22

STANDING COMMITTEE ON ENERGY (2001)

THIRTEENTH LOK SABHA

MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES

DEMANDS FOR GRANTS
(2001-02)

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

TWENTY SECOND REPORT

LOK SABHA SECRETARIAT
NEW DELHI
December, 2001/ Agrahayana, 1923 (Saka)

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*Ceased to be Member of the Committee w.e.f. 1.9.2001 consequent upon his induction in Union Cabinet

COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN REPORTS

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10. Shri Amar Roy Pradhan
11. Shri C.K. Jaffer Sharief
12. Prof. Ummareddy Venkateswarlu

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*Ceased to be Member of the Committee w.e.f. 1.9.2001 consequent upon his induction in Union Cabinet

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this 22nd Report on the Action Taken by the Government on the recommendations contained in the 15th Report of the Standing Committee on Energy on the Demands for Grants (2001-02) of Ministry of Non-Conventional Energy Sources.

2. The Fifteenth Report of the Standing Committee on Energy was presented to Lok Sabha on 19th April, 2001. Replies of the Government to all the recommendations contained in the Report were received on 26th November, 2001 from the Ministry of Non-Conventional Energy Sources.

3. The Sub-Committee on Action Taken Reports as well as Standing Committee on Energy considered and adopted this Report at their sittings held on 12th December, 2001.

4. An Analysis of the action taken by the Government on the recommendations contained in the Fifteenth Report of the Committee is given at Annexure-III.

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;
14 December, 2001
23 Agrahayana , 1922 (Saka)

SONTOSH MOHAN DEV
Chairman,
Standing Committee on Energy.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Fifteenth Report (Thirteenth Lok Sabha) of the Standing Committee on Energy on the Demands for Grants (2001-02) of the Ministry of Non-Conventional Energy Sources which was presented to the Lok Sabha on 19th April, 2001.

2. Action taken notes have been received, from the Government in respect of all the recommendations contained in the Report and these were further updated. These have been categorized as follows:-

(i) Recommendations/Observations which have been accepted by the Government:

Sl. Nos. 3, 5, 7, 9, 10, 13, 14, 15 and 16

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

Sl. Nos. 6, 11, 12 and 21.

(iii) Recommendations/Observation in respect of which replies of the Government has not been accepted by the Committee

Sl. Nos. 1, 2, 4, 8 and 20.

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

Sl. Nos. 17, 18, 19, 22 and 23.

3. The Committee desire that final replies in respect of the recommendations, which have been categorized as interim replies by the Committee should be furnished to the Committee at the earliest.

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

A. Imposition of cuts on budgetary allocations

Recommendation (Sl. No. 1, Para No. 2.26)

5. The Committee had noted that the Central Plan Outlay for MNES during the Financial Year 2001-02 was Rs. 1039.71 crore as against actual expenditure of Rs. 749.64 crore during the year 1999-2000. The Budgetary allocation of Rs. 947.40 crore at BE stage was reduced to Rs. 858.76 crore at RE stage during the year 2000-2001. Despite 40% utilization of GBS by the end of September, 2000, Ministry of Finance had imposed a financial cut. The Committee had also noted that the utilization of expenditure by the end of 15.3.2001 was low since MNES were unable to release bulk amount of Rs. 34.26 crore meant for equity and IDA loan to IREDA was deferred till March, 2001, on the advice of the Ministry of Finance. The Committee had recommended that Ministry of Finance and Planning Commission should not impose arbitrary financial cuts, in Plan schemes, especially when the MNES schemes/programmes were near the targets. The Committee had urged that the Ministry of Finance/Planning Commission should proportionately increase budgetary allocation to the MNES, so that the targets of additional installed capacity of 10% or 10,000. MW in the next 12 years entailing an investment of Rs. 50,000 crore could be achieved by the year 2012.

6. In their action taken reply, the Ministry of Non-Conventional Energy Sources have stated that as per a broad estimate, a total budgetary support of Rs. 15,000 crore will be required during the next two Plan periods to leverage private investments and to accomplish the goal of 10,000 MW set for 2012. This has included funding required for electrification of 18,000 villages by the end of the 11th Plan. Energy budgets from other sectors wherein renewable energy can be deployed on a large scale will also need to be accessed such as defence, telecommunications, railways, rural development, health, education, welfare, etc. Matching budgetary allocations will be required in State Plans.

7. In their action taken reply, the Ministry of Finance have informed that the budget estimate for MNES during the year 1998-1999 was Rs. 407.62 crore which was scaled down, on the basis of mid-term review, to Rs. 304.42 crore. However, the Ministry could not spend more than Rs. 304.42 crore. Similarly, Rs. 316.12 crore could be spent during the year 1999-2000, against the BE and RE of Rs. 358.32 crore and Rs. 319.47 crore respectively. Again, as per the provisional accounts for the year 2000-2001, the expenditure of the Department is Rs. 335.28 crore which is again lower than the revised estimates of Rs. 358.67 crore. The RE itself was lower than the BE of Rs. 446.46 crore. As is evident, in spite of reductions, based on evaluation of expenditure, the department was unable to even expend the reduced allocations. The Ministry of Finance have further informed that the budgetary allocations of individual Ministries/Departments are based on the proposals received from them and the need to balance the competing demands. The revised estimates are based on the trend of actual expenditure in the first 7-8 months of the year as also on the actual expenditure incurred in the previous financial year.

8. Planning Commission in their action taken reply have informed that the financial cut was imposed by Ministry of Finance and Planning Commission was not consulted in

this exercise. Giving the reason for the percentage share of investment in renewable energy programme in the total energy sector outlays being at a level of less than 1% during the 6th, 7th, 8th and 9th Plans the Commission have further informed that it is due to inadequate allocation of funds by the States for this sector. In the case of power sector, the States participated in a major way with sufficient investment for the sector. For example, the percentage share of investment by States and UTs in the total outlay for the power sector in the country during 7th, 8th and 9th Plans were 68%, 57% and 57.2% respectively. On the other hand, in the case of non-conventional energy sector-during the above periods were 21%, 24% and 16.2% respectively. This indicates that the States and UTs invest significant amount in the case of power sector whereas in the case of non-conventional energy sector the investment is far less. It has decreased during the 9th Plan period. During the 8th Plan the entire funding of non-conventional energy sector was through Domestic Budgetary Support (DBS) and during the 9th Plan,.48% of the Plan outlay in the form of DBS with the balance met out of the external assistance, internal resources and extra budgetary resources mobilized thorough market borrowings. In the case of petroleum sector, there is no DBS and the entire funding is through internal resources generated and extra budgetary resources mobilized from the market. In the case of coal sector, the outlay is mostly funded through internal resources and market borrowings by the public sector undertakings and DBS for 8th and 9th Plan are only 14% and 10% of the total outlay respectively. In the case of power sector, the percentage of DBS on the total outlay for 8 th and 9th Plans are 11% and 35% respectively. This shows that although the percentage of outlay for the renewable energy sector in the total energy sector appears to be less than 1% of the total outlay, the DBS as a percentage of total Plan outlay is greater than in the Power/Coal/Petroleum and Natural Gas sectors. It has also been stated that the importance of non-conventional energy programme has been recognised and subject to availability of resources, funds would be made available for this sector during the 10th Plan.

9. The Committee find that there is lack of coordination amongst the Ministry of Non-Conventional Energy Sources (MNES), the Ministry of Finance and Planning Commission. For instance, MNES have stated that Ministry of Finance are resorting to financial cuts, despite better utilization of budgeted allocation. On the other hand, Ministry of Finance have revealed that in none of the years, since 1998-99, the Ministry of Non-Conventional Energy Sources was able to expand their revised estimated allocations. On other hand, the Planning Commission has averred that they were not consulted in the exercise of financial cut. In the opinion of the Committee such a casual approach in budgetary exercise, whercunder the different arms of Government work at cross propose have a direct bearing on the implementation of plans, programmes and policies on MNES. This results in under utilisation of earmarked budgetary allocations and consequently the programmes on MNES suffer. The Committee, cannot, but deplore the action of the different Ministries in this regard and recommend that they should ensure coordination amongst themselves. At the same time, the Committee would like to remind MNES that the financial cuts imposed by Ministry of Finance are on non-plan expenditure and not on plan expenditure. The Committee would therefore, like to emphasise that MNES should ensure that plan expenditure as per targets fixed for the purposes.

10. The Committee have also noted inadequate allocation of funds by the States for MNES programme, over the different plan periods. The Committee are at a loss to understand as how MNES would he able to achieve 10% of total power generated i.e. 10,000 MW by 2012, by Non-Conventional Energy Sources unless and until States too make significant investment in MNES sector. The Committee, therefore, recommend that Domestic Budgetary Support (DBS), should be increased. At the same time, the Committee would like MNES to take suitable and appropriate policy measures so that States are inclined to step up their investment under MNES sector.

B. Reviewing of Budgetary Mechanism

Recommendation (Sl. No. 2, Para No. 2.27)

11. The Committee were constrained to note that there had always been a mis-match between the projected IEBR and actual mobilization since 1998-1999 in spite of the Committee cautioning the Ministry to project only achievable IEBR. During the year 1998-1999, Rs. 267.79 crore could only be realized against BE of Rs. 327.16 crore and RE of Rs. 294.12 crore. Similarly, Rs. 436.77 crore could be realized during the year 1999-2000 against the BE of Rs. 411.11 crore which had risen to Rs. 500.42 crore at RE stage. The Committee were distressed to note that the reasons attributed for such mis-match were not beyond the control of MNES and IREDA. This had led to an imperative need to review the working of budgetary mechanism in MNES and IREDA, in particular. The Committee had desired that Government should undertake such an exercise without fail and they were apprised of its outcome.

12. In their reply, the MNES have, inter-alia, stated that the suggestion of the Committee for realistic IEBR of IREDA has been further deliberated in the Ministry. The Revised Estimated (RENEWABLE ENERGY) for 2001-02 and Budget Estimate (BE) for 2002-03 in respect of IEBR have been further discussed with Ministry of Finance taking into account the realistic mobilization of resources by IREDA through various sources of IEBR. The Ministry have further stated that the amount of tax-free bonds has been restricted to the level of projection made by Ministry of Finance. Similarly, the carry forward surplus has been re-casted keeping in view the realistic resources of IREDA.

