STANDING COMMITTEE ON ENERGY

(2003)

40

THIRTEENTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS
(2003-2004)

FORTIETH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
March, 2003/ Chaitra, 1925 (Saka)

C O N T E N T S

COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2003)

Shri Sontosh Mohan Dev - Chairman

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3. Shri Prasanna Acharya
4. Shri Prakash Yashwant Ambedkar
5. Shri Vijayendra Pal Singh Badnore
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28. Shri B. Venkateshwarlu
29. Prof. Ummareddy Venkateswarlu
30*. Prof. Rita Verma

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* Nominated to the Committee w.e.f. 21.2.2003

RAJYA SABHA

31. Shri Devdas Apte
32. Shri Santosh Bagrodia
33#. Shri S.M.Laljan Basha
34. Shri Jayanta Bhattacharya
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36. Shri Aimaduddin Ahmad Khan (Durru)
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38. Shri B.J.Panda
39. Shri Matilal Sarkar
40. Shri Gaya Singh
41. Shri Veer Singh
42. Shri D.P.Yadav
43. Vacant
44. Vacant
45. Vacant

SECRETARIAT

1 Shri John Joseph - Additional Secretary
2. Shri P.K.Bhandari - Director
3. Shri R.S.Kambo - Under Secretary
4. Shri Arvind Sharma - Executive Officer

Ceased to be a Member of the Committee w.e.f. 14.3.2003 consequent upon his nomination to the Committee on External Affairs

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this 40th Report (Thirteenth Lok Sabha) on Demands for Grants (2003-2004) relating to the Ministry of Power.

2. The Committee took evidence of the representatives of the Ministries of Power and Finance on 11th March, 2003.

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

4. The Report was considered and adopted by the Committee at their sitting held on 28th March, 2003.

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;
28th March, 2003
7 Chaitra,1925 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

REPORT

PART - I

CHAPTER-I

Introductory

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

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

1.3 Subject of Power has been placed in the Concurrent List under the Indian Constitution with both the Centre and the States having jurisdiction to legislate. After independence, SEBs / State Electricity Departments have been the sole utilities (except a few licensees in private sector) responsible for generation, transmission and distribution of electricity.

1.4 The main items of work dealt with by the Ministry of Power are as below:

(i) General Policy in the Electric Power Sector and issues relating to energy policy. (Details of short, medium and long-term policies in terms of formulation, acceptance, implementation and review of such policies, cutting across sectors, fuels, regions and cross country flows)

(ii) All matters relating to hydro- electric power (except mini micro hydel projects of and below 25 MW capacity and Geo-thermal energy) and thermal power and transmission system network.

(iii) Research, development and technical assistance relating to hydro –electric and thermal power and transmission system network.

(iv) Administration of the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948) and Central Electricity Regulatory Commission Act, 1998.

(v) All maters relating to Central Electricity Authority, Central Electricity Board and Central Electricity Regulatory Commission.

(vi) Rural Electrification, Power schemes in Union territories and issues relating to Power supply in the States and Union territories.

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

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

(a) STATUTORY BODIES :

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

(b) PUBLIC SECTOR UNDERTAKINGS:

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

(c) JOINT VRNTURE CORPORATIONS:

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

d) AUTONOMOUS BODIES:

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

1.7 The present power situation, lacks not only in terms of performance but also quality, security and reliability. In spite of impressive growth in the early decades of

planning. The present total installed capacity of over 1,02,000 MW is still inadequate to meet our demand. The energy and peak power shortages are reported to be at the level of 12% and 8% respectively. It is estimated that the future additional power requirements will be around 1,40,000 MW to be installed by 2012.

1.8 The Committee feel that hydroelectricity is clean energy and its generation is not linked to issues concerning fuel supply. Less than one fourth of the vast hydel potential of 1,50,000MW has been tapped so far. When compared to the high utilization of hydro potential in countries like Norway(58%), Canada(41%) and Brazil(31%), the utilization of only 17% of its hydel potential by India is extremely low. In fact, the share of hydro generation in India has gradually declined during the past 25 years. Consequently, thermal generation, which should generally be used for base load operation, is also being used to meet peaking requirements. As against the desirable hydro share of 40%, the current share is only about 25% in the country. In early 50's the Hydel:Thermal ratio was 33:67. In the 2nd, 3rd, 4th, 5th & 6th Plans the ratio were 35:65, 41:59, 46:54, 42:58, 41:59 and 34:66, respectively. Since then, there is continuous adverse Hydel Thermal mix and now has reached alarming 25:75.

1.9 The Committee note that the total Plan outlay for power sector (Ministry of Power) during 9th Plan was drastically reduced from an allocation of Rs. 45591.05 crore to Rs. 39454.31 crore. The Committee further note that this downsizing of the Plan outlays has not stopped yet and the Plan outlays for 2002-03 were again reduced to Rs. 11288.26 crore at the RE stage from Rs. 13483.00 crore originally allocated. The Committee find that the Central Plan outlays for the year 2001-02 had undergone revision from Rs. 11525.53 crore to Rs. 9975.45 crore due to reasons such as delay in sanction of projects of NHPC, slow progress of the projects by NJPC, non-approval of new schemes of NEEPCO, etc. Further, the plan outlay during 2002-03 have been reduced from Rs. 13483.00 crore to Rs. 11268.00 crore at RE stage. The Plan outlays for the year 2003-04 are Rs. 14667.61 crore including Rs. 11167.61 as IEBR and Rs. 3500.00 crore as net budgetary support. The details of the consolidated financial requirements for the various programmes of the Ministry are shown at Appendix.

1.10 The Capacity addition programme during the 9th Plan was 40245 MW.However, only 19015 MW could be achieved during the Plan. The overall target for the 10th Plan for capacity addition has been fixed at 41110 MW, which include 22832 MW by Central Sector, 11157 MW by State Sector and 7121 MW by private Sector. The Committee observe that 19846 MW of this targeted capacity during 10th Plan is already under execution.

1.11 The Committee have scrutinized the Demands for Grants of the Ministry of Power for the year 2003-04 and approve the same, subject to their observations and recommendations which are contained in the succeeding Chapter.

CHAPTER-II

A. PLAN OUTLAY

Details of Central Plan allocation of the Ministry of Power for 2001-02, 2002-03 and 2003-04 are as under:-

(Rs. in crore)

		Gross Budgetary Support		
	Internal and Extra Budgetary Resources (IEBR)	**External Assistance through Budget**	**Net Budgetary Support**	**Total Plan Outlay**
BE 2001-02	8237.53	128.71	3159.20	11525.53
Actual 2001-02	6886.00	0	3089.12	9975.00
BE 2002-02	10183.00	0	3300.00	13483.00
RE 2002-03	8668.36	0	2600.00	11268.36
BE 2003-04	11167.61	0	3500.00	14667.61

Financial performances/projