the Committee have been informed of the perspective plan that has been drawn for undertaking R&M works during the 10th Plan and beyond, unfortunately the infusion of desired funds and lack of pace of completion of R&M activities both for thermal & hydel plants indicate to the contrary. The Committee, therefore, recommend that R&M of all the identified potential units should be undertaken in a fixed time frame and CEA should monitor the work. The Committee also recommend that private sector should also be involved in implementation of R&M schemes to ensure the speedily achievement of targets. The Committee also note that the Government have not given enough attention to the R&M of transmission lines and sub-stations, etc. set up by Powergrid. The Committee would like the Government to draw up a programme for R&M of these assets and inform the Committee within 3 months of the presentation of the Report.

Reply of the Government

The 636 R&M activities were programmed to be completed during whole span of 9th Plan. Out of this, only 434 activities were completed during IX Plan and balance were carried over to X Plan. Out of balance activities, 95 nos. could be completed in the year 2002-03.

Earlier the exact scope of R&M works was decided on the basis of Residual Life Assessment (RLA) Studies for which separate shut down of plant was needed. To expedite the Life Extension (LE) works, it was decided by the Task Force for R&M/Life Extension that the basic scope of works could be decided based on the condition of the units and experience of station engineers and the RLA of the units

(Recommendation Sl.No. 10 Paragraph No. 2.66)

The Committee observe that the Government of India have approved APDRP scheme as an intervention strategy with a focus on distribution reforms with an objective to reduce AT&C losses, bring about commercial viability in the power sector, reduce outages & interruptions, and increase consumer satisfaction. The outlay of Rs. 40,000 crore as additional Central Plan assistance to State Governments during 10^{th} Five Year Plan are expected. The Government have informed the Committee that for availing APDRP funds, the States have to sign MOU with Ministry of Power which covers establishment of SERC, restructuring of SEBs etc. The States also have to sign tripartite agreement in respect of dues of CPSUs and SEB utility, sign the MOA with Ministry of Power which covers 100% consumer metering, energy accounting, gap reduction between cost of supply & revenue realization, reduction of T&D loses, and reduction of financial losses etc. by way of committed benchmark parameters. The Committee are, however, dismayed to note that although all states have signed MOU, MOA, Tripartite Agreements and 21 States have constituted SERCs and 17 SERCs have issued tariff orders, only 10 States have unbundled/corporatized their SEBs and two states viz. Delhi & Orissa have privatized their SEBs so far. Further, 100% feeder metering have been completed in 16 states only and two States have reported to achieve more than 90% metering. The Committee are constrained to note that 100% consumer metering which should have been done on priority basis is reported to be completed only in 3 States so far. The Committee desire that the Government should take elaborate steps to speed up these schemes.

Reply of the Government

Under distribution reforms, there is an emphasis on achieving 100% consumer metering. The Ministry of Power is regularly monitoring the progress achieved by the states. Further assistance under APDRP shall be provided to the state based on progress made against various parameters, which include progress on consumer metering also.

(Ministry of Power F.No. No. 5/1/2004-APDRP Dated 7.12.2004)

Comments of the Committee

(Please see Para No. 29 of Chapter I of the Report)

(Recommendation Sl.No. 11 Paragraph No. 2.67)

The Committee have taken serious note of the fact that in cities where distribution of electricity has been privatised there has been a sudden rise in complaints from Consumers regarding sharp increase in their electricity bills. The committee feel that this issue should be enquired into detail and the Committee should be apprised of the action taken for quick redressal of consumers' grievances. At the same time, the committee strongly recommended the Government to ensure that Grievance Redressal Forum and Ombudsman should be set up in all the States within three months.

Reply of the Government

The sudden rise in complaints regarding electricity bills has been observed in states where the distribution has been privatized. States have been asked to submit their comments.

As per the provisions of Electricity Act 2003, every distribution licensee shall, within six months from the appointed date or date of grant of license, whichever is earlier, establish a forum for redressal of grievances of the consumers in accordance with the guidelines as may be specified by the state commission. All states are being asked to form redressal forums and appoint ombudsman in the distribution companies in accordance with Electricity Act 2003.