13. The Committee find that in pursuance to their recommendation, MNES deliberated further and also consulted Ministry of Finance in a bid to project realistic projection for IEBR. However, the Committee are surprised to note that the outcome of the deliberations have not been revealed to the Committee. For instance, although carry-forward surplus which were estimated to Rs. 96.37 at RE stage have been re-casted but the extend to which, it was modified, has not been shared with the Committee. Similarly, facts and figures have not been revealed for Tax Free Bonds. In the absence of such vital facts and figures which are vital in arriving to a conclusive decisions, the Committee is unable to react to the observation of the Government. The Committee desire that MNES in future should

exercise due care and caution and share with them all the information. The Committee would, however like to reiterate their earlier recommendation of reviewing the working of Budgetary mechanism in MNES/IREDA.

C. Priority Sector Lending Facilities to NRSE Sector

Recommendation (Sl. No. 4, Para No. 2.29)

14. The Committee had noted that IREDA, as a developing financial institution, provide term financing. Commercial Banks had been advised by the RBI, to provide working capital to the entrepreneurs. However, Commercial Banks, for reasons best known to them, did not evince adequate interest in advancing working capital. Consequently, the pace of various MNES programmes/schemes were affected. The Committee had recommended that MNES should take up this matter and any other finance related problems with the Ministry of Finance/RBI, to see as to what best could be done for the NCES sector. The Committee also desired that they be apprised of the outcome. The Committee had also desired that IREDA should also encourage Municipalities for producing power from Municipal wastes by providing them funds at not more than 4% rate of interest.

15. In their reply, the Ministry have, inter-alia, stated that a national level workshop was organized by MNES on 20.07.2001 in collaboration with the Department of Banking and the Reserve Bank of India, so that the vast network of Commercial Bank could be galvanized and they may be pressed into service for the renewable energy sector. Over 20 banks and financial companies participated in the workshop and were given a detailed exposure to the variety of schemes being run by MNES in which banks could participate. They further stated that IREDA's current rate of interest for Municipal Solid Waste projects is 12.5% up to 3 MW and 13% above 3 MW. With MNES interest subsidy, effective rate of interest to the borrowers comes to 7.5% IREDA has been requested to consider further reduction of the rate of interest.

16. The Committee are happy to note that MNES, in a bid to galvanise the vast network of commercial bank into renewable energy sector, organized national workshop. The Committee would like to be apprised of the outcome of the national workshop. At the same time, the Committee would like to recommend that the Government should ensure that lending for renewable energy sector should be included under priority sector lending programme. In this context, the Committee desire that appropriate direction should be issued by Minister of Finance/Reserve Bank of India to commercial banks to include lending for renewable energy sector in their credit plans and policies. The Committee have observed that there exist promising opportunities to tap clear power from garbage and other municipalities and industrial waste. However, they have found that as against potential of 1,000 MW, to generate power from Municipal Waste, only 4 MW of power could be generated. The Committee are still of the view that incentives given and the interests charged for generation of power from urban and industrial waste are inadequate.

Reiterating their earlier recommendation, the Committee desire that a more liberal incentives should be extended to such programmes.

D. Wind Power Programme

Recommendation (Sl. No. 8, Para No. 2.55)

17. The Committee had observed that Indian Wind Power Industry had achieved 80 per cent indigenisation. All major sub-assemblies of a wind turbine such as tower, motor-blades, generator, gear-box, controller, etc., could be developed through indigenous manufacturers. However, the Committee had noted that the Government had imposed higher excise duties for raw materials to manufacture blades than finished product. The Committee had felt that to encourage indigenous industry, excise duty should be reduced to 4%.

18. The Ministry of Non-Conventional Energy Sources in their reply have stated that the import of wind turbine blades is allowed at a concessional custom duty of 5% without payment of any additional duty. However, for the import of raw materials required for manufacture of blades, Additional Duty (CVD) of 16% is levied. This acts as a disincentive for domestic manufacturers of blades. The Ministry have taken up with Ministry of Finance for removal of this anomaly by granting import of raw materials for wind turbine blades exemption from the Additional Duty of 16%. However, the Ministry of Finance did not agree; the MNES would again take up the matter with the Ministry of Finance.

19. The Committee have noted that differential custom tariff on import of wind turbines and the raw materials/spares required for the manufacture of wind blade. The Committee are at a loss to understand the inability of Ministry of Finance in not bringing at par the custom duties for raw material and finished products, especially when the differential duties act as an disincentive for indigenous manufactures for wind blade. The Committee would like to remind the Ministry of Finance, the Statement of Prime Minister made on 3rd March, 2001 in New Delhi, at a conference of Chief Minister on Power, whereunder he resolved to increase the share of renewable to 10% of the additional planned capacity in next 10 years i.e. 10,000 MW. In the opinion of the Committee, whereas Prime Minister had resolved to increase share of Non-Conventional Energy by 10%, the Ministry of Finance by their present retrograde action seems to put a spoke and thereby derail the programme of non- conventional energy. The Committee, therefore, reiterate their earlier recommendations and desire that Ministry of Finance should re- consider their decision in the matter and revise custom duty on raw materials and spares downwardly.

E. Solar Water Heating System

Recommendation (Sl. No. 13, Para No. 2.83)

20. The Committee had observed that the Ministry of Non-Conventional Energy Sources were extending interest subsidy scheme for Solar Water Heating System (SWHS) through IREDA and some Nationalised Banks. Under the interest subsidy scheme, 5 per cent per annum interest rate was charged for domestic sector having a maximum of 20 solar collectors or upto 2000 litres per day capacity and for the non-domestic sector having a system capacity of more than 2000 litres per day, it was 8.3 per cent per annum. Thus, under the scheme of things, the residents of Group Housing Societies or large Housing Complexes were not covered under the scheme and thereby had to pay 8.3 per cent per annum interest rate for the Solar Water Heating System (SWHS). The Committee had, therefore, strong recommended to charge the lower interest rate of 5 per cent per annum instead of 8.3 per cent per annum, for the SWHS installed in Group Housing Societies.

21. In their action taken reply, the Ministry of Non-Conventional Energy Sources have stated that the Ministry have moved a proposal to reduce the rate of interest charged for solar water heating systems installed by housing societies. The Ministry have, however, been advised that this will require a formal amendment to the scheme which has to be approved by the Commission for Additional Sources of Energy (CASE). Approval of the Commission is now being sought for the purpose.

22. The Committee are happy to note that Government is in the process of taking action on their recommendation for reducing interest rate for solar water heating systems, used by Group Housing Societies or large Housing Complexes. The Committee would await final concrete action in this regard.

F. Action Plan for the Promotion of NRSE in Islands

Recommendation (Sl. Nos. 15 and 16, Para Nos. 2.85 and 2.86)

23. The Committee had observed that the Andaman & Nicobar and Lakshadweep group of islands were largely dependent upon diesel operated genset for meeting power requirements and these were cost prohibitive. The Committee had desired that an action plan should be drawn up for providing power to these islands.

24. The Ministry of Non-Conventional Energy Sources in their action taken reply have stated that Wind Resource Assessment studies have been undertaken in Lakshadweep and Andaman & Nicobar Islands to assess the potential and identify suitable sites for wind power projects. A feasibility study for a wind diesel power project has been undertaken in Lakshadweep and a feasibility study is planned for Andaman & Nicobar Islands. The feasibility of undertaking biomass gasifier based power projects has also been explored in these islands. A 250 KW biomass gasifier project is under implementation in Lakshadweep and a 200 KW biomass gasffier power projects is

planned in Andaman & Nicobar Islands. As regards the solar system, it has been informed to the Committee that Five Power Plants of 285 Kwp aggregate SPV capacity, 771 solar street fighting system, 6460 solar lanterns and 100 solar powered water purifiers have been installed by the end of September, 2001 in the Lakshadweep Islands. Further installation of 10 Kwp grid interactive SPV power plants and augmentation of the capacities of stand along SPV power plants at Gangaram and Bitra islands to 50 Kwp each are under progress in the Lakshadweep. It has been further informed to the Committee that 35 stand alone SPV power plants of about 167 Kwp aggregate capacity, 358 solar street lighting systems, 405 solar home lighting systems and 747 solar lanterns have been installed/distributed by the end of September, 2001, on the Andaman & Nicobar islands. It has also been proposed to cover the 1023 households in the remaining 130 un-electrified villages in the Andaman & Nicobar islands with solar home lighting system in the next few years. In May 2001, two study teams, the Indian Institute of Science, Bangalore and the Bharat Heavy Electricals Limited (BHEL) have visited the Andaman & Nicobar islands to assess the potential for non-conventional energy projects under solar energy programme. An action plan will be formulated to generate power through potential NCES. A proposal of the Ministry to provide 90% central grant for setting up of projects for electrification of remote and difficult village any where in the country, including the above mentioned areas and islands, through non-conventional energy sources and the balance 10'lo to be met through State contributions and the other concessional financing agreements is awaiting approval of the Government. As a special case, the Ministry have recently sanctioned in consultations with the Planning Commission, a two year programme for electrification of about 57 villages and 27 hamlets in the Leh and Kargil districts of Ladakh through installation of solar home lighting systems and solar lanterns, with the financing assistance from central and State Governments in the ratio of 90:10.

25. The Committee appreciate the gesture of the Government in formulating an action plan to generate power through Non- Conventional Energy Sources in Andaman & Nicobar islands. However, the Committee find that such an action plan has not been visualized for Lakshadweep group of islands. In the opinion of the committee, the Group of islands offer excellent opportunity to promote the Non-Conventional Energy Sources, since they source their need of power from diesel operated power stations. The Committee, therefore, desire the MNES should formulate an action plan for Lakshadweep islands also. In their endeavour to promote Non-Conventional Energy Sources in Andaman & Nicobar and Lakshadweep islands in a big way, MNES should take up the matter with the Island Development Authorities and see what can be done for them. The Committee find that in these groups of islands, financing pattern has been 90% grant and 10% loan for solar energy programme. The Committee recommend that considering their geographical disadvantageous position, such financial assistance should be made available for other Non-Conventional Energy programmes also. The Committee would like to await the outcome thereof.

