## STANDING COMMITTEE ON ENERGY (2001)

## (THIRTEENTH LOK SABHA)

## REPORT ON DEMANDS FOR GRANTS (2001-2002)

## **MINISTRY OF POWER**

Presented to Lok Sabha on 19.4.2001 Laid in Rajya Sabha on 19.4.2001

# LOK SABHA SECRETARIAT NEW DELHI

April 2001/Chaitra 1923(Saka)

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## COMPOSITION OF THE PARLIAMENTARY STANDING COMMITTEE ON ENERGY (2001)

Shri Sontosh Mohan Dev - Chairman

## **MEMBERS**

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- 3. Shri Prasanna Acharya
- 4. Shri Prakash Yashwant Ambedkar
- 5. Shri Rajbhar Babban
- 6. Shri Vijayendra Pal Singh Badnore
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- 28. Shri Manoj Sinha
- 29. Shri Ramji Lal Suman
- 30. Prof. Ummareddy Venkateswarlu

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- 32. Shri Gandhi Azad
- 33. Shri Santosh Bagrodia

- 34. Shri Brahamakumar Bhatt
- 35. Shri Dara Singh Chauhan
- 36. Shri Manohar Kant Dhyani
- 37. Shri Aimaduddin Ahmad Khan (Durru)
- 38. Shri R.P.Goenka
- 39. Shri Vedprakash P. Goyal
- 40. Shri Rama Shanker Kaushik
- 41. Shri B.J.Panda
- 42. Shri V.V. Raghavan
- 43. Dr. Akhtar Hasan Rizvi
- 44. Shri Ramamuni Reddy Sirigireddy
- 45. Ven'ble Dhamma Viriyo

## **SECRETARIAT**

- 1 Shri John Joseph
- 2. Shri P.K.Bhandari
- 3. Shri R.S.Kambo
- 4. Shri Arvind Sharma

- Joint Secretary
- Deputy Secretary
- Under Secretary
- Sr. Committee Assistant

# **INTRODUCTION**

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Sixteenth Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2001) relating to the Ministry of Power.

2. The Committee took evidence of the representatives of the Ministry of Power on 29<sup>th</sup> March 2001.

3. The Committee wish to thank the representatives of the Ministry of Power who appeared before the Committee and placed their considered views. They also wish to thank the Ministry of Power for furnishing the replies on the points raised by the Committee.

4. The Report was considered and adopted by the Committee at their sitting held on 12<sup>th</sup> April, 2001.

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; <u>APRIL 16, 2001</u> CHAITRA 26, 1923(SAKA) SONTOSH MOHAN DEV, CHAIRMAN, STANDING COMMITTEE ON ENERGY.

#### REPORT

## PART - I

## **CHAPTER-I**

#### Introductory

The Ministry of Power started functioning independently with effect from 2<sup>nd</sup> July, 1992. Earlier it was known as the Ministry of Energy comprising the Departments of Power, Coal and Non-Conventional Energy Sources.

1.2. Since "Electricity" stands included in the Concurrent List in the VII Schedule of the Constitution of India, both the Centre and the States have concurrent jurisdiction on the subject. While the Ministry of Power and the Central Electricity Authority (CEA) are responsible for formation of national policies for development of power and for coordination of related activities and optimum utilisation of the available resources, it is the States / Union Territories that carry out the implementation of power development programmes and supply of power to the ultimate consumers. The efforts of the State Government in this regard are supplemented by the Central Government by establishing a number of generation and transmission projects, which deal with bulk power.

- 1.3. The main items of work dealt with by the Ministry of Power are as below:
- General Policy in the Electric Power Sector and issues relating to energy policy. (Details of short, medium and long-term policies in terms of formulation, acceptance, implementation and review of such policies, cutting across sectors, fuels, regions and cross country flows)
- (ii) All matters relating to hydro- electric power (except mini micro hydel projects of and below 25 MW capacity and Geo-thermal energy) and thermal power and transmission system network.
- (iii) Research, development and technical assistance relating to hydro –electric and thermal power and

transmission system network.

- (iv) Administration of the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948) and Central Electricity Regulatory Commission Act, 1998.
- (v) All maters relating to Central Electricity Authority, Central Electricity Board and Central Electricity Regulatory Commission.
- (vi) Rural Electrification, Power schemes in Union territories and issues relating to Power supply in the States and Union territories.

1.4. In all technical matters, Ministry of Power is assisted by Central Electricity Authority, which is an attached office constituted under Electricity (Supply) Act, 1948. The CEA is responsible for technical coordination and supervision of programme and is also entrusted with a number of statutory functions.

1.5. Following the enactment of the Central Electricity Regulatory Commission's Act (1998), the Central Electricity Regulatory Commission (CERC) was constituted in July, 1998 with a Chairman & three full time members. The main functions of the CERC are to regulate tariff of Centrally owned or controlled generating companies, regulate inter-State transmission including tariff of transmission entities, to regulate inter-State Bulk Sale of Power, to advise the Central Government in matters of tariff formulation policy, etc.

1.6. There are three Statutory Bodies, 7 Public Sector Undertakings, two Joint Venture Corporations and three Autonomous Bodies (Societies) under the administrative control of the Ministry of Power. These are:

## a) **STATUTORY BODIES :**

- 1. Damodar Valley Corporation (DVC), Calcutta;
- 2. Bhakra Beas Management Board (BBMB), Chandigarh; and
- 3. Central Electricity Regulatory Commission.

# b) **PUBLIC SECTOR UNDERTAKINGS:**

- 1. Rural Electrification Corporation (REC), New Delhi;
- 2. National Thermal Power Corporation (NTPC), New Delhi;
- 3. National Hydro Electric Power Corporation (NHPC), Faridabad;
- 4. North-Eastern Electric Power Corporation (NEEPCO), Shillong;
- 5. Power Finance Corporation (PFC), New Delhi;
- 6. Power Grid Corporation of India Ltd. (PGCIL), New Delhi;
- 7. Power Trading Corporation of India Ltd. (PTC), New Delhi.

## c) JOINT VRNTURE CORPORATIONS:

Nathpa Jhakari Power Corporation (NJPC), Shimla and Tehri Hydro Development Corporation (THDC), (UP)

## d) AUTONOMOUS BODIES:

- 1. Central Power Research Institute (CPRI), Bangalore;
- 2. National Power Training Institute (NPTI), Faridabad; and
- 3. Energy Management Centre (EMC), New Delhi.

1.7 The installed capacity of power generation in the country as on March 31, 2000 was 97.846 MW of which 72 per cent was accounted for by thermal power generation and 24 per cent by hdyro generation, 3 per cent by nuclear and 1 per cent by wind. The installed capacity has crossed 1,00,136 MW as on December 31, 2000. The capacity addition in 1999-2000 was 4507 MW against a target of 4685 MW. A capacity of 2,175 MW has been added against a target of 2,225 MW during April-October, 2000. Thermal plants at present account for 80 per cent of the total power generation, hydro- electricity plants contribute 18 percent and the nuclear plants account for the rest.

1.8 The Planning Commission had fixed a target of 40245.2 MW comprising 9819.7 MW hydro, 29545.5 MW thermal and 880 MW nuclear for capacity addition during Ninth Plan. In the Mid term review carried out in July, 1999, the Planning Commission in consultation with the Ministry of Power and CEA, assessed that a capacity addition of only 28097.2 MW comprising 8399.2 MW hydro, 18818.0 MW thermal and 880.0 MW nuclear was found feasible. A review by the Planning Commission during May, 2000 noticed that instead of 28097.2 MW, a capacity of 24309.4 MW comprising 7952.2 MW hydro, 15477.2 MW thermal and 880.0 MW nuclear was likely. The Ministry of Power further reviewed the position in August, 2000 in the Empowered Committee and observed that instead of 24309.4 MW, more realistic achievement would be 21564.5 MW comprising 5902.2 MW hydro, 14782.3 MW thermal and 880.0 MW nuclear.

1.9 The Budget Estimate of the Ministry of Power for plan expenditure during 2001-02 are Rs. 3288 crore against Rs. 2640.97 crore of Budget Estimates (plan) and Revised Estimates (plan) of Rs. 3165.50 crore during 2000-01. The Non-plan expenditure during 2001-02 is proposed to be Rs. 1023.80 crore against the BE & RE of Rs. 755.74 crore and 1006.75 crore respectively during 2000-01. The details of the consolidated financial requirements for the various programmes of the Ministry are shown at Appendix.

1.10. The observations of the Committee on the basis of the scrutiny of Demands for Grants of the Ministry for the year 2000-01 **vis-a-vis** performance of various programmes during 2000-2001 are brought out in the succeeding Chapter.

# **CHAPTER-II**

## A. <u>Central Plan Outlay</u>

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2.1. The approved Plan Outlay for the Ministry of Power (Central Plan) during 2000-01 was Rs. 9720.80 crore. This consisted of Rs. 2640.97 crore as Gross Budgetary Support and Rs. 7079.21 crore as IEBR. At the RE stage the Plan Outlay was reduced to Rs. 8345.38 crore consisting of Rs. 2705.50 crore as Gross Budgetary Support and Rs. 5639.88 crore as IEBR. The Gross Budgetary Support has marginally gone up by about Rs. 64.50 crore at the RE Stage. This was on account of a supplementary grant that was taken for funding schemes in the North East from the Non-Lapsable Pool.

2.2 Asked about the reasons for reducing the budgeted amount of Central Plan Outlay, the Committee have been informed that there has been a reduction in the IEBR of around Rs. 1400 crore at the RE stage. The most significant reductions are in respect of Power Grid amounting to about Rs. 600 crore, DVC about Rs. 350 crore and NHPC about Rs. 200 crore. In the case of Power grid the associated transmission projects for the gas based generation projects of NTPC namely Phase-II of Anta, Kawas, Gandhar and Auriya have been delayed. The associated transmission project for Talcher-II was also delayed as it took some time in obtaining Government approval for investment. As regards DVC, there is substantial reduction on account of Maithon Thermal Power Plant Project Right Bank not taken off so far. As regards NHPC a provision of approximately Rs. 220 crore was made for Wind Power generation projects at the BE stage. The Corporation has now decided to drop these projects hence the reduction in IEBR.