(Ministry of Power F.No. No. 5/1/2004-APDRP Dated 7.12.2004)

Comments of the Committee

(Please see Para No. 31 of Chapter I of the Report)

CHPATER -V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLY OF THE GOVERNMENT IS STILL AWAITED

(Recommendation Sl.No. 3 Para No. 2.12)

The Committee find that budget utilisation iss linked to the investment approval by the competent authority for each new project. The Committee in their 40th Report (13th Lok Sabha) had observed that as the existing procedure in vogue, each thermal project costing more than Rs. 2500.00 crore is appraised by the Central Electricity Authority. Similarly, the limit for hydro project is Rs. 250 crore. Further, all hydro projects involving rivers flowing through more than one State require CEA clearance. By implication, this means that all the hydro projects irrespective of capacity coast would need CEA nod for execution. The Committee had further observed that power project costing more than Rs. 100.00 crore needs clearance from Cabinent Committee on Economic Affairs (CCEA). In order to step up the utilization of funds, the Ministry of Power had suggested that the existing procedures for obtaining approval of projects need to be streamlined. The Ministry of Finance had then responded that enhanced delegation had been permitted to various Central Ministries including Power as recently as February, 2002. The ministry of Finance had also stated that they were open to any measure, which lead to faster improvement of power projects as well as better utilization of funds allocated to power sector. Taking note of the proposal of the Ministry of Power to enhance the delegation of powers for implementation of power projects as well as better utilization of funds allocated to power sector. Taking note of the proposal of the Ministry of Power to enhance the delegation of powers for implementation of power projects for the CCEA approval is too meager. The Committee, therefore, reiterate their earlier recommendation for enhance delegation of powers to the Ministry and its PSUs. The Committee also feel that there is a need for thorough analysis of the reasons for delay which can be related to environment/ forests, land acquisition, law and order problems, tying up of financial resources, selling and power purchase agreements, etc. At the same time the Committee favours the suggestion of the Ministry of Power regarding creation of Power Investment Commission for all projects in power sector on the lines of Telecome Commission or the National

Highway Authority of India (NHAI) whereby PIB/CCE A clearance can be obtained for 5 years plan target irrespective of taking clearance for individual projects. The Committee desire that the Ministry of Power should immediately take up this matter with the Government at appropriate level and apprise the Committee of the resultant outcome.

Reply of the Government

The Ministry of Power has taken the issue of enhanced delegation of financial powers with the Ministry of Finance. The proposal mooted by this Ministry seeks to streamline the appraisal as well as the approved process for power projects. While at present, the projects for Govt. approval have to undergo multiple appraisals by same agencies, it has been proposed that the appraisal may be restricted only at one level with greater and more effective scrutiny. After such appraisal, the level of approval has also been proposed to be delegated with higher financial autonomy.

2. The matter has been discussed in the meeting of Committee of Secretaries which have recommended enhanced delegation of financial power upto Rs.1500 crores to the Ministry of Power. A draft Cabinet note on the basis of the recommendation has been circulated for the same.

(Ministry of Power FileNo.35011/29/2003-Fin. Dated: 17.12.04)

Comments of the Committee

(Please see Para No. 13 of Chapter I of the Report)

(Recommendation Sl.No. 8 Para No. 2.37)

The Committee are unhappy to know that the Bureau of Energy Efficiency (BEE) is still in the process of establishing institutional mechanism to facilitate the implementation of the Energy Conservation Act and therefore the activity of reviewing the energy conservation equipment for 100% depreciation and other schemes are being proposed to be taken up in the current financial year. The Committee, therefore, recommend that the Government should take immediate action for fiscal incentives to encourage faster penetration of energy efficient technologies. The Committee stress that all these issues be decided immediately and the Committee should be apprised of the action taken in this regard within 3 months. The Committee also feel that there is need for wider publicity to the various provisions of the Energy Conservation Act which are likely to have a direct bearing on ordinary consumers so that they are not caught unaware when the Act is enforced.

Reply of the Government

Bureau of Energy Efficiency is in the process of inviting project proposals from the various identified agencies to undertake research on reviewing the existing scheme for energy conservation equipments for accelerated depreciation. The project is to be awarded by end of December, 2004 and is to be completed in a year's time from the date of award of contract.

