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STANDING COMMITTEE ON ENERGY

(2001)

THIRTEENTH LOK SABHA

MINSITRY OF POWER

DEMANDS FOR GRANTS
(2000-01)

[Action Taken by the Government on the Recommendations contained in the Third Report of the Standing Committee on Energy (Thirteenth Lok Sabha)

TWELFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
February, 2001/Magha, 1922 (Saka)

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(2001)

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INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Twelfth Report (Thirteenth Lok Sabha) on the Action Taken by the Government on the recommendations contained in the Third Report of the Standing Committee on Energy (Thirteenth Lok Sabha) on "Demands for Grants (2000-01) of the Ministry of Power".

2. The Third Report (Thirteenth Lok Sabha) of the Standing Committee on Energy was presented to Lok Sabha on 18th April, 2000. Replies of the Government to all the recommendations contained in the Report were received on 18th August, 2000.

3. The Standing Committee on Energy (2001) considered and adopted this Report at their sitting held on 25th January, 2001.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Third Report (Thirteenth Lok Sabha) 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;
7 February, 2001
18 Magha, 1922 (Saka)

SONTOSH MOHAN DEV
Chairman
Standing Committee on Energy

CHAPTER I
REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Third Report (Thirteenth Lok Sabha) of the Standing Committee on Energy on 'Demands for Grants (2000-2001) of the Ministry of Power which was presented to Lok Sabha on 18th April, 2000.

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

(i) Recommendations/Observations that have been accepted by the Government:
Sl. Nos. 13 & 19

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

Sl. Nos. 3,6,7, 10,11,12 and 20

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

Sl. Nos. 2,4,8,14,16 and 18

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

Sl. Nos. 1,5,9,15, 17 and 21

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

4. The Committee will now deal with the Action Taken by the Government on some of their recommendations/observations.

Projection of over-ambitious IEBR target:

Recommendation SI. No. 1 (Para No. 2.7)

5. The Committee had observed that Central Plan Outlay for the Ministry of Power during 1999-2000 budgeted at Rs. 9600.27 crore was revised to Rs. 8049.92 crore. The Plan fell short by Rs. 1550.35 crore against the budgeted expenditure. The IEBR component of the Plan outlays of the Ministry of Power was reduced to Rs. 4519.44 crore from Rs. 6786 crore during 1998-99. These were again revised downward to Rs. 5280 crore from Rs. 6660.27 crore budgeted during 1999-2000. The Committee had further observed that IEBR component with respect to NTPC and Power Grid Corporation could not be mobilised during 1998-99 and 1999-2000 due to inability of PSUS, to raise bonds/debentures to the extent of approved target. The low utilisation of IEBR component was due to delay in major projects like Ramagundam, Rihand-11, Sipat, Simhadri and Talcher-11 as far as NTPCL was concerned. Talcher-11, NERLDL and WRLDL were the other delayed projects of Power Grid Corporation. The Committee were constrained to note that in spite of the their repeated recommendations to step up investment by the Government in power sector since private sector failed to respond as expected; the Government was unable to utilise Plan Outlays as approved during the last 2 years. The Committee also did not concur with the views of the Government that variations in IEBR between BE and RE stage was on account of non-availability of statutory clearances. The Committee had observed that there was lack of understanding of the ground realities on the part of the planners/policy framers and over ambitious targets were fixed which frustrated the IEBR targets. The Committee had desired that the Ministry of Power should take concerted efforts to fully utilise the enhanced Central Plan Outlays of Rs. 9720.18 crore during the year 2000-01.

6. In their reply, the Government have inter alia stated that it is a fact that projects got delayed in the past resulting in under-utilisation of the IEBR that was projected at the BE stage. However, the recommendations of the Standing Committee in this regard have been reported to be noted by the Government and have assured that every effort would be made to comply with the same.

7. The Committee are constrained to note that in spite of their earlier recommendations to project achievable targets and to fully utilise the IEBR components and Plan Outlays, instead of taking effective steps to achieve the targets, fixed, the Government have simply stated that the recommendations of the Committee have been noted for compliance. It has been brought to the notice of the Committee that Ramagundam stage 11 and Rihand stage 11 are likely to be delayed considerably on account of poor response of bidders over Purchase Preference Policy of the Government. The Committee apprehend that similar delays may also be prevailing in projects of Power Grid, which might result in downsizing of IEBR components at RE stage. The Committee, therefore, still hold the view that there is lack of understanding of the ground realities on the part of planners/policy framers, as over ambitious targets are being fixed time and again. Such a casual approach points towards faulty planning and execution of budgetary process in the Ministry. Reiterating their earlier recommendation, the Committee desire that only

realistic IEBR targets should be set up in future. The Committee also desire that enhanced Central Plan outlay of Rs. 9720.18 crore during 2000-01, be fully utilised to improve power situation in the country.

Adverse Hydel Thennal Mix

Recommendation S1. No. 2 (Para No. 2.21)

8. The Committee were dismayed to note that capacity addition during the 9th Plan had been drastically reduced to 28097.2 MW from 40245.2 MW during the mid-term appraisal conducted in July, 1999. The Committee noted the dismal performance in achieving hydel power generation by Central Schemes during 1998-99 and 1999-2000 where no additional capacity could not be installed against the targets of 95 MW. Hydel capacity addition in State sector was also not satisfactory in 1999-2000 where against the set targets of 1493 MW the achievement (up to December, 1999) was only 739 MW. The Committee also observed that the Covermnent announced a National Hydel Policy to exploit the un-tapped hydel potential in the country and also step up the investment in hydel sector during the last 3 years as compared to investment in thermal sector. The Committee felt that the ideal ratio of 60:40 of thermal hydel mix of power generation was unlikely to be achieved in near future. Instead the ratio of thermal hydel mix is showing a decreasing trend during the last 3 years and at present it was 75:2S. The Committee expected the Government to make all out efforts to at least achieve the revised targets fixed in hydel power during the remaining years of 9th Plan and for which sufficient budge" support especially to the on-going projects be provided. The Committee had also desired that special care should be taken to rehabilitate the project affected people.

9. The Government in their reply have fully endorsed the observations of the Committee that hydro thermal ratio of power generation be raised to 40:60 from., present ratio of 25:75. In order to improve the hydro thermal ratio the Government is making conscious efforts to ensure that on-going hydel projects do not suffer for want of funds.

10. The Government is reportedly also sensitive to the special care that needs to be taken to rehabilitate project affected people. The Department of Rural Development is in process of bringing out a National Policy on Rehabilitation and Resettlement of persons displaced by public sector projects. The Government have stated that the issue is at present under the consideration of a Group of Ministries. Pending finalisation of a uniform policy on rehabilitation and resettlement, the project authorities have been implementing their own policy formulated in consultation with the appropriate authorities.

11. The Committee are constrained to, note that adverse Thermal Hydel Mix ratio is on the rise, inspite of their recommendation to reverse this trend. It now stands at 75:25, instead of 60:40. They have observed that the Government have not taken their advise for making efforts to achieve the targets of hydel power, in the remaining years of 9th Plan with all seriousness. In fact, there has been further downsizing of 9th Plan target of capacity addition of power to 21,500 MW, instead of the original 40,245.2 MW and

hydel power to 5902 MW, as against 9819.7 MW, envisaged earlier. The capacity addition during first three years of 9th Plan and the current year (upto October, 2000) stand at 3226.5 MW, 4242 MW, 4532.5 MW and 2175.45 " respectively. The major reduction in 9th Plan targets in the Central sector are attributed to slippage in Nathpa jhakri, Dulhasti and Kopli extension; likely benefit of Nil, as against 1SW, 390 and 25 MW envisaged earlier. Similarly, Tehri stage 1 may yield 500 MW, as against 7000 MW planned earlier. Considerable downsizing of plan targets have been reported in State and private sector also, covering projects like UHL Ill, Sarapadi, Balimela stage 11, Karbi Langpi (State sector) and Dhamwari Sunda and Maheshwar (private sector). The Committee are unhappy to note that the existing hydel capacity is not being realised optimally. As against installed capacity of 23,655.8 MW, only 21,580.4 " capacity is used for power generation. Even central sector projects like BBMB, have failed to obtain optimum capacity; as against installed capacity of 2755 MW, only 1779 MW of capacity has been realised. Similar position exist in some of the State sector projects also. The Committee are further constrained to note that as many 37 schemes, with a total installed capacity of 6627.4 MW are held up due to inter-state dispute and as many as 10 on-going hydel projects, such as upper Sindh, Mancri Bhali-11 Lakhwar Vyasi and Karbi Langpi etc., aggregate to 1147 MW are languishing due to paucity of funds.

12. The Committee cannot but express their displeasure over the State of Affairs in the hydel sector and apprehend that even the revised 9th Plan targets would not be realised, if drastic steps are not taken at the level of the Union Government. The Committee would like to recall the policy of the Government whereunder all Central hydel projects are funded from budgetary resources. The Committee, therefore, desire that budgetary allocation to hydel P5Us be increased substantially so that projects identified for completion in 9th Plan, could be completed in time. The Committee also desire that the reasons for not realising the optimum capacity be gone into and corrective steps/action taken thereon. At the same time, Central hydel P5Us should open a dialogue with the concerned agencies and take over projects languishing due to paucity of funds, and those involving inter-state disputes, through acquisitions/mergersljoint ventures etc. The Committee are of the opinion that hydel power should be treated as national assets and inter-state dispute, coming in the way of creating national wealth be resolved amicably by strategic management group/inter-state councils. The national hydel plans should be implemented in all seriousness.

13. The Committee are perturbed to note the inordinate delay in the finalisation of national policy on rehabilitation and re-settlement of persons displaced by public sector projects. The Committee have time and again expressed their anxiety over delay in finalisation of such a policy. The Committee, reiterate their earlier recommendation and desire that the policy should he finalised without any further delay.

6 Private Sector participation in Power

Recommendation SI. No. 4 (Para No. 2.38)

14. The Committee had observed that the major reasons for reduction in capacity addition was the deep shortfall in the targets set for private sector. Only 8 private power projects with a total capacity addition of 3474 MW of power generation reported to be were under construction. The dismal performance in achieving power generation targets by the private sector could be gauged from likely capacity addition of only 8300 MW against the original target of 17588 MW including the liquid fuel sector target of 6000 MW. Refusal of counter- guarantee by the Central Government and failure on the part of the State Governments to provide letter of credit and State guarantee along with their inability to provide escrow cover to IPPS, in view of the poor health of SEBs/Electricity Departments had resulted in checking flow of private investment in the power sector. The Government had reportedly taken a number of steps to encourage the States to undertake power sector reforms so that SEBs become financially strong to attract private investment of their own. The Committee had observed that too much reliance on the private sector was not justified. The Committee, therefore, had desired that based on the present escrow capacity, available in each State, the Government should redraw the targets for 9th, 10th and 11th Plans for the private sector. The difficulties experienced by the private sector in getting various clearances like environment & forests, etc. also need be gone into urgently. The Committee had also recommended that Single Window Clearance Scheme be implemented for expeditious clearance of power projects.

15. The Government in their reply inter alia stated that a Power Policy was enunciated in 1991. The GOI's counter-Guarantee Scheme was also developed as a transitory measure to boost private investment and in 1994 it was decided to extend Government of India's counter- guarantee to 8 initial projects. Apart from these 8 projects, COI has decided not to give counter-guarantee to any other IPP. Lack of confidence in the financial creditworthiness of SEBs has prompted IFIs to insist on escrow before loans are given. Majority of the States have not yet undertaken a review of the escrowable capacity of the power projects. Where such a study has been conducted in some States like Tamil Nadu and Madhya Pradesh, some projects have been allocated escrow cover. 1Ms have also proposed that financing of the IPPs in respect of the States which do not have sufficient escrowable capacity should be linked to achieving creditable milestone with regard to implementation of acceptable programmes, reforms and improvement in operational/financial parameters in time-bound manner. They have suggested un-bundling, corporatisation of SEBS, privatisation of distribution for tariff reduction, formation of State Electricity Regulatory Commission, detailed energy audit of SEBS, 100% metering and billing, reduction in T&D losses, prompt payment of subsidy amounts by the State Governments, etc. These suggestions were discussed and agreed to in the 9th meeting of the Crisis Resolution Group held on May 16, 2000.

16. With a view to doing away with multiple scrutiny and faster granting of clearance, the Government have stated that powers have been delegated to the State Governments for granting clearance to the extent found feasible. Various categories of power projects have been exempted from the required concurrence by CEA. The procedure for granting clearance for Foreign Direct Investment (FDI) has been decentralised to a considerable extent and various categories of the projects have been placed on the automatic approval (RBI route).

17. The following delegations have been made to the State Governments in the matter of environment clearance to power projects:-

(i) All co-generation plants and captive power plants up to 250 MW.
(ii) Coal-based plants up to 500 MW using fluidised bed technology subject to sensitive area restrictions.
(iii) Power stations up to 250 MW on conventional technology.
(iv) Gas/Naphtha based station up to 500 MW

18. The Government have further stated that while clearance procedures for development of private sector power projects have been streamlined to a great extent, it has not been found possible to have a 'singe window clearance' concept in view of the several statutory agencies involved in project clearances.

19. The Committee note that Government have formulated an ambitious plan to realise 1,00,000 MW power by 2012, entailing an expenditure of Rs. 8,00,000 croye. The private sector is projected to meet nearly half of the additional installed capacity, through their own equity, retained earnings and borrowings from Fls etc. The Committee have also observed that since inception of private power policy, CEA has accorded techno-economic clearances to 57 projects, having an aggregate capacity of 29,362 MW involving an estimated cost of Rs. 1,22,008 crore for which complete DPRs have been received. As many as 24 private power projects, aggregating to 5,200 MW capacity have gone on stream and another 12 projects totalling 4,388 MW capacity are under construction and still another 20 pending with CEA for Techno-Economic Clearance. Foreign investors such as NUs. Cogentrix Energy Inc., Electricity de France (EDF); Bayemmerk view and Daewoo Power, had to withdraw, citing various reasons including inordinate delay in getting clearances from various authorities, high fuel price and lack of proper commitment for escrow arrangements. The Committee view with concern the flight of foreign investors from the power scenario and desire that drastic steps be taken to reverse this trend. In this context, the Committee appreciate the Government for taking bold policy initiatives to streamline the clearance procedure for development of private sector power projects including decentralisation of Foreign Direct Investment to a certain extent, delegation of power to States and exempting several projects from required concurrence by CEA. The setting up of Crisis Resolution Group and Strategic Management Group, to resolve bottlenecks in the clearances of projects is another right decision. The Committee hope and trust that private investor with these new development would evince keen interest especially in Hydel power, which hitherto has not been much sought after.