2.3 The outlay of Ministry of Power allocated for the year 2001-02 is Rs. 11065.53 crore which is about 13.8% more than the budget estimates of the previous year. The gross budgetary support for the year 2001-02 is Rs. 2828 crore which is more than the previous year's figure by about 7.0%. The notable feature of the allocated budget for 2001-02 is the higher allocation made for the hydro sector namely, the National Hydroelectric Power Corporation (NHPC) whose outlay has increased from Rs. 1264 crore in 2000-01 to Rs. 1909.79 crore in 2001-02. One of the main reasons for enhancing the outlay of NHPC is the Indira Sagar Project (1000 MW) which is being implemented as a joint venture. The other major activities of the NHPC for the next year for which a provision has been made includes survey and investigation works in case of a large number of projects, namely, Parbati III (500 MW), Parbati I (750 MW), Siyang Lower (1700 MW); Siyang Upper (1000 MW), Kamla (2000 MW) etc. Similarly, there has been an appreciable increase in the outlay for the Tehri hydro Development Corporation (THDC) whose outlay has been increased from Rs. 748.57 crore in 2000-01 to Rs. 1228.17 crore in 2001-02. The outlay for THDC has been increased because of an increase in the External Commercial Borrowing (ECB) on account of equipment that is expected to be received during the next year. Besides, THDC has had to resort to a PFC loan because of non- availability of the equity of the Government of Uttar Pradesh. The project is nearing completion and various payments are due. Another area where there has been an appreciable increase is in the case of the Accelerated Generation and Supply Programme (AG & SP) of the Power Finance Corporation where the outlay for 2001-02 was increased to Rs. 350 crore from Rs.300 crore in 2000-01. An increase in the AG&SP scheme has been made for the year 2001-02 since there is a backlog of Rs. 90 crore (till January, 2001) in the current year.

2.4 The Committee have observed that around 80% of the IEBR of the CPSUs of the Ministry of Power is accounted for by NTPC and Power grid. In the case of NTPC the four gas based projects namely stage-II of Anta, Auriya, Kawas and Gandhar have got re- scheduled due to increase in Naptha prices which has necessitated re-negotiation with the beneficiaries. Other projects like Ramagundam III got delayed on account of high cost offered by the bidders. There have been some delays in obtaining necessary Government approvals in the case of Talcher-II which has also resulted in under-utilisation of IEBR. In the case of Power grid on account of delays in gas based generation projects of NTPC, there has been delay in the associated

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transmission project of Talcher-II there has been a delay in associated transmission. Taking note of the fact that there is always variation between the projected IEBR and actual achievements the Committee desired to know the steps taken by the Government to ensure that realistic IEBR targets are projected.

## 2.5 In this connection, Ministry of Power informed the Committee as under:-

"Monitoring of the utilisation of funds and physical progress of the projects is regularly carried out by the Ministry of Power. Quarterly review meetings are being held regularly to review physical and financial progress of the projects of all the CPSUs. While finalizing IEBR Targets, detailed discussions are held between Ministry of Power, the concerned CPSUs, Finance Ministry and Planning Commission. Every effort is made to ensure that the targets are realistic and achievable".

2.6 The Committee are unhappy to note that the approved Plan outlays of the Ministry of Power during 2000-01 which were budgeted at Rs. 9720 .80 crore were reduced to Rs.8345.38 crore at R.E. stage. The IEBR component during the year got reduced by Rs. 1439.41 crore (Rs. 7079.21 crore - Rs. 5639.88 crore). The Committee have further observed that the most significant reduction in IEBR component was in respect of Power grid at Rs. 600 crore, followed by DVC at NHPC at Rs. 350 crore and NHPC Rs. 200 crore. The Committee are dismayed to note that in spite of their repeated recommendations to firm -up realistic Plan outlays at B.E. stage, the same have been changed at RE stage. The Committee are not convinced with the various reasons given by the Government for making changed in the IEBR component at RE stage. The Committee note that this year also IEBR targets have been unrealistically fixed at Rs. 8237.53 crore which is much higher than the targets of 2000 - 01 at Rs. 5639.80 crore and may have to be cut down at RE stage. Although, the Government have stated that quarterly review meetings are being held regularly to review physical and financial progress of the projects, the Committee feel that by making timely intervention and efforts, the problems could have been avoided. The Committee note with concern that NHPC, a pioneer producer of Hydro-electric power in the country, which proposed to take-up a Wind Energy project in Tamil Nadu with a provision of Rs. 220 crore during 2000-2001, has now shelved the project. The Committee fail to understand this and would like to know the reasons as to why a project of Wind Energy was initially proposed to be carried out by NHPC and shelved later on.

2.7. Taking note of the fact that the much needed IEBR targets of power PSUs approved during 1998-99, 1999-2000 and 2000-01 could not be materialized resulting in slippage of various generation and transmission projects from the 9<sup>th</sup> Plan to 10<sup>th</sup> Plan, the Committee feel that the monitoring and implementation cell in the Ministry of Power failed to project realistic Plan outlays and desire that more care should be taken to achieve targets of generation and transmission during 2001-02. The Committee hope that the Plan outlay of Rs.11065.53 crore for the year 2001-02 with enhanced outlay for NHPC and THDC will be materialized as targeted. The Committee will also like to know the steps taken by the Government to achieve IEBR targets and increased investment required in power sector to generate additional 1,00000 MW of power during the 10<sup>th</sup> & 11<sup>th</sup> Plan Periods.

## B. <u>Power Generation</u>

2.8. The financial requirement for power generation for 2001-02, actuals for 1999-2000 and Budget Estimates and Revised Estimates for 2000-01 are as under:-

										I)	Rs. in crores)	)
Actuals	1999-2000		Budget H	Estimates 2	2000-01	Revised	Estimates	2000-01	Budget E	stimates 2	2001-02	
Plan	Non-	Total	Plan	Non-	Total	Plan	Non-	Total	Plan	Non-	Total	
	Plan			Plan			Plan			Plan		
1953.96	801.58	2755.54	1869.11	701.00	2570.11	1904.81	956.00	2860.81	2269.98	971.00	3240.98	

2.9. Against the set targets of 40245.20 MW comprising 9819.70 MW of hydro, 29545.50 MW of thermal and 880 MW of nuclear projects, the mid-term appraisal of the Plan conducted in July 1999 have indicated that 8399.20 MW of hydro 18818 MW of thermal and 880 MW of nuclear power would be feasible. The Ministry of Power further reviewed the position in August, 2000 in the Empowered Committee and observed that instead of 24309.4 MW, a more realistic achievement would be 21564.5 MW comprising 5902.2 MW hydro, 14782.3 MW thermal and 880.0 MW nuclear. Moreover, in the initial 3 years, the anticipated capacity addition in Central sector is likely to be 2950 MW and the balance of 6779 is to be achieved in the last 2 years of the Ninth Plan. The mid-term appraisal conducted in July, 1999 has also indicated that 2955 MW of hydro power generation in Central Sector is feasible against the 3544 MW originally envisaged in the Ninth Plan.

2.10. The installed capacity of power generation in the country as on March 31, 2000 was 97,846 MW of which 72 per cent was accounted for by thermal power generation and 24 per cent by hydro generation, 3 per cent by nuclear and 1 per cent by wind. The installed capacity has crossed 1,00,136 MW as on December 31, 2000. The capacity addition in 1999-2000 was 4507 MW against a target of 4685 MW. 51 electric power generating units with an aggregate capacity of 4000.03 MW comprising of 1297.00 MW hydro electric capacity (23 units) and 2263.30 MW thermal capacity (26 units) have been programmed for commissioning during the year 1999-2000. The sector-wise breakup being 659.00 MW aggregate capacity under Central sector, 2415.00 MW aggregate capacity under the State Sector and 926.30 MW in private sector as detailed below in the Table :-

					(In MW)
<b>Details of Schemes</b>	<b>Central Sector</b>	State Sector	<b>Private Sector</b>	Total	
Hydro	75.00	1222.00	0.00	1297.00	
Thermal	144.00	1193.00	926.30	2263.30	
Nuclear	440.00	0.00	0.00	440.00	
Total	659.00	2415.00	926.30	4000.00	

Capacity addition from April, 2000 to January, 2001.					
					(In MW)
Details of Schemes	<b>Central Sector</b>	State Sector	<b>Private Sector</b>	Total	
Hydro	75.00	821.25	0.00	896.25	
Thermal	144.00	420.00	495.20	1059.20	
Nuclear	220	0.00	0.00	220.00	
Total	439.00	1241.25	495.20	2175.45	
Thermal Nuclear Total	144.00 220 <b>439.00</b>	420.00 0.00 <b>1241.25</b>	495.20 0.00 <b>495.20</b>	1059.20 220.00 <b>2175.45</b>	

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2.11. A capacity of 2,175 MW has been added against a target of 2,225 MW during April- January, 2001. Thermal plants at present account for 80 per cent of the total power generation, hydro – electricity plants contribute 18 per cent and the nuclear plant account for the rest.

2.12. Regarding generation of additional Power of more than 1,00000 MW by 2012, the Secretary, Ministry of Power informed the Committee that the CEA figure is to add 1,07,000 MW during the next 12 years. It will be 43,000 MW in 10<sup>th</sup> Plan and 63,000 MW during the XI Plan. In the Central Sector, 48,000 MW is planned whereas for States and private sector, it is 18,000 MW and 31,000 MW respectively.

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2.13. Hydro potential in the country is 1,50,000 MW. Only 17% of this has been tapped so far. The reduced Hydel Power Generation is due to less investment, inter-State issues, problems of land acquisition, R&R and law and order problem in project areas.