The Hon'ble Minister of Power in his D.O. letter dated 28.10.2004 addressed to Hon'ble Finance Minister has suggested reducing custom duty on energy conservation products particularly items like CFLs which attract duty upto 20% to promote their large scale use.

The awareness about Energy Conservation Act was started with launch of Action Plan of BEE which provides details about Energy Conservation Act. The BEE has participated and made presentations in most of the National Level Seminars to create awareness about Energy Conservation Act. All the activities and programmes initiated by the BEE in the Thrust Areas have been started with awareness about Energy Conservation Act among all the stakeholders. The Energy Conservation Act was also put on BEE's Website (www.bee-india.com) for online reference and free download. A list of various programmes carried out is annexed (Annexure-I) which promoted awareness about EC Act.

ANNEXURE - I

Various programmes carried out in the promotion of awareness on Energy Conservation Act, 2001

1st Programme for the Aluminium Sector on16th November 2002 at Indian Aluminium Company Ltd. (INDAL), Hirakud (Orissa) attended by 16 Members;

2nd Programme for the Aluminium Sector on 22nd July 2003 at Hindalco Industries Ltd., Renukoot, Sonebhadra (Uttar Pradesh),

1st Programme for the Cement Sector on 22nd September 2002 at Shree Cement Ltd., Beawar (Rajasthan), attended by 70 Members;

2nd Programme for the Cement Sector on 30th August 2003 at New Delhi, attended by 90 Members;

1st Programme for the Chlor-Alkali Sector on 8th November 2002 at Heavy Water Board, Mumbai (Maharashtra), attended by 25 Members;

1st Programme for the Fertilizer Sector on 7th November 2002 at Heavy Water Board, Mumbai (Maharashtra), attended by 33 Members;

1st Programme for the Pulp & Paper Sector on 5th October 2002 at BILT, Ballarshah (Maharashtra), attended by 30 Members;

1st Programme for the Textile Sector on 3rd August 2002 at Raymond Ltd., Chhindwara (M.P.), attended by 64 Members;

2nd Programme for the Textile Sector on 12th January 2003 at Kesoram Rayons, Hooghly (West Bengal), attended by 35 Members;

1st Programme for the Petrochemicals and Refinery Sector on 29th August 2003 at Reliance Industries Ltd., Mumbai, attended by 94 Members.

Familiarization Programmes For Energy Managers

1. Three days Awareness Training Programme for Energy Managers at Delhi on 22nd - 24th April 2003;

2. Three days Awareness Training Programme for Energy Managers at Mumbai on 29th April – 1st May 2003;

3. Three days Awareness Training Programme for Energy Managers at Chennai on 15th – 17th July 2003;

4. Three days Awareness Training Programme for Energy Managers at Kolkata on 1st – 3rd July 2003.

<u>Training Programmes/Workshops/Seminars held to promote the Awareness on Energy Conservation Act, 2001</u>

Energy Summit II 2002 at Hotel Brahmaputra Ashok on December 20-21, 2002 by North East Chamber of Commerce & Industry (NECCI), Guwahati – Presentation in Business Session I on 20th December 2002 on "Government of India's Initiatives on Energy Conservation";

Seminar on Recent Trend in Energy Efficient Technologies by Northern India Textile Research Association (NITRA), Ghaziabad on 3-4 January, 2003 at India International Centre Ltd., Lodi Road, New Delhi – Keynote Address on Action Plan of the Government in the light of Energy Conservation Act, 2001 on 3rd January 2003;

Training Programme for NDPL Jr. Engineer Trainees on 16th January 2003 by NPTI – Presentation on "Salient Features of Energy Conservation Act, 2001 and its implications";

Programme on `Design, Selection and Energy Audit of Air-conditioning and Refrigeration (AC&R) Systems' during 5-6 February 2003 by National Experts Organization, Delhi – 15 Minutes Presentation on "Energy Conservation Act";

Conference on Energy Efficiency Initiatives & Demand Side Management on 14th – 15th February 2003 at Saraswati Auditorium, PMI, NTPC, Noida – 15 Minutes Presentation in Session-I on `Roadmap for India';