20. The Committee have observed the in-ordinate delay in according clearances to the power projects, from various Statutory Authorities. The Committee have also taken note of difficulties in implementing 'Single Window Clearances' on the grounds of involvement of multiple Statutory Agencies. The Committee therefore recommend three tier clearances of a power projects i.e. at Central level, State level and at financial tie up levels, in a time bound programme so as to reduce the time lag between, submission of application and its final outcome for developing a power project. In the alternative, Government should obtain all the Statutory Clearances and then pose the project to the private developer, for their execution/ implementation. The Committee, desire that Government should examine the two alternative proposals of the Committee and they be informed of within a period of three months.

Perspective Plan for R&M

Recommendation S1. No. 5 (Para No. 2.43)

21. The Committee were informed that a perspective plan for renovation and modernisation of power plant was under advanced stage of finalisation and has a broad assessment capacity of about 11,000 MW was due for Ramnant Life Assessment. (RLA)Life extension programme with an investment of about Rs. 8500 crore. The Committee had welcomed the new scheme of Accelerated Power Development Programme (APDP) to finance schemes for renovation and modernisation life extension programme and upgradationj strengthening of transmission and distribution system. The Committee had expected that detailed scheme would be worked out by the Planning Commission at the earliest and concerted efforts be made by the agencies to implement the perspective plan for R&M and transmission & distribution system.

22. In their reply, the Government have stated that the modalities of the APDP Scheme are being worked out in consultation with the Planning Commission. As a follow up of the meeting held on 8th May, 2000 the Central Electricity Authority was asked to prepare the following Reports:-

(a) Physical status of each ongoing scheme indicating work already completed by March, 2000.
(b) Schedule for the balance activities and the requirements of funds for them.
(c) Total funds requirements for balance 2 years of 9th Plan taking into account the allocation under 9th Plan for this purpose.
(d) Implementing Agency and constraints if any in implementation measures for overcoming the constraints

23. Further Central Electricity Authority have written to all the constituents of the North-Eastern Region and Sikkim to furnish DPRs in respect of their States. A Cabinet note on APDP Scheme has already been submitted by the Planning Commission for consideration of the Cabinet Committee on Economic Affairs (CCEA).

24. The Committee are happy to note that CRA has finalised a National Perspective Plan, in consultation with CEW utilities, for undertaking Renovation and Modernisation (R&W, uprating and Life Extension (LE) works of existing thermal and hydel power plants during 9th, 10th and 11th Plans, involving investment of the 22,000 crore on thermal and another Rs. 4660 crore an hydel schemes. The Committee have been informed that funds would he mobilised by CEW utilities for carrying out R&MILE works and supplemented by the Central Government under Accelerated Power Development Programme (APDP) and interest subsidy under Accelerated Generation Supply Programme of PFC. The Committee are however, unhappy to note the delay in approval of APDP wef. 30.11.2000. The Committee hope and trust that budgetary outlay of APDP of Rs. 1000 crore for the current year will be utilised for R&M and related activities, expeditiously. They also desire that R&M should be the priority programme of the Ministry of Power, as benefits accrued by this programme have distinct advantages over green field projects.

Incentive Schemes

Recommendation SI. No. 8 (Para No. 2.68)

25. The Committee were informed that consequent on the introduction of incentive scheme. All India Plant Load Factor (PLF) increased from 53.90% in 1991 to 65.60% in April-December 1999. The Committee were constrained to note that despite the incentive scheme, the T&D losses during the last 3 years could not be brought down. The Committee had observed that Grants-in aid which were instrumental in motivating the power utilities to achieve high level of performance were reduced. The point put forth by the Government that the budget provision of Rs. 2.25 crore each for meritorious awards for better performance of thermal power plants and reduction of secondary fuel consumption, etc. for 2000-2001 will be reviewed at the revised estimate stage was not acceptable to the Committee. The Committee had recommended that enough Grants-in-aid should be provided at BE stage itself.

26. The Government in their reply have inter-alia stated that the provision for funds under the incentive scheme is relatable to the overall availability of funds in a financial year. While the provision made in the BE 1999-2000 was reduced, the BE provision during the year 1998-99 was increased from Rs. 2 crore to Rs. 2.8 crore for better performance of thermal power stations. Similarly, the BE provision under incentive scheme for reduction of secondary fuel oil consumption and auxiliary power consumption was increased from Rs. 2 crore to Rs. 3.2 crore during 1998-99.

27. The Committee do not accept the views of the Government that the provision for incentive scheme should he relatable to the overall availability of funds in a financial year and reiterate its earlier recommendation that the incentive schemes which are instrumental in motivation of personnel and improved performance by SEBs should be suitably funded at the budget stage itself. The Committee would like to be apprised of the action taken by the Government in future in this regard.

T&D Losses

Recommendation Sl. No. 9 (Para No. 2.69)

28. The Committee had observed that in spite of reform process underway there was no significant improvement in T&D losses. The T&D losses for the State of Orissa were at 56%, for Andhra Pradesh these were increased from 25% to 45%. The Committee had not accepted the contention of the Government that such losses were increased due to reporting being more realistic. The Committee had urged the Government to ensure correct reporting of T&D losses by SEBs/Electricity Departments and desire that necessary steps to reduce the T&D losses by upgrading equipment, etc. be taken up in a phased manner. The Committee had also recommended the Government to ensure reimbursement of power bills of subsidised/free power by State Electricity Board/Electricity Departments from the Plan assistance or any other receivable.

29. Regarding all-India T&D losses the Government in their reply have stated that these were 24.44% during 1997-98. However, after restructuring undertaken in certain States the T&D losses have reportedly vary from 40% to 51% in these States. The Central Electricity Authority have requested all the SEBs/EDs/Public Power Utilities to indicate the actual T&D losses in the yearly figures in two portions i.e. technical T&D losses and non-technical losses that are inherited in the system and can be reduced by better design of fines, relocation of distribution transformers and installation of capacitors while the commercial losses are due to theft of energy, use of defective meters and un-metered supply.

30. The Government have further stated that SEBs/EDs have been requested to carry out systematic energy plants study so that better system of the losses could be made. A Conference of Power Ministers of States/Union Territories held on 26th February, 2000 have resolved to undertake energy auditing at all levels and to instal meters for all the consumers by December, 2001.

31. The Committee cannot but deplore the way the Government have submitted unsatisfactory replies to their recommendation. The reply of the Government is silent about the steps taken to ensure reimbursement of power bills of subsidised/free power to SEBs/EDs. The Committee, therefore, would like to know the action taken by the Government in this regard. The Committee would also like to know the steps that have been taken on the resolution adopted in the Conference of Power Ministers held on 26.2.2000, where the State/ Union Territory Governments have resolved to undertake energy auditing at all levels and to instal meters for all the consumers by December, 2001 to substantially reduce the T&D losses arising due to power theft. The Committee desire that State, UT Government concerned should reimburse the subsidy claims of Electricity Board/ Power Utilities, in full. At the same time, the Committee desire that subsidy amount to any consumer should be clearly spelt out/shown/ liquidated in the power bill.

Training of Personnel

Recommendation SI. No. 10 (Para No. 2.75)

32. Regarding training imparted to personnel in power sector, the Committee were unhappy to note that the Budgetary allocations for the performance has declined at an alarming rate indicating the Government apathy towards this important HRD activity. The Committee had noted that the targets fixed have never been achieved during the last 3 years. The Committee observed that the reasons for failure of the National Power Training Institute (NPI) to meet the targets in respect of long-term training programmes for Engineers may be the inability of SEBs to relieve their staff for a long period ranging from 26 to 52 weeks.

33. The Government in their reply have stated that the autonomous bodies like National Power Training Institute (NPTI) are expected to progressively become self-sufficient in financial matters. The Ministry of Finance have reduced the budgetary support to NPTI. However, keeping in view the poor financial position of the SEBS, the Ministry of Finance were being approached for additional funds regarding restructuring of the training programme into a series of shorter duration courses. The Government have stated that NPTI is bound by the statutory provisions in the Indian Electricity Rules, 1956 which stipulates the duration of training programmes. However, NPTI are making efforts to design and conduct short-term training courses without compromising the statutory provisions.

34. The Committee for two reasons are unable to accept the reply given by the Ministry that National Power Training Institute is expected to progressively become self-sufficient in financial matters and thus withdraw financial support. Firstly, because power is a basic infrastructural sector and it is the duty of the Government to provide necessary training to its staff to keep them abreast with the latest technical developments in the field. Secondly, because there are statutory provisions under the Indian Electricity Rules 1956 regarding training courses, etc. and the Union Government having set up the Institute should not now shirk from their responsibility of ensuring its smooth functioning. The Committee are of the opinion that the Union Government should provide full financial support to the National Training Institute so that an important HRD activity is not ignored and also ensure that money provided is fully utilised.

Rural Electrification

Recommendation S1. No. 14&15 (Para No. 2.106 & 2.107)

35. Rural Electrification Corporation (REC) a financial institution sanction loans for Rural Electrification Scheme which are disbursed by way of reimbursement on reported progress of the work. The Committee had observed that Corporation cannot absolve itself of all the major responsibilities entrusted to it to prompt actual implementation of Rural Electrification Programme. The Committee had recommended that for proper monitoring of Rural Electrification Programme, a list of villages actually electrified for whom loans were disbursed should be maintained by the Government/REC. In view of the Government's plan to supply power on demand by 2012, the Committee had desired that

the definition of a village declared electrified should be changed and the household of a village or hamlet which have been at least 10% electrified should only be brought to the category of a electrified village. The Committee had also noted that during the 6th and 7th Plan Period on a average more than 1 lakh villages were electrified. During 8th Plan the total number of villages electrified dropped to 11540. In the current Plan Period the rate of electrification further dwindled to 3,000 villages per year. As many as 82600, villages were yet to be electrified of which 18,000 villages could not be connected through grid. The Committee had, therefore, recommended that a comprehensive strategy should be chalked out to electrify all the villages by the end of 10th Plan. To augment resources for the rural electrification, REC should also be allowed to make use of funds available under Rural Infrastructure Development Fund.

36. Regarding implementation of Rural Electrification Programme, the Government have informed that these are being implemented by State Electricity Departments and monitored by the network of field offices of REC covering all the States of the country. The physical progress achieved and funds disbursed by REC are reviewed/monitored by Ministry of Power and Central Electricity Authority. The Government have cited the practical difficulties in declaring a village with 10% electrification of rural household as there will always be a time gap between extending the infrastructure and developing the load in the area as the release of a connection is a continuous process phased for a number of years. The progress and achievement would also depend upon the demands of consumers and their financial capability to avail a connection. Regarding decline in village electrification the Government have stated that it is because of increasing reluctance on the part of SEBs to make these needy investments by raising interest bearing loans. The Planning Commission has constituted a working group to suggest a policy approach for electrifying the remaining villages including remote villages which may not be connected by conventional electricity grid due to economic reasons and examine the need for a separate agency to electrified the remaining villages. The Government has also set up a Group of Ministers to review all the existing schemes relating to electrification of tribal villages, dalit bastis and benefiting other weaker sections and suggest modification for accelerating pace of electrification.

37. The Committee are unhappy to note that inspite of its repeated recommendations, the Government have not changed the definition of an electrified village. The Committee are of the opinion that electricity must reach at least 10 per cent of the households in a village before a village can be called electrified. If this policy is made mandatory, it will compel the SEBs to discharge their responsibilities of providing electricity to people rather than achieving the dubious statistical distinction of electrifying villages without benefiting the people. The Committee have observed that working group on options of electrification of villages in remote and difficult areas, has recommended that 18,000 villages which cannot he connected to grid, be electrified by Non-Conventional Sources of Energy. Taking into consideration that such villages are situated in far-flung and inaccessible areas, the Union Government should finance rural electrification from Accelerated Power Development Programme (APDP) and should examine whether the proceeds of India Millennium Fund can also be used to improve rural infrastructure like power. The Committee appreciate the efforts of the Government in constituting Committee of Group

of Ministers for reviewing all the existing schemes relating to the electrification of tribal villages, dalit basties etc., and reiterate that the resources for rural electrification must be augmented by allowing REC to make use of funds available under Rural Infrastructure Development Fund.

Under-utilisation of Plan Expenditure in Damodar Valley Corporation

Recommendation SI. No. 16 (Para No. 2.114)

38. The Committee had observed that there was a huge variation between the Plan outlay and revised outlay of DVC during 1998-99 and 1999-2000. The actual expenditure was Rs. 120.55 crore during 1998-99 against the target of Rs. 235.11 crore and for 1999-2000, these were revised to Rs. 133.91 crore from original BE of Rs. 176 crore. The Committee failed to understand the initial proposal for DVC for an expenditure of Rs. 459 crore of Plan outlay during 2000-01. The Committee, therefore, had desired to know the details of the proposals of DVC during 2000-2001 which had been curtailed after discussion with the Planning Commission and modified to Rs. 285.40 crore instead of Rs. 459 crore. The Committee also expected the Government to resolve the issue of coal linkage and signing of PPA in regard to Maithon Right Bank Thermal Power Project at the earliest. Regarding R&M work undertaken by DVC, the Committee were concerned to note the reduced utilization of budget provision and had desired to know the reasons for utilisation of Rs. 8.68 crore against the BE of Rs. 43.3 crore during 1998-99.