2.14. About the steps taken to step up investment in Hydel Power Generation Projects and to sort out the problems like land acquisition, R&R etc. for timely completion of ongoing and future Hydel Projects, the Ministry of Power informed the Committee in a written reply as under:

"India has a huge hydro potential estimated to be around 1,50,000 MW. We have so far exploited 17% of the potential and 7% is under development. The Government of India is according a high priority to develop the balance available hydroelectric potential. During the last three years five new hydroelectric projects have been sanctioned under Central Sector. These are Chamera II (300 MW) in HP; Loktak Downstream (90MW) in Manipur; Teesta Stage V (510 MW) in Sikkim; Koteshwar (400 MW) in Uttaranachal and Tuirial (60 MW) in Mizoram. The budgetary support has been significantly raised from Rs. 1125.53 crore in 1997-98 to Rs. 1982.15 crore in 2001-02 to promote large and medium size hydroelectric projects under Central Sector.

Action has already been initiated to develop about 30,000 MW of hydro power in various parts of the country. A substantial portion of this is in the North East, Jammu& Kashmir, Himachal Pradesh and Uttaranchal. An MOU has been signed with Jammu & Kashmir to develop 7 hydroelectric projects (2798 MW) under the Central Sector. Similarly, in the North East, action has been initiated to develop hydroelectric projects in Siang and Subansiri Basins (20700 MW). In addition, Kameng (600 MW) and Ranganadi Stage II (180 MW) in Arunachal Pradesh, Tuivai (210 MW) in Mizoram and Tipaimukh (1500 MW) in Manipur are also proposed to be developed under the Central Sector. In Himachal Pradesh Parbati Projects (2051 MW), Kol Dam Project (800 MW), Rampur HEP (580 MW) have been identified for development. Government of India is also according high priority in developing hydroelectric projects languishing for want of funds and projects locked up in inter-State disputes. A Memorandum of Understanding has been signed with the Government of Madhya Pradesh to jointly develop Omkareshwar (520 MW) and Indira Sagar Project (1000 MW)."

2.15 With a view to reducing time and cost overrun of hydroelectric projects a three stage development of the hydroelectric projects has been introduced. Stage-I envisages completion of Survey & Investigation and preparation of Feasibility Report of the proposed hydel Project. In Stage- II, funds would be sanctioned to Project authorities to enable them to prepare Detailed Project Reports and take action on activities for land acquisition and pre- construction infrastructural activities and initiation of process for R&R in consultation with respective State Governments. In the final Stage III, the Project authorities will obtain project approval after obtaining all requisite statutory clearances. As a result of the efforts made during the last three years it will be possible to augment hydel generation capacity from the present level of about 25,000 MW to about 55,000 MW in the time frame 2012-2018. CEA in association with CWC, GSI, Survey of India and National Remote Sensing Agency has been entrusted with the task of firming up the balance available hydro potential which could be developed taking into account parameters of cost, tariff, environmental & forest angle and submergence of land, etc. Government of India also stands committed to make available additional funds outside the budgetary mechanism to finance hydroelectric projects with a view to exploiting this resource in an optimum manner.

2.16. The Ministry of Power gave the Committee the following reasons for slippage in capacity addition.

- i. Delayed financial closures of private sector projects due to non-availability of escrow.
- ii. Geological surprises
- iii. Delay in land acquisition
- iv. Delay in investment decisions
- v. R&R problems
- vi. Law and order problems
- vii. Contractual problems
- viii. Inter-State disputes in respect of hydro projects.

2.17. Central Sector projects which were originally scheduled for the  $9^{th}$  Plan and which are now likely to slip to the  $10^{th}$  Plan include the following:

i.	Talcher II (NTPC)	500 MW
ïi.	Simhadri (NTPC)	500 MW
iii.	Hyderabad Metro (NTPC)	650 MW
iv.	Maithon RBC(DVC)	500 MW
V.	Neyveli Extn. (NLC)	210 MW
vi.	Tehri HEP (THDC)	750 MW
vii.	Anta II (NTPC)	650 MW
viii.	Auraiya II (NTPC)	650 MW
ix.	Gandhar II(NTPC)	650 MW
X.	KawasII (NTPC)	650 MW
xi.	Kopili Extn. (NEEPCO)	25 MW
xii.	Dulhasti HEP (NHPC)	390 MW

xiii. Nathpa Jhakri HEP (NJPC) 1500 MW

2.18. Some of the major State sector projects which were identified for the ninth Plan and which are likely to slip includes the following:

1.	Dadupur	(Har.)	6 MW
2.	W.Y.C.St.II	(Har.)	16 MW
3.	Panipat	(Har.)	210 MW
4.	Sewa St. III	(J&K)	6 MW
5.	Kata Pathar	(Raj.)	19 MW
6.	Srisailam	(A.P.)	900 MW
7.	Kutiadi Ext.	(Ker.)	50 MW
8.	Basin Bridge	(T.N.)	30 MW
9.	North Koel	(Bihar)	24MW
10.	Tenughat	(Bihar)	630 MW
11.	Balimela StIII	(Orissa)	120 MW
12.	Karbi Langpi	(Assam)	100 MW
10	Q = 1 = Q = man		

13. Sardar Sarovar

(Guj. M.P. & Maharashtra) 651 MW

2.19. At the end of the 9<sup>th</sup> Plan., it is estimated that incremental addition to capacity in the Central, State and the private sector would be of the order 4964 MW, 9192.37 MW and 6735.2 MW respectively.

2.20. The Committee observe that the capacity addition in 8<sup>th</sup> Plan failed miserably. Now 9<sup>th</sup> Plan, is also file:///E:/HTML/13\_Energy\_16.htm 11/32

heading the same way and against targeted capacity of 40, 245 MW, the latest review projection is only 20, 891 MW – a reduction by almost 50% in the set targets. 6 projects of NTPC – scheduled for 9<sup>th</sup> Plan, now stands slipped to 10<sup>th</sup> Plan. Besides, Tehri, Kopili (NEEPCO), Nathpa Jhakri (NJPC), Maithon Right Bank Thermal (DVC) and Dulhasti (NHPC) – now slipped to 10<sup>th</sup> Plan. In spite of total budgetary support to Hydel projects, Central PSUs such as NHPC, NJPC, NEEPCO, TEHRI, DVC have failed to add new capacity as envisaged in 9<sup>th</sup> Plan. During 1997-98, out of a total of 38 Hdyro Power Projects, 24 slipped and for the year 1998-99 13 hydro schemes slipped out of a total 25 targeted to be commissioned. During 2000-01 (till February, 2001), 4 Hydro schemes in Jammu & Kashmir slipped due to financial constraints.

2.21. Taking note of the Government's decision to have thermal power stations at pit- head, since transmission of power is cheaper than the coal transportation, the Committee desired to know the details of Coal and Lignite based pit- head thermal projects. In this connection, the Ministry of Power informed the Committee in a written reply as under: -

2.22. When pointed out that some of the pit- head power projects like Nabinagar identified during 1988 were shelved later on one ground or another whereas thermal power station at Barh in Bihar which is more than 400 km. from pit – head is proposed to be taken up, Secretary, Ministry of Power informed the Committee during evidence that Nabinagar initially was to be taken up as a mega power project under the policy announced by the Government in 1995. But, it could not make much headway.

2.23. Chairman, National Thermal Power Corporation added in this connection,

" In 1988, it was initially taken up as a 1500 MW station by Bihar State Electricity Board. Then, ultimately, they worked on it for four to five years and then, dropped it. In 1995, the Central Government in the first Mega Policy decided to take up this project by upgrading it to 2000 MW. At that time, on the coal availability, there was some issues, and therefore, some coal mines were changed. RFQ was issued in August, 1996. ------ problem was sorted out and then in August 1996, the Government issued an RFQ for that under a mega policy inviting offers for this project. Unfortunately, for this project, there are no takers, and ultimately, therefore, in 1998, they decided that since there are no takers in the Mega Policy, it could not be taken up as Mega Project at that time under the earlier Mega Policy. ------- in the last meeting it was discussed and it was said that the NTPC will look into the possibilities of taking up this project. In the meanwhile, when this project was being taken up as a Mega Project, we were finalising our programme of 20,000 MW, this project was not there. We were working on other projects.------ availability is very limited and we are trying to leverage it to the maximum possible. So, we will try to take it up at the earliest possible but it will depend on our funds position. We will definitely continue to look at it."

2.24. The Committee observe that the target of 40,245 MW power generation during 9<sup>th</sup> Plan has been revised to 24309.40 MW during mid- term appraisal of the Plan conducted in July, 1999. The Ministry of Power further reviewed the situation and as per current estimates 21564.5 MW of power is likely to be achieved during 9<sup>th</sup> Plan. 7 projects of NTPC – scheduled for 9<sup>th</sup> Plan, now stands slipped to 10<sup>th</sup> Plan. Besides this, THDC, Kopili (NEEPCO), Nathpa Jhakri (NJPC), Maithon Right Bank Thermal (DVC) and Dulhasti (NHPC) – have also slipped to 10<sup>th</sup> Plan. The Committee are unhappy to note that 8<sup>th</sup> Plan had failed due to too much reliance on private sector and now 9<sup>th</sup> Plan

is also going much the same way and the set targets are affected due to resource crunch and because of fixing unrealistic targets. The Committee are not convinced with the reply of the Government that 6779 MW of Power generation will be achieved during the last two years of the 9<sup>th</sup> Plan against 2950 MW likely to be added during first Three years in the Central Sector. The Committee feel that the generation of 1,07,000 MW of power, as projected to be achieved by CEA during next 10 years, is also unrealistic with the proposed funding pattern. The Government have not made any perspective plan for investment in power generation sector as it proposes to achieve the target of additional power generation of 1 lakh MW in 10 years, which is the equivalent of what the country could achieve in 50 long years since independence. The Committee, therefore, desire that the Government should draw up a realistic achievable plan with firm details of the source of funding of these power projects in the 10<sup>th</sup> & 11<sup>th</sup> Plans and beyond, if necessary and the Committee be apprised of the same.