Workshop on "Energy Conservation & Management in Fertilizer Industry" on 3rd March 2003 by The Fertilizer Association of India at Hotel Samrat, Chanakyapuri, New Delhi - Presentation on Energy Conservation Act, 2001 – A Policy Initiative to Promote Energy Efficiency";

REEP Regional Consultation Meeting on 4th – 5th August 2003 by TERI, New Delhi – Presentation on Energy Efficiency in India;

Conference on Energy Management & Conservation in Chemical Industry at Magnolia Hall, the Indian Habitat Centre, New Delhi by India Chemical Manufacturers Association – Presentation on Energy Conservation Act, 2001 and its mandatory provisions applicable to the Chemical Industry on 16th February, 2004;

Training Programme on `Energy Conservation and Energy Audit' at NTPC, PMI, Noida during 7-9th June 2004;

Training Programme/Course on Energy conservation, Monitoring & Auditing at ALT Centre, Ghaziabad on 18th June, 2004 by Bharat Sanchar Nigam Ltd. – Open discussion on Energy Saving Measures & Role of BEE;

Energium 2004 : Conference on Energy Efficiency in Commercial Buildings by PCRA & US Environmental Resource Centre;

International Conference on Energy Conservation “Synergy for Energy” and an explosion of energy saving products / services “EnConEx 2004” at Ahmedabad by M/s. Saket Projects Ltd. – Presentation on Implementing Energy Conservation in India – BEE Action Plan”

Energy Summit 2004 – EnCon & Renewable Energy Technology Meet between 27th & 28th October 2004 at Hotel Le Royal Meridien, Chennai by CII – Presentation on Trends in Energy Conservation India on 28th October, 2004.

STANDARDS & LABELLING PROGRAMME – AWARENESS ACTIVITIES

The recommendations of the Technical Committee on the labelling programme of Distribution Transformers were discussed in half a day workshops at the following venue. Apart from the Utilities and Distribution Companies, manufacturers in the specific region also participated in these workshops. The venue and dates of these programme are as follows:

Southern Power Distribution Company of A.P. Limited, Tirupati	13.02.2004
North Delhi Power Limited, Delhi	17.02.2004
Jaipur Vidyut Vitran Nigam Limited, Jaipur	21.02.2004
West Bengal State Electricity Board, Kolkata	23.02.2004
Central Power Distribution Company of Andhra Pradesh Ltd., Hyderabad	26.02.2004
Tamil Nadu Electricity Board, Chennai	08.03.2004
Bangalore Electricity Company Limited, Bangalore	09.03.2004

BEE participated in the Standards & Labeling programme organised by PCRA and CII at New Delhi and disseminated information on regulation on labeling programme and progress on refrigerator labeling.

Participated in the Energy Vision 2007 on 10-12th October, 2003 organized by Energy and Fuel Users Association of India, Chennai to discuss the action plan of BEE and the Energy Conservation Act.

The Ministry of Power in association with the International Energy Agency (lEA) organized a two day Workshop on `*Energy Efficiency Standards and Labeling'* on *October* 13-14, *2004* at *Bangalore.* The purpose of this two day event is to bring together domestic and international participants and speakers from government, private sector and Non-Governmental Organizations to stimulate discussion on the key issues and regulatory mechanism for achieving the objective of `Energy Efficiency' in general and standard and labeling of electric appliances in particular.

Workshop on “Thermodynamic & Techno-Economic Analysis of Domestic Refrigerators” organized by Bureau of Energy Efficiency (BEE), in-collaboration of Mechanical Engineering Department, IIT Delhi on October 6-8, 2004.

