

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:3249
ANSWERED ON:13.12.2012
PRIVATE SECTOR INVESTMENT IN POWER SECTOR
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Will the Minister of POWER be pleased to state:

- (a) whether the private sector investment in power sector has been narrowed down in the last few years;
- (b) if so, the details thereof for the last three years and the current year;
- (c) whether the Government has taken or proposes to take any steps to boost the private sector investment in power sector;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

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

(a) & (b) : No, Madam. As informed by Central Electricity Authority (CEA), private sector investment in power sector during the last three years and the current year is given below:

(Rs. Crores)			
2009-10	2010-11	2011-12	2012-13 (Projection)
56476	86646	106975	85578

(c) & (d) : As per extant policy, Foreign Direct Investment (FDI) up to 100% is permitted in power sector, under the automatic route for generation, transmission and distribution. Moreover, the Budget 2012-13, among other things, has

Allowed issue of tax-free bonds for Rs.60,000 crore to finance infrastructure projects, which include Rs.10,000 crore for Indian Railway Finance Corporation Ltd.(IRFC), India Infrastructure Finance Co. Ltd (IIFCL) and power sector.

Allowed External Commercial Borrowings (ECB) to part finance Rupee Debt of existing power projects.

Reduced the rate of withholding tax on interest payments on ECBs from 20% to 5% for three years to provide low cost funds to infrastructure sectors including power.

Continued to allow repatriation of dividends from foreign subsidiaries of Indian companies to India at a lower tax rate of 15% as against that of 30% for another year up to March 31, 2013.

Extended additional depreciation of 20% in the initial year to new assets acquired by power generation companies.

Provided domestic thermal power producers full exemption from basic customs duty and a concessional CVD of 1% to steam coal for two years till March 31, 2014.

Apart from this, Government of India has taken a number of legislative, policy and administrative measures to enhance private participation in the power sector. Some of these measures are:

- i) Enactment of new Electricity Act, 2003.
- ii) De-licensing of thermal generation. Further captive generation is freely permitted.
- iii) Structural reforms for State Electricity Board.
- iv) Formation of Central & State Regulatory Commissions.
- v) Formulation of National Grid.

- vi) Open access in Transmission & Distribution.
 - vii) Power trading being recognized as a distinct activity.
 - viii) Accelerated Power Development & Reforms Programme.
 - ix) Reduction in T&D losses.
 - x) Mega Power Policy under which further rationalization measures have been approved recently (withdrawn since 19.07.2012).
 - xi) Issue of guidelines for competitive bidding for procurement of Power by distribution licensees under the Electricity Act.
 - xii) Notification of Tariff Policy.
 - xiii) Notification of National Electricity Policy.
 - xiv) Notification of the Hydro Policy, 2008.
 - xv) Ultra Mega Power Plants (UMPP) initiative.
- (e) : Does not arise in view of reply at (c) & (d) above.