G. Definition of an Electrified Village

Recommendation (Sl. No. 20, Para No. 2.103)

26. Endorsing the definition of an electrified village, as followed by MNES where under "a village would be deemed to be electrified if at least 60'/o of the houses are provided with the lighting', the Committee had recommended that the definition evolved and practiced by MNES should be accepted universally by the Planning Commission and the Ministries of Power and Finance.

27. In their reply, the MNES have informed that the above recommendations of the Committee have been brought to the notice of the Ministry of Power, Ministry of Finance and the Planning Commission which have already announced the intention to electrify all the remaining villages in a time-bound manner and to mobilize funds from different sources including PMGY. Further, MNES have already proposed providing grants from the Central Government to the extent of 90% of the cost of the projects for electrification through non-conventional sources of energy. The balance 10% can be met by the State Governments or by the beneficiaries for whom concessional financial arrangements may also be developed.

28. The Ministry of Finance in their reply have stated that they will accept the definition of electrified village as is decided by the Ministries/Departments to whom the subject matter pertains.

29. Planning Commission in their reply have stated a mid-term review of the 9th Plan was undertaken. The review, inter-alia, has shown that some other criteria like a minimum percentage of households being electrified and generation of gainful economic activities in the area, may be applied for this purpose. However, they have affirmed that final view would be taken in due course in consultation with concerned.

Ministry of Power, in their reply have expressed their reservations over this definition of electrified village, followed by MNES where under 'a village would be deemed to be electrified it at least 60% of the houses are provided with the lighting". They have stated that while the SEBs/State Power utilities can discharge the responsibilities of bringing electricity to the inhabited area, extending supply to households would depend on the willingness of households to get connected, incur expenditure on internal wiring, etc. There will also be the issue of 60% to be covered i.e. from the poor households or others. There is always a time gap between extending the infrastructure and developing the load in the area as the release of connections is a continuous process phased over a number of years. The progress and achievement would depend upon the demand of consumers and their financial compatibility to avail of connections. There would also be problems of correct data on number of households, population in the village, to work out percentage electrification as they could be changing from time to tune. Under the existing definition of electrified village where under, 'a village will be deemed to be electrified if the electricity is used in inhabited locality within the revenue boundary of the village for any purpose whatsoever'. Even as per the existing definition, substantial investments will be required to ensure 100% coverage. Raising the target at this stage will also increased the requirements of funds correspondingly. Once 100% coverage is achieved as per the existing definition, load intensification can be taken up to cover all households in a phase manner. Having completed the basic work of extending the infrastructure upto the inhabited locality, it does not seem practicable to link declaration of the village as electrified with electrification of a minimum number of households in the village in view of the difficulties as indicted above.

30. The Committee have taken note of views expressed by Planning Commission, Ministry of Finance and Ministry of Power, over definition of an electrified village, evolved and practiced by MNES, whereunder 'a village would be deemed to be electrified if at least 60% of the houses are provided with the lighting'. Although Planning Commission and Ministry of Finance do not have any objection to such a definition, Ministry of Power have expressed their reservation over it. In fact, Planning Commission while undertaking mid-term review of 9th Plan has opined that some other criteria like a minimum percentage of household being electrified and generation of gainful economic activities in the area, may be applied. The contention of Ministry of Power in not accepting the definition as practiced by MNES does not seem sound and convincing. The Committee, therefore, taking into consideration, the views expressed by different agencies, recommend that Government should place the matter before National Development Council/State Governments for their consideration, so that a universally accepted definition of 'electrified village' could be arrived at.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 3)

The Committee have observed the rise in the Non-Plan Expenditure over the years. The Non-Plan Expenditure was raised from Rs. 4.82 crore (BE) to Rs. 4.97 (RE) during the year 1999-2000 reportedly on account of increase-in DA and more expenditure on LTC and increase in airfare and telephone tariff. But now, the actual expenditure during the above mentioned year was only Rs. 4.73 crore which is not only less than the increased RE but also from the BE i.e.. from Rs. 4.82 crore. Similarly, Rs. 5.32 crore has been allocated during the year 2001- 2002 in spite of reduction in the Non-Plan expenditure from Rs. 5.30 crore (BE) to 5.15 crore (RE) during the year 2000-2001. Thus, the Ministry has not been able to make a realistic assessment of their requirement of Non-Plan funds. The Committee desire that Government should take concrete and result oriented action to contain such mis- matches and expenditure. Air/Rail travels, within the country and outside, should be restricted and undertaken only as per one's entitled class.

Reply of the Government

The figures for Non-Plan Expenditure pertaining to MNES for the last three years are given below:

1998-99			1999-2000			2000-01			2001-02		
BE	RE	Act.	BE	RE	Act.	BE	RE	Act.	BE	RE	Act. Till Sept.2001
460	426	454	482	497	474	530	515	483	530		283

The mismatches over BE, RE and actuals expenditure have been noted and it will be ensured that Air/Rail travels by the Ministry's officials, within the country and outside will be restricted and undertaken only as per entitled class. The actuals are some times less than BE & RE because of economy instructions received from the Ministry of Finance from time to time. In the current year (2001-2002) the non-plan expenditure booked upto the end of September 2001 amounts to Rs. 283.00 lakhs against the budget outlay of Rs. 530.00 lakhs. The expenditure outflow is normal and it is within the provisions of GFR

[Ministry of Non-Conventional Energy Sources O.M. No. 8/3/2001- P&C Dated 26.11.2001]

Recommendation (Sl. No. 5)

The Committee have observed that the question of issuing Project Authority Certificate for sub-projects to avail Customs and Excise Duty exemptions for World Bank/ADB funded projects had been delayed considerably because of turf wars among various agencies/Ministries causing avoidable hardship to the entrepreneurs, who in the hope of getting clearances/certification, had imported capital goods and incurred heavy losses. The Committee desire that Government should identify such of the importers and compensate them for the loss so incurred on account of lack of coordination between two Departments of the Government of India.

Reply of the Government

In line with the notifications number 4/99-CE dated 11th February, 1999 and 85/99-CUS dated 6th July, 1999 of the Ministry of Finance, Department of Revenue and also as per the clarification given by Central Board of Excise and Customs vide their letter dated 14th March, 2001, Ministry of Non-Conventional Energy Sources has devised a procedure for issuing of Project implementation for issuing of Project Implementation Authority Certificate for the projects being undertaken under the ADB and World Bank line of credits being implemented by IREDA. The Office Memorandum notifying the procedure has been issued vide OM No. 1216/12IR-98 dated 28th March,2001. In line with the procedure, the Ministry is issuing the Project Implementation Authority Certificates. All the past cases have been cleared and, as on date, there is no pendency.

[Ministry of Non-Conventional Energy Sources O.M. No. 8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 7)

The Committee have noted that prohibitive cost of wind pumps, small aero-generators and hybrid systems as compared to conventional products had prevented the penetration of such systems in far and inaccessible rural areas, in a big way. This has been clearly demonstrated by the lack of interest shown by rural masses and therefore, the actual achievements for various activities, are nowhere near the targets set forth for them, both physical and financial. The Committee desire that Government should take concerted efforts such as improvement in design, efficiency, after-sale services, reduction in excise/custom duties, exemption in sales/local taxes and enhancement of subsidy/concessions, so as to reduce production cost and thereby popularize these products. The Committee would like to be apprised of the action taken in this regard. The Committee understand that Engineers India Limited (E.I.L.) under Ministry of Petroleum have set up a new division for developing different products for Non- Conventional Energy Sources. The Committee desire that all technical aspects relating to use of gear and non-gear technology in wind turbine should be examined by this Committee so that the final cost may be brought down.

Reply of the Government

The Ministry has supported an R&D projects to improve the design of direct drive water pumping windmills. Another R&D project on development of wind electric water pumping system is under progress at the Centre for Energy Technologies, Osmania University. As desired by the Committee, the Ministry has requested Engineers India Ltd. (EIL) to examine the technical aspects of water pumping windmills, small aero generators and hybrid systems with a view to suggesting possible methods for improving the designs, efficiency and reducing the cost of these small wind energy systems. All relevant documents/ information available with the Ministry relating to the above mentioned wind-energy systems have been provided to EIL. The scope of the study to be undertaken by EIL has been finalized. EIL is working out the details of financial support required for this work. In addition, the state nodal agencies and manufacturers of small wind energy systems were also requested to offer their comments/suggestions about the possible methods to reduce the high initial cost of the systems. They were also requested to ensure timely implementation of projects. Response of some of the manufacturers have been received, which will also be considered by EIL during the proposed study. With a review to provide better after sales services, under the scheme the Ministry has made a provision for warranty of two years for water pumping windmills and small aero generators. The State nodal agencies have been advised to encourage users of water pumping windmills to enter into an annual maintenance contract for a period of 3 to 5 years after expiry of the warranty period.

Water pumping windmills and small aero generators are already exempted from Excise duty. The import of small aero generators and some of the components of aero generators is allowed at a concessional basic customs duty of 5%. In most of the States these devices are exempted from Sales tax.

[Ministry of Non-Conventional Energy Source O.M.No.8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 9)

The Committee observe that SPV is still an emerging technology which is in the demonstration phase with a large subsidy from the Government. It suffers from certain key technology barrier,-, like high first cost, regular battery maintenance and lack of servicing for repairs. There is also lack of indigenous capability and capacity for design and production of critical parts and components required for these projects. The Committee would like to emphasise that Government should set up the solar based power and thermal projects in the Central and State Governments sector and their agencies. There is also a need to overcome various barriers coming in the way of these programmes. The Committee would like to emphasise that reduction in cost and expansion of R&D is a key for accelerating the growth of solar-based power programme. The Committee would also like to stress that 'stand alone' or hybrid system based on solar should be the long term goal for realizing the potential. The Committee therefore, desire that Government should find ways to reduce the cost of SPV systems so that it can spread to other remote areas also.