(Ministry of Power O.M. No. 14/3/04 -EM dated December 28,2004)

(Recommendation Sl.No. 13 Para No. 2.82)

The Committee observes that electricity is one of the main infrastructural requirements for agricultural and agro-industrial development, employment generation and improvement in the quality of life of people in rural areas. Taking note of Central Electricity Authority (CEA) report that 92, 849 feasible villages still remain to be electrified and Bihar, Jharkhand and Uttar Pradesh have reported that some villages have to be rehabilitated and the slow pace of village electrification, (as only 879 villages were electrified during 2003-04 (uptp February, 2004) the committee feel that repeated announcements made by the Govt. to speed-up he pace of the rural electrification have not been executed in letter and spirit. The committee further note that progress of agricultural pumpset energization for the year 2003-04 (upto February, 2004) is also poor as only 1,92,721 pump-sets were energized during the period and more than 5 million pumpsets of the identified potential are yet to be energized. The committee is further dismayed to note that interest subsidy for rural electrification was revised from Rs. 100 crore and budget estimates for rural electrification supply mission were down-wardly revised to Rs. 1 crore from the original outlays of Rs. 5 crore during 2003-04. In view of the slow pace of rural electrification programme and low utilization of budgeted amount, including subsidies, the Committree are unhappy to observe the way, the Govt. have implemented/executed rural electrification schemes and therefore, strongly recommended that the Govt. should come with a detailed action plan to execute the rural electrification programme for complete village electrification in the next five years as envisaged in National Common Programme and apprise the Committee of the action plan framed in this regard.

REPLY OF THE GOVERNMENT

It is being proposed to launch a new scheme of "Rural Electricity Infrastructure and Household Electrification" so as to attain the objective of electrification of all rural households within next five years as envisaged in NCMP. This scheme involves an outlay of Rs.16000 crore in five years and there is a provision of 90% Capital subsidy in it.

The scheme envisages following ingredients of rural electricity supply infrastructure:

(a) Creation of Rural Electricity Distribution Backbone (REDB) of 33/11 KV substations, with one such substation in each block appropriately networked and linked to the State transmission system.

(b) Creation of Village Electricity Infrastructure (VEI) by providing Distribution Transformer(s) with at least one such transformer in every village.

(c) Rural Household Electrification of unelectrified households from village distribution transformer(s)

(d) Decentralized distributed generation system for such villages where grid connectivity is either not feasible or not cost effective.

The scheme has provision to provide Capital subsidy of 90% for

(a) I. Creation of Rural Electricity Distribution Backbone of 33/11 KV substation in such block where it does not exist.

II. Creation of Village Electricity Infrastructure in unelectrified habitations.

(b) 100% Capital Subsidy for giving connection to Below Poverty Line (BPL) household.

(Ministry of Power F.No. 44/37/2/2004- REC dated 17.01.2005)

(Recommendation Sl.No. 15 Para No. 2.84)

The Committee are happy to note that after their repeated recommendations to redefine the existing definition of village electrification, the Government have now accepted the same and a new definition of village electrification has been notified. As per the new definition, a village would be declared as electrified if (i) Basic infrastructure such as Distribution Transformer and Distribution lines are provided in the inhabited locality as well as the Dalit Basti/hamlet where it exists. (For electrification through Non-Conventional Energy Sources a Distribution Transformer may not be necessary). (ii) Electricity is provided to public places like Schools, Panchayat Office, Health Centres, Dispensaries, Community centers etc. and (iii) the number of households electrified should be at least 10% of the total number of households in the village. While welcoming the change in definition, the Committee feel that urgent steps should be taken to ensure that at least 50% of the total village households electrified in the next five years. The Committee feel that under the ambit of new definition the number of non-electrified villages, which at present stands at 92,849 shall go up. Similarly, the number of remote villages may also change based on more accurate survey. The Committee, therefore, urge that new definition practiced uniformly and adopted by all the arms of the Government, including the Ministry of Power. At the same time, the committee desire that the Ministry of Power should impress upon the State to update their statistics based on the new definition and carryout fresh survey for identifying the non-electrified villages on priority basis. The Committee desire to be apprised of the action taken by the Government in this regard.

REPLY OF THE GOVERNMENT

Ministry of Power has directed all States/UTs authorities for compilation of rural electrification statistics as per new definition in the prescribed format, and forward the same by 15.12.2004 for this year and subsequently by 15th May every year.