39. In their reply the Government had stated that during 1998-99 against BE of Rs. 249.30 crore the actuals were Rs. 120.55 crore. During 1999-2000, BE of DVC were revised from Rs. 176 crore to 98.7 crore. The reasons for variance between BE of 1998-99, 1999-2000 and actual expenditure under Plan outlay are reported to be as follows:-

(i) The shortfall in expenditure of Mejia TPS was due to non- settlement of certain outstanding bills/claims, whereas physical progress was in line with the projection during 199&99. During 1999-2000 the shortfall of Rs. 10.02 crore was partially attributed to additional credit received during trial run on account of delayed declaration on commercial operations and non-settlement of certain outstanding bills.

(ii) (ii) For T&D Scheme major reasons for shortfall were on the part of the contractor to achieve progress and the enormous delay for obtaining statutory clearances from different Government bodies during 1998-99. During 1999-2000 actual performance fall short of target and major default was 132 KV Kalyaneswari S/s work of Rs. 2.20 crore which had been started departmentally for want of competent civil contractor.

(iii) During 1998-99 a fund of Rs. 7 crore was earmarked under the Head Pollution, however, the actuals were nil during the year. During 1999-2000 against RE of Rs. 2.86 crore the actuals were 0.60 crore. The major reasons for slow progress on work are stated to be fund/administration and management problem due to which M/s. ABB-ABL could not ensure supply of material and the contractor stopped the work during January, 2OW to May 2000. M/s. ABB-ABL also could not be arranged pre-commissioning activities matching with DVC's shut down programme for each individual unit.

(iv) For R&M of Badarpur Thermal Power Station, inclusion of some additional analytical instruments was considered later on as per discussions with CEA. However, the contract could not be finalized due to non-settlement of Techno-Commercial Part of the offers. Hence although provision were made in RE but actual expenditure was not incurred.

(v) For CTPS, the replacement work of Russian Design Instrumentation (Unit-4) could not be taken up for non- settlement of Techno-Commercial Terms & Conditions of the contract. Hence actual expenditure was far below that assessed.

40. On scrutiny, the Committee found that non-settlement of bills/ claims, inability of contractor to achieve progress, delay in obtaining clearances, delay in receipt of equipments/materials, non-settlement of Techno-commercial terms of conditions of contract, reduction in scope of work, were some of the reasons assigned for under-utilisation of funds by Damodar Valley Corporation (DVC) since 1998-99. The Committee are of the view that the reasons cited are such that they points towards administrative apathy in DVC. Due to lack of serious efforts on the part of DVC, precious resources were locked in unproductive ventures and on the other hand some of the development projects were starved of fund. The Committee desire that the matter be probed thoroughly and corrective actions taken thereon. At the same time, the project formulation and implementation machinery be further strengthened so as to ensure prudence in budgetary exercise.

41. The Committee have also gone into the reasons for drastically reducing the outlays in the current year, i.e. 2000-01 from the original estimate of Rs. 459.90 to Rs. 285.40 crore. The Committee apprehend that with the sordid state of affairs which is prevailing in DVC, even this amount would not be expended. Therefore, they desire that the Government should undertake a review of activities in DVC immediately so that feasible projections could be made.

42. The Committee are unhappy to note the issues of coal linkage and Power Purchase Agreement with respect to Maithon Right Bank Thermal Power project that have yet not been finalised and delayed considerably on one pretext or the other. The Committee apprehend that in the absence of these inputs, the project may undergo cost and time-overrun. The Committee, therefore recommend these should be firmed up expeditiously. The Committee also desire that serious efforts be made to rehabilitate the two closed units of Durgapur power plants of DVC.

Tail Pool Dam

Recommendation SI. No. 17 (Para No. 2.115)

43. Regarding abandoned projects, the Committee had observed that the Tail Pool Darn Project initially sanctioned in 1987 was dropped by the Damodar Valley Corporation on 8th January, 1996 due to resistance from the local people. An expenditure of Rs. 6 crore on construction activities was incurred and the work was finally stopped from 31.5.98 when the DVC decided to shelve the project. The Committee had desired that the Government should not abandon projects after making investments and also desired that all out efforts should be made to restart the Tail Pool dam project. Committee were awaiting information regarding the outcome of the meeting of Secretary, Ministry of Power and Energy Secretaries and Chairmen, SEBs of Bihar and West Bengal which was scheduled to be held in April, 2000 to resolve the issue related to the project.

44. The Government in their reply have stated that the Additional Secretary (Power) who was also the Chairman of DVC visited PANCHET Dam site on 13th July, 2000 and found that resettlement and rehabilitation of the families whose land was to be acquired and providing employment to others is a serious problem. A Committee has been formed comprising of Deputy Commissioner, Dhanbad Government of Bihar, District Magistrate Purulia, Government of West Bengal and other DVC officials with the following terms and conditions:-

(i) Committee will suggest measures so that the land owners hand over the land to be acquired for the project.

(ii) The Committee will finalise once for all the further rehabilitation measures, lift irrigation project and community benefit schemes required to be undertaken by DVC. ,

(iii) The Committee will finalise an. agreement to be entered into between stake holders and both the State Government of Bihar and West Bengal covering all aspects relating to employment and rehabilitation/resettlement measures. The Committee has been asked to submit report by 6 to 7 week from the date of its first meeting.

45. The Government have further stated that the work on Tail Pool Dam can be started only after the land owners hand over the land to be acquired to the project authorities and further rehabilitation measures required to be undertaken have been completed and the lift irrigation projects and community schemes are fully implemented. After all the stake holders and two State Governments enter into an agreement covering all aspects relating to employment and R&R measures, the work on Tail Pool Dam can be started.

46. The Committee are surprised to note that instead of furnishing details of the outcome of the meeting amongst Secretary, Ministry of Power, Government of India and Secretaries/Chairmen State Governments of Bihar and West Bengal to resolve the issue

of Tail Pool Dam, the Government have informed about the visit of the Additional Secretary (Power), Government of India and Chairman DVC at the dam site in July, 2000. The Committee are further constrained to note that instead of taking steps to resolve the issues involved regarding acquisition of land and rehabilitation measures, the Government have simply stated that only after entering into an agreement by the stake holders and concerned State Governments the Tail Pool Dam can be started again. The Committee cannot expect such an evasive and unsatisfactory reply from the Government and feel that concerted efforts should made by the Government/DVC with the State Governments so that the project can be restarted. The Committee hope and trust that the Committee constituted by DVC by now would have considered the issues related to the project and submitted its report. The Committee would like to know the details of this report and Government's reaction thereto. At the same time, the Committee desire that work on the project should be started before the on-set of the monsoon.

Power Development in North-Eastern States

Recommendation S1. No. 18 (Para No. 2.126)

47. The Committee had been informed that the proposal for strengthening and improvement of sub-transmission and distribution schemes of North-Eastern States and Sikkim for (i) on-going projects for which the Ninth Plan provisions are available but required additional funds for early completion and
(ii) New projects which are identified as important and critical but not taken up due to lack of funds had been identified. For on-going and important new schemes proposed by North-Eastern States and Sikkim for availing non-lapsable funds for development of transmission and distribution system an expenditure of Rs. 452.66 crore was proposed to be incurred. Additional funds requirement for these schemes had been assessed at Rs. 239.92 crores during 1999-2000 comprising Rs. 136.23 crores for ongoing schemes and Rs. 103.69 crore for new schemes. The Committee were surprised to note that although schemes have been identified and funds earmarked, schemes could not be operationalised since the details regarding achievements, both financial and physical during 1999-2000 were not available with the Government. The Committee had desired to know the Ninth Plan provision for the schemes and the funds disbursement utilisation so far. The Committee also desired that funds should be provided immediately for crucial and ongoing projects so that these could be completed at the earliest.

48. In their reply, the Government inter-alia have stated that an amount of Rs. 1000 crore has been provided in the Budget for the year 2000-01 for implementation of the Accelerated Power Development Programme (APDP) Scheme. Under this programme the States in the North Eastern Region would be eligible for funding new schemes relating to strengthening of sub transmission and distribution system. The funding will consist of a mix grant and loan; the grant component will be 90'/o and the loan payable will be 10% for sub category States. States in the North-Eastern Region will be eligible for funding new schemes relating to R&M, metering and strengthening of sub-transmission and distribution. The modalities for release of funds under the APDP

scheme are made finalised in consultation with Planning Commission and Ministry of Finance.

49. The Government have further stated that a scheme was prepared by CEA in consultation with the State Governments for improvement of sub-transmission and distribution in the North-Eastern Region and Sikkim by availing Non-Lapsable Pool of Resources available with the Government of India. The requirement of funds was assessed at Rs. 239.92 crore during 1999-2000, comprising 136.23 crore for on-going schemes and Rs. 103.69 crore for new schemes. In a meeting held in the Planning Commission on 8.5.2000, it was decided that Planning Commission would fund the ongoing schemes from the Non Lapsable Pool of Resources after CEA has verified the physical status of each scheme 'and take into account the latest cost estimates, expenditure already incurred and balance requirement of fund along with phasing of fund requirement. CEA had accordingly held discussions with the representatives of the State Governments at Shillong on 12.7.2000 and detailed proposals in respect of Assam and Meghalaya have been submitted by the Ministry of Power to Planning Commission. Detailed proposals from CEA in respect of on-going schemes of Manipur and Mizoram have also been received and are being sent to the Planning Commission. Ministry of Power has separately requested the Planning Commission to convene the meeting of the Committee for sanction of projects so that funds could be released from the Non Lapsable Pool.

50. The Committee have observed that Accelerated Power Development Programme (APDP) announced with much fanfare by the Finance Minister during his budget speech, could be operationalised only w.ef. 30th November, 2000. An outlay of Rs. 1,000 crore has been fixed for current financial year. Assistance under the scheme would be available to States provided the beneficiary State undertakes reforms in an agreed time frame. The funds would be disbursed to States on the basis of proposals received from them. The Committee do not approve of inordinate delay of nearly nine months in according approval to APDP. In the opinion of the Committee, such delay would have deleterious impact on the functioning of the scheme. At the same time, the Committee are in doubt whether States of North-East Region would be able to avail fundings for APDP due to tough terms and conditions of the scheme. The Committee desire that since North-East is experiencing chronic deficit in power due to weak Sub-Transmission and Distribution system, an exception should be made for them. Accordingly, Sub- Transmission and Distribution, R&M and Meteorology schemes in the region be funded without insisting on reform process as precondition. The Committee would also like to be apprised of details of funds earmarked under 'Non Lapsable Pool' and the details of schemes which availed the funds and utilisation thereof.

Tipaimukh Dam

Recommendation S1. No. 21 (Para No. 2.143)

51. The Committee were informed that the Tipaimukh Dam Project was initiated by Brahamputra Board at an estimated cost of Rs. 2899 crore in July, 1995 with an installed capacity of 15,000 MW. The project was entrusted to NEEPCO for execution as decided by the Power Ministers' Conference of North-Eastern Region held on 19.1.1999. The Committee were informed that the Manipur Legislative Assembly authorised the NEEPCO to go ahead for further survey and investigation of the project and submit final report to the Government of Manipur for approval/clearance. The Committee had desired that the NEEPCO should approach the Government of Manipur at the earliest to sign the MoU. The Committee also recommended that Central Electricity Authority should take minimum time to accord approval of the revised DPR than the normal time of 5 to 6 months taken by it. In view of the Government's submission that it would take 12 years to commission the project from the date of CCEA approval, the Committee had recommended that NEEPCO should take ,the project as a fast track power project.

52. According to the Government’s reply, the MoU between North- Eastern Electric Power Corporation for execution of Tipaimukh Dam Project could not be concluded. with the Government of Manipur pending finalisation of the security issues relating to the project. As the project is located in a sensitive area dominated by various underground outfits, NEEPCO would take expeditious action for the development of the project as soon as it is given by the Government of Manipur to it.

53. The Committee note with concern the delay in the execution of the Tipaimukh Dam Project. During the study visit of the Committee to North-Eastern States in February, 2000 a solemn assurance was given to the Committee that the MoU between Union Government and Manipur would be signed within a month. However, such an assurance has not been honoured. The Government have also not mentioned the hindrances in the finalisation of security issues to set up the Tipairnukh Dam Project. It is understood that NEEPCO have submitted DPR to State Government as well as CEA. The Committee hope that CEA would examine the DPR on priority basis and NEEPCO initiate action for obtaining Statutory Clearances after signing of MoU. The Committee, desire that NEEPCO should sign MoU with the Manipur Government, at the earliest and the Union Government should immediately address the security concern of the Government of Manipur. The Committee also desire that Ministry of Power should take up the matter with Planning Commission for allocation of funds to undertake pre-construction activities.

CHAPTER II

RECOMMENDATIONSIOBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (S1. No. 13, Para No. 2.105)

The Committee are distressed to note that Rural Electrification Programmes like Tribal sub-plan, Special component plan, village electrification and pump set energization are not progressing as per the targets fixed for each of them. Against a target of 415 tribal villages to be electrified during 1999-2000, only 33 tribal villages have been electrified upto December, 1999. The Committee have been informed that under Kutir Jyoti Programme, a single point light connection is released to the households of rural poor, including Dalit and Adivasi families failing below poverty line. This is given as grant. The Committee are constrained to note that under Kutir Jyoti Programme, the actual achievement at macro-level was just 27/. (upto December, 1999). States like Assam, Haryana, J&K, Manipur, Sikkim and West Bengal have not electrified any of Dalit and Adivasi families, in spite of projecting hefty targets. The Committee are surprised to find that some of the SEBS, are reluctant to implement Kutir Jyoti Programme, as they stand to lose financially. The Government should initiate action with the State Government regarding implementation of Kutir Jyoti Programme. The Committee desire that changes in guidelines, proposed by REC, i.e. cent per cent advance payment of grant amount to implementing agencies and enhancement of amount of grant per Kutir Jyoti connection, be implemented forthwith. The Committee have been informed that the targets for village electrification and pump sets energisation under REC funded programme of rural electrification are arrived at in consultation with SEBs/Power Departments of the State Governments, taking into account their priorities for taking up the programme and their past performance. The Committee feel that some of the State Governments may be reluctant to implement the programme mainly due to the unremuncrative nature of the programme and because of inadequate power infrastructure to support the scheme. The Committee therefore, are of the opinion that all out efforts should be made to persuade SEBs/State Government to implement these programmes so as to achieve the target set during each year. The Committee desire that necessary arrangements may be made to include the members of panchayat as well as MLAs and MPs of the locality in finalisation and implementation of these Rural Electrification Programmes before funds are made available by Central Government/ Rural Electrification Corporation.