Reply of the Government

The Solar Photovoltaic (SPV) Programme of the Ministry is aimed at developing cost effective SPV technology, expanding the manufacturing base in the country and promoting large-scale use of SPV system in different sectors. The programme components include research and development, demonstration, utilization and commercialization. The Ministry supports R&D on all aspects of the technology such as materials, solar cell fabrication technologies, PV systems design and integration. In addition, its supports the development of standards and specifications for various systems and components, the establishment of new manufacturing facilities and induction of new technologies, through grants from the Ministry and through interest subsidy schemes operated by the Indian Renewable Energy Development Agency (IREDA). The Ministry has taken the following steps to bring down the cost of the solar photovoltaic system:

(i) Reduction in customs duties on key materials
(ii) Exemption from excise duty.
(iii) Expansion of market, leading to increased production and lower costs.
(iv) Provision of subsidy to the users.

As recommended by the Committee, the Ministry proposes to expand the deployment of stand-alone and hybrid systems during the Tenth Plan.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Recommendation (S1. No. 10)

The Committee have observed that some entrepreneurs have developed submersible solar pumps useful for the agriculture and other related uses. The Committee desire that the use of such pumps should be encouraged by exempting them from excise duty, etc. and by putting up these pumps for demonstrations purposes.

Reply of the Government

The Ministry has supported indigenous development of submersible motor pumps sets in the country. Use of submersible pumps both DC driven as well as AC driven, are permitted under the programme on deployment of SPV water pumping systems for agriculture and related uses. So far out of 4200 PV pumps installed under the programme, about 631 systems use submersible pumps. The Government has already exempted all solar pumps from excise duty vide Notification No. CE/3/2001 dated 1.3.2001 (Serial No. 9, list 5 relating to item No. 254 of the notification)

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 13)

The Committee have observed the Solar Water Heating Technologies have moved from the stage of technology development, demonstration and dissemination to the commercialization phase. The Ministry of Non-Conventional Energy Sources (MNES) is implementing interest subsidy scheme for this system. The scheme is being implemented through IREDA and some nationalized Banks. The rate of interest charged falls under two categories (i) 5 per cent per annum interest rate is charged for domestic sector i.e., for systems having a maximum of 20 solar collectors or up to 2000 litres per day capacity; and (ii) 8.3% per annum for non-domestic sector i.e., for systems having capacity of more than 2000 litres per day. However, there are some shortcomings, the concessional interest rate is not available to the residents of group housing societies or large housing complexes. The Committee therefore strongly recommend that the lower interest rate of 5% per annum instead, of 8.3% per annum may be charged for solar water heading systems installed by Housing societies, where the beneficiaries are individual households.

Reply of the Government

The Ministry has noted that the recommendations of the Committee and has moved a proposal to reduce the rate of interest charged for solar water heating systems installed by housing societies. The Ministry has, however, been advised that this will require a formal amendment to the scheme which has to be approved by the Commission for Additional Sources of Energy (CASE). Approval of the Commission is now., being sought for the purpose.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Comments of the Committee

(Please See paragraph 22 of Chapter I of the Report)

Recommendation (Sl. No. 14)

The Committee were highly impressed by the performance of MNES and the dedicated officials of WBREDA in making available power to the inhabitants of Sagar and Sunderban Islands. With an area of about 300 sq. kms and a population of about 1.60 lakh spread over 32 villages, Sagar Island is situated in the Sunderban region of West Bengal. It has achieved the distinction of being the first Solar Island in the country. Today, nearly 50% of the total electricity consumed on the Island is met through solar energy. The power is available for 5 hours daily on an initial contribution of Rs. 1000 for obtaining connection from power plant on a nominal tariff of Rs. 120 for I00 MW connected load. Not only this, they have evolved their own system of maintenance. The Committee acknowledge that it is a model for the entire country and recommend that it should be replicated throughout the country. The Committee have observed that power plants based on biomass is under implementation. The Committee desire that other NCES should also be exploited in these areas.

Reply of the Government

The suggestions of the Committee have been noted. It is proposed to further support the installation of SPV power plants on Sagar Island and Sundarban regions, based on new proposals from WBREDA. The suggestion to replicate the WBREDA model throughout the country is welcome. The Ministry has taken steps to publicize Sagar Island experience for adoption in other location by the concerned agencies. Among the steps taken are the publication of brochures about these projects, presentation of papers at conferences and seminars and arranging visits of journalists, other state officials and NGOs to the projects areas. Further the biomass gasifier based power plants are being planned and set up in these areas. The first tidal based power plant in the country is also being proposed to be set up in the Sunderbans for which a detailed survey is being conducted near Gosaba Island.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 15)

The Committee are aware that Island clusters like Andaman and Nicobar and Lakshadweep are largely dependent upon diesel operated gensets. Beside causing pollution in ecologically fragile regions, it is cost prohibitive. The Committee desire that Sunderban type of experiment should be first tried in those and other high focus areas. The Committee therefore, desire that an action plan be drawn up for providing power to these Islands and other high focus areas.

Reply of the Government

A 500 KW biomass gasifier power plant was recently dedicated at Chhotomollakhali Island in Sunderbans. The Island did not hitherto have any access to electricity and the population had to depend mainly on kerosene lanterns, except for a very small diesel generator and diesel pump. 800 connections are now being provided from the biomass power plant, and electricity will be available for lighting, drinking water, commercial activities, ice factory and hospital. The power plant will be run on a commercial basis by a Rural Energy Cooperative and selection of beneficiaries, fixation of electricity charges, revenue collection, etc. will be dealt with by the Society. Another 500 kW biomass gasifier based power plant has been running successfully for about four years on Gosaba Island in Sunderbans.

A 500 KW wind-diesel hybrid power project is planned to be installed on Sagar Island with Canadian assistance. The first phase of 100 KW capacity is under implementation.

Ministry has taken the following actions for installation of SPV power plants and systems on these islands for reducing their dependence on diesel gensets for meeting their electricity requirements:

Andaman and Nicobar Islands

As on September 2001, 35 Stand-alone SPV power plants of about 167 KWP aggregate SPV capacity have been installed on the A&N Islands. In addition, 358 solar street lighting systems and 405 solar home lighting systems have been installed and 747 solar lanterns distributed on these islands. All of these SPV power plants and systems endeavour to reduce the dependence on diesel sets. In addition, two grid-interactive SPV power plants of 50 KWP capacity each have been sanctioned for installation at the Niel and Long Islands. There is also a proposal to install a 100 KWP grid-interactive SPV power plant at the Havelock Island, which is proposed to be developed by the A&N Administration as a major tourist center. In May 2001, the Ministry deputed a team of officers/experts from the Ministry, the Indian Institute of Science, Bangalore and the Bharat Heavy Electricals Limited (BHEL) to these Islands to study the potential of various NCES. The team visited many renewable energy installations and held extensive discussions with the A&N Administration. Based on this initiative, an action plan will be formulated to generate power through potential non-conventional energy sources like SPV, biomass and municipal solid wastes. It has also been proposed to cover the 1,023 households in the remaining 130 un-electrified villages in the A&N Islands with solar home lighting systems in the next few years.

Lakshadweep Islands

As on September 2001, five Power Plants of 285 KWP aggregate SPV capacity have been installed on the Lakshadweep Islands. In addition, 771 solar street lighting systems, 6,460 solar lanterns and 100 solar powered water purifiers have been installed/distributed in these Islands. Further, installation of 10 KWP grid-interactive SPV power plants at each of the remaining 7 Islands i.e., Agatti, Amini, Andrfott, Chetiat, Kadmat, Kavaratti and Kalpeni Islands and augmentation of the capacities of stand-alone SPV power plants at Bangaram and Bitra Islands to 50 KWP each, are under progress.

[Ministry of Non-Conventional Energy Sources O. M. No. 8/3/2001- P&C Dated 26.11.2001]

Comments of the Committee

(Please see Paragraph 25 of Chapter of the Report)

Recommendation (Sl. No. 16)

The Committee have observed that although places like Sagar Island, Sunderbans, Andaman & Nicobar Islands, Lakshadweep, Laddakh and High Focus Areas are as difficult as North-Eastern States, yet treated financially differently not at par with the North-Eastern States. The funding pattern in the North-East is 90 per cent grants and 10 per cent loan. Moreover, North-East enjoys assistance from the non-lapsable pool. The Committee desire that parity should be brought about in the matter of financial assistance/subsidy/grants/loan etc. to these areas. Moreover, a separate non-lapsable pool account on the lines of North-East be made available to them.

Reply of the Government

A major programme for installation of solar photovoltaic power plants connected to the existing diesel grid is being undertaken in Lakshadweep. Two projects of 100 KW capacity each have already been commissioned on two Islands in Lakshadweep and projects aggregating 700 KW are under implementation on seven other Islands. The Projects will help to save diesel which is very expensive and difficult to transport and store on the Islands. A 50 KW solar photo voltaic power plant connected to the diesel grid is also under implementation in Andaman & Nicobar Islands.

Wind Resource Assessment Studies have been undertaken in Lakshadweep and Andaman & Nicobar Islands to assess the potential and identify suitable sites for wind power projects. A feasibility study for a wind diesel power project has already been undertaken for Lakshadweep and a Feasibility Study is planned for Andaman & Nicobar Islands.

The feasibility of undertaking biomass gasifier based power projects is also been explored in these Islands. A 250 KW biomass gasifier project is under implementation in Lakshadweep and a 200 KW biomass gasifier power project is planned in Andaman & Nicobar Islands. Biomass gasifier projects have earlier been implemented in a sawmill and a school in Andaman & Nicobar Islands.

Two Study Teams have recently visited Andaman & Nicobar Islands at the request of the Lt. Governor to assess the potential for non-conventional energy projects in the Islands.