(Ministry of Power F.N. 44/37/2004-REC dated 17.1.2005)

(Recommendation Sl.No. 16 Para No. 2.85)

The Committee would also like to know the mechanism under which the Rural Electricity Service Provider would be selected and the satisfactory arrangements for decentralized management and revenue collection through Panchayats/Users Association/Cooperative NGOs/Franchises etc. The Committee would like to know the follow up action taken by the Government on new guidelines issued for Rural Electrification. The Committee also recommend that the Ministry should impress upon all the State Governments to constitute the District Electricity Committees under Section 166 (5) of the Electricity Act, 2003 which can facilitate expeditious rural electrification in each district by monitoring the functioning of these projects.

REPLY OF THE GOVERNMENT

Rural Electricity Service providers would be selected by the State Government/State Power Utilities. States have been asked to send Project proposals for sanction to Rural Electrification Corporation (REC) as per new guidelines..
States have also been requested to constitute District Electricity Committees under Section 166(5) of Electricity Act, 2003.

(Ministry of Power F.No. 27/7/2004-05 (R&R) dated 17.12.2004)

(Recommendation Sl.No. 17 Para 2.94)

As regard to the National Electricity Policy, Policies for Rural Areas and Tariff Policy, the Committee is constrained to note that the State Governments have failed to respond on the report of Task Force which was sent by the Ministry of Power for their comments. Again, on 28th June, 2004 the Government have requested to furnish their views on National Electricity Policy, Policies for Rural Areas and Tariff Policy within a period of one month. The Committee stress that the Government should take all desired steps to frame and notify the new Electricity policy at the earliest. The Committee also desire that the task of framing policies for Rural Areas and Tariff Policy be also completed in a time bound manner. The Committee would like to know the action taken by the Government in this regard.

REPLY OF THE GOVERNMENT

Soon after the Electricity Act was brought into effect, Ministry of Power initiated the exercise for formulation of this policy in July 2003. The State Governments were requested to give their views and the Central Electricity Regulatory Commission (CERC) was also requested to send its advice. Regional meetings with the State Governments and with the State Electricity Regulatory Commissions were organized for discussion and to ascertain their views. A Task Force on 'Power Sector Investments and Reforms' was constituted in August, 2003 the Chairmanship of Member (Energy), Planning Commission. The Task Force had in its terms of reference, inter alia, recommending National Electricity

Policy and Tariff Policy. It held consultations with all stakeholders. The report of the Task Force with the draft National Electricity Policy and Tariff Policy was sent to the State Governments for their views.

On assumption of the office by the new Government, a fresh draft of the National Electricity Policy was formulated in June 2004 based on comments received from the States on the previous draft and the objectives of the National Common Minimum Programme. The views received from other stakeholders were also taken into account. The revised draft National Electricity Policy was forwarded to the State Governments. The Minister of Power wrote to all the Chief Ministers on 28th June, 2003 for views of the State Governments on the National Electricity Policy, Tariff Policy and Rural Policies envisaged in the Act. Ministry of Power also organized region-wise meetings with the State Governments in July/August 2004 for discussion and to ascertain their views on the draft National Electricity Policy.

The draft of the National Electricity Policy has been finalized after considering the views received from the State Governments, discussions held with the State Governments in region-wise meetings, advice of CERC and the comments of CEA and the draft Cabinet Note is presently under inter-Ministerial consultation.

Tariff Policy and Rural Policies would be taken up for finalization on the basis of National Electricity Policy after due consultation with the State Governments.

(Ministry of Power F.No. 27/7/2004(R&R)(Pt.) dated 17.12.2004)

Comments of the Committee

(Please see para no. 38 of Chapter I of the Report)

(Recommendation Sl.No. 23 Para No. 2.126)

The Committee are constrained to note that during 2003-04 against BE of Rs. 1450.00 crore and RE of Rs. 600.00 crore the actual fund utilization by Damodar Valley Corporation(DVC) were only Rs. 317.00 crore. The reasons adduced by DVC on each of the schemes where investments could not be utilized during the year resulting in surrendering the plan outlays are not convincing and only indicate the casual manner in which projects/plans are framed and executed. Taking a strong note of the under-utilisation of funds by DVC, the Committee can not but deplore the way, the unrealistic plan outlays are being proposed by DVC management for different projects/schemes. The Committee are dismayed to note that whereas as an average Rs. 1000.00 crore are to be infused in the 3 ongoing projects of DVC during 10th Plan to augment 1210 MW of additional capacity, only Rs. 536.00 crore has been invested during the first two years of the Plan. The Committee, therefore, desire that the Government should review the existing system of budget formulation by DVC and all necessary steps be taken to improve budget formulation of plan outlays at the budget stage itself so that a realistic targets could be set for generation, transmission & distribution and renovation & modernization activities proposed by the DVC during 10th Plan. The Committee may also be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