Reply of the Government

The identification of villages including tribal villages and target for their electrification is determined and decided by SEBs/Power Utilities as per their policy and directions of the State Government. The demand for credit for making such investments if any, is met fully by REC by providing loan assistance to SEBs/Power Utilities for viable schemes as are sponsored by them. The States are allotted Kutir -Jyoti connections based on the demand for such connections made by them and level of rural poor household falling below poverty level including Dalit and Adivasi families. Government of India provides funds as a grant under'Kutir Jyoti Programme for release of single light connections to the rural poor. The programme is implemented through Rural Electrification Corporation (REC). Ministry of Power have proposed to convene a meeting of Energy Secretaries of all the States to elicit their views in extending rural electrification to the remaining unelectrified villages of the country. Government has also decided to set up a Group of Ministers (GoM) to review all the existing schemes relating to electrification of tribal villages, dalit bastis and benefiting other weaker sections and suggest modifications for accelerating the pace of rural electrification. While doing so, the suggestions made by the Standing Committee will be kept in view.

[Ministry of Power's OM No. 441712000-D(RE) dated 3.7.2000

Recommendation (SI. No. 19, Para No. 2.127)

Regarding implementation of ULDC scheme for North-Eastern Region, the Government have informed that the scheme was approved in August, 1997 at a cost of Rs. 167 crore. Although initially the Power Grid Corporation insisted on necessary Letter of Credit, Escrow cover backed by State Guarantees, keeping the financial health of SEBs in the region and critical importance of the project for effective system operation in the region in view, Planning Commission has indicated in principle acceptance of the project by providing 90% of the project cost. Out of a total grant of Rs. 150 crore, Rs. 50 crore have been provided for 2000-01. The Committee expect that the award of contracts for this project would have been placed by April, 2000 as targeted. The Committee would also like to know the targeted completion period of the scheme.

Reply of the Government

The ULDC scheme for North-East Region was approved in August, 1997. The award of contracts was held up by POWERGRID in line with the decision taken by POWERGRID Board not to go ahead with the project. In the absence of appropriate commercial agreement signed by all the NER beneciflaries including provision for opening Letter of Credits and supported by State Government Guarantee/Escrow account.

Keeping in view the criticality of the project, Planning Commission has consented to provide for a grant of Rs. 50 crores for this' project in the budget of 2000-2001. Ministry of Power has directed POWERGRID to start implementation of the project and accordingly, POWERGRID has awarded the following packages associated with ULDC-NER Project:

ULDC-NER NER Package	Date of Award
Auxiliary Power Supply Package	27.4.2000
Digital Microwave Package	28.4.2000
PLCC/PABX Eqpt. Package	12.5.2000
EMS/SCADA Package	15.5.2000
Fibre Optic System Package	26.5.2000

The Project is expected to be completed by May, 2004

[Ministry of Power's OM No. 9/4/2000 –PG dated 16th August, 2000]

CHAPTER III

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

Recommendations (SI. No. 3, Para No. 2-16)

Taking note of the below target capacity addition of power during 8th Plan and first three years of 9th Plan, the Committee find the goal of the Government of achieving "the power on, demand by 2012 as over-optimistic'. The Committee find that against the annual incremental capacity of 10000 MW to 12000 MW required to achieve 'Power on Demand' target by 2012, the Government have set targets of capacity addition of 2125.5 MW of thermal and 1219.5 MW of Hydro during 2000-01. The Committee apprehend that the much hyped 'Power on Demand by 2012' might witness the same fate, as of capacity addition programmes during 8^{th} Plan and first three years of 9th Plan. The Committee, therefore, recommend that to achieve 10^{th} and 11^{th} Plan target of 20590 MW capacity addition of NTPC project and hydro electric capacity additions of 2415 MW during the 10th Plan and hydro projects of 26581 MW where advance action has been taken, should be supported by higher budgetary support. The Committee also desire that the Government should explore the possibility of various pending/abandoned projects like Nabinagar Super Thermal Power Projects etc. to ensure that the objective of 'The Power on Demand by 2012' can be achieved.

Reply of the Government.

The exercise 'Power on Demand by 2012" which was conducted by the Ministry through the CEA was to estimate the requirements of additional installed capacity given the demand projections as indicated in the 15th Electric Power Survey Report. The study had indicated that we would require a total installed capacity of 2,40,000 MW approx. by the end of IX Plan i.e. 2011-12 in case we want to meet our full demand. This would mean that we need to have an incremental capacity of 10,0W-12,000 MW per year for the next 10-12 years. The actual growth of installed capacity would, however, be governed by other factors including availability of resources, growth in capacity of inter regional flow of power, reduction in T&D losses, increase in efficiency in the economy etc.

It has been the policy of the Government to fund all Central hydro electric projects from budgetary resources in order to ensure that there is no fund constraints. The thermal projects of NTPC are not funded through budgetary resources except in the case of Faridabad Gas. They are financed through NTPC's own resources and market borrowings. The Government would try to ensure giving maximum budgetary support possible to all central hydro projects.

As regards the recommendation of the Committee, that the Government should explore the possibility of implementing various pending projects like Nabinagar STPP to ensure that the objective of 'Power on Demand by 2012' is achieved, it may be stated that initially Nabinagar power project was identified for development through Independent Power Producers (IPPs). The response to Request For Qualification (RFQ) documents for prequalification of Independent Power Producers/developers was very poor despite the fact that it was issued twice. It was therefore decided not to pursue the bids through this route. The project is now proposed to be developed in central sector and NTPC has been advised to take up this project for implementation during the XI Plan after assessing the marketability of power generated from this project.

[Ministry of Power OM No. 2/7/2000-P&F dated 30.6.200

Recommendations (Sl.No. 6, Para No. 2.46)

The Committee took a serious note of the Government's proposal to replace the Gadgil formula for power sharing by the new guidelines to be observed while setting up new power projects. Although, the Secretary, Ministry of Power has informed the Committee that the formula for allocation of 10% thermal power to the States and 12% of power from hydel projects to a State where these projects will be set up is not being tampered with, the Committee feel that guidelines for the signing of the Power Purchase Agreement (PPA) by the concerned State Government may bind the State Government to comply with the terms and conditions of PPAs which may adversely affect their rights as per the existing Gadgil formula. The Committee desire that before implementing these guidelines, Government should take the State Government into confidence so as to protect the interest of the States where new power projects are to be set up. The Committee would Up the Ministry to draw up a model Power Purchase Agreement and circulate it to all State Governments and invite their comments.

Reply of the Government.

The Union Cabinet decided on 23rd March, 2000 to treat the existing Gadgil Formula" for allocation of power to the States/UTs from Central sector power stations as "guidelines". There will be no change in the contents of the formula and it will not disturb the allocation already made under the formula. Under the "guidelines" power from the new central sector power stations will be made in accordance with power purchase agreements (PPA) to be signed between the central sector utility and the State/UT or any of their authorised agency or Board. First offer for purchase of power shall be made by the central sector power utility to the constituent states of the regions as per their entitlement. In case any constituent of the region does not buy its share or part thereof, the central sector power utility shall be made first to the State(s)/UT(s) within the region (where power station is located) before diverting the power to State(s)IUT(s) outside the region. Where there are more than one claimants to the surplus power, so offered, weightage in allocation shall be given to the power sector reforming State(s)IUT(s).

The decision of the Government to treat the existing "Gadgil Formula" for allocation of power to the States/UTs from central sector power stations as 'guidelines' has been intimated to all the State Governments by the Ministry of Power on 27th April 2000 and so far there has been no reaction from any of the State Governments. As regards model Power Purchase Agreement, such agreements were signed even earlier and now between power utilities and the State Governments for bulk supply of power from Central generation stations.

[Ministry of Power OM No. 7(1)12000-OM dated 5.8.2000

Recommendation (SI. No. 7, Para No. 2.58)

The Committee are dismayed to note that transmission and distribution sector has been a neglected area. The Committee are surprised to note that although the budgetary support for Generation has been increased from Rs. 896.11 crore in 1997-98 to Rs. 2254.36 crore in 2000-2001, the investment for transmission has declined from Rs. 309.61 crore in 1997-98 to Rs. 118.10 crore in 2000-2001. With the consistent increase in power generation, the Committee fail to understand the decreasing investment in evacuation of power. The Committee recommend that the Government should take up the matter with the Planning Commission and ensure adequate investments in Generation and T&D from the year 2000-2001 itself. The Committee are perturbed to note that funds provided for T&D are mostly used for meeting normal work comprising giving new connections and reinforcement needed therefor. The Committee observe that although PFC accord high priorities to improve system such as installation of capacitor, meters, etc. and provide loans at lower rate of interest, the overall investment in T&D Sector remain much below the desired level of equal investment as compared with that in generation sector. The Committee have been informed that un-metered supplies are provided to subsidised consumers belonging to agriculture sector and also low income groups, which emerge from State Government policies. At present only 50% of National Electricity Consumers are metered and only 60% revenue is collected from 50% of population. The Committee consider this to be a big national loss. For the Metering and Energy Audit Scheme supported by PFC, a fund of Rs. 280.95 crore has been sanctioned to SEBs/EDs, but only a sum of Rs. 88.37 crores have been disbursed. The Committee would therefore like the PFC to complete the disbursement and ensure that the scheme is carried out as targeted. Similar efforts should also be made by PFC to speed up grants/loan agreements for studies to be carried out by SEBs/EDs to activate speedy completion of studies. The Committee also recommend that PFC itself should install meters and collect a part of revenue, from the consumer to meet the cost in this regard. The Government should make all out efforts to make equal investment in T&D Sector, so that the generation capacity existing and added can reach the consumers and they may not have to back down their plants for lack of evacuation facilities as is now done by NTPC in the eastern region.

Reply of the Government

The Gross Budgetary Support provided to POWERGRID comprises of loans routed through Government of India Like NRTS (3237-IN) and OECF loans. However, the Net Budgetary Support provided by Government to POWERGRID is nil. Therefore, GBS provided by government does not represents the investment made in transmission sector by POWERGRID, it only indicates amount of loan received by POWERGRID through Government of India.

Loan amounts received by POWERGRID for transmission projects during financial year 1997-98, 1998-99, 1999-2000 and loan to be received during 2000-01 were/ are Rs. 303.41 crore 181.27 crore, Rs. 225.08 crore (tentative) and Rs. 108.10 crore respectively. Details of the same are placed at Annex.I. The variations in GBS are dependent on funds required for the projects funded through the loans wouted through the Government of India, which in turn depend on construction stage as follows:-

(a) The funds required for projects, which are in first year/ preliminary stage or near completion stage, are less.

(b) The funds required for projects which are in advance stage i.e. second year / third year of construction stage and where construction activities are at peak level, are more.

In relation to the total loans of Rs. 280.95 crores sanctioned by PFC upto 30.4.2000 for meeting schemes the disbursements have already reached Rs. 123.63 crores upto April, 2000. There is normal time cycle of 6-8 months in loan execution after sanction of loan and then in procurement and installation of meters 12-18 months are needed. Thus funds sanctioned are being progressively utilized.

As regards the recommendation of the Committee for installation of meters by PFC itself, it is submitted that PFC is a financial institution extending financial assistance to power projects of power projects of power utilities. It is outside the functional mandate of Developmental Financial Institution i.e. PFC to install meters and collect revenue, which are functions of power utilities. Hence it is neither proper nor feasible for a DFI like PFC to work like a power Utility.

ANNEURE I
(Rs. in crores)

Particulars	Actual 1997-98	Actual 1998-99	BE 1999-00	RE 1999-00	Actual 1999-00 (Provisional)	BE 2000-01
NRTS Loan (3237-IN)						
Nathpa-Jhakri	-	69.79	70.42	17.53	37.89	6.15
Kishenpur-Moga	269.61	57.00	77.03	8.40	94.76	9.97
ULDC-NR	-	36.27	135.15	114.59	83.22	86.98
Sub Total (NRTS)	269.61	163.06	282.60	212.52	215.87	103.10
Kathalguri (OECF)	33.80	13.12	10.84	6.40	6.10	--
Faridabad Gas(OECF)	-	5.00	5.00	8.00	3.11	5.00
Total	303.41	181.27	298.44	226.92	225.08	108.10

Recommendation (S1. No. 10, Para No. 2.75)

Training is one of the most important tools of human resources development in any organisation and its importance can hardly be over-emphasised in a technical field like power sector. But the Committee is unhappy to note that budgetary allocations for the purpose has declined at an alarming rate indicating Government's apathy towards this important HRD activity. The Committee observes that the targets fixed have never been achieved during the last three years. Although long-term course for technicians and for operators and short-term training programme for Engineers have been successful, targets for long term training course for Engineers and short-term training course for Operators by NTPI could not be achieved during 1999-2000. The Committee feel that one of the reasons for failure of the Institute to meet the targets in respect of long-term training programmes for Engineers may be the inability of SEBs to relive their staff for a long period ranging from 26 to 2 weeks. Such a long absence of employees from their weak financial performance of SEBs and hence their reluctance to send their employees for the training courses. The Committee suggests that such programmes should be restructured and divided into a series of shorter duration courses in consultation with SEBs for the duration for which they can easily depute their employees for training.

Reply of the Government.

The autonomous bodies like National Power Training Institute (NPTI), are expected to progressively become self-sufficient in financial matters. Accordingly, the Ministry of Finance have reduced the budgetary support to NPTI. However, keeping in view the poor financial position of the SEBs who are the main users of training facilities in NPTI and armed with the recommendation of the Standing Committee, the Ministry of Finance are being approached again for additional funds.