Under Solar Energy Programme, a proposal of the Ministry to provide 90% Central grant for setting up of projects for electrification of remote and difficult village anywhere in the country, including the above mentioned areas and islands, through non-conventional energy sources and the balance 10% to be met through State contribution or other concessional financing arrangements, is awaiting approval of the Government. As a special case, the Ministry has recently sanctioned in consultation with the Planning Commission, a two year programme for electrification of about 57 villages and 27 hamlets in the Leh and Kargil Districts of Ladakh through installation of solar home lighting systems and solar lanterns, with the financial assistance from Central and State Governments in the ratio of 90:10.

[Ministry of Non-Conventional Energy Sources O.M. No. 8/3/2001P&C Dated 26.11.2001]

Comments of the Committee

(Please *See* Paragraph 25 of Chapter I of the Report)

CHAPTER III

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

Recommendation (Sl. No.6)

The Committee observe that out of the total technical assessed wind potential of 10,000 MW assuming 20% grid penetration, 1267 MW have been harnessed. What is more heartening to note is that 95.5 per cent *i.e.* about 1210 MW; has come from commercial projects involving private investment. 'As of now, the wind power programme has became fully commercial. The Committee also observe that out of 13 States having identified potential sites for wind power projects, only seven States, namely Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra and Rajasthan have declared policies for private sector participation. Two States, namely Gujarat and Kerala are in the process of finalizing their policies. The Committee are perturbed to find that consequent upon intransigent wind power policies for private sector participation declared by some States, the programme has literally been derailed. For instance, Andhra Pradesh and Tamil Nadu have withdrawn the facility of third party sale. In Karnataka, wheeling charges have been raised from 2% to 20% *w.e.f* 1.9.2000 and is also levying a banking fee @ 2% on the balance of the energy at month end. All these policies have seriously affected the viability of wind power projects. The Committee find the actions on the part of these State Governments quiet disturbing. The Committee would like to recommend that MNES should convene a meeting of State Ministers-in-Charge of NCES, so as to find ways and means for evolving a national policy, acceptable to all. At the same, the Committee would like to emphasise that MNES should re-oriented their strategies and take a proactive role in motivating/enthusing the non-traditional States, which have not pursued wind energy programmes to undertake such a programme in a bit way. Demonstration projects in such States should also be set up. The Committee also desire that preferential tariff should be extended for all NCES power generated programmes, including wind. The Government should impress upon the State Governments the desirability of making timely payments to entrepreneurs for the power supplied to the grid.

Reply of the Government

The Ministry of Non-Conventional Energy Sources had participated in the Conference of Chief Ministers on Power convened by Ministry of Power on 3rd March, 2001 at New Delhi. In his Inaugural Address at the Conference, the Prime Minister had desired that the Conference also" deliberate on how to accelerate harnessing of renewable sources of energy". He had declared that "our goal is to increase the share of renewables to 10 per cent of the additional planned capacity in the next ten years-that is, 10,000 megawatts, MOS (NES), Independent Charge had issued a Statement at the Conference. He had called upon the regulators to provide a clear mandate for the development of renewables in their States in the ongoing process of restructuring of the electricity sector. He had asked the States to integrate renewables as a supply side option in their power development plans. He had suggested incorporation of suitable enabling provisions in the Electricity Bill, including prescription of a minimum quantity of energy to be generated from renewable energy sources and for preferential prices to be provided for renewables.

The Ministry had convened an Annual Conference on Renewable Energy on 31st May-1st June, 2001 at New Delhi, which was addressed by Minister of Power and MOS (NES) Independent Charge, and attended by State Secretaries, Chief Executive Officers of State Nodal Agencies, State Electricity Boards, etc, In the Conference, the States were requested to announce policies for power projects as per the Ministry's Guidelines and to ensure that Power Purchase Agreements are finalized in consonance with those policies; the need for making timely payments for power purchased by the State Electricity Boards was also emphasized.

On 1st July, 2001 MOS (NES) Independent Charge had addressed a D.O. letter to all Chief Ministers emphasizing the need for a conducive policy environment to be put in place in their States to attract investment to this sector. He requested them to have a policy announced in the State, if not already announced; in case a policy had been announced, he had urged that it be reviewed and necessary amendments carried out to bring them into consonance with the Ministry's Guidelines. He suggested that the State Electricity Regulatory Commission should help to bring about a conducive policy environment and preferential tariff structure for power generation from non--conventional energy sources.

The Renewable Energy Policy Statement formulated by the Ministry is under consideration of a Group of Ministers. The Ministry has also taken up with the Ministry of Power regarding incorporation of suitable enabling provisions in the Electricity Bill for accelerated development

The Ministry has, at different levels, continuously pursued with those States where policies are yet to be announced for private sector participation, including Gujarat and Kerala. Also the matter has been taken up strongly with States such as Tamil Nadu, Andhra Pradesh and Karnataka, where regressive steps in regard to policies announced by them earlier have affected the viability of these projects.

Efforts are continuously being made by the Ministry to promote wind power development in all the potential States. Demonstration projects have been supported in 10

States, out of the 13 potential States. Demonstration projects have recently been undertaken in West Bengal and Rajasthan. The possibility of a demonstration project in Uttaranchal is being explored, as also for wind diesel hybrid projects in the Andaman & Nicobar and Lakshadweep Islands. In States where demonstration projects have been set up and conducive policies have been announced, commercial wind power development has taken place.

[Ministry of Non-Conventional Energy Source, O.M.No.8/3/2001- P&C, Dated 26.11.2001]

Recommendation (Sl. No. 11)

2.81 The Committee appreciate that 140 MW Integrated Solar Combined Cycle (ISCC) power project is being set up in Rajasthan. The Committee hope and trust that with the commissioning of this project, the solar movement will get a much needed boost. The Committee desire that Government should explore the possibilities of setting up such plants in various parts of the country.

Reply of the Government

Solar thermal power generation involves a new and complex technology with higher capital cost, compared to power generation from other non-conventional energy resources such as wind, biomass and small hydro power. It is therefore, proposed to take up the first project at Mathania in Rajasthan. Depending upon its successful installations and operation, further projects can be planned. In the meanwhile, it is planned to set up solar observatories for collecting data on insulation and other meteorological parameters in areas of high solar insulation. It is also proposed to take up feasibility studies for further projects in Rajasthan and other potential regions. During the implementation of the project in Rajasthan local capability and capacity is likely to be developed in the design and local production of certain parts and components of solar thermal power plants through the association of research and technical institutions and industry. Local production and greater volume production through implementation of more projects in future will help to bring down the capital cost and improve the viability of solar thermal power projects.

[Ministry of Non-Conventional Energy Sources, O.M.No.813/2001- P&C, Dated 26.11.2001]

Recommendation (Sl. No. 12)

The Committee have noticed that MPLAD fund Scheme offers an excellent opportunity for the promotion of NCES. Equally important is the task to harness the available potential in NCES sector. The Committee desire that NINES should undertake formulation of various viable projects based on NCES. They should take a proactive role by interacting with States their agencies and MPs, so that MPLADs funds can be made available for such schemes. The Committee also desire that a specialized cell in NINES should be set up to guide, advise the supervise the NCES projects funded from MPLADS.

Reply of the Government

The suggestion of the Committee is welcome. The Ministry has already advised the state agencies to consider utilizing MPLAD scheme funds to support implementation of non-conventional energy projects. The Ministry has already received about a dozen expressions of interest/preliminary proposals from the Members of Parliament for setting up of SPV systems and power plants with MNES subsidy and funds from MPLAD schemes in their respective constituencies. All of these proposal are being further followed up with the implementing agencies. The Ministry will interact with the Ministry of programme implementation to streamline the processing of the proposals.

[Ministry of Non-Conventional Energy Sources, O.M.No.8/3/2001- P&C, Dated 26.11.2001]

Recommendation (Sl. No. 21)

The National Programme on Biomass Power/Cogeneration is yet another programme for improving the quality of life rural India. The Committee are not satisfied with the performance of the programme. Against an estimated potential of 16,000 MW of power which can be generated from biomass materials and 3,500 MW power from bagasse, only 273 MW and 210 MW power could be harnessed from Biomass and Cogeneration respectively. With this rate, it may take many decades to exploit the potential fully. The Committee have noted that lack of coordination between MNES and IREDA and cumbersome procedures, have often delayed payment of term loan and interest subsidy admissible to an entrepreneur, for setting up of Biomass based power plants. The Committee, therefore recommend that procedures should be made transparent and simple, so that Biomass projects could be cleared expeditiously. In the opinion of the Committee, the pace of Biomass programme has slowed down consequent upon to migration to interest subsidy regime from capital subsidy scheme. The Committee recommend that Government should review the change-over and revert to the old systems. The Committee also observe that private sector participation in Biomass and Cogeneration is almost negligible. Government should take concrete and result oriented steps to promote their involvement, so that the targets set forth could be realised. The Committee have noted that Central Financial Assistance and other incentives are available only upto 9th Plan and the continuance of such assistance beyond 9th Plan is still under consideration. The Committee recommend that these should be admissible beyond 9th Plan, so that an entrepreneur is able to take long term planning decision now itself.

Reply of the Government

A total capacity of 327 MW has so far been installed, which includes 216 MW from bagasse cogeneration projects, and 111 MW from biomass power projects. A total capacity of 384 MW is under construction. The bulk of this capacity has come from commercial projects through private sector participation. Biomass power projects and bagasse cogeneration projects have picked up in the private sector, and projects aggregating to a further capacity of about 900 MW are under discussion and development. A target of 1000 MW is envisaged for the 10th Plan. The Ministry provides interest subsidy on Term Loans taken by the private sector from financial institutions, including IREDA, for these projects. As soon as applications for interest subsidy are received by the Ministry, they are processed and cleared expeditiously, as per their eligibility, and in terms of the provisions under the interest subsidy scheme.