1. Plan Outlay

The projected Plan Capital Expenditure in Revised Estimates(RE) 2003-04 was estimated at Rs. 599.26 crore as against Rs.1450 crore in Bdget Estimates(BE) 2003-04, based on the actual expenditure incurred against various projects till September 2003 and the anticipated progress to be achieved till the end of the year 2003-04. The actual fund that could, however, be utilized during 2003-04 was Rs. 437.89 crore(73% utilization) due to the following major constraints encountered by the Corporation:

(i) Power Projects

The entire amount of Rs.170 crore kept in RE 2003-04, for making advance payment to the EPC Contractor of Mejia TPS Extn. Unit #5&6 project remained unutilized on account of delay in finalizing the contract price, acceptable both to DVC and BHEL, through several rounds of negotiation. Further, the provision kept in RE 2003-04 for equity contribution to Maithon Power Ltd.(MPL) for development of Maithon Right Bank Thermal Power Ltd.(MPL) for development of Maithon Right Bank Thermal Power Project also could not be utilized fully due to the unforeseen exit of erstwhile Joint Venture M/s BSES Ltd. from MPL, leading to slow progress of land acquisition and other preliminary activities.

The Engineering Project Contract(EPC) for the two projects viz Mejia TPS Extn Unit # 5&6(2x250 MW) and Chandrapura TPS Extn Unit #7&8(2x250 MW) have since been awarded in June 2004 with commissioning targets in 2006-07 and hence, most of the estimated project cost is anticipated to be spent during the remaining years of 10th Plan, commencing 2004-05. In order to ensure timely completion of the on-going projects taken up by DVC, Govt. has approved Rs. 2373 .51 crores budget allocations at BE stage for the year 2005-06.

(ii) Transmission and associated Communication Projects

Against projection of Rs. 49.47 crore in RE 2003-04, an expenditure of Rs. 63.71 crore has been booked in the year in respect of entire T&D Works. The upward variation in actual expenditure over the budgetary allocation resulted because of higher achievement in some on-going Project as compared to what was justified and the same could not be restricted within the limit. However, some works still remain pending due to non receipt of land and forest clearances. An expenditure of Rs. 15.83 crore(approx.) has been incurred upto Sept., 04 and it is expected to cover up the whole RE 04-05 projection of Rs.72 crore(approx) for the remaining period of the year, considering present status of the work.

In the case of communication schemes, the expenditure allocated in RE2003-04, could not be utilized fully on account of deferred procurement schedule of PLCC equipment so as to match with the HV line schedule, rescheduling of commissioning of ULDC project, etc. Consequently, the expenditure requirements have been shifted to the remaining years of 10th Plan.

All endeavors is being made to achieve most of the plan targets in the remaining period subject to early resolution of land acquisition, forest clearance and ROW problems.

(Ministry of Power F.No. 4/5 2004-DVC dated 17.1.2005)

Comments of the Committee

(Please see Para No. 43 of Chapter I of the Report)

(Recommendation Sl.No. 24 Para No. 2.127)

The Committee are also unhappy to note that the meager amount has been earmarked for R&M works which needs a much bigger allocation. The Committee recommend that DVC should carry out R&M related works in a time-bound manner and the Committee should be informed of the schedule chalked out for the purpose.

REPLY OF THE GOVERNMENT

R&M Projects

Provision of comparatively lower amounts during the first three years of 10th Plan against R&M work was against due to slow progress of preparatory work towards finalization of scope, cost etc. resulting delay in finalization of Technical Specifications and Bid Documents. Even today the fate of R&M for Chandrapura TPS Units # 4,5&6 is undecided in view of non-availability of any specific engineering solution to the generic problems of the boilers of these units. The matter is , however, under review by CEA and some decision is expected by end 2004.

