

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:1546  
ANSWERED ON:27.11.2009  
POWER FINANCE CORPORATION LIMITED  
Basavaraj Shri Gangasandra Siddappa;Sule Supriya

**Will the Minister of POWER be pleased to state:**

- (a) whether Power Finance Corporation Limited (PFC) has played catalytic role in the power sector and has been significantly contributing to the development of this sector;
- (b) if so, the details thereof;
- (c) whether to expand its operations in power and allied sectors, PFC has restructured its organization to focus on the new business areas including renewable energy, clean development mechanism and also consortium lending to power projects including Ultra Mega Power Projects (UMMPs), financing of fuel supply like coal, gas and transportation, etc.;
- (d) if so, the details thereof; and
- (e) the extent to which the PFC has been able to improve functioning of power projects in the country?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) & (b): Yes, Madam. PFC provides both fund and non-fund based support for the development of the Indian Power Sector. Since inception, PFC has sanctioned Rs.2,57,238 crore and has disbursed Rs.1,23,933 crore till 31st October 2009. PFC has been implementing various policies and programmes of the Government of India which include:

- Restructured Accelerated Power Development and Reforms Programme (R-APDRP). PFC has been designated as the nodal agency to operationalise the programme and shall act as a single window.
- Accelerated Power Development & Reform Programme (APDRP) for reduction of AT&C losses during X Plan.
- Accelerated Generation and Supply Programme (AG&SP) was implemented during IX and X Plan period to accelerate the power supply.
- Delivery through Decentralized Management (DDM): to showcase a model of excellence in distribution, primarily in rural areas.
- Distribution, Reform, Upgrades & Management (DRUM): Programme for commercially viable distribution system for reliable and quality power.
- PFC was appointed as a nodal agency for development of UMPPs. PFC has, so far, successfully transferred four UMPPs viz Mundra UMPP; Sasan UMPP, Krishnapatnam UMPP and Tilaiya UMPP.
- State Power Utilities are being assisted in preparation of CDM projects for R&M of old Thermal and Hydro generation plants to enhance their life at rated capacity.

(c) & (d): Yes, Madam. PFC has restructured its organization to accelerate the pace of existing business, and to exploit the new opportunities. It has created strategic business units, focusing on different business segments such as conventional lending to generation, transmission and distribution projects; consortium lending to generation, transmission and distribution projects; lending to power equipment manufacturers and fuel producers and suppliers; renewable energy & CDM; and equity funding. Details of strategic business units are as follows;

**CONSORTIUM LENDING GROUP**

With the aim to give impetus to Consortium Lending Operations, particularly through the Power Lenders` Club, which has 21 members including LIC, HUDCO and 18 Indian Banks. PFC established a Consortium Lending Group (CLG). CLG is interacting with the Banks/FIs to make an assessment regarding the gross exposure which could be taken by Power Lenders` Club (PLC) members with a view to identify and firm up the various power projects including UMPPs to meet their funding requirements and to facilitate their expeditious financial closure.

**FACILITATION GROUP**

The Group has been established to explore the funding opportunities in the areas of

- Development/expansion of Fuel supply sources like Coal blocks/mines/Coal Bed Methane/coal washeries/coal beneficiation Projects /Re gasification/ liquefaction Projects and its distribution for Power Sector i.e. development/expansion of coal/oil/gas transportation facilities including Ports/Jetties for import of coal/oil/gas, gas pipelines etc.
- Setting up/ expansion of Equipment Manufacturing capabilities for Power sector i.e. main plant, balance of plant equipments, transmission and distribution equipments, equipment manufacturing capacity for non conventional energy sources, nuclear power plants etc. Other Projects in relevant areas e.g. projects aimed at Demand Side Management (DSM) etc. - Financing of Nuclear power projects

#### RENEWABLE ENERGY & CDM GROUP

This group was established to give special focus and thrust to development of business in Renewable Energy Generation Projects in making use of the opportunities created by GoI's initiatives and entering into CDM business by facilitating State Power Utilities in availing CDM benefits for R&M of old thermal and hydro projects as per mandate given to PFC by Ministry of Power.

#### EQUITY FUNDING GROUP

This group was created with an objective of harnessing the huge business potential offered by the Power Sector in the field of equity investments and equity syndication.

(e): PFC through its operations listed below indirectly facilitates the functioning of power projects:

- PFC financing results in faster financial closure of various power projects. Further, through Power Lenders Club operated by Consortium Lending Group. PFC offers single window solution to funding needs of large power projects requiring huge investments like UMPPs.
- PFC's Facilitation Group envisages funding support to backward linkages of power sector, to overcome the input constraints to power projects, like fuel supply, Power Equipment Manufacturing.
- By providing exclusive focus on funding Renewable, PFC is promoting the renewable energy based power projects.
- PFC has also taken the initiative to facilitate funding of equity requirement of power projects for their faster financial closure and timely implementation through its Equity Funding Group.
- For all round development of power sector, PFC is providing consultancy services through its wholly owned subsidiary PFC Consulting Limited. These services can be broadly classified as under;
  - Reform, Restructuring and Regulatory Aspects
  - Procurement of Power by Distribution Licensees
  - Govt. of India initiatives like UMPPs, Independent Transmission Projects (ITPs)
  - Project Advisory including Selection of EPC Contractor
  - Capacity Building and Human Resource Development
  - Renewable and Non-Conventional Energy Schemes
- In order to promote short term power trading through power exchange, PFC took the initiative by promoting National Power Exchange Ltd. jointly with NTPC, NHPC and TCS. PFC has also contributed upto 7% of the equity share capital of Power Exchange India Ltd. (PXI). PFC is also a Professional Clearing member to PXI for settlement of dues of utilities who wish to avail service from PFC. In addition to equity contribution, PFC is also providing credit facility to utilities in need of funds required for purchase of power. This exchange has started its operation since October, 2008.