The potential for bagasse cogeneration in cooperative/public sector sugar mills could not be tapped so far despite sustained efforts by the Ministry. This is mainly on account of these mills not having surplus capital for investments in advanced/optimum cogeneration projects. The Ministry has introduced an attractive financial package for cooperative/public sector sugar mills which includes capital subsidy for projects undertaken in such sugar mills through the joint venture or independent power producer routes, so that private investment and equity can be brought to these projects. A few such projects are already under development in Maharashtra and Karnataka.

The Ministry continuously interacts with the State Governments and State Electricity Boards in the potential States regarding introduction of conducive policies for grid interconnection and buy- back of power from these project. There is continuous interaction with the financial institutions to motivate them for extending Term Loans to these projects. The consultancy base has also been considerably expanded, alongwith creation of awareness about the potential and techno-economic viability of these projects amongst various stakeholders. The Biomass Resource Assessment Programme has been accelerated to estimate the potential and identify sites of such projects in various States.

The schemes to be taken up during the 10th Plan are under consideration by the Working Group and various Sub-Groups. Central Financial Assistance for various types of biomass power/bagasse cogeneration projects is proposed to be continued during the 10th Plan, depending upon the requirements. The Renewable Energy Policy Statement which is under consideration of a Group of Ministers calls for the fiscal regime to be supportive of this sector. The Ministry has also proposed incorporation of suitable enabling provisions in the draft Electricity Bill to accelerate the development of this sector.

Suggestions of the Committee have also been noted by IREDA for further simplification of procedure wherever necessary. IREDA has brought out various brochures, manuals & guidelines to ensure transparency and easy compliance by the borrowers. Under MoU targets for the financial year 2001-02, IREDA is also conducting a Consumer Satisfaction Survey, which will be used to improve IREDA's services to the customer.

[Ministry of Non-Conventional Energy Sources, O.M.No.8/3/2001- P&C, Dated 26.11.2001]

CHAPTER IV

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

Recommendation (Sl. No. 1)

The Committee have noted that the Central Plan Outlay for MNES during the ensuing financial year 2001-02 is Rs. 1039.71 crore as against actual expenditure of Rs. 749.64 crore during the year 1999-2000. The Budgetary allocation of Rs. 947.40 crore at BE stage was reduced to Rs. 858.76 crore at RE stage during the year 2000-2001. On the one hand there is mis-match between the Revised Estimates and on other hand, Ministry of Finance have imposed a financial cut, in spite of 40% utilization of GBS by the end of September, 2000, which was relatively higher among the various Ministries. The Committee are surprised to note that the utilization of expenditure by the end of 15.3.2001 was low since MNES were unable to release bulk amount Rs. 34.26 crore meant for equity and IDA loan to IREDA was deferred till March, 2001, on the advice of the Ministry of Finance. The Committee do not approve the action on the part of Ministry of Finance and Planning Commission, to impose arbitrary financial cuts, especially in Plan schemes, when the MNES schemes/programmes are near the targets. The Committee have reminded the Ministry of Finance, time and again, not to resort to such unhealthy practice, but no avail. The Committee reiterate their earlier recommendation and desire that the Ministry of Finance should desist from such practices as financial allocation for a Ministry/Department are approved by the Parliament with reference to their commitment to achieve certain set targets. When later on cuts are imposed by the Ministry of Finance, it adversely affects the achievement of those targets. The Committee have noted that the percentage share of renewables out of total energy sector outlays during the 6th, 7th, 8th and 9th Five Year Plans were 0.1, 0.3, 0.2 and 0.4 per cent respectively. It would be impossible to achieve the target of 10,000 MW as envisaged in the draft policy statement which mandate enhancement of the share of non-conventional energy in the additional installed capacity to 10% or 10,000 MW in the next 12 years entailing an investment of Rs. 50,000 crore. The Committee recommend that the Ministry of Finance/Planning Commission should proportionately increased budgetary allocation to the MNES, so that the targets could be achieved by the year 2012. Ministry should also draft their own plan to utilize the fund and achieve their target and Committee be apprised of the same.

Reply of the Ministry of Non-Conventional Energy Source

The Committee's views have been quite encouraging for the Ministry and have been conveyed to Ministry of Finance for compliance. For Renewable Energy Sector capacity addition of 10,000 MW by 2012 will mainly come through private investments, including equity and debt financing. However as per a broad estimate a total budgetary support of Rs. 15,000 crore is likely to be required by Ministry during the next two Plan periods to leverage private investments and to accoinp6h the aims and goals set for 2012. This includes funding required for electrification of 18,000 villages by the end of the 11th Plan. Energy budgets from other sectors wherein renewable energy can be deployed on a large scale will also need to be accessed such as defence, telecommunications, railways, rural development, health, education, welfare, etc. Matching budgetary allocations will be required in State Plans.

A budgetary support of Rs. 6,655.85 crores (DBS) has been proposed by the Ministry for the 10th Plan. It is anticipated that the balance budgetary support will be required for the 11th Plan.

The Renewable Energy Policy Statement is under consideration of a Group of Ministers. A detailed Plan of Action will be prepared after its approval, which will be dovetailed with the 10th Plan and 11th Plan exercise. The Ministry of Finance and Planning Commission will be approached to increased the budgetary allocation accordingly.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Reply of the Planning Commission

(i) The financial cut was imposed by Ministry of Finance and Planning Commission was not consulted in this exercise. However, Planning Commission while assessing the programme of MNES for the subsequent year i.e. 2001-2002 discussed this issue during the Annual Plan meeting. The total outlay of Rs. 1019.71 crores (Rs. 563 crores of GBS+RS. 456.71 crores) was originally fixed for Annual Plan 2001-02 of MNES. Subsequent to this the outlay was further stepped up by increasing the DBS by an amount of Rs. 20 crores and thus the total outlay for 2001-02 was finalized at Rs. 1039.71 crores giving a step-up of around 21% over the Revised Estimate of previous year.

(ii) The reason for the percentage share of investment in renewable energy programmes in the total energy sector outlays being at a level of less than 1% during the 6th, 7th, 8th and 9th Plans is inadequate allocation of funds by the States for this sector. On the other hand, in the case of power sector the States participated in a major way with sufficient investment for the sector. For example, the percentage share of investment by States and UTs in the total outlay for the power sector in the country during the 7th, 8th and 9th Plans were 68%, 57% and 57.2% respectively. On the other hand, in the case of non- conventional energy sector the percentage share of investment by States and UTs in the total outlay for the sector during the above periods were 21%, 24% and 16.22% respectively. This indicates the States and UTs invest significant amount in the case of power sector whereas in the case of non-conventional energy sector the investment is far less. It has decreased during the 9th Plan period.

(iii) During the 8th Plan the entire funding of non-conventional energy sector was through Domestic Budgetary Support (DBS) and during the 9th Plan, 48% of the

Plan outlay is in the form of DBS with the balance met out of the external assistance, internal resources and extra budgetary resources mobilized through market borrowings. In the case of petroleum sector, there is no DBS and the entire funding is through internal resources generated and extra budgetary resources mobilized from the market. In the case of coal sector, the outlay is mostly funded through internal resources and market borrowings by the public sector undertakings and the DBS for 8th and 9th Plan are only 14% and 10% of the total outlay respectively. In the case of power sector, the percentage of DBS on the total outlay for 8th and 9th Plan are 11% and 35% respectively. This shows that although the percentage of outlay for the renewable energy sector in the total energy sector appears to be less than 1% of the total outlay, the DBS as a percentage of total Plan outlay is greater than in the Power/Coal/ Petroleum and Natural Gas sectors.

(iv) The approach for the 10th Plan propose decentralized approach based on a judicious mix of public and private investment. The importance of non-conventional energy programmes has been recognized and subject to availability of resources, funds would be made available for this sector.

[Planning Commission O.M. No. P-11072/30/2000-P&E, dated 23rd November, 2001]

Reply of the Ministry of Finance

The budgetary allocations of individual Ministries/Departments are based on the proposals received from them and the need to balance the competing demands. The revised estimates are based on the trend of actual expenditure in the first 7-8 months of the year as also on the actual expenditure incurred in the previous financial year(s). In absence of midstream evaluation by this ministry there is a possibility of avoidable savings with reference to voted appropriations. This would also result in inefficient resource allocation to the extent that Departments which may require additional funds are deprived of needed funds while others due to their inability to fulfill expenditure projections could end up with large savings.

2. Further, it may be mentioned that in the case of Ministry of Non-Conventional Energy Sources, for the year 1998-99 the budget estimates was Rs. 407.62 crore. In spite of this being scaled down, on the basis of a mid-term review, to Rs. 304.42 crore it is observed that the actual expenditure of the Ministry was only Rs. 298.60 crore. The position during the fiscal year 1999-2000 was also sin-War. The actual requirement of funds at RE Stage was estimated at Rs. 319.47 crore as against the budgetary figure of Rs. 358.32 crore. Actual expenditure was, however, only Rs. 316.12 crore. As per the provisional accounts for the year 2000-01, the Expenditure of the department is Rs. 335.28 crore which is again lower than the revised estimates of Rs. 358.67 crore. The RE itself was lower than the BE of Rs. 446.46 crore. As is evident, in spite of reductions based on evaluation of expenditure, the department was unable to even expend the reduced allocations

3. It is hoped that the Standing Committee will appreciate the role of the Ministry of Finance in allocating/reallocating resources across Ministries/Departments in the Government to enable an optimal allocation and use of resources.

4. Notwithstanding the above, the recommendations of the Committee have been noted and will be kept in view by the Ministry of Finance.

[Ministry of Finance Department of Economic Affairs O.M.No.2(3)-B(S)/2001 Dated 16th July, 2001]

Comments of the Committee

(Please see paragraphs 9 and 10 of Chapter 1 of the Report)

Recommendation (Sl. No. 2)

The Committee feel constrained to note that there is always a mis-match between the projected IEBR and actual mobilization since 1998- 1999 in spite of the Committee cautioning the Ministry to project only achievable IEBR. During the year 1998-1999, Rs. 267.79 crore only could be realized against BE of Rs. 327.16 crore and RE of Rs. 294.12 crore. Similarly, Rs. 436.77 crore could be realized during the year 1999-2000 against the BE of Rs. 411.11 crore which rose to Rs. 500.42 crore at RE stage. The Committee have observed that the reasons attributed for such mismatch are not beyond the control of MNES and IREDA. This has led to an imperative need to review the working of budgetary mechanism in MNES and MEDA, in particular. The Committee desire that Government should undertake such an exercise without fail and they be apprised of its outcome.