2.25 The need for development of Hydro Power in the overall power scenario of the country can hardly be over emphasised as there is a mis- match between the thermal and hydel power which has come down to the tune of 80: 20 against the desired ratio of 60: 40. The Committee are unhappy to note that only 17% of a total of 1,50,000 MW hydel potential in the country has been exploited so The projects are reportedly delayed due to inadequate investment, inter - State issues, far. problems, of land acquisition, R&R and law and order problems, etc. The Committee have been informed that the Government have taken steps to reduce time and cost over runs of hydro – electric projects by adopting a three stage development strategy i.e. completion of Survey and Investigation and preparation of feasibility report at stage-I, funds would be sanctioned at stage-II for preparing Detailed Project Report and for action on land acquisition and pre-construction activities. At stage-III, the project authorities will obtain project approval after obtaining all requisite statutory clearances. However, it has been observed by the Committee that with total budgetary support to Hydel projects, Central PSUs such as NHPC, NJPC, NEEPCO, THDC, DVC have failed to add new capacities envisaged in 9<sup>th</sup> Plan. During 1997-98, out of a total of 38 Hdyro Power Projects, 24 slipped and for the year 1998-99, 13 hydro schemes slipped out of a total of 25 targeted to be commissioned. During 2000-01 (till February, 2001), 4 Hydro schemes in Jammu & Kashmir slipped due to financial constraints. In view of the poor performance and slippage of hydel power projects from 9<sup>th</sup> Plan to 10<sup>th</sup> Plan, the Committee cannot but deplore the way the hydel projects are handled and recommend that a contingent plan be framed by the Government to complete the hydel projects as targeted. The Committee would await information on the contingent plan made by the Government in this regard.

2.26. The Committee also note that the additional Hydro – electric power generated during 1999-2000 was 1297 MW against 2263 MW of additional thermal power. For 2000-01 also (upto January,2001) an additional 896.25 MW of hydel power was generated against 1059.20 MW of thermal power. In view of the widening gap between the thermal hydel power generation in spite of increased investments in hydel projects during the last 3 year, the Committee are of the opinion that the gap increased only because of a large slippage of hydel projects to 10<sup>th</sup> Plan and less investment in hydel sector as compared to thermal power projects. The Committee therefore recommend that in view of the increasing gap between the thermal hydel mix of power generation, steps should be taken for more investments in hydel generation during 10<sup>th</sup> & 11<sup>th</sup> Plan periods. In this regard the Committee would like to know the details of perspective plan of investment in 10<sup>th</sup> & 11<sup>th</sup> Plans separately

2.27. The Committee have been informed that out of 28 coal and lignite based pit-head power projects to give benefit during 10<sup>th</sup> & 11<sup>th</sup> Plans, 14 have already been cleared by CEA. The Committee would like to know planned commissioning of new lignite projects at Kutch and Mangrol in Gujarat and Barsingsar in Rajasthan. The Committee are also surprised to note that Nabinagar project which was identified as pit – head thermal project in 1988 and as a Mega power project in 1995 is not taken –up so far by NTPC and projects like Barh in Bihar which are at about 400 km from the coal mines are being proposed for implementation. The Committee, therefore, recommend the Government and NTPC to make all out efforts to implement Nabinagar thermal power project identified way back in 1988. The Committee would await information regarding steps taken in this regard which are in consonance with Government policy to set up thermal power plants at pit-head.

## C. <u>Energy Conservation</u>

2.28. There was a provision of Rs. 15.00 crore in the Budget Estimate for the year 2000-01 for Energy Conservation activities which has been curtailed to Rs. 2.75 crore at Revised Estimate stage. A provision of Rs. 9.88 crore has been made in the Budget Estimate of 2001-02.

2.29. Enquired about the schemes proposed to be implemented by utilisation of Rs. 15.00 crore for Energy Conservation Schemes during 2000-01 and why these were revised downward to Rs. 2.75 crore, the Ministry of Power informed the Committee that the funds were revised downward to due to the following reasons :

- i. Funds constraints as well as slow progress of on-going schemes (Rs. 336.23 lakh);
- Awareness campaign was not taken up as the Energy Conservation Day/ Energy Conservation Award Function could not be held during the year 2000-01 as it was decided that the function would be held only after the establishment of Bureau of Energy Efficiency (BEE) (Rs. 150 lakh);
- iii. Central Power Research Institute was asked to formulate a scheme for implementing the recommendations made by it in its audit report of 20 thermal power stations. They could not formulate the scheme (Rs. 500. 00 lakh).
- iv. The scheme for promoting Energy Supply Companies (ESCO) relating to industrial and agricultural activities would be taken up only after BEE is established (Rs. 300.00 lakhs).

2.30. The schemes being implemented during 2000-01 with an allocation of Rs. 2.75 crore includes 8 schemes worth Rs. 67.57 lakh which were not covered in the budget allocation of Rs. 15 crore but were considered essential for promotion of energy conservation as well as pre-BEE activities and other important functions of BEE envisaged in the Energy Conservation Bill.

2.31. The Ministry of Power have stated that no new scheme is proposed to be implemented by the Ministry during 2001-02. It has also been decided that all the new schemes to be implemented during the year 2001-02 will be examined, processed and implemented by BEE only.

2.32. The Committee have observed that the Energy Conservation Bill has been introduced to promote energy efficient devices. Use of energy efficient equipments can lead to savings equivalent to

building a whole new power plant. This Committee have already pointed out that this can however, also be encouraged by the Government through appropriate tax break likes the American Department of Energy (ADE) which has allotted \$ 3 billion worth of grants to utilities across the country (USA) under its programmes for promoting efficient energy use. The programme provides funding for the first commercial demonstration of energy efficient and clean industrial technologies.

2.33. When asked about the Government's plan to provide similar funds for promoting energy conservation devices, the Ministry of Power informed the Committee as under :-

"Government is aware that US Department of Energy has sponsored a cost sharing programme known as National Industrial Competitiveness through Energy, Environment, and Economics (NICE-3) to promote energy efficiency, clean production, and economic competitiveness in industry. The programme provides funding to state and industry partnerships for projects that develop and demonstrate advances in energy efficiency and clean production technologies".

2.34. The industrial sector in India is a major energy user, accounting for 52% of commercial energy consumed. There exists tremendous potential for reducing energy intensity in Indian industry. Various studies have estimated that vast potential for energy conservation exist in the Indian Industry, ranging from 8-10% in Iron & Steel and Aluminum Industry to 20-25% to Pulp & Paper and Textile Industry. About 5 to 10% of the potential saving can be realized by adopting simple energy conservation measures, but a substantial portion of the balance potential can be realized only with retrofitting or process / technology improvement measures. Therefore, there is enormous scope in small, medium and large scale industries to enhance and optimize energy use by upgrading technology. The Government would advise the Bureau of Energy Efficiency (BEE) when it is established to undertake a study in this regard and formulate a scheme relevant to Indian conditions.

2.35. Regarding reduction of custom duties on Energy Efficient components and products, the Ministry of Power have informed the Committee that it had forwarded the proposal for reduction of excise duty on fluorescent, miniature compact fluorescent lamps from 16% to 8% and for notifying electronic ballasts as energy saving device thereby providing 100% depreciation as against 25% available at present in the first year as per Income Tax Act. The request of the Ministry for reduction for excise duty and customs duty on compact fluorescent lamps and other equipment has not found favour with the Ministry of Finance. Every thing is now left for Bureau of Energy Efficiency which is to be constituted after the Energy Conservation Bill is passed by the Parliament.

2.36. The Committee note that conservation and efficient use of energy is to be treated as one of the major thrust areas keeping in view the need to bridge the gap between the demand and availability of various forms of energy. Measures to promote conservation of energy need to be taken both on the supply side and the demand side. These include awareness and training programmes, energy audits, demonstration -cum-pilot projects and policy studies. Although, the Committee appreciate that the Government have introduced the Energy Conservation Bill for conservation and efficient use of Energy, the Committee are constrained to note that funds allocated at the Budget Estimate stage during 2000-2001 were drastically reduced to Rs. 2.75 crore from Rs. 15 crore. The reply of the Government that there were funds constraints and awareness campaign Energy Conservation Schemes for Industry & Agriculture did not take place pending of constitution of the Bureau of Energy Efficiency does not sound convincing to the Committee. The Committee feel that the Government should have taken the awareness campaign at full pace

pending passing of the bill on Energy Conservation, especially for educating people from industrial and agriculture sectors. The Committee would also like to know the reasons why CPRI could not formulate the schemes, to implement its own recommendations based on audit of 20 thermal power stations.

#### D. <u>Research and Development</u>

#### **Central Power Research Institute, Bangalore:**

2.37. The Central Power Research Institute (CPRI) was established in Bangalore by the Government of India in 1960. It was organised into an autonomous society in 1978 under the aegis of the Ministry of Power. The main objectives of setting up the Institute were to serve as a National Laboratory for undertaking applied research in electric power engineering besides functioning as an independent National Testing and Certification Authority for electric equipment and components to ensure reliability and improve, innovate and develop new products. More specifically the objectives cover the following:

- To serve as a national centre for applied research in electrical power engineering
- To function as an independent and impartial authority for certification and testing of electrical equipment manufactured in the country for quality assurance;
- Performing test for product development;
- To offer consultancy on problems referred by utilities and industries; and
- To undertake sponsored research programmes on subjects of interest in the power sector.

2.38. The Plan budget support for Research and Development (R&D) activities during 1999-2000 to Central Power Research Institute has been revised from Rs. 25.00 crore to Rs. 15 crore and for the year 2000-01, it was brought down to Rs. 13.70 crore. During 2001-02, the budget provision to CPRI has been further pruned to Rs. 8.37 crore only. During 1999-2000, a provision of Rs. 4.5 crore was made in anticipation of getting approval for the project on Augmentation of HVDC Simulator. The project could not be posed for investment decision as the envisaged external assistance for funding the project did not materialise.