As regards suggested restructuring of the training programme into a series of shorter duration courses in consultation with the SEBs (State Electricity Boards) to facilitate deputation of their employees for training in larger numbers, it may be submitted that the NM is bound by statutory provisions in the Indian Electricity Rule, 1956 that stipulate the duration of training programmes. Notwithstanding that the NPTI are making efforts to design and conduct short-term training courses without compromising the statutory provisions. They also expect to achieve the target of number of employees to be trained during 2000-01.

[Ministry of Power OM No. 4111/2000-T&R dated 16.8.20001

Comments of the Committee

Please see Paragraph 34 of Chapter 1 of the Report).

Recommendation (S1. No. 11, Para No. 2.85)

The Committee observe that the Budget Estimate of Dulhasti Project of NHPC was reduced from Rs. 391 crore to Rs. 289.54 crore and that of Chamera-11 revised to Rs. 285 crores from Rs. 100 crore initially projected. The Committee are concerned to note that although for Dulhasti Project, the low utilisation of funds has been attributed to slow progress in the tunnel upstream face and non-utilisation of Tunnel Boring Machine since June, 1999, the Budget Estimate for Chamera-11 project has been revised from Rs. 100 crores to Rs. 285 crores even though the project could not be sanctioned by the Government till June, 1999. The Committee are concerned at the casual manner in which the Government/NHPC has made budgetary provision for the on-going/future project and revising it later on. The Committee would like to know the utilisation of revised estimate for the project during 1999-2000. The Committee have been informed that steps have been taken to minimise the intensity and impact of geological surprise by taking intensive survey and investigation. These will be completed in two phases, the first phase will include Survey & Investigation, pre- construction activities and development of infrastructure facilities. Active construction work would be taken up in the second phase. The Committee would Ue to know the implementation schedule of the two new projects viz. Parbati Hydro Electric Project Stage-1 (1800 MW) in Hirnachal Pradesh and Dehang (13400 MW) and Subansiri (7300) Hydro Electric Project in Arunachal Pradesh planned in U-ds manner. The Committee desire that NHPC should make realistic estimates of the fund requirements for its various projects and should make all efforts to utilise the same to avoid cost and time over-runs of the projects.

Reply of the Government.

When the requirement of funds in Budget Estimate 1999-2000 for Dulhasti Project was proposed, the work on the project was going in full swing and the project was expected to be completed by March 2001. However, progress in the tunnel uls face remained slow due to cavity formation and because of non-operation of Tunnel Boring Machine since June 1999, the anticipated expenditure on the project could not be met and accordingly the requirement was reduced from Rs. 391 crores to Rs. 289.54 crores.

In case of Chamera Project Stage –II, an amount of Rs. 290 crores was proposed by NHPC as Budget Estimate 1999-2000 with the assumption that the project would be sanctioned by the Government during discussions, the proposed outlay was reduced by the Planning Commission to Rs. 100 crores because of the reasons that the project is yet to be sanctioned by the Government. However, it was assured by Planning Commission that the outlay will be enhanced in the revised estimate if the project is cleared. As the project was sanctioned in June, 99 , the outlay was revised to Rs. 285 crore based on actual requirement of funds.

From the above, it would be seen that the budget is prepared for on-going / future schemes by NHPC after full consideration of all factors and whatever increase/ decrease in the proposed outlay occurs, it is on account of reasons which are beyond the control of NHPC.

Against the Revised Estimate of Rs. 289.54 crorre for Dulhasti Project and Rs. 285 crore for Chamera-II Project for the year 1999-2000 the actual utilization is Rs. 299.60 crore and Rs. 283.30 crore respectively.

An agreement between government of Himachal Pradesh and NHPC for the execution of Hydro – electric project on river Parbati (2041 MW) ini district Kulu, Himachal Pradesh was signed on 21.11.1998. The projects are Parbati Stage- I (750 MW) State –II (800 MW) and Stage-III (501 MW). Government of India has sanctioned an amount of Rs. 77.62 croes on 2.2.2000 for Parbati Stage –II for taking up additional investigation, pre-constructional works, infrastructure facilities and reimbursement of cost incurred on the project by HPSEB. It also includes taking necessary steps for revision of DPR and preparation of Bid Level Design for contract documents in a period of two years from the date of Government sanction. Once the DPR is finalized, investment decision of the Government would be sought for the construction of the project by BNHPC with a completion period of eight years. NHPC is also initiating steps to carry out Survey & Investigation of Parbati HE Project Stage-I (750 MW) and Stage –III (501 MW). The DPR of Parbati Stage- I would be completed in 39 months and that of Parbati Stage III in 15 months form the date of Government approval. Parbati Stages I & III are expected to be completed in the year 2012-2013.

Survey and Investigation works for Siang Upper Site (11000MW), Siang Middle Site Site (700 MW) and for Subabnsiri Upper Site (2500 MW) Subansiri Middle Site (2000 MW) and Subansiri Lower Site (600 MW) are at their initial stage. Initial estimates of time required for preparation of DPRs for these projects are as follows:

Siang Upper Site (11000 MW)	36 Months
Siang Middle Site (700 MW)	30 Months
Subansiri Upper site (2500 MW)	30 Months
Subansiri Middle site (2000 MW)	27 Months
Subansiri Lower site (600 MW)	10 Months

Recommendation (Sl. No. 12 Para No. 2.86)

The Committee are surprised to note that dismal performance of the Government in commissioning Hydel Power Projects. The Koel Karo Hydro Project (770MW) was originally approved in June,1981 at an estimated cost of rs. 446.67 crore. The Government of India revised the cost estimates to Rs. 1338.81 crore in November, 1991. Although, Rs. 31.68 crore have already been spent on the project the Committee have been informed that the Central Empowered Committee constituted to review slow progress making Central Sector Projects have recommended to freeze further expenditure on the project. The project has been reconsidered and identified as Mega Power Project on 8.10.08. The Committee note that despite the fact that the project has been identified as Mega Power Project entitled for certain concessions and an outlay of Rs. 422.25 crore has been proposed for Ninth Plan, the project is still held up for want of Environment & Forest Clearance and consent of the concerned States to purchase power from the project. In view of fact that the project has been allowed to linger on for a period of 20 eyars the revised cost estimate have gone up to Rs. 2368.41 crore and tentative higher tariff amounts to Rs. 7.13 per unit. The Committee strongly urge the Government to pursue with the Government of Bihar to conduct a fresh survey of Project Affected Persons (PAP) to enable NHPC to formulate Environment Management Plan (EMP) in accordance with the guidelines of the Supreme Court so that the project could be taken up expeditiously.

Reply of the Government

1. The Koel Karo Hydro – electric Project (710 MW) is located in South Chotangpur region of Bihar, envisages the harnessing of hydro power potential of the river South Koel and its tributary North Karo in Bihar. The project is a spread over Ranchi, Gumla and singhbhum districts of Bihar State. The project was sanctioned for execution by NHPC in June, 1981 at an estimated cost of Rs. 445 crore approximately.

2. Work on the project could ot be started due to resistance of local people to the acquisition of land. The matter went up to the Supreme Court which granted a stay which was vacated in 1989 with the direction that the R&R package submitted by the Tribal Research Institute, Ranchi and approved by the Court may be implemented and full compensation paid.

3. In March 1991 the revised estimates of the Project for Rs. 1339 crore approx. was sanctioned. Due to shortage of funds works at site could not be started by NHPC.

4. The Central Empowered Committee constituted by the Government to review projects where expenditure of less than 5% of the sanctioned cost had been incurred even after a lapse of 60% of the project execution period, considered the project in February 1997 and took the view that expenditure on the project should be stopped till such time as fresh clearance had been taken from the CCEA.

5. Based on the requests of the Hon'ble Members of Parliament from, Bihar Ministry of Power took steps to revive the project. Koel Karo HE Project in Bihar is one of the projects identified as Mega Power projects under the Mega Power Project Policy approved by the Government on 8.10.98. The mega projects are entitled for concessions which would make the tariff from the project more attractive.

6. the PIB meeting to consider RCE proposal for execution of Koel Karo Project was held on 16.3.99 wherein the PIB recommended to the CCEA the revised cost estimate of the project at an estimated cost of rs. 2368.41 crore. The outlay of Rs. 422.25 crore during the 9th Plan was based on the assumption that the project will be sanctioned by the Government by April, 99 and active construction on the project will be taken up. However, prior to a decisions being taken with regard to investment approval of the Government for the revised Cost Estimate, two conditions have to be met i.e. E&F clearance and consent of the consuming States to purchase power from the Project.

7. In pursuance to this, Government of Bihar has been requested for conducting fresh survey of Project Affected Persons (PAPs) in order to enable NHPC to formulate the EMP in accordance with the guidelines of the Supreme Court. It is necessary to have firm commitment from buyers for the power from Central Sector Power Projects before execution. Orissa and west Bengal have declined to purchase power from the Project since the tentative tariff amounts to Rs. 7.13 per unit considered too expensive by them. Bihar has committed to purchase power from the project to the extent it will require to draw power at the prevalent tariff rate. As such, it may not be possible to fully utilize Rs. 422.25 crore during the 9th plan period. The project is scheduled to be completed in a period of 8 years from the date of sanction.

8. The Cabinet has recently approved a policy proposal that allows power to be distributed to the States outside the region if the beneficiary States in the region are not willing to buy power. NHPC has been directed to seek the willingness/ consent of States outside the region for purchase of power from Koel Karo HE project. The Government of Bihar has again been requested to expedite the work relating to fresh survey of PAPs and formulation of a revised R&R package in accordance with the directions of the hon'ble Supreme Court without which NHPC would not be abelto submit the EMP to the Ministry of E&F.

Recommendation (Sl.No. 20. Para No. 2.142)

Regarding ongoing projects of NEEPCO during 1999-2000 the Committee have been informed that Assam Gas Based combined power project at Kathalguri. Assam have been completed and is being operated at its full capacity of 291 MW. Another project, Agaratal Gas Turbine Power Project (8f4 MW) has also been reported to be completed and commissioned during 1999-2000. Out of four units of 21 MW each, three units are generating to their full capcity while the fourth unit broke down due to some mechanical fault. The unit is stated to be under repair by the suppliers at their workshop which do not require additional cost. The Committee desire to know about the nature of mechanical fault which could not be rectified at the project forcing the suppliers to repair it at their workshop. The Committee desire that the revenue loss, as a result of non-operation of this unit, may be recover from the vendor,. The desire that the 132 KV single circuit line for Kumarghat Sub-Station iin Tripura, completion of which was reportedly affected due to adverse law and order problem, should be completed with the assistance from State Government and Central law enforcing agencies. The Committee recommend that this critical line be completed as per revised targets by December, 2000.

Reply of the Government

According to North eastern Electric Power Corporation (NEECPCO) the Unit-IV of Agartala Gas Turbine Power Project failed due to the failure of load gear coupling in operation which damaged the turbine rotors including bearing housing the compressor blades and turbine etc. which are fixed in the turbine. Repair of these and subsequent balancing of the rotor require technical expertise and works of this nature are not feasible at the project site. The supplier undertake to carry out the repairs at their workshop at no additional cost.

Due to constraints in the evacuation of power of the N.E. Grid and wide variation between peak and off peak demand, there is a pernnial problem of less generation from the project, unit the line for evacuation to the N.E. Grid is completed.

During the year 1998-99, due to non-availability of Unit IV, the total machine availability was 20,031 hrs. against 22,342 hrs. as per design with 68% PLF for all the four machines. With 20,031 hrs. availability of machine, the generation with 68% PLF should have been 421 MU. However, actual generation recorded was 197.365 MW. Similarly during 1999-2000 with the total machine availability 68% PLF 500 MU could have been generated. Against this capacity, the actual generation recorded was 365.897 MU.

The damaged rotor of Unit –IV has been repaired at the supplier's works at Germany and the same is likely to reach project site shortly. The unit is expected to be restored by August, 2000.

In view of the above non-operation of Unit-IV due to is outage did not result in any financial loss to the Corporation.

CHAPTER-IV
RECOMMENDATION OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (S1. No. 2, Para No. 2.21)

The Committee are dismayed to note that the capacity addition during Ninth Plan has been drastically reduced to 28097.2 MW from 40245.2 MW during mid-term appraisal conducted in July, 1999. The Committee note the dismal performance is achieving hydel power generation by Central schemes during 1998-99 and 1999-2000 where no additional capacity has been installed against the targets of 95 MW. The hydel capacity addition in State sector is also not satisfactory in 1999-2000 where against the set target of 1,493 MW, the achievement (upto December, 1999) is only 739 MW. The Committee note that the Government have announced a National Hydel Policy to exploit the untapped hydro potential of the country and also set up the investment in Hydel sector during the last 3 years as compared to the investment in thermal sector. The Committee feel that the ideal ratio of 60:40 thermal-hydel mix of power generation is unlikely to be achieved in near future. Instead the ratio of Thermal-hydel mix is showing a decreasing trend during the last three years and at present it is 75:25. The new policy initiative by the Government to generate more hydel power so as to improve ratio of thermal-hydel mix and stabilise the grid has not yet achieved the pace that is required since no hydel power has been added in the Central sector during the last 2 years. The committee expect the Government to make all out efforts to at least achieve the revised targets fixed in hydel power during the remaining years of Ninth Plan and for which it should provide sufficient budgetary support to the programme especially to the ongoing projects like Tehri-Hydro Electric Project and remaining Teesta project, etc. The Committee also desire that special care should be taken to rehabilitate project affected people. Reply of the Government The observations of the Committee recommending raising the hydro-thermal ratio to 40:60 from 25:75 is fully endorsed by the Government. In order to improve the hydro-thermal ratio, the Government is making conscious efforts to ensure that on-going hydel projects do not suffer for want of funds. The Government has also taken advance action on a number of hydel projects which are to 4 come up in the 10th Plan and beyond. A list of such projects is given below:

National Hydroelectric Power Corporation

S.No.	Name of Project	Plan	State	Capacity (MW)
1.	Parbati II	XI	HP	800
2.	Parbati I	XII	HP	750
3.	Parbati III	XII	HP	501
4.	Koel Karo	XI	Bihar	710
5.	Lakhawar Vyasi	XI	U.P.	420
6.	Cauvery Projects	XI	Tamil Nadu	1150
7.	Dihang (Lower)	XI	Aru. Pradesh	800
8.	Dihang (Middel)	XII	-do-	750
9.	Dihang (Upper)	XII	-do-	11000

10.	Subansiri (Lower)	XI	Aru. Pradesh	600
11.	Subansiri(Middel)	XII	-do-	2500
12.	Subansiri (Upper)	XII	-do-	2000
13.	Teesta-IV	XI	Sikkim	495
14.	Teesta -III	XI	-do-	1200
15.	Teesta-VI	XII	-do-	360
		Sub Total		24036 MW

North Eastern Electric Power Corporation

1.	Kameng	XI	Aru. Pradesh	600
2.	Tuivai	XI	Mizoram	210
3.	Tipaimukh	XI	Manipur	1500
4.	Ranganadi St. II	XI	Aru. Pradesh	180
5.	Dikrong	XI	-do-	100
6.	Lower Kopili	XI	Assam	150
		Sub Total		2740 MW

Tehri Hydro Development Corporation

1.	Maneri Bhali-II	XI	U.P.	304
2.	Pala Maneri	XI	U.P.	416
3.	Lohari Nag Pala	XI	U.P.	520
4.	Tehri PSP	XI	U.P.	1000
		Sub Total		2240

Nathpa Jhakri Power Corporation

1.	Rampur	X/XI H.P.		580
		Grand Total		29596 MW

The Government is already sensitive to the special care that needs to be taken to rehabilitate project affected persons. The Department of Rural Development is in the process of bringing out a National Policy on Rehabilitation and Resettlement of persons displaced by public sector projects. The issue is at present under the consideration of a Group of Ministers. Pending finalisation of a uniform policy on Rehabilitation and Resettlement, the project authorities have been implementing their own policy formulated in consultation with appropriate authorities. The recommendations of the Standing

Committee on Energy have been brought to the notice of all hydro power PSUs for implementation.