Reply of the Government

The suggestion of the Committee for realistic IEBR of IREDA has been further deliberated in the Ministry. The revised Estimate (RENEWABLE ENERGY) for 2001-02 and Budget Estimate (BE) for 2002-03 in respect of IEBR have been further discussed with Ministry of Finance taking into account the realistic mobilization of resources by IREDA through various sources of IEBR. The amount of tax-free bonds has been restricted to the level of projection made by Ministry of Finance. Similarly, the carry forward surplus has been re-casted keeping in view the realistic resources of IREDA.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001 P&C Dated 26.11.2001]

Comments of the Committee

(Please See Paragraph 13 of Chapter of the Report.)

Recommendation (Sl. No. 4)

The Committee have noted that IREDA, as a developing financial institution, provide term financing. Commercial Banks have been advised by the RBI, to provide working capital to the entrepreneurs. However, Commercial Banks, for reasons best known to them, do not evince adequate interest in advancing working capital. Consequently, the pace of various MNES programmes/schemes are affected. The Committee recommend that MNES should take up this matter and any other finance related problems with the Ministry of Finance/RBI, to see as to what best can be done for the NCES sector. The Committee may be apprised of the outcome. The Committee are further constrained to note the decline in the recovery rate in IREDA over the years leading to shrinkage in cash flow and thereby limiting the financial exposure. The steps proposed to improve recovery is routine in nature, the same as are followed by all Commercial Banks. The Committee would like to suggest that IREDA should interact with PFC whose recovery rate is more than 98% and accordingly re-orient their strategies, so as to improve recovery rate. The Committee desire that IREDA should also encourage Municipalities for producing power from Municipal wastes by providing them funds at not more than 4% rate of interest. The same rate of interest should also be extended to Biomass project.

Reply of the Government

PFC predominantly finances power projects of SEBs/State Governments, whereas IREDA finances predominantly private sector projects for the development of new, risky and developing Renewable Energy Sector which has support from Govt. of India in the form of capital subsidy, interest subsidy & other fiscal incentives. However, IREDA has already obtained the procedures that are being followed by PFC to finance private sector projects in conventional and non- conventional sources of energy and started following the best practices of PFC. IREDA is also contemplating to strengthen its appraisal mechanism by following the best practices of other financial institutions like ICICI, IDBL IFCI, IDFC, etc. Most of the practices of PFC are already being followed by IREDA.

In order to galvanize the vast network of commercial banks and to press them into service for the renewable energy sector, a national level workshop was organized by N4NES on 20.07.2001 in collaboration with the Department of Banking and the Reserve Bank of India. Over 20 banks and financial companies participated in the workshop and were given a detailed exposure to the variety of schemes being run by MNES in which banks could participate.

IREDA's current rate of interest for Municipal Solid Waste projects is 12.5% up to 3 MW and 13% above 3 MW. With MNES interest subsidy, effective rate of interest to the borrowers comes to 7.5%.

Ministry has requested IREDA to consider further reduction of the rate of interest. In addition, Ministry has taken the following actions for promoting Waste-to-Energy projects and encouraging municipalities.

(i) Ministry has organized workshops and business meets in Lucknow, Hyderabad, Coimbatore, Cochin, Pune and Bangalore to encourage Urban local bodies/Municipal Corporations for setting up Municipal Waste based power producing projects in their respective States.

(ii) State Governments have been requested to issue policy guidelines for enabling Municipalities to make land available on long term lease basis at a token lease rent and supply of Municipal waste free of cost at project site for encouraging setting up of projects for generation of power from Municipal waste.

(iii) The National Programme on Energy Recovery from Urban and Industrial Wastes being implemented by this Ministry provides for financial support of up to 50% of the project cost limited to Rs. 3.00 crore per MW for Demonstration Projects on innovative technologies for the generation of power from Municipal wastes. In addition, this programme also provides incentives to Municipalities/Urban Local Bodies @ Rs. 15.00 lakh per MW for encouraging setting up of such projects.

The rate of interest for Biomass power generation project ranges from 13% to 14% for different technologies. With MNES interest subsidy the effective rate of borrowing comes to 11%-12%. The cost of borrowing of IREDA as on 31.03.2001 is 12.07'/o. Further reduction in interest rate by IREDA to make effective rate of interest to the level of 4% would require a much higher dose of subsidy. Any further incentive in the form of interest subsidy has to depend upon the viability of the project, which varies from sector to sector. Many biomass power projects are viable at current levels of subsidies.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Comments of the Committee

(Please See Paragraph 16 of Chapter I of the Report)

Recommendation (Sl. No. 8)

The Committee observe that India has established a large manufacturing base, having an annual production capacity of 500 MW which can be expanded on demand upto 700 MW for wind turbines. Indigenisation upto 80 per cent has been achieved. Indigenous capabilities has been developed for manufacture of all major sub- assemblies of a wind turbine such as tower, motor blades, generator, gearbox, controller, etc. However, the Committee note that the Government have imposed higher excise duties for raw materials to manufacture (wind turbine) blades than finished product. The Committee feel that to encourage indigenous industry, excise duty should be reduced to 4%. Wind power, which provides less than 1 per cent of world electricity, is already a 2 billion-a-year industry and is expanding at a rate of 25 per cent. According to one estimate wind power could provide 20 per cent or more of the world's electricity by the year 2050 displacing at least one-third of today's fossil fuel powered power plants. Thus, there is a promising international market in which India also can be a major partner. The Committee are happy to learn than India has already made a beginning in the international wind power industry by exporting 5 wind turbines of 600 KW capacity to Sri Lanka. The Committee desire that MNES should further explore the possibilities of exporting plants and machines connected with Wind Power Programming to the promising international market. In this regard, developing countries should be motivated and enthused to set up environmentally benign wind power generators.

Reply of the Government

The import of wind turbine blades is allowed at a concessional custom duty of 5% without payment of any additional duty. However, for the import of raw materials required for manufacture of blades, Additional Duty (CVD) of 16% is levied. Thus there is an anomaly so that the finished blades attract lower duty than raw materials that go into the manufacture of blades. This acts as a disincentive for domestic manufacturers of blades. Since blades are a critical component for the operation and maintenance of wind turbines, the Ministry has taken up with Ministry of Finance for removal of this anomaly by granting import of raw materials for wind turbine blades exemption from the Additional Duty of 16%. The Ministry of Finance have not yet agreed; the matter would again be taken up with them at the time of discussion on budget proposals for the next financial year.

Wind turbine equipment valued at about Rs. 24 crore was exported during 2000-2001. Projections for the current year indicate export of wind turbine equipment to the tune of about Rs. 45 crore. The Ministry has introduced a Scheme on business development and export promotion in non-conventional energy. Among other objectives, the Scheme aims to promote the expansion of the market for non- conventional energy products, technologies and services, especially in the neighbouring and other developing countries, with focus on SAARC countries and Middle-East countries for wind energy equipment. In addition, project proposals for demonstration projects in neighbouring and other developing countries are also being developed, but their implementation would depend upon availability of additional budgetary provision.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Comments of the Committee

(Please See Paragraph 19 of Chapter I of the Report)

Recommendation (Sl. No. 20)

The Committee fully endorse the definition of electrified village, followed by MNES, where under "a village would be deemed to be electrified if at least 60% of the houses are provided with the lighting. The Committee recommend that the definition evolved and practiced by MNES should be accepted universally by the Planning Commission and the Ministries of Power and Finance.

Reply of the Ministry of Non-Conventional Energy Sources
(For Para 2.102 & 2.103)

The above recommendations of the Committee have been brought to the notice of the Ministry of Power, Ministry of Finance and the Planning Commission have already announced the intention to electrify all the remaining villages in a time bound manner and to mobilize funds from different sources including PMGY. For electrification through non-conventional sources of energy, NINES has already proposed providing grants from the Central Government to the extent of 90% of the cost of the projects. The balance 10% can be met by the State Governments or by the beneficiaries for whom concessional financial arrangements may also be developed.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Reply of the Ministry of Finance

The Ministry of Finance will accept the definition of electrified village as is decided by the Ministries/Departments to whom the subject matter pertains.

[Ministry of Finance, Department of Economic Affairs O.M.No.2(3)-B(S)/2001 Dated 16th July, 2001]

Reply of the Ministry of Power

The present definition of village electrification has been adopted after examination in consultation with CEA and State Electricity Boards and it was unanimously agreed that "A Village will be deemed to be electrified if the electricity is used in inhabited locality within the revenue boundary of the village for any purpose whatsoever'. Adopting the definition of electrified village that "a village would be deemed to be electrified if at least 60% of the houses are provided with the lighting' has some inherent practical difficulties.

While the SEBs/State Power utilities can discharge the responsibilities of brining electricity to the inhabited area extending supply to households would depend on the willingness of households to get connected, incur expenditure on internal wiring etc. There will also be the issue of 60% to be covered i.e. from the poor households or others. There is always a time gap between extending the infrastructure and developing the load in the area as the release of connections is a continuous process phased over a number of years. The progress and achievement would depend upon the demand of consumers and their financial capability to avail of connections. There would also be problems of correct data on number of households, population in the Village, to work out percentage electrification as they could be changing from time to time. Under the existing definition, electrical network will be close enough to the consumers for availing of electricity connection on demand. Even as per the existing definition substantial investments will be required to ensure 100% coverage. Raising the target at this stage will also increase the requirements of funds correspondingly. Once 100'/o coverage is achieved as per the existing definition, load intensification can be taken up to cover all households in a phase manner. Having completed the basic work of extending the infrastructure upto the inhabited locality, it does not seem practicable to link declaration of the village as electrified with electrification of a minimum number of households in the village in view of the difficulties as indicated above.