2.39. The budgetary allocations to CPRI both at BE and RE stages along with the achievements for the years 1997-98 to 1999-2000 are furnished below:

			(Rupees in lakh)
Year	BE	RE	<b>Funds Released</b>
1997-98	2400.00	1800.00	1800.00
1998-99	2000.00	1800.00	1800.00
1999-2000	2500.00	1500.00	1044.85

2.40. The Committee have been informed that through R&D, CPRI has built up expertise in the areas of transmission and distribution systems, power quality, energy metering, energy auditing, transmission line tower design, conductor vibration studies, power systems instrumentation, transformer oil reclamation and testing, diagnostic condition monitoring and estimation of remaining life of equipment, new materials for power system application, UHV testing, short circuit testing, HV testing and other related fields. CPRI offers consultancy

services in these areas. The Institute has been short-listed as Consultant by Power Finance Corporation with BB+ ranking for Thermal Power Plants and BB ranking for Hydro Power Plants. CPRI has carried out R&M studies for several coal fired thermal power plants and hydro plants across the country. In addition to this, CPRI has been accredited as an approved agency by the Central Boiler Board for carrying out RLA Studies on Boilers under Indian Boilers Regulations. Under power sector reforms, CPRI is rendering valuable assistance to the Regulatory Commissions, such as, carrying out estimation of loss in transmission and distribution system which is a pre-requisite to fixing the tariff.

2.41. The details of R&D projects proposed for which Rs. 13.70 crore were budgeted during 2000-2001 are given below:-

Sl.No.	Name of the Projects / Schemes	Budget for 2000-2001 Rs. in
		lakhs
1.	Repayment of loan for the project on establishment of	98.00
	2500 MVA Short Circuit Laboratory with Synthetic	
	Test Facility	
2.	Center for Software Engg. And Training	69.00
3.	Establishment of Equipment Vibration Testing Centre	1000.00
4.	Plan R&D	200.00
5.	Total	1367.00
	Rounded to 0	1370.00

2.42. For the year 2001-02, the projects / schemes proposed along with the budgetary support are Establishment of Equipment Vibration Testing Centre-Rs. 537.00 lakh, In-house Plan R&D of CPRI – Rs. 200.00 lakh and Research Schemes of Power Sector – Rs. 100.00 lakh.

2.43. The Plan allocation approved by the Planning Commission for Central Power Research Institute for the 9<sup>th</sup> Plan (1997-2002) was Rs. 100 crore, including a provision of Rs.10 crore for Plan R&D Projects. The spillover schemes of VIII Five Year Plan required an amount of Rs. 1944.80 lakh. CPRI had proposed 17 new capital project proposals for consideration and sanction during the plan period, out of which the following four projects / schemes amounting Rs. 3961.88 lakh were approved. Of these four projects, two projects have been successfully completed and remaining two projects are reportedly in advanced stage of completion.

Sl.No.	Title of the Proposal	Total outlay Rs. in lakhs
1.	Improving quality of power in CPRI Campus	220.00
2.	Improvement in testing and handling facilities	502.88
3.	Centre for Software Engineering & Training	374.00
4.	Setting up of Equipment Vibration Testing Centre	2865.00
	Total:	3961.88

2.44. As a fall out of the R&D efforts, a number of new technologies relating to the power sector have emerged. The Institute has been able to commercialise technologies to over 60 organisations across the country on a non- exclusive basis. Electronic Energy Meter, GIS Cable termination, high Voltage measuring system, value added products from fly-ash are a few instances. The Institute has also patented its inventions. So far, the Institute has bagged 9 patents for various important inventions / processes and received award for its R&D innovations.

2.45. The Government have stated that the Ministry of Finance have taken the view that the autonomous bodies like CPRI are expected to progressively become self- sufficient in financial matters. Therefore the following course of action are being taken:

- "(a) CPRI may explore the possibility of raising resources through Power Finance Corporation and draw up a shelf of bankable projects.
  - (b) CPRI should explore opportunities to associate Power Sector PSUs to contribute its R&D Development expenditure and send proposals to the Ministry who will play the role of catalyst.
  - (c) Government budgetary support has been provided in the RE 2000-01 and BE 2001-02 for the ongoing projects only".

2.46. The Committee are happy to note that Central Power Research Institute has successfully commercialized over 25 technologies to more than 60 organisations across the country resulting in saving of foreign exchange through development of indigenous technology, energy conservation, enhancement of revenue earning by tamper proof meters, production of value added products from fly-ash, implementation of National High Voltage DC Project etc. The Committee are further glad to observe that the Institute is rendering useful assistance to carry out power sector reforms and assisting Regulatory Commissions by carrying out estimation of loss in Transmission & Distribution to fix tariff. However, the Committee are constrained to note system which is a pre- requisites that budgetary support for this R&D Institute has been decreasing during the last 3 years. It has been brought down to Rs. 8.34 crore during 2001-02 from Rs. 25 crore budgeted during 1999-2000. The Committee cannot but deplore the way funds for new and on-going R&D Schemes have been squeezed during 2001-02. Although, the Committee agree with the Government's view that autonomous bodies should become self- sufficient, an exception has to be made in case of those organisations which are engaged in basic R&D works and development of human resources in power The Committee would like the Government to provide all necessary funds to the sector. organisations like CPRI and National Power Training Institute which no private sector body or even public sector undertaking may like to fund.

#### 4/29/13

#### E. **RURAL ELECTRIFICATION SCHEMES**

- 2.47. Rural Electrification involves supply of energy for two steps of programmes:-
- Production oriented activities like minor irrigation, rural industries, etc; and (a)
- (b) Electrification of villages.

2.48. Rural Electrification is identified as an essential infrastructure input for improving production oriented activities like minor irrigation, agro- based/ rural industries, etc., for effecting growth in agricultural productivity and rural industrial production and for speeding up the pace of development of the rural economy. By 31<sup>st</sup> March, 2000, nearly 5.07 lakh villages out of total 5.87 lakh villages (according to the 1991 Census), in the country were reportedly electrified accounting for about 86% of total villages. The Government have stated that the electrification of villages have provided the needed base for energisation of 125.4 lakh pumpsets thereby exploiting 64% of the total estimated pumpsets potential of 195.94 lakhs (Revised) and also leading to setting up of large number of agro-based / rural industries and lighting of rural households. Progress of village electrification and pump-set energisation are detailed at Annexure I& II.

Rural Electrification Corporation is one of the prime developmental financial institutions in the country 2.49. extending financial assistance to different SEBs/State Power Corporations for various rural electrification schemes.

About the project / schemes financed by REC during 2000-2001 and the targets fixed and achievements 2.50. made during the period, the Committee are informed in a written reply as under:-

"Programmes relating to rural electrification sanctioned and financed by REC during 2000-2001 (up to 28.02.01) are as under :-

Sl.No.	Programme	Amount Disbursed (Rs.
		in crores)
1.	Village Electrification and intensive	147.01
	Electrification	
2.	Pumpsets Energisation	103.62
3.	System Improvement- Upgradation of Sub-	605.89
	transmission and Distribution System including	
	for metering, transformers, etc.	
4.	Others	1471.48
	Total	2328.00

2.51. The Ministry of Power have further informed that as per estimates, about 80,000 villages remain to be electrified in the country out of which about 62,000 villages could be connected with the grid using conventional file:///E:/HTML/13\_Energy\_16.htm

means. The remaining 18,000 villages located in remote areas have to be electrified using Non-Conventional Sources of Energy like solar energy, small hydro power, biomass or wind energy on a decentralised basis. The primary responsibility for rural electrification lies with State Governments/ Power Utilities who own and operate the distribution system in the States and who determine the priorities for the programme. The major reasons for slow progress are financial constraints of State Electricity Boards, inadequate sub-distribution system facilities, disturbed conditions prevailing in some States and non- payment of dues of Rural Electrification Corporation, resulting in no cash flow. Besides, many of the States have reportedly shown reluctance in implementing the rural electrification programme because they consider rural electrification to be unremunerative. The SEBs and the State Governments are giving increasing priority to investments for improving and strengthening the existing distribution network. The demand for financial assistance for System Improvement has steadily increased over the years especially in States where 100% electrification of villages has already been achieved.

2.52. Regarding complete electrification of Bastis / Majra in different States, the Ministry of Power in a note furnished to the Committee have stated that a detailed survey of the 'remote' villages would have to be undertaken keeping in view the feasibility and viability of various alternatives including micro hydel projects, solar lights, etc. besides other non- conventional energy sources in each of these remote villages, individually or in a cluster. All those villages which are not feasible to be connected through the gird should be considered as 'remote'. The State Governments have been requested to undertake a survey of un-electrified villages including Bastis, and this is likely to be completed by 30<sup>th</sup> April, 2001. The exercise would also include identification of all the un-electrified dalit/ tribal bastis located in various States. These would also be taken up for electrification in a phased manner.

2.53. The Committee have observed that out of a total 67513 villages in Bihar, only 47888 have been electrified as on 31.3.2000. Two villages in Bihar were electrified from 31.3.2000 to 31.10.2000. The Government have planned total rural electrification in the country in the next 6 years. Bihar is also facing another type of problems. A large number of villages which were declared to have been electrified have again been deelectrified due to thefts of line materials, etc and due to lack of maintenance facilities for the equipments installed at one point of time.

2.54 Enquired about the plan of the Government for total rural electrification (100%) in the country within the next 6 years and whether electrification of villages will be as per present definition or it will be 100% coverage of households, Ministry of Power informed the Committee that the Government is considering a Plan of Action for accelerating the process of village electrification so as to achieve 100% electrification of villages, as per the present definition, feasible to be connected with grid by the year 2007. The Finance Minister, in his speech while presenting the budget for 2001-2002, has also announced a package of initiatives to improve the power distribution system in rural areas. This includes completion of electrification of bulk of the remaining villages in the next 6 years; extension of assistance to the States for village electrification works under the Pradhan Mantri Gramdoya Yojna (PMGY) whose funding is being augmented; stepping up credit support from REC to SEBs for speedy electrification of dalit bastis, households of scheduled tribes and other weaker sections of society; improving the quality of power supply in villages, augmentation of distribution networks in rural areas supported by REC under the Accelerated Power Development Programme (APDP); earmarking a sum of at least Rs. 750 crore out of RIDF for rural electrification works and augmenting the resources of REC by allowing it to float capital gains tax exemption bonds along with NABARD and NHAI under Section 54 EC of the Income Tax Act.