[Ministry of Power O.M. No. 217/2000-P&P dated 30.6.2000

(Please set Comments of the Committee paragraph 11, 12 & 13 of Chapter I of the Report)

Recommendation (Sl. No. 4, Para No. 2.38)

The Committee observe that the major reasons for reduction in the capacity addition was the deep shortfall in the target set for private sector. Only 8 private power projects with a total capacity of 3474 MW of power generation are reported to be under construction. The dismal performance in achieving power generation targets by the 4 Private sector can be gauged from likely capacity addition of only 8300 MW against the original target of 17588 MW including the liquid fuel sector target of 6OW MW. The refusal of Counter Guarantee by the Central Government and failure on the part of State Governments to provide letter of credit and State Guarantees along with their inability to provide escrow cover to IPPs in view of the poor health of SEBs/ Electricity Departments have resulted in checking the flow of private investment in the power sectors. Although, the Government have taken a number of steps to encourage the States to undertake power sector reforms so that SEBs can become financially strong to attract private investment on their own, the Committee feel that too much reliance on the private sector at this stage is not justified. As such while fixing targets for private sector, the Government should give due consideration to the financial position and escrow capacity of the SEBs/State Governments so that an accurate estimate can be made of the targets to be realised by the private sector. The Committee, therefore, desire that based on the present escrow capacity, etc., of each State to attract the private investment in power sector, the Government should redraw the targets for 9th, 10th and 11th Plans for the private sector and to find corrective and pragmatic steps to encourage private sector. The difficulties experienced by the private sector in getting various clearances like environment and forest etc., also need to be gone into urgently to ensure that private sector can play a positive and meaningful role in the development of power sector. It will be desirable, if a 'Single Window Clearance Scheme' is introduced for clearing the project expeditiously.

Reply of the Government

Government of India (Gol) enunciated a private power policy in 1991 aimed at encouraging the flow of private capital to the power sector. This was due, among other reasons, to insufficient resource generation and dwindling budgetary support in the face of very large investment requirements in the power sector. To instil confidence in the private power developers, Col considered issuing counter guarantees to private power projects that were identified as developing rapidly. This counter guarantee was a financial comfort to the investors that, in case the State Electricity Boards (SEBS) failed to pay for the power purchased from private generators in accordance with the Power Purchase

Agreement (PPA), and the State Government thereafter did not honour its guarantee, Col would make payments and deduct the sum from the Central devolution to the State.

2. The GOI counter guarantee scheme was developed as a transitory measure to boost private investment and it was decided in 1994 to extend GOI counter guarantee to eight initial projects that had been cleared for bringing in foreign investment in the power sector. Apart from these eight initial projects, GOI has decided not to give counter guarantee to any other IPP.

3. The following are the generally accepted layers of security between SEBs and the IPPs;

(a) Direct payment
(b) Letter of Credit
(c) Escrow arrangement
(d) State Government guarantee
(e) Access to CPA / devolution

4. Lack of confidence in the financial creditworthiness of SEBs prompted IFIs to insist on escrow before loans are given. Majority of States have not yet undertaken a review of the escrowable capacity of the finances of the State Governments indicate that even this capability will be severely limited and it may be able to structure only a limited number of mega power projects. In respect of other IPPs, reliance has to be placed on other elements of the payment security mechanism. It has, therefore, been felt necessary to consider alternative security mechanisms to support private power projects.

5. the above problem was considered in a meeting of the Crisis Resolution Group (CRG) under the chairmanship of Minister of Power of March 30, 2000 and various alternatives to resolve the escrow issue considered so as to enable the IPPs to achieve financial closure. As per the decision taken in the meeting a committee of IFIs had come up with proposal that IPP financing should be linked with the progress of reforms undertaken by the State Government.

6. The IFIs have proposed that the financing of the IPPs in respect of the States which do not have sufficient escrowable capacity could be linked to achieving credible milestones with regard to implementation of an acceptable programme of reforms, and improvement in operational / financial parameters in time bound manner. The suggested milestones include;

(i) (a) unbundling, (b) corporatization of SEBs (c) privatization of distribution and (d) tariff reduction;
(ii) the formation of State Electricity Regulatory Commission

(iii) determination of supportable capacity after ascertaining the demand/ supply position of power;
(iv) professionalisation of management of sEBs;
(v) detailed energy audit of SEBs;
(vi) 100% metering and billing;
(vii) improvement in efficiency of collection of bills;
(viii) reduction in T&D losses,
(ix) improvement in plant availability / generation capciaty by way of renovation / modernization;
(x) prompt payment of subsidy amounts by State Government, and;
(xi) action plan to clear the overdues to various central utilites/ fuel suppliers.

7. The above suggestions were discussed and agreed to in the ninth meeting of the CRG held on May 16,2000. It was also decided that a Task Force will priorities various IPP projects so as to have the way lending by IFIs without escrow.

8. The policy to encourage private sector participation was announced in 1991 and has been modified from time to time mainly to streamiline the procedures for obtaining various clearances and inputs to ensure faster development. With a view to do away with multiple level scrutiny and faster granting of clearances, powers have been delegated to the State Governments for granting clearances to the extent found feasible. Various categories of power projects have been exempted from the requirement of concurrence by CEA. The procedure for granting clearance for Foreign Direct Investment has been decentralised to a considerable extent and various categories of projects have been placed on the automatic approval (RBI) route. The following delegations have been made to the State Governments in the matter of environment clearance to power projects:-

(i) All co-generation plants and captive power plants upte 250 MW.
(ii) Coal based plants upto 500 MW using fluidized bed technology subject to sensitive area restrictions.
(iii) Power stations upto 250 MW on conventional technology.
(iv) Gas/Naphtha based station upto 500 MW.

While the clearance procedures for development of private sector power projects have been streamlined to a great extent, it has not been found possible to have a 'single window clearance' concept in view of the several statutory agencies involved in project clearances.

[Ministry of Power O.M. No. PS-612000-IPC-1 dated 6th June, 2000

Comments of the Committee

(Please see Paragraphs 19&20 of Chapter 1 of the Report)

Recommendation (S1. No. 8, Para No. 2.68)

The Committee have been informed that consequent on the introduction of incentive scheme, All India Plant Load Factor (PLF) has increased from 53.90% in 1990-91 to 65.6% in April-December, 1999. However, the Committee are constrained to note that despite the incentive scheme, the T&D losses during the last 3 years could not be brought down. The Committee also note that Grants-in-aid which were instrumental in motivating the power utilities to achieve high level of performance have been reduced. The Committee fear that as a result of this the prospects of reduction in energy losses may further deteriorate. The point put forth by the Government that the budget provision of Rs. 2.25 crore each for meritorious awards for better performance of Thermal Power Station (TPS) and reduction of secondary fuel consumption etc. for the year will be reviewed at the Revised Estimates stage is not acceptable to the Committee. The Committee feel that enough Grants-in-aid should have been provided at Budget Estimate Stage itself.

Reply of the Government

The provision for funds under the incentive schemes is relatable to the overall availability of funds in a financial year. While the provision made in the Budget Estimate 1999-2000 was reduced, the Budget Estimate provision during the year 1998-99 was increased from Rs. 2 crores to Rs. 2.8 crores for better performance of thermal power stations. Similarly, the budget provision under incentive scheme for reduction of secondary fuel oil consumption and auxiliary power consumption was increased from Rs. 2 crores to Rs. 3.20 crores during 1998-99. The budget provision in 2000-2001 can also be increased at the R.E. stage subject to availability of funds.

Payment of incentive to State Electricity Boards for reduction of T&D losses is only one of the measures.

[Ministry of Power's O.M. 1 ,Jo. 7(1)/2000-OM dated 5.8.2000

Comments of the Committee

(Please see Paragraph 27 of Chapter of the Report),

Recommendation (81. No. 14, Para No. 2.106)

The Committee feel that although Rural Electrification Corporation is a financial institution and sanctions loans for Rural Electrification Schemes which are disbursed by way of reimbursement based on reported progress of work the Corporation can not absolve itself of the major responsibility entrusted to it to promote actual implementation of Rural Electrification programmes. The Committee, therefore, recommend that for proper monitoring of Rural Electrification Programme, the Government/Rural Electrification Corporation should maintain a list of villages actually electrified for whom loans have been disbursed. Regarding definition of a village declared electrified; the plea of Government that even with the present definition, it will take a very long time to electrify all villages at the present rate of electrification' cannot be accepted to be valid. The Committee are of the opinion that the plan of Government of Power on Demand by 2012 should not be restricted to Urban/semi-urban areas and it should reach the distant villages/tribal areas also. The Committee reiterate their earlier recommendation (18th Report, llth LS) and desire that a village should be declared electrified only when at least 10% of the households of a village or hamlet have been electrified.

Reply of the Government

Rural Electrification Programme is implemented by State Electricity Boards under REC financed scheme and is monitored by Rural Electrification Corporation (REC) through the network of its field offices covering all the States in the country. The physical progress achieved and funds disbursed by REC are reviewed/monitored by Ministry of Power and Central Electricity Authority from time to time. The addition of 101/o electrification of rural households within the revenue boundary of a village as the criteria for declaring a village as electrified has some inherent practical difficulties. While the SEBs can discharge the responsibilities of bringing electricity to the inhabited area, extending supply to households would depend generally on factors externally to SEBS. There i3 always a time gap between extending the infrastructure and developing the load in the area as the release of connections is a continuous process phased over a number of years. The progress and achievement would depend upon the demand of consumers and their financial capability to avail of connections. There would also be problems of correct data on number of households, population in the village, to work out percentage electrification as they could be changing from time to time. Under the existing definition, electrical network will be close enough to the consumers for availing of electricity connection on demand.

[Ministry of Power's O.M. No. 441712000-D(RE) dated 3.7.2000

Comments of the Committee

(Please see Paragraph 37 of Chapter of the Report)

Recommendation (Sl. No. 16, Para No. 2.114)

The Committee observes that there is a huge variation between the Plan outlay and revised outlay of DVC during 1998-99 and 1999-2000. Although the expenditure of Rs. 120.55 crore could be achieved by DVC during 1998-99 against the target of Rs. 235.11 crore and for 1999-2000, these have been revised to Rs. 133.91 crore from original Budget Estimate of Rs. 176 crore, the Committee fail to understand the initial proposal of DVC for an expenditure of Rs. 459 crore of Plan outlay during 2000-2001. The Committee would like to know the details of the proposals of DVC during 2000-2001 which have been curtailed after discussion with the Planning Commission 49 and modified to Rs. 285.40 crore instead of Rs. 459 crore. The Committee also expect the Government to resolve the issue of coal linkage and signing of PPA in regard to Malthon Right Bank. They would like to know the action taken by the Coven-anent in this regard.

Regarding RAM work undertaken by DVC, the Committee are concerned to note the reduced utilisation of budget provision and would like to know the reasons for utilisation of Rs. 8.68 crore against the B.E. of Rs. 43.3 crore during 1998-99.

Reply of the Government

Year 1998-99

The Capital Outlay of Damodar Valley Corporation for the Year 1998-99 and the Actual Expenditure was as Follows

(Rs. in crore)

	Projects	BE	RE	Actual	Variance
1.	MTPS	55.00	60.00	58.15	1.85
2.	T&D Schemes	50.00	47.30	30.74	16.56
3.	Communication	5.00	3.65	0.23	3.42
4.	R&M Schemes	43.30	23.28	8.68	14.60
5.	Maithon Thermal	1.00	3.77	3.83	(-)0.06
6.	Pollution	5.00	7.00	-	7.00
7.	BTPS III REHAB	30.00	5.00	12.00	(-)7.00
Total Plan Outlay		189.30	150.00	113.63	36.37
Non Plan Outlay		60.00	85.00	6.92	78.08
Total Capital		249.30	235.00	120.55	114.45

Reasons for variance

The reasons for variance between RE 1998-99 and actual expenditure under plan outlay are as follows.

Mejia TPS

The shortfall is due to non-settlement of certain outstanding bills claims-physical progress was in the fine with the proejctions.