[Ministry of Power O.M.No.G-20020/6/2001-Bud. Dated 24.08.2001]

Reply of the Planning Commission

Planning Commission in its mid-term review of the 9th Plan, has inter alia observed that some other criteria like a minimum percentage of households being electrified and generation of gainful economic activities in the area may be applied for this purpose. Final view would be taken in due course in consultation with all concerned.

[Planning Commission O.M. No. P-11072/30/2000-P&E Dated 23 November, 2001]

Comments of the Committee

(Please See Paragraph 30 of Chapter 1 of the Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 17)

The Committee are unhappy that despite planned economic development over the year, there are as many as 80,000 villages awaiting electrification. Of these 80,000 odd villages, 18,000 are those villages which cannot be connected to the grid and the only means available to them is electrification through non-conventional sources of energy. Considering this, the role of MNES becomes all the more important. It is a matter of relief that MNES has already made a humble beginning and assisted various agencies in electrification of 1,000 villages/hamlets.

Reply of the Government

The Ministry has started a separate Village Electrification Programme since 2001-2002. The proposal of the Ministry for implementing the Village Electrification Programme with 90% central grant support is awaiting approval of the Government. However, the following projects for SPV Electrification of villages, hamlets and households have been sanctioned already by the Ministry, as per existing schemes, and are under implementation:

(i) 36 villages in Cachar District in Assam.
(ii) 90 villages in Bastar Tribal Region in Chhatisgarh State
(iii) 400 households of Bodod Tribal Families in Sonitpur district in Assam.
(iv) 57 villages and 27 hamlets in Leh and Kargil Districts in Ladakh region (sanctioned with 90% central grant support in consultation with the Planning Commission).

Some project; in remote areas of West Bengal also are under consideration

In addition, in North Eastern Region the Village Electrification at 90% of central subsidy support using the technologies of Solar Photovoltaic, small hydro power and biomass gasifiers is also being undertaken.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Recommendation (Sl. No. 18)

The Committee have been informed that a working group has been set up in the Planning Commission to suggest policy approach and examine the need for a separate agency for electrifying the remaining 18,000 villages. The Committee will like to be apprised of the recommendations of the working group and the follow-up action taken thereon. The Committee, would however, like to emphasise that considering the gigantic task of electrifying 18,000 villages, there should a separate agency for the purpose, which should function in close liaison with MNES, REC and other concerned Ministries/Departments.

Reply of the Government

The Report of the Working Group set by the Planning omission is yet to be received. The Committee's observations regarding the need for a separate agency has been noted.
[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001- P&C Dated 26.11.2001]

Recommendation (Sl. No. 19)

The Committee feel that the funding pattern at present is inadequate. The Committee desire that to mobilize additional resources, funds from different programmes like Rural Infrastructure Development Fund (RIDF), Pradhan Mantri Gramodya Yojana (PMGY), Accelerated Power Development Programme (APDP) and NABARD should be made available at subsidized rates, to the States and agencies, undertaking rural electrification through non-conventional sources of energy. The Committee also desire that possibility of providing cent percent grants for rural electrification by NCES should also be explored.

Reply of the Government

The suggestions of the Committee for mobilizing additional resources/funds from RIDF, PMGY, APDP and NABARD have been noted. The Ministry has already prepared a proposal for implementing Village Electrification Programme with 90% Central Financial Assistance which is awaiting approval of the Government. The remaining 10% grant could be made available by State Government under their State Plans which will ultimately reach the beneficiaries as 100% grant. However, the Planning Commission will need to be advised by the Committee for this arrangement.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 22)

The Committee have gone through the reasoning advanced by the Ministry of Non-Conventional Energy Sources and National Hydro-Electric Power Corporation (NHPC) in regard to cost estimates and time and cost overrun of the Kalpong Hydel Project. NHPC have projected a revised cost estimates of Rs. 67.00 crore, which works out to be more than Rs. 12.50 crore per MW. However, MNES is of the view that the cost estimate should not exceed more than Rs. 47.31 crore. The Committee are at a loss to understand the huge difference between cost estimates determined by MNES and NHPC. The Committee do not share the contention of NHPC that the cost of the project had escalated due to its location in difficult area and compression of working season. The objective of Kalpong project to off-set the subsidy incurred on the transportation of diesel from main land would be defeated, if the project is to highly priced. The Committee are of the firm view that a very high cost estimates for the project has been projected both by NHPC and MNES when compared with other hydel projects.

Reply of the Government

Secretary, MNES has already requested the Secretary, Ministry of Power, Government of India to get the cost estimates examined through CEA and to explore the possibility of up-rating the capacity of Kalpong project. The Ministry of Power has requested for an extension of three month for completion of the job by CEA/CWC. The necessary documents and details have already been provided to the CEA to undertaken the examination of costs.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

Recommendation (Sl. No. 23)

The Committee find that with the indifferent and lackadaisical attitude of the Government, the project shuttled between MNES and Ministry of Power leading to huge time and cost overrun. The Committee take a serious view of the matter and recommend that CEA should probe the matter and re-assess the cost estimates afresh, so that a rationale costing could be undertaken. The Committee also desire that Government/CEA should also explore the possibilities of up-rating the capacity of Kalpong project from the present level of 5.25 MW. The Committee would like to be apprised of the final outcome of these matters within a period of 3 months.

Reply of the Government

Secretary, MNES has already requested the Secretary, Ministry of Power, Government of India to get the cost estimates examined through CEA and to explore the possibility of up-rating the capacity of Kalpong project. The Ministry of Power has requested for an extension of three months for completion of the job by CEA/ CWC.

[Ministry of Non-Conventional Energy Sources O.M.No.8/3/2001-P&C Dated 26.11.2001]

New Delhi; SONTOSH MOHAN DEV
14 December, 2001
Chairman,
23 Agrahayana, 1923 (Saka) Standing Committee on Energy.

ANNEXURE-I

MINUTES OF THE FIRST SITTING OF THE SUB-COMMITTEE 'F' ON ACTION TAKEN REPORT'S OF THE STANDING COMMITTEE ON ENERGY (2001) HELD ON 12TH DECEMBER, 2001 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Sub-Committee met from 15.00 hrs. to 15.30 hrs.

PRESENT

Shri Sontosh Mohan Dev – Chairman

Shri Tilakdhari Prasad Singh - Convenor

MEMBERS

3. Shri Vijayendra Pal Singh Badnore

4. Shri Amar Roy Pradhan

SECRETARIAT

1. Shri P.K. Bhandari - Director

2. Shri R.S. Kambo - Under Secretary

2. At the outset, the Convenor, Sub-Committee 'F' on Action Taken Reports of the Standing Committee on Energy welcomed the Members to the sitting of the Sub-Committee.

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

(i) Action Taken Report on the recommendations contained in the 10th Report (Twelfth Lok Sabha) on the subject 'Fire and Subsidence Control in Coal Mines'.

(ii) Action Taken Report on the recommendations contained in the 18th Report (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Coal.

(iii) Action Taken Report on the recommendations contained in the 14th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Department of Atomic Energy.

(iv) Action Taken Report on the recommendations contained in the 15th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Ministry of Non-Conventional Energy Sources.

(v) Action Taken Report on the recommendations contained in the 16th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Ministry of Power.

(vi) Action Taken Report on the recommendations contained in the 17th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Coal.

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

The Sub-Committee then adjourned.

ANNEXURE-II

MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2001) HELD ON 12TH DECEMBER, 2001 IN COMMITTEE ROOM '62', PARLIAMENT HOUSE, NEW DELHI

The Committee met from 18.00 hrs. to 18.45 hrs.

PRESENT

Shri Sontosh Mohan Dev - Chairman

2. Shri Basudeb Acharia
3. Shri Prakash Yashwant Ambedkar
4. Shri Vijayendra Pal Singh Badnore
5. Shri Bikash Chowdhury
6. Shri Trilochan Kanungo
7. Shri P.R. Khunte
8. Shri Sanat Kumar Mandal
9. Shri K. Muraleedharan
10. Shri Amar Roy Pradhan
11. Shri Ravindra Kumar Pandey
12. Shri Dalpat Singh Parste
13. Shri B. Satyanarayana
14. Shri Harpal Singh Sathi
15. Shri Tilakdhari Prasad Singh
16. Shri Manohar Kant Dhyani
17. Shri Aimaduddin Ahmad Khan (Durru)
18. Shri B.J. Panda
19. Shri Ramamuni Reddy Sirigireddy

SECRETARIAT

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

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

3. The Committee then took up the following draft Reports, already considered and adopted by the Sub-Committee ‘F’ on Action Taken Reports, for consideration:-

(i) Action Taken Report on the recommendations contained in the 10th Report (Twelfth Lok Sabha) on the subject 'Fire and Subsidence Control in Coal Mines'.

(ii) Action Taken Report on the recommendations contained in the 18th Report (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Coal.

(iii) Action Taken Report on the recommendations contained in the 14th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Department of Atomic Energy.

(iv) Action Taken Report on the recommendations contained in the 15th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Ministry of Non-Conventional Energy Sources.

(v) Action Taken Report on the recommendations contained in the 16th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Ministry of Power.

(vi) Action Taken Report on the recommendations contained in the 17th Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2002) of the Coal.

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

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

The Sub-Committee then adjourned.

ANNEXURE-III
(Vide Para 4 of the Introduction)

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

I.	Total No. of Recommendations	23
II.	Recommendations that have been accepted by the Government (vide recommendation at Sl. Nos. 3, 5, 7, 9, 10, 13, 14, 15 and 16)	9
	Percentage of total	39.13%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies. (vide recommendation at Sl. Nos. 6, 11, 12 and 21).	4
	Percentage of total	17.39%
IV.	Recommendations in respect of which reply of the Government has not been accepted by the Committee (vide recommendation at Sl. Nos. 1,2, 4, 8 and 20).	5
	Percentage of total	21.73%
V.	Recommendations in respect of which final replies of the Government are still awaited (vide recommendation at Sl. Nos. 17, 18, 19, 22 and 23).	5
	Percentage of total	21.73%