2.55. About proper utilisation and monitoring of funds augmented under PMGY and extended to cover rural electrification, the Ministry of Power have stated that it is proposed that the schemes forwarded by the State Governments to the Government of India would be received in REC / CEA which would work as the Secretariat for 'Rural Electrification'. The proposals will be scrutinised and submitted to a Committee headed by the Secretary (Power) with representatives from the Planning Commission and CEA for sanction. Specific Organisations/ Cells would also be created at the State level for implementation and monitoring of the programme. The funds would flow directly to the States from the Ministry of Finance for rural electrification on the recommendations of the Committee in the Ministry of Power. The State Government shall pass on the amount to the power utilities promptly failing which subsequent instalment will not be released besides recourse to adjustment against Central Plan Allocation will also be made. The monitoring mechanism would be further strengthened and REC would undertake verification of works created on the ground on a selected basis before recommending further release of funds. The Regional Offices of REC could be involved in monitoring the programme of village electrification. A separate account, if feasible, would be created to safeguard against misutilisation of funds. A system of monitoring would be devised for considering release of two instalments of funds for approved projects. The release of subsequent instalments would be considered only after submission of utilisation certificates by the concerned State Government. If any report of misutilisation of funds comes to notice, the next installment shall not be released. Simultaneously, the instalments already released could be recovered by the Department of Expenditure by deduction from the Central Plan Allocation.

2.56. The Committee note that Rs.750.00 crore have been earmarked from Rural Infrastructure Development Fund (RIDF) for Rural Electrification Programme during 2001-2002. According to the Ministry of Power, for utilising the amount earmarked from RIDF for rural electrification programme as announced in the Budget for 2001-02, modalities will be finalised by RBI which oversees the management of RIDF. REC would be taking necessary steps for utilisation of the amount for rural electrification by the State Electricity Boards / Power Utilities.

2.57. As part of Rural Electrification Programme, emphasis has also been laid on Kutir Jyoti Programme which aims at electrification of rural households including Dalit and Adivasi families falling Below Poverty Line (BPL)

. The programme aims at extending the benefit of single point light connections to such households in rural areas. A grant provision of Rs. 65 core for release of about 6.50 lakh single point light connections was made in the financial year 2000-01 under the Kutir Jyoti programme. This target was based on unit cost of Rs. 1,000 per connection with metere and Rs. 800 per connection without meter. State –wise details of targets and achievements reported during the year 2000-01 (upto 28.2.2001) indicate that against the allocation of funds of Rs. 65 crore, amount withdrawn was only Rs. 31.42 crore. Also against the set targets of 65 lakh Kutir Jyoti connections during 2000-01, only 1.39 lakh connections were released till 28.2.2001. The achievements in States like Assam, Bihar, Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal were far short of the targets fixed. Targets and achievements of Kutir Jyoti programme during the last 2 years are at Annexure-III.

2.58. The Committee have also observed that there was no budgetary provision for electrification of Tribal villages in North-Eastern States during 2000-01. However, at the revised Estimates stage, a provision of Rs. 46.80 crore has been made. No provision has been made during 2001-02 also. The majority of villages which remain to be electrified are in Assam and Arunachal Pradesh (Assam 566 and Arunachal Pradesh 1478).

2.59. To a query about targets fixed to electrify tribal villages in North-Eastern States during 2000-01 and whether funds earmarked at RE stage were disbursed to the North – Eastern States to implement electrification of tribal villages, the Government have informed in a note that all the villages in the North-Eastern States including the tribal villages are covered under Minimum Need Programme (MNP) and eligible for MNP funds for rural electrification. From the financial year 2000-01, MNP funds for rural electrification are being made available to the States as Central Assistance directly by the Ministry of Finance and not through REC, as indicated below :-

SI.No.	STATE	Allocation under MNP for village electrification being released to States directly (Rs. in crores)
1.	Arunachal Pradesh	9.61
2.	Assam	26.52
3.	Manipur	1.31
4.	Meghalaya	18.72
5.	Mizoram	0.16
6.	Nagaland	0.38
7.	Tripura	0.14
	Total	56.84 crore

2.60. In addition, REC has disbursed, under its programme, Rs. 8.74 crore to N.E. States (Rs. 5.65 crore for Mizoram and Rs. 3.09 crore for Tripura) during 2000-01 up to the end of 31<sup>st</sup> December, 2000.

2.61. The Planning Commission has also approved a scheme for electrification of 165 tribal villages in NE States at a cost of Rs. 25.63 crore under the Non-Lapsable Central Pool of Resources after the proposals for the same are received from the Ministry of Power. Funds amounting to Rs. 12.38 crore have already been released by the Ministry of Power to the States as the first installment. The remaining amount would be released after receiving the progress report on implementation from the concerned State. While examining Performance Budget (2001-02) of Ministry of Power, the Committee have observed that no village was electrified from March, 2001 to October, 2001 in any North-Eastern State including Sikkim.

The Committee do not concur with the view of the Government that 86% villages in the 2.62. country have already been electrified and 14% are yet to be electrified. The experience of the Committee, however, show that the percentage of un-electrified villages is much higher. The Committee desire that a fresh study/survey should be conducted to asses the actual percentage of villages which have vet to be electrified and they be apprised of the outcome thereof. The Committee are further constrained to note that although a fund of Rs.147.07 crore was disbursed during 2000-01 (upto 28.2.01) for village electrification and intensive electrification programme, only 393 villages were electrified upto October, 2000. The Government have attributed this poor performance of rural electrification scheme to financial constraints of State Electricity Boards, inadequate sub-distribution system facilities, non-payment of dues of Rural Electrification Corporation (REC) and reluctance of States in implementing un-remunerative rural electrification programmes. The Government have now started a plan for total electrification (100%) in the country within next 6 years. Funds are proposed to be augmented for village electrification under Pradhan -Mantri Gramodya Yojna (PMGY) and a sum of Rs. 750 crore is also earmarked from Rural Integrated Development Fund (RIDF) for rural electrification works, etc. The State Governments have been asked to undertake survey of remote un-electrified villages including bastis and are

expected to complete it by 30<sup>th</sup> April, 2001. In view of the poor past performance of agencies implementing Rural Electrification Scheme, the Committee would like to know the action plan by which the Government propose 100% electrification in the next 6 years. The Committee would like Rural Electrification Corporation to work with State Governments to draw up a list of those villages which were declared to be electrified but are without any electricity at present. It should also take immediate steps to re-electrify such villages. The Committee would also like to know the steps taken to cover the entire population of a village/basti by the implementing agency/SEB in the absence of clear definition of "Electrified Village" in this regard. The Committee observe that an amount of Rs.2328 crore was disbursed by REC for various Rural Electrification Programmes. Another Rs.750 crore are to be allocated under RIDF funds for Rural Corporation and Central Electricity Authority (CEA). In view of huge investments needed in Rural Electrification Schemes, the Committee hope that the 100% electrification of the country is achievable if only the desired resources are raised, disbursed and properly utilized. However, the Committee are unable to understand the reasons why the Government has not accepted Standing Committee on Energy's earlier recommendation to declare a village electrified only if atleast 10 per cent of the households in the village get electrified. The Committee feel that in the absence of such definition, it appears that the Governments is not serious in its plan for 100 per cent electrification in the country within the next 6 years. The Committee, therefore reiterate its earlier recommendation that the Government should change the definition of a village to be declared electrified for successful implementation of its plan to achieve 100% electrification of the country. The Committee would like to know the action taken by the Government in this regard and also the steps taken to ensure completion of survey for identification of remote villages vet to be electrified by 30<sup>th</sup> April, 2001.

2.63. The Committee also observe that targets of another rural electrification scheme of Kutir Jyoti which aims at electrification of rural house holds falling Below Poverty Line(BPL) level also show dismal performance. Against the provision of a grant of Rs.65 crore during 2000-01 for the release of 6.50 lakh single point corrections, only about 1.39 lakh Kutir Jyoti connection were released till 28.2.2001 and an amount for Rs.31.42 crore was withdrawn. The achievement of Kutir Jyoti Scheme in States of Assam, Bihar, Madhya Pradesh, Gujarat, Maharashtra, Uttar Pradesh and West Bengal fall far short of the targets fixed. Since Rs.13.94 crore are needed for about 1.39 lakh connections, the Committee would also like to know the utilization of remaining amount out of a total of Rs.31.42 crore withdrawn during 2000-01 for Kutir Jyoti connections.

- 2.64. Regarding rural electrification programme during 2001-02 in the North-Eastern States, the Committee are constrained to note that in spite of Rs.56.84 crore allocated under Minimum Needs Programme (MNP) for village electrification, Rs.8.74 crore disbursed by Rural Electrification Corporation (REC) and funds of Rs.12.38 crore released by Ministry of Power under non-lapsable Central Pool resources, no progress of work regarding village electrification and pump energisation took place in any North-Eastern State till October, 2000. The Committee would, therefore like to know the reasons for delayed implementation of Rural Electrification Schemes in these States. The Committee also desire to know the targets set and achieved for Rural Electrification Schemes in these States.
- F. <u>Central Electricity Regulatory Commission</u>

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2.65. Central Electricity Regulatory Commission is a statutory body created under the Electricity Regulatory Commission Act 1998 and came into existence in August, 1998. The main functions of the Commission are:-

- (a) to regulate the tariff of generating companies owned or controlled by the Central Government,
- (b) to regulate the tariff of generating companies, other than those owned or controlled by the Central Government specified in clause (a), if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State,
- (c) to regulate the inter-State transmission of energy, including tariff of the transmission utilities,
- (d) to promote competition, efficiency and economy in the activities of the electricity industry,
- (e) to aid and advise the Central Government in the formulation of tariff policy which shall be fair to the consumers and facilitate mobilisation of adequate resources for the power sector,
- (f) to frame guidelines in matters relating to electricity tariff, and
- (g) to arbitrate or adjudicate upon disputes involving generating companies, transmission utilities, etc.

2.66. Asked about the need of having Electricity Regulatory Commission Secretary, Ministry of Power informed the Committee during evidence on 29.3.2001 as under :-

"...... to get private sector participation in India, the main perceived hurdle- I do not know whether it is correct or not- is that the tariff are pegged artificially low because nobody wants to increase the tariff and they also felt that unless they get a reasonable rate of return, no private investors would invest in India. The Government, by itself, does not have the money required. For generating one lakh megawatt, we need Rs. 8 lakh crore. The Government does not have the money. Therefore ,we said that we should attract private sector. And if the private sector is to be attracted, then they must have somebody who is independent of Government -both the political system and the administrative system to fix the tariff and do other things".