In view of above, most of the R&M/LE jobs are expected to be placed during the later part of 2004-05 and early 2005-06 and allocations to the tune of Rs. 202.38 crore has been approved at B.E. stage for R&M schemes for the year 2005-06.

2. Non Plan Outlay

Variation in Non-Plan expenditure occurred mainly due to revised procurement programme in respect of Power House Plant & Machinery like HT Motors, Generator Rotor, Excitation Transformers etc. followed by deferment of civil works in four major thermal power plants. The replacement of various Plant & Machinery proposed under Non-Plan Capital expenditure has been shifted to R&M package under Plan Outlay, resulting in variance. Efforts are being made to stream line the formulation of Non-Plan outlays so as to minimize the variance.

DVC has taken note of the observations of the Standing Committee on Energy and would strive to formulate the future Plan & Non-Plan outlays with realistic targets to the extent practicable, however, this is to emphasize that certain uncertainties viz. land acquisition, physical possession of land, receipt of statutory clearances etc. are beyond the control of the Corporation. The Corporation is reviewing physical and financial progress of Plan and Non-Plan schemes on monthly basis and the areas of constraints/issues requiring attention are being followed up for achieving the set targets.

(Ministry of Power F.No. 4/5/2004-DVC dated 17.1.2005)

Comments of the Committee

(Please see Para No. 43 of Chapter I of the Report)

ANNEXURE- I

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2004-05) HELD ON 28TH JANUARY, 2005 IN COMMITTEE ROOM NO. 'G-074', PARLIAMENT LIBRARY BUILDING, NEW DELHI

The Committee met from 1100 hours to 1215 hours.

PRESENT

Shri Gurudas Kamat - Chairman

2. Shri Gauri Shankar Chaturbhuj Bisen
3. Shri Nandkumar Singh Chauhan
4. Shri B. Vinod Kumar
5. Shri Chander Kumar
6. Shri Prashanta Pradhan
7. Shri Khiren Rijiju
8. Shri M. Shivanna
9. Shri E.G. Sugavanam
10. Shri Tarit Baran Topdar
11. Shri G. Venkataswamy
12. Shri Chandrapal Singh Yadav
13. Shri Kamal Akhtar
14. Shri Sudarshan Akarapu
15. Shri Vedprakash P. Goyal
16. Dr. (Smt.) Najma A. Heptullah
17. Shri Bimal Jalan
18. Dr. K. Kasturirangan
19. Shri V. Hanumantha Rao
20. Shri Matilal Sarkar
21. Shri Jesudasu Seelam

SECRETARIAT

1. Shri P.K.Bhandari - Director
2. Dr. Ram Raj Rai - Assistant Director

2. At the outset, the Chairman, Standing Committee on Energy (2004-05) welcomed the Members to the sitting of the Committee.

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

(i) Action Taken Report on the recommendations contained in the 1st Report (14th Lok Sabha) on Demands for Grants (2004-05) of the Ministry of Power

(ii) ****

4. The Committee adopted the aforesaid draft Reports with minor additions/deletions/amendments.

5. The Committee also authorised the Chairman to finalise the above-mentioned Reports after making consequential changes arising out of factual verification by the concerned Ministries and to present the same to the Houses of Parliament.

6. **** *****

The Committee then adjourned.

ANNEXURE II

(*Vide* Para 4 of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FORTIETH REPORT OF THE STANDING COMMITTEE ON ENERGY

I.	Total No. of Recommendations made	24
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at Sl. Nos. 4,20 and 21) Percentage of total	3 12.5%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies. (*Vide* recommendations at Sl. Nos. 5, 6, 12, 14, 18, 19 and 22) Percentage of total	7 29.17%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*Vide* recommendation at Sl. NoS. 1,3,7,9,10 and 11) Percentage total	6 25%
V.	(Recommendations in respect of which final replies of the Government are still awaited (*Vide* recommendation at Sl. Nos. 3, 8, 13, 15, 16, 17, 23 and 24) Percentage of total	8 33.33%