2. T&D Schemes;

Some major protion of 220 KV Parulia – Durgapur Line and and 220 KV Kalyaneswari – Mejia Line and 220 KV Durgapur S/s under T&D Works as well as reconditioning work of Maithon- Patherdih Line & 132 DC breaker changing under R&A Scheme were envisaged to be completed in RE 1998-99 but could not be completed by 1998-99 Major reasons are due to shortfall on the part of the contractor to achieve progress, (local political disturbances) and the enormous delay for obtaining statutory clearances from different Government bodies.

3. Communication:

Actual progress was below from the target because of the following reasons;

(i) transmission lines could not be constructed as per schedule and hence associated work could not be taken up.

(ii) Spare constraints to accommodate new equipment.
(iii) Delay in receipt of material.

4. R&M Scheme; The outlay for R&M of projects for 1998-99 and actual expenditure was as follows:

Station	BE	RE	Actuals
Phase II			
BTPS-A	-	0.40	-
CTPS	8.36	5.31	0.91
DTPS	1.21	3.54	2.34
Total Phase –II	9.57	9.25	3.29
Phase III			
BTPS-A	3.60	5.30	-
CTPS	16.18	7.99	5.43
DTPS	10.55	-	-
Hydel	3.10	0.75	-
Total Phase III	33.73	14.04	5.43
Total R&M PHASE-II+III	43.30	23.29	8.72
Shortfall Relating to BE 1998-99	-	20.01	34.58

Some of the activities envisaged in Phase-II Phase –III for R&M projects for 1998-99 could not be undertaken, The details are as follows;

R&M Phase –II

For BTPS-A Inclusion of some additional acnaytical instruments was considered considered later on as per discussion with CEA. However, the contract could not be finalized due to non settlement of techno-commercial part of the offers . Hence although provision were made in RE but actual expenditure was not incurred.

For CTPS the replacement work of Russian design Instrumentation (Unit-4) could not be taken up for non-settlement of Techno-Commercial Terms & conditions of the contract. Hence actual expenditure is far below that assessed.

For DTPS, the work of Railway siding could not be implemented as the same was not possible due to site constraint. Guiliotine Gates of U-4 could not be installed due to non-availability of matching long shut down of U-4.

R&M Phae-II

The details fo the activities engisaged in Phase- III for R&M projects for 1998-99 which could not be undertaken are as follows.

For BTPS –A Payment of rs. 44.80 Lakhs only was made to M/s. HIL & Consultancy Services carried out by M/s. MECON but the major expenditure towards installation of ESP could not be made due to non-finalisation of terms & conditions of the contract.

For CTPS, the actual expenditure took place for Rs.4.66 crore against rs. 501 crore and Rs. 3 crore in BE for Rehabilitation of Unit No. 6 Rs. 0.76 crore was spent for Construction for Ash Pond-C against Rs.1.40 croe in RE and rS. 2 crore in BE.

For DTPS all most all the activities were dropped as per the decision due to site constraints and for non- feasibility of implementation of the activities.

For Hydel, the scope of work was reduced as the only refurbishment work of the crane could not be finalsed within the relevant time to the financial year due to non-availability of competent/ reliable agency to execute the work as the crane is an imported one.

Maithon Thermal:

The payment was made to M/s. Technoprom and Rs. 0.06 crores was for the establishment charges of the project.

6. Pollution

No expenditure on this score was incurred due to delay in sequential supply/erection job by M/s. ABB-ABL.

7. BTPS III REHAB:

M/s. BHEL could supply the rotor by 1998-99 and the part payment of Rs. 12 crores was made to them by this year. Year 1999-2000

The Plan outlay for 1999-2000 and the actual expenditure was as follows:

(Rs. in crore)

	Project	BE	RE	Actual	Variance
1.	Mejia	28.22	25.07	15.05	10.02
2.	T&D Schemes	53.60	60.00	42.13	17.87
3.	Communication	4.17	2.87	1.00	1.87
4.	R&M Schemes	42.15	20.00	19.00	1.00
5.	Maithon Thermal	20.00	10.11	0.13	9.98
6.	Pollution	2.86	2.86	0.86	2.26
7.	BTPS III REHAB	25.00	13.00	12.96	0.04
Total Plan Outlay		176.00	133.91	90.87	43.04

The reason for variance between RE 1999-2000 and the actual expenditure are as follows:

1 Mejia TPS

Physical progress took place in the line of projection. But the apparent shortfall of Rs. 10.02 crores is partly attributable to the additional credit received during trial run on account of delayed declaration of commercial operation (as against budgeted receipt of Rs. 14.26 crores, actual receipt was Rs. 22.81 crores) and non-settlement of certain outstanding bills/claims to the extent of Rs. 1.47 crores.

T&D Schemes,

Actual performance fall short of target and major default is 132 KV Kalyaneswari S/s. work of Rs. 2.20 crores which has been started departmentally for want of competent civil contractor. 220 KV Parulia-Durgapur Line of Rs. 5.20 crores also fell short of execution due to prolonged monsoon and bad financial condition of the contractor/220 KV DTPS S/s. work of Rs. 4.20 crores have also suffered for identical reason. 220 KV Kalyaneswari-Mejia Line of Rs. 3.05 crores were delayed due to topographical constrainsts like mining activities, land subsidence in the area and local obstruction requiring frequent diversion of route. Inordinate delay by M/s. BHEL in changing 132 KV CB to CT amounting to Rs. 3.80 crores. Mls. Hirakund Industrial Works Ltd. (HIM) suffered unprecedented damage in Orissa cyclone. There was a delay in procurement for Rs. 1.50 crores of imported

Relay.

3. Communication

Although Physical progress was almost at par with budget, the actual expenditure committed is to the tune of Rs. 2.30 crores. Due to delayed payment, booking of the same is not reflected in the expenditure.

4. R&M Schemes

After restructuring of activity Plan in RE 1999-2000, the budget was almost utilised.

5. Maithon Thermal

In RE 1999-2000 the provision was kept for Payment to Government of Bihar on account of acquisition of land for the project and also for compensatory afforestation, besides fund for statutory studies. But in practice no expenditure could be incurred on this scope due to slow progress in finalising the handing over of land by the Government of Bihar.

BPTS III REHAB:

The physical progress made is nearly as per budget and budgetary fund was utilized as envisaged in RE 1999-2000.

Year 200-01

The details of proposals of DVC during 2000-01 which have been curtailed after discussion with the Planning Commission and modified to Rs., 285.40 crore are as follows:

Name of the Project	Original Proposed	Revised at Planning Commission
Mejia TPP	5.00	5.00
Maithon TPP (R/B)	200.00	50.00
DTPS Unit 1& 2	30.00	5.00
Pollution	10.00	10.00
TSC Schemes	87.00	87.00
Communication Schemes	2.90	2.90
R&M Schemes	125.00	125.00
Mejia Extension	-	0.50

Reasons for reduction are as below:

(a) Maithon TPP (R/B) The project cost of Mainthon (R.B) was considered around Rs. 4000 crore to be financed by 70: 30 Dbt Equity Ratioi. So DVC's share is reckoned as Rs. 600 crores to be paid in 3 years. Thus in the original proposal Rs. 200 croe was envisaged to be provided as equity contribution. But the zero date of the project as previously envisaged on 31.3.2000 could not be achieved and new date will be determined by JVC. Hence the budgetary adoption has been reduced to Rs. 50 croe for payment towards acquisition of land.

(b) Rehabilitaion of DTPS fire damage unit I& II Initially a budget provisions in BE 2000-01 was kept for an amount of Rs. 30 crore towards advance payment and part supply for rehabilitation of above units. Technical specification along with recommendation and indicative price for which limited tender would be floated to the approved vendors of PFC for such consultancy services to see whether the project will be economically viable or not. DVC had kept Rs. 30 crore in original BE 2000-01 initially but the amount has been reduced to Rs. 5 croe after discussion with Planning Commission. It is apprehended that this amount may further come down to Rs. 0.50 corer only for the cost of preparation of DPR.

Mejia Unit –IV Extension: AT the time of preparation of original BE 2000-01 this scheme was not enviasaged as there was no programme for retirement of BTPS –A. However, on reconsideration Mejia Extension Programme has been allotted Rs.0.50 crore for EIA study, Pollution clearance and initial investigation on ad-hoc basis.

Coal linkage and Signing of PPA in Regard to Maithon Right Bank Thermai Power Project

The matter regarding fuel supply agreement has been taken up with Additional Secretary (Coal) by the Chairman, DVC for handing over the nominated quarries of BCCL to the joint venture company to enable it to take up captive mining by forming a subsidiary company in order to reduce the cost of coal. JVC will not have more than 26% equity.

As regards, signing of Power Purchase Agreement, in regard to Maithon Right Bank Thermal Power Project, a meeting was convened in the Ministry of Power with the constituents of the Northern Region. They, however, wanted to know the exact tariff for the supply of power as also the commission of the Power Trading Corporation. This is to be decided by the Central Electricity Regulatory Commission.

[Ministry of Power O.M. No. 13/4/2000-DVC dated 14.8.2000

Comments of The Committee

(Please see Paragraph 40-42 of Chapter 1 of the Report)

Recommendation (SI. No. 18, Para No. 2.126)

The Committee have been informed that the proposal for strengthening and improvement of sub-transmission and distribution schemes of North Eastern States and Sikkim for (i) on-going projects for which the Ninth Plan provision are available but required additional funds for early completion, and (ii) New projects which are identified as important and critical but not taken up due to lack of funds have been identified. For ongoing and important new schemes proposed by North Eastern States and Sikkim for availing non-lapsable funds for development of transmission and distribution system, an expenditure of Rs. 452.66 crores is proposed to be incurred. Additional funds requirement for these schemes has been assessed at Rs. 239.92 crores during 1999-2000 comprising Rs. 136.23 crores for ongoing schemes and Rs. 103.69 crores for new schemes. The Committee is surprised to note that although schemes have been identified and funds earmarked, schemes have not been operationalised since the details regarding achievements, both financial and physical during 1999-2000 are not available with the Government. The Committee would like to know the Ninth Plan provision for the schemes and the funds disbursement utilization so far. The Committee desires that funds should be provided immediately for critical and on-going project so that these can be completed at the earliest.

Reply of the Government

An amount of Rs. 1000 crores has been provided in the Budget for the year 2000-2001 for implementation of the Accelerated Power Development Programme (APDP) Scheme. Under this programme the States in the North Eastern Region will be eligible for funding new schemes relating to strengthening of sub transmission and distribution system. The funding will consists of a mix of grant and loan; the grant component will be 90% and the loan payable will be 10% for sub-category States. States in the North Eastern Region will be eligible for funding new schemes relating to R&M, metering and strengthening of sub-transmission and distribution. The modalities for release of funds under the APDP scheme are made finalized in consultation with Planning Commission and Ministry of Finance.

2. A scheme was prepared by CEA in consultation with the State Governments for improvement of sub transmission and distribution in the North Eastern Region and Sikkim by availing Non-Lapsable Pool of Resources available with Government of India. The requirement of funds was assessed at Rs. 239.92 crores during 1999-2000, comprising 136.23 crores for on-going schemes and Rs. 103.69 crores for new schemes. In a meeting held in the Planning Commission on 8.5.2000, it was decided that Planning Commission would fund the on-going schemes from Non-Lapsable Pool of Resources after CEA has verified the physical status of each schemes and take into account the latest cost estimates, expenditure already incurred and balance requirement of fund along with phasing of fund requirement. CEA had accordingly held discussions with the representatives of the State Government at Shillong on 12.7.2000 and detailed proposals in respect of Assam and Meghalaya have been submitted by the Ministry, of Power to Planning Commission. Detailed proposals from CEA in respect of on-going schemes of Manipur and Mizoram have also been received and are being sent to the Planning Commission. Ministry of Power has separately requested the Planning Commission to convene the meeting of the Committee for sanction of projects so that funds could be released from the Non-Lapsable Pool.

[Ministry of Power OM No. 114199-Trans. dated 2418/2000

Comments of the Committee

(Please see Paragraph 50 of Chapter 1 of the Report)

CHAPTER V
RECOMMENDATIONS/OBSERVAITONS IN RESPECT OF WHICH FIANL REPLEIS OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl.No. 1 para No. 2.7)

The Committee note that Central Plan Outlay for the Ministry of Power, during 1999-2000 was budgeted at 9600.27 core. The Revised Plan Estimates is Rs. 8049.92 croe. The Plan, thus fell short by Rs. 1550.35 crore against the budgeted expenditure. The budgetary support for Central Power Research Institute and NPTI have been reduced by rs. 15 crore during the year. Similarly, there has been reduction of rs. 16.25 crore for energy conservation due to slow progress of the scheme during the first half of 1999-2000. The Committee are also dismayed to note the under utilsiation of external assistance through budget by PGCIL to the tune of Rs. 74.52 crore in respect of NJTL and ULP & Communication facilities – NR due to deferment of supplies and erection to ensure that transmission project is in tune with generation project which has been delayed. The IEBR component of Plan outlays of Ministry of Power was reduced to Rs. 4519.44crore form rS. 6786 crore during 1998-99. Although, the Government have stated that the different task forces have been setup to monitor thermal, Hydro and transmission projects, the low utilization of IEBR component is reprotd tobe mainly on account of delays in major projects like Ramagfundam, Rihand II, Sipat, Simhadari and Talchaer-II in the case of NTPC and tAlchaer II, NERLDC and WRLDC in case of power grid. The Committee are perturbed to note that in spite of their spite of their (Committee's) repeated recommendations to step up investment in power sector by the Government as private sector has failed to respond as expected, the Ministry have nto been able to utilsie Plan outlays as approved during 1998-99 and 1999-2000. The Committee do not concur with the views of the Government that variations in IEBR between BE and rE stage do not indicate the inability of PSUs to mobilize resources but is on account of non-availability of statutory clearances. The Committee, therefore, recommend that Government should take into consideration the ground realities, while projecting targets for IEBR. The Committee hope and trust that the Ministry of Power will take concerted efforts to utilize fully, the enhanced Central Plan Outlay of Rs. 9720.18 crore during 2000-01 the Committee also desire that the Government should leave no stone unturned, in mobilizing the projected, IEBR of rs. 7079.21 crore during the year.