2.67. Although, the CERC was established in July 1998, Government of India deleted the provision of section 43 A(2) of the Electricity (Supply) Act, 1948 in respect of generating companies referred to in section 13 of the ERC Act, 1998 thereby transferring the power of tariff fixation to CERC. As per the clarifications issued on 1.6.1999, the CERC has powers to deviate from the operational norms fixed by the Government of India in 1992. While fixing tariff the Regulatory Commission has to keep in view the factors which would encourage efficiency, economical use of the resources, good performance, optimum investments and other matters which the Central Commission considers appropriate. The Commission is also expected to adopt such principles so that the generating / transmission companies earn an adequate return and at the same time not to exploit their dominant position.

2.68. During the span of two years the Commission received 127 petitions and 107 inter-locutory applications. 32 petitions and inter-locutory applications were finally disposed off. The Commission has received an amount of Rs. 1.20 crore towards petition fees during 1999-2000 and Rs. 1.07 crore during the first ten months of Financial Year 2000-01. The amount has been credited to the Consolidated Fund of India.

2.69. The Commission has released orders covering terms and conditions of tariff during December, 2000. The orders deal with the tariff structure of entities under the jurisdiction of the Commission viz. Central Generating Stations, IPPs selling power to more than one State, and Inter-State and inter-regional transmission systems. The various orders dealing with the final decision on Availability Based Tariff (ABT), technical and financial norms together constitute the tariff structure.

2.70. A Budget provision of Rs. 6.50 crore under non-Plan head was made during 2000-01 which was revised to Rs. 5.70 crore. For 2001-02 also, Rs. 5.70 crore have been allocated.

2.71. To a query as to whether CERC is accountable to Government /Parliament or Public for deeds / functions, the Committee have been told that the Electricity Regulatory Commissions Act, 1998 has several provisions ensuring accountability on the part of the Commission. For instance, Section 32 of the Act provides for audit of the accounts of the Central Commission by the Comptroller & Auditor General of India (C&AG) and laying of the accounts as certified by the C&AG together with the audit report thereon, before each House of Parliament. Section 35 requires laying of the Act provides that the Commission shall ensure transparency while exercising its powers and discharging its functions. Section 40 treats the Members, officers and employees of the Commission as public servants within the meaning of Section 21 of the Indian Penal Code. Section 56 provides that every regulation made by the Central Commission under the Act shall be laid before each House of Parliament. Besides these, the ERC Act also stipulates (under Section 38) that the Central Commission shall be guided by such directions in matters of policy involving public interest as the Central Government may give in writing.

2.72. About the merit in introducing Availability – Based Tariff regime in the country, the Ministry of Power informed the Committee in a note that the CERC decided to implement the Availability Based Tariff (ABT) in the country vide their Order dated 4.1.2000. In the opinion of CERC, the ABT other than being a performance based tariff for the supply of power by Central generating stations is expected to streamline the system of scheduling and despatch of power as it requires firm commitments from both the generators and the beneficiaries to commit to daily schedules. Earlier the rate of return available to the power utilities was based on Plant Load Factor (PLF). Now under ABT it is based on the of number of days the plant is available for generation ensuring greater grid discipline.

2.73. The CERC has ordered the implementation of ABT in respect of Thermal, Gas and Lignite based stations in the four regions of the country as under:-

Southern Region :	1.4.2001	Eastern Region:	1.5.2001
Northern Region:	1.6.2001	Western Region:	1.8.2001

2.74. In this connection National Thermal Power Corporation in a note submitted to the Committee has stated as under:-

2.75. Central Electricity Regulatory Commission issued Orders on Availability Based Tariff (ABT), and Tariff Principles & Norms for Central generating stations, including NTPC, on 15.12.2000 and 21.12.2000 respectively. The impact of the above orders of Central Electricity Regulatory Commission will lead to substantial reduction in internal resources. The total impact for NTPC over the next 11 years i.e. upto 2011-2012 will be to the tune of Rs. 18,000 crore as under:-

Due to increased in Target Availability	Rs. 5,000 crore
Due to reduction in Depreciation Rates	Rs. 11,000 crore
Due to adoption of Lower Escalation Rates for O&M	Rs. 2,000 crore

#### cost Total

Rs. 18,000 crore

This will compel NTPC to substantially reduce its capacity addition programme of 20,000 MW by the year 2012".

2.76. The objective of Availability Based Tariff (ABT) is to induce better system operation and gird discipline, through commercial incentives and disincentives. In the Availability Based Tariff, Fixed Charges are paid by beneficiaries based on capacity allocation instead of drawal basis as being followed now. There is disincentive in the form of Unscheduled Interchanges for both generators and SEBs in the event of any deviation from schedule in generation and drawal respectively.

2.77. NTPC has no objection on the adoption of ABT regime in the context of advantages of ABT in maintaining grid discipline. However, NTPC does not agree to the implementation of ABT in so far as it deviates from the principles and norms as finalised by National Task Force and fixed in the Draft Notification dated 7.4.1999. In fact, Hon'ble High Court of Delhi in its Interim Order dated 7.3.2001 has directed for implementation of ABT with pre-existing norms for tariff of NTPC power stations.

2.78. When pointed out that under the provisions of the CERC Act, the Central Government have power to give directions to CERC in any controversy between CERC and Power PSUs such as NTPC, NHPC and Power Grid and asked as to what prevented the Government from issuing directions to CERC, the Ministry of Power informed the Committee as under:-

"The Electricity Regulatory Commission Act, 1998 empowers the CERC, <u>inter alia</u> to regulate the tariff of generating company owned or controlled by the Central Government. While fixing tariff the Regulatory Commission has to keep in view the factors which would encourage efficiency, economical use of the resources, good performance, optimum investments and other matters which the Central Commission considers appropriate. The Commission is also expected to adopt such principles so that the generating / transmission companies earn an adequate return and at the same time do not exploit their dominant position. In exercise of this power, the CERC has issued orders on ABT. The Central Power Sector Undertakings (CPSUs) such as NTPC, NHPC and Power Grid had objections to some of the provisions of the CERC orders. Section 12(f) of the ERC Act empowers the Central Commission to review its own decisions, directions and orders. The NTPC filed a review petition before CERC under the said provision. The CERC having considered the issue passed the final order on the ABT on 15<sup>th</sup> December, 2000. NTPC was still not satisfied with the verdict of the CERC and as such appealed before the High Court under section 16 of the Act. The Government of India (GOI) still has not felt it expedient to issue any policy direction in this regard. The GOI will issue policy directives under section 38 of the Act in maters of policy involving public interest as and when situation so warrants."

2.79. The Committee pointed out that Section 13 of Electricity Regulatory Commission Act says that the Regulatory Commission is to aid and advise the Central Government in the formulation of tariff policy which shall be fair to the consumers and facilitate mobilisation of adequate resources for the power sector. And Section 28 says, the Central Government shall determine by regulation the terms and conditions for fixation of tariff under clause (a) (b) and (c) of Section 13.

2.80. In this connection Secretary, Ministry of Power informed the Committee as below:-

"A view consistently taken in our Ministry and in the Government is that since this (CERC) is an independent body, this body has been provided to encourage non-Government sector to come into power generation and also to encourage the public sector to get a fair deal. Therefore, the Government

should not give policy instructions unless it is absolutely essential. This is the stand, which we have taken. We are saying that this is quasi-judicial body, and, therefore, whatever orders it gives, if anybody is aggrieved by its order - there is a long procedure before they give the order. After hearing everybody, they give the order – then, there is a procedure of reviewing it. In any court, you have initial order and then review. There is nothing outside, to what other courts do. Then, we have said, if anybody is not satisfied even after the review, then the Act says that he can go to court".

#### 2.81 He further added,

"This order is hurting the NTPC. I agree with you. Therefore, we have also told the court whatever we had to say. It is hurting the NTPC, but it is helping the State Electricity Boards who are also part of all us. The State Electricity Boards will have a little more leeway as compared to what the NTPC has. Therefore, we are saying, let the court decide. The NTPC will not be hurt finally because now we have a stay. You must be knowing about it. They have given a stay where they have said that PLF of 68.5 will be applicable. Here is a thing where if I do something for the NTPC, all the State Electricity Boards get hurt. If I do not do something for them, then everybody is equal and they can do what they like.-----"All the States were supporting because it gives some advantage to the State Electricity Boards. Their finances are in very bad shape because the State Electricity Boards have to pay them. Earlier, they used to pay for 68.5 and today they have to pay only 80 per cent and above. They are getting some relief. That is why, they are saying that let it be.".

2.82. Committee observe that the Central Regulatory Commission, a statutory body has The been created to regulate the tariff of generating companies owned or controlled by Central Government and of generating companies who enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State. The Committee have been informed that while fixing tariff the Commission is also to keep in view the factors that would encourage efficiency and economical good performance, optimal investment and other matters which the Central **Commission considers** appropriate. The Committee are constrained to note that instead of harmonious and coordinated efforts to improve investments in generation and transmission sector, the order of Central Electricity Regulatory Commission (CERC) covering terms and condition of tariff during December, 2000 based on Availability Based Tariff (ABT) has been challenged by National Thermal Power Corporation (NTPC) in the Delhi High Court. NTPC has informed the Committee that its project investment capacity will be substantially reduced by Rs.18,000 crore by the year 2012 because of the order of the Central Regulatory Commission. The Committee desire to know why the Draft Notification on tariff dated 7.4.1999 finalized by National Task Force (NTF) based on Availability Based Tariff (ABT) was not accepted by the Central Electricity Regulatory Commission (CERC). The Committee are further perturbed to note that although the Government under Section 38 of Electricity Regulatory Commission (ERC), Act have power to issue policy directives to Central Electricity Regulatory Commission (CERC), the Government failed to respond and the matter had to be taken to court. The Committee recommend that Government should intervene in the matter and issue necessary policy directions under Section 38 of the Electricity Regulatory Commission (ERC) Act, to ensure that the orders issued by the Central Commission do not in any way adversely affect the investment in future power projects and the financial conditions of any of Central PSUS and they do not have to take recourse to the court of law. In view of spate of litigations over the orders of CERC in the recent past, the Committee desire that the Government should review the whole gamut of CERC, so that the objective for which it was set up does not

#### become counter productive.

#### G. <u>Role of Central Electricity Authority (CEA)</u>

2.83. The budget allocation of CEA (Plan & Non-Plan) at BE and RE stage for the last 3 years are given below:

								(KS. m crore)
1998-99			1999-2000			2000-01		
BE	RE	Variation	BE	RE	Variation	BE	RE	Variation
48.68	44.58	(-) 4.09	48.60	42.35	(-) 6.26	51.51	43.36	(-) 8.15

The under utilisation under Plan head during the last 3 years is reportedly due to some new schemes not being finalized during the year.

