

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

STARRED QUESTION NO:199

ANSWERED ON:06.12.2012

REGULATED TARIFF REGIME

Adhalrao Patil Shri Shivaji; Adsul Shri Anandrao Vithoba

Will the Minister of POWER be pleased to state:

- (a) whether the Government has made it mandatory for States to procure electricity through the tariff based competitive bidding route;
- (b) if so, the details thereof and the reasons therefor including its impact on various stakeholders in the power sector;
- (c) whether power sector lenders have requested the Government to shift back to the regulated tariff regime as an alternative to the current norms for power procurement through long term Power Purchase Agreements;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the steps taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF POWER (SHRI JYOTIRADITYA M. SCINDIA)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 199 TO BE ANSWERED IN THE LOK SABHA ON 06.12.2012 REGARDING REGULATED TARIFF REGIME.

(a) & (b): Yes, Madam. To protect interests of consumers and to promote competition in power generation, the Central Government notified Tariff Policy on 6.1.2006 under Section 3 of the Electricity Act, 2003. The objectives of the Tariff Policy are as under:

- (a) To ensure availability of electricity to consumers at reasonable and competitive rates.
- (b) To ensure financial viability of the sector and to attract investments;
- (c) To promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks; and
- (d) To promote competition, efficiency in operation and improvement in quality of supply.

Tariff Policy provides that from 6th January, 2011 onwards all future procurement of power by distribution licensees should be done through tariff based competitive bidding, including power procured from Government/State owned entities. However, there is a specific exemption to hydro projects till 31.12.2015 from mandatory tariff based competitive bidding.

A comparative study for the tariff was conducted by the Central Electricity Regulatory Commission (CERC) based on cost plus approach and that of competitive bidding route. The study has concluded that the computed prices under cost plus methodology are generally higher than the levelized tariffs discovered under the competitive bidding. Thus the bidding process brings about overall efficiency for the stakeholders including the generators and the distributors for the benefit of consumers.

(c) : As per available information, power sector lenders have not requested to this Ministry to shift back to the regulated tariff regime.

(d) & (e) : Do not arise in view of (c) above.