Reply of the Government

Government are of the view that as far as possible autonomous bodies should be self-sustaining. All possible help is being provided to these bodies to make them self sustaining. However, in the transition period budgetary support wherever necessary is being provided to institutions like NPTI so that we can meet part of their non-plan expenditure.

Comments of the Committee

(Please see Paragraph 7 of Chapter 1 of the Report).

Recommendation (Sl. No. 5, Para No. 2.43)

The Committee are happy to note that as per their recommendations in the 11th Report of the Standing Committee on Energy on Renovation & Modernisation of Power Plants, the Central Electricity Authority constituted a Steering Committee to deliberate in detail about R&M and life extension programmes of Thermal Power Stations in the country. A perspective Plan is under advanced stage of finalisation and as a broad assessment, a capacity of about 11000 MW is presently due for Remnant Life Assessment (RLA)Life extension programme with an investment of about Rs. 8500 crore. The Committee, therefore, welcome the new scheme of Accelerated Power Development Programme (APDP) to finance schemes of Renovation and Modernisation/Life Extension Programme and up-gradation/ strengthening of transmission and distribution system. The Committee hope that the details of the new scheme would be worked out by the Planning Commission at the earliest. The Committee are further of the opinion that concerted efforts should be made by different planning agencies/implementing agencies to make the perspective plan for R&M and strengthening distribution systems a real success. The Committee would also like to be informed about details of the perspective plan for R&M being finalised by the Steering Committee and the APDP Scheme by Planning Commission within three months.

Reply of the Government

The modalities of the APDP Scheme are being worked out in consultation with the Planning Commission. A meeting on the subject was held on 8.5.2000 in the Planning Commission. As a follow up of the meeting Central Electricity Authority (CEA was asked to prepare the following reports:

1. Physical status of each on-going scheme indicating work already completed by March, 2000.

2 Schedule for the balance activities and the requirements of funds for them.

3 Total funds requirements for balance 2 years of 9th Plan taking into account the allocation under 9th Plan for this purpose.

4 Implementing Agency and constraints if any in implementation measures for overcoming the constraints.

Central Electricity Authority have written to all constituents of the North Eastern Region and Sikkim to furnish h DPRs in respect of their State. Planning Commission has already submitted a Cabinet Note on APDP Scheme for consideration of the CCEA.

[Ministry of Power O.M. No. 114199-Trans., dated 27.6.20001 \

Comments of the Committee

Please see Paragraph 24 of Chapter 1 of the Report.)

Recommendation (Sl. No. 9, Para No. 2.69)

The Committee are further perturbed to note that in spite of the reform process underway, there is no significant improvement in T&D losses. The T&D losses for Orissa are at 51% for Andhra Pradesh after reform it has increased from 25% to 45% as compared to 15% losses to 19.9% losses where private companies are engaged in the distribution of power such as Mumbai, Calcutta etc. The contention of the Government that reporting of such losses has become more realistic, is also not acceptable to the Committee. The Committee, while urging the Government to ensure the correct reporting of T&D losses by SEBs/ EDs also desire that they should take necessary steps to reduce the T&D losses by upgrading equipments etc. in a phased manner. The Committee would also like the Government to ensure reimbursement of power bills on subsidised/free power by SEBs/EDs from the State Plan assistance or any other receivable.

Reply of the Government

According to the figures reported by SEBs/EDs, the All India T&D losses during 1997-98 were 24.44%. However, the States which have undertaken restructuring have reported T&D losses varying from 40% to 51%. In order to arrive at a more meaningful indication of the T&D losses Central Electricity Authority have requested all the SEBs/EDs/ Power Utilities to indicate the actual T&D losses in yearly figures in two portions i.e. Technical T&D Losses and Non-Technical/Commercial Losses. The Technical losses are inherent in the system and can be reduced by better design of lines, relocation of distribution transformers and installation of capacitors while the Commercial losses are due to theft of energy, use of defective meters and un-metered supply.

SEBs/EDs have also been requested to carry out systematic energy balance studies so that better estimates of the losses could be made. In the Conference of Power Ministers held on 26.2.2000, State/UT Governments have resolved to undertake energy auditing at all levels and to install meters for all consumers by December, 2001. With the adoption of these measures it would be possible to substantially reduce the T&D losses arising due to power theft.

[Ministry of Power, O.M. No. 1/411999-Trans., dated 27.6.2000

Comments of the Committee

(Please see paragraph 31 of Chapter I of the Report)

Recommendation (Sl. No. 15, Para No. 2.107)

The Committee note that during Sixth and Seventh Plan periods, on an average more than one lakh villages were electrified. During Eighth Plan the total number of villages electrified dropped to 11,540. In the current Plan period the rate of electrification has further dwindled to 3000 villages per year. The Committee have been informed that as many as 82,000 villages are yet to be electrified, of which 18,000 villages cannot be connected through Grid. The Committee are alarmed to note that with present rates, it will take nearly 702 years to complete the electrification of all the villages in one of the States. The Committee, therefore recommend that a comprehensive strategy be evolved to electrify all the villages by the end of 10th Plan. To augment resources for rural electrification, REC should be allowed to make use of funds available under Rural Infrastructure Development Fund (RIDF) also.

Reply of the Government

The pace of village electrification has been steadily declining because of increasing reluctance on the part of SEBs to make these needed investments by raising interest bearing loans. With increasing pressure on SEBs to improve their financial health, this reluctance has been further accentuated. Planning Commission has constituted a Working Group to suggest a policy approach for electrifying the remaining villages including remote villages which may not be connected by conventional electricity grid due to economic reasons and examine the need for a separate agency to electrify the remaining villages. In addition, Government has set up a Group of Ministers (COM) to review all the existing schemes relating to electrification of tribal villages, dalit bastis and benefiting other weaker sections and suggest modifications for accelerating the pace of electrification, so that they enjoy the benefits of electrification to the same extent as other areas/sections of the population.

[Ministry of Power, O.M. No. 4417/2000-D(RE), dated 3.7.2000

Comments of the Committee

(Please see paragraph 37 of Chapter 1 of the Report)

63 Recommendation (SI. No. 17, Para No. 2.115)

The Committee observe that the Tail Pool Darn Project was initially sanctioned in 1987 and after completion of some work, the work was totally stopped on 8.1.1996 reportedly due to resistance by local people. Regarding implementation of Tail Pool Dam, the Committee observed that two members including Chairman of the expert Committee constituted to examine the techno-economic viability of Tail Pool Dam Project in 1996-

97 have stated the project to meet the shortage of peaking energy at the end of 9th Plan. The Committee are surprised to note the decision of DVC that even after incurring an expenditure of Rs. 6 crore on construction activities out of the total expenditure of Rs. 70 crore the DVC Board on 31.5.1998 decided on a total stop of construction of Tail Pool Dam. The Committee desire that the Government should take up the problem of law and order with the concern State Government and sign PPA so that the project can be taken up in right earnest. In the present circumstances, the Committee cannot but stress on the Government not to abandon project after making investment thereon and desire that all out effort should be made to restart the project, which was sanctioned way back in 1987. The Committee would also like to know the outcome of meeting of Secretary, Ministry of Power and Energy Secretary and Chairman, SEBS, Bihar and Bengal to be held in April, 2000 to resolve the issue.

Reply of the Government

Additional Secretary (Power) who is also at present Chairman, DVC visited Panchet Dam Site on 13.7.2000 to understand the problem being faced in implementing Tail Pool Dam Project. He found that resettlement and rehabilitation of the families whose land is to be acquired and providing employment to them is a serious problem. A meeting was convened on the same day under his Chairmanship. Based on the deliberations, in the meeting, a Committee Comprising of Dy. Commissioner, Dhanbad, Government of Bihar, District Magistrate, Purulia, Government of West Bengal, and other DVC officials was formed with the following terms and conditions:

(a) Committee will suggest measures so that the land owners hand over the land to be acquired for the project.

(b) The Committee will finalise once for all the further rehabilitation measures, lift irrigation project and community benefit schemes required to be undertaken by DVC.

(c) The Committee will finalise an agreement to be entered into between stake holders and both the State Governments of Bihar and West Bengal covering all aspects relating to Employment and Rehabilitation/Resettlement Measures.

(d) The Committee has been asked to submit report by 6 & 7 weeks from the date of its first meeting.

The work on Tail Pool Dam can be started only after the land owners hand over the land to be acquired to the project authorities and further rehabilitation measures required to be under taken have been completed and the lift irrigation projects and community benefit schemes are fully implemented. After, all the stake holders and the two State Government enter into an agreement covering all aspects relating to employment and R&R measures, the work of Tail Pool Dam can be started.

[Ministry of Power, O.M. No. 13/4/2000-DVC, dated 14.8.2000

Comments of the Committee

(Please see Paragraph 46 of Chapter 1 of the Report).

Recommendation (SI. No. 21, Para No. 2.143)

The Committee have been informed that Tipaimukh Dam Project was initiated by Brahamputra Board and approved at an estimated cost of Rs. 2899 crore in July, 1995 with an installed capacity of 1500 MW. The Project has been entrusted to NEEPCO for execution as decided by the Power Ministers, Conference of North-Eastem Region held on 19.1.99. The Committee has been informed that the Manipur Legislative Assembly at its sitting held on 15.12.99 authorised NEEPCO to go ahead with further survey and investigation of the project and to submit final project report to the Government of Manipur for approval/clearance. But the same has not been done by NEEPCO so far. The Committee desire that the NEEPCO should approach the Government of Manipur at the earliest to sign the MoU. The Committee also recommend that CEA should take minimum time to accord approval of the revised DPR than the normal time of 5-6 months taken by it as the project has been delayed since February, 1996 when DPR was originally submitted to CEA. The Government have informed the Committee that it will take 12 years to commission the project from the date of CCEA approval. The Committee therefore, also recommend that the project should be implemented by NEEPCO as a fast track project which will benefit North-Eastern States and all possible efforts should be made to clear/sanction the project, from all angles at the earliest. 65

Reply of the Government.

The MoU between North Eastern Electric Power Corporation (NEEPCO) for execution of the Tipaimukh Darn Project could not be concluded with the Government of Manipur pending finalization of the security issues related to the project. The project is located in a sensitive area dominated by various underground outfits.

As soon as the project is given by the Government of Manipur to NEEPCO. It would take expeditious action for the development of the project.

[Ministry of Power, O.M. No. 14/11/2000-H.11, dated 16.8.2000

Comments of the Committee

(Please see Paragraph 52 of Chapter 1 of the Report.

NEW DELHI;
February 7, 2001
Magha 18, 1922 (Saka)

SONTOSH MOHAN DEV
Chairman
Standing Committee on Energy

ANNEXURE I

MINUTES OF THE FIRST SITTING OF 1HE STANDING COMMITTEE ON ENERGY (2001) HELD ON 25TH JANUARY, 2001, IN COMMI1TEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW D EUII

The Committee met from 11.00 hours to 12.00 hours.

PRESENT

MEMBERS

Shri Sontosh Mohan Dev - *Chairman*
2. Shri Basudeb Acharia
3. Shri Prakash Yashwant Ambedkar
4. 5hri Rajbhar Babban
5. Shri Vijayendra Pal Singh Badnore
6. Shri Lal Muni Chaubey
7. Shri Sanat Kumar MandaI
8. Shri Dalpat Singh Parste
9. Shri B.v.N. Reddy
10. Shri Chada Suresh Reddy
11. Shri Chandra Pratap Singh
12. Shri Tailakdhari Prasad Singh
13. Shri Manoj Sinha
14. Shri Ramji Lal Suman
15. Prof. Ummareddy Venkateswarlu
16. Shri P.R. Khunte
17. Shri Girdhari Lal Bhargava
18. Shri Trilochan Kanungo
19. Shri Lakhiram Agarwal
20. Shri Dara Singh Chauhan
21. Shri Manohar Kant Dhyani
22. Shri Vedprakash P. Goyal
23. Shri Santosh Bagrodia
24. Ven'ble Dhamma Viriyo
25. Shri RP. Goenka
26. Shri v.v. Raghavan

SECRETARIAT

1.	Shri P.K.Bhandari	Deputy Secretary
2.	Shri R.S.Kambo	Under Secretary

2. At the outset, the Chairman, Standing Committee on Energy welcomed the Members to the sitting of the Committee.

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

(i) Action taken by the Government on the recommendations contained in the First Report of the Standing Committee on Energy (1999-200) on Demands for Grants (2000-2001) of the Department of Atomic Energy.

(ii) Action taken by the Government on the recommendations contained in the Second Report of the Standing Committee on Energy (1999-2000) on Demands for Grants (2000-2001) of the Ministry of Non-Conventional Energy Sources.

(iii) Action taken by the Government on the recommendations contained in the Third Report of the Standing Committee on Energy (1999-2000) on Demands for Grants (2000-01) of the Ministry of Power.

(iv) Action taken by the Government on the recommendations contained in the Thirty ninth Report of the Standing Committee on Industry (1999-2000) on Demands for Grants (2000-2001) of the Ministry of Coal.

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/Department and to present the same to both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE II

[Vide Para 4 of Introduction]

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE STANDING COMMITTEE ON ENERGY (THIRTEENTH LOK SABHA)

I.	Total No. of Recommendations	21
II.	Recommendations that have been accepted by the Government *(Vide* recommendations at S1. Nos. 13 and 19)	2
	Percentage of total	9.53%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies *(* S1. Nos. 3,6,7,10,11,12 and 26)	7
	Percentage of total	33.33%
IV.	Recommendation in respect of which reply of the Government has not been accepted by the Committee *(Vide* recommendation at Sl. Nos. 2, 4,8,14,16 and 18)	6
	Percentage of total	28.57%
V.	Recommendations in respect of which final replies of the Government are still awaited (*Vide* recommendations at Sl. Nos. 1,5,9,15,17 and 21)	6
	Percentage of total	28.57%