2.84. Asked about the relevance of CEA in the context of some of the powers of CEA being delegated to State /private sector in the project implementation, the Committee have been informed as under :

"CEA has not lost its relevance as the provisions of Section 3(1) (i) of Electricity (Supply ) Act, 1984 are applicable. Ministry of Power envisages a new proactive role for CEA in the light of liberalization. There are many instances when CERC have sought advice / technical reports in the disposal of petitions filed by various utilities. Similarly, a number of SERCs are seeking expert advice and consultancy from CEA. At present consultancy is being provided to Haryana Electricity Regulatory Commission and UP Electricity Regulatory Commission in PPA (Power Purchase Agreement) and other related issues".

2.85. The Government have further stated that in order to improve the performance level of power stations, CEA has been monitoring the operation of the power stations and rendering assistance in solving the operation and maintenance problems. CEA has also been laying stress on Renovation and Modernisation of power stations with a view to improving their performance and extending their life cycle. CEA also ensures the timely clearance of these schemes, besides overall coordination and monitoring of the physical and financial progress of the schemes. Energy Audit studies for reduction of secondary fuel oil consumption of selected Thermal Power Stations for improving their efficiency have also been taken up.

2.86. Asked about the steps CEA propose to take to streamline the procedure, so that the delays on account of CEA and clearance from the Ministry of Environment and Forest could be minimised, the Ministry of Power informed the Committee in a note as under:-

"Often, it is found that the Detailed Project Reports (DPR) submitted by the Project Authorities lack details required for proper examination and finalization of the project features. DPRs lack proper surveys and investigations/ studies, hydrological data / studies, design details, proper power potential studies, proper evaluation of quantities of civil works, detailed cost estimates, etc. The time taken for accord of Techno- Economic Clearance (TEC) to power projects depends upon the completion of the DPR and tying-up of all the essential inputs / clearances required for Techno- Economic Clearance by

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the project developers. Central Electricity Authority has made a programme of about six months for appraisal of the power projects from the date of receipt of complete DPR".

2.87. The actual time taken for TEC may vary from project to project depending upon the quality of DPR and status of tying –up all essential clearances such as water availability, CWC clearance for water availability from inter-State angle, fuel availability and its transportation, NOC of State Pollution Control Board, NOC from National Airports Authority for chimney height, MOE&F Clearance from environmental / forest angle, rehabilitation / resettlement plan, if required, Defence clearance, if required, compliance of Section 29 (2) of Electricity (Supply) Act, 1948, Tentative Financial Package, Competent Government's recommendations of DPR and cost, etc. (in case of private sector projects ) and response received from the project developers. CEA in June, 1995 issued guidelines for preparation of DPR and circulated to all the SEBs/ Generating Companies.

2.88. During the course of examination when deficiencies involving data / investigation etc. are found, back references are made to the project authorities for obtaining complete information and compliance normally takes time. In case the DPRs of projects are prepared as per the guidelines and various queries / clarifications raised are replied promptly by the project authorities, a scheme is accorded TEC promptly by CEA. Further, authority has constituted a Committee in November, 2000 to identify and recommend various measures for reducing the time required for appraisal of schemes leading to accord of TEC.

2.89. Regarding clearance of Detailed Project Report (DPR) of schemes submitted to Central Electricity Authority (CEA) and according of Techno – Economic Clearances (TEC), the Committee observe that Central Electricity Authority (CEA) has made a programme of six months for appraisal of the power projects from the date of receipt of complete DPR as per guidelines circulated in June, 1995 to all SEBs / generating companies. However, the Committee note that these are delayed during the course of examination when deficiencies involving data / investigation, etc. are found, in DPR and these are referred back to the project authorities for obtaining complete information and this normally takes a lot of time. This leads to avoidable time and cost over runs of the project. The Committee note that the Central Electricity Authority has constituted a Committee in November, 2000 to identify and recommend various measures for reducing the time required for appraisal of schemes leading to accord of TEC. The Committee feel that Government must take steps to enforce certification of commercial viability of power projects especially Hydro-electric power in one week. The Committee desire that Techno- Economic Clearance of projects by CEA should be given within one month of the submission of DPR. The Committee also recommend that all other clearances including Environment & Forest (E&F), State Pollution Board and approval of Cabinet Committee on Economic Affairs (CCEA), if required, should be considered and accorded within one month of approval of DPR by CEA. The Committee would like to know the action taken by the Government in this regard within 3 months and also other measures identified and recommended by the 'Committee' constituted in November, 2000.

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# H. <u>Investments in Transmission & Distribution Projects</u>

2.90. As per the latest Annual Report on the working of State Electricity Boards/ Electricity Departments (April 2000), published by the Planning Commission, the percentage distribution of power sector outlays for 1998-99 are as under:

Year	Generation (%)	T&D(%)	Ratio T&D / Generation
8 <sup>th</sup> plan (1992-97)	62.00	28.00	0.45
1992-93	69.30	22.50	0.32
1993-94	67.20	24.90	0.37
1994-95	62.90	26.60	0.42
1995-96	56.40	30.70	0.54
1996-97	NA	NA	-
9 <sup>th</sup> plan (1997-2002)	40.00	44.60	1.12
1997-98	46.99	37.06	0.78
1998-99	40.30	43.19	1.07

2.91. Plan- wise investment ratio between generation and T&D shows that it was 1:1.33 in the First Plan (1951-56). Gradually decreasing, it comedown to 1:0.51 during the 7<sup>th</sup> Plan (1985-90), 1:0.53 in 8<sup>th</sup> Plan (1992-97) and 1: 0.69 during 9<sup>th</sup> Plan (1997-2002) as per working group report on 9<sup>th</sup> Plan power development.

2.92. About the steps that have been taken to make 1:1 investment in power generation and transmission network, the Committee have been informed by Ministry of Power in a written reply as under :-

"The investment in T&D system has generally been lower than that on generation. The ratio of investment on generation and Transmission & Distribution (including RE) had been less than 1:1 except during the First Plan period. The low investment in T&D has generally led to the neglect of distribution sector and the funds provided were mostly used for meeting normal works, which comprised of giving new connections and reinforcements needed thereof. Adequate resources were not available for investment on system improvement schemes for strengthening sub-Transmission & Distribution system".

In a post evidence reply, the Government have stated that ideal ratio of Generation and T&D projects is 1:0.69.

2.93. Regarding Tax holidays proposed for infrastructure projects including Transmission & Distribution Sector, the Ministry of Power informed the Committee that under the existing provisions of section 80 1A of the Income Tax Act 1961, a deduction of 100% in the first five years and 30% in the next five year is available for the profits derived from the business of transmission or distribution started on or after 1/4/99 and completed

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before 31/3/2003. The deduction can be claimed in any ten consecutive years out of 15 years.

2.94. In Budget 2001, the proposal is to allow 100% deduction in all the 10 years. The period ending on 31/3/2003 has also been proposed to be extended to 31/3/2006. Even though the deduction of 100% from profit will be available for 10 years, the companies engaged in Transmission or Distribution Sector will have to pay Minimum Alternative Tax in all the 10 years because of over-riding provision of section 115 JB of the Income Tax Act. As a result the profit attracts a tax of 7.65%.

2.95. The following suggestions have been made by Ministry of Power to attract more investment in T&D Schemes :-

- i. Section 115 JB may be amended so that profit derived from the business of Transmission or Distribution is reduced from the Book Profit so that the undertakings engaged in Transmission or Distribution business are not required to pay Minimum Alternative Tax in the initial year of investment.
- Under the Customs Act 1962, Mega Power Generation Projects have been granted exemption from Customs Duty. Similar exemption may also be accorded to Mega Power Transmission Projects associated with Power Evacuation of Mega Generation Projects.
- iii. The rate of effective total concessional customs duty applicable for Power Transmission Projects is 50.82% as against 21.8% for Power Generation Projects. Transmission may be treated at par with generation.

2.96. The Committee observe that the ratio of investment in Generation and T&D network gradually decreased during successive Five Year Plans. It came down from 1:1.33 during 1<sup>st</sup> Plan to 1:0.51 during 7<sup>th</sup> Plan. During 8<sup>th</sup> & 9<sup>th</sup> Plan, the ratio was 1:0.53 and 1:0.69 respectively. The Committee are at pains to note that low investments in T&D especially sub- Transmission and Distribution system have resulted in high percentage of losses in transmission and distribution of power. The Committee are at a loss to know that in spite of their earlier recommendations (3<sup>rd</sup> Report, 13<sup>th</sup> Lok Sabha) to give equal importance to generation and transmission projects and subject both to similar rates of customs and excise duty, the Government have failed to act accordingly. The Committee are constrained to note that the rate of effective total concessional customs duty applicable for Power Transmission Projects at 50.82% as against 21.8% for Power Generation Projects is likely discriminately and recommend that transmission may be treated on par with generation. The Committee, therefore reiterate their earlier recommendation and urge the Government (Ministry of Finance) to accord equal status and incentives to mega powers projects both in generation and transmission sectors in matters of customs and excise duty. The Committee will like to know the action taken by the Government in this regard to help improve the T&D system in the country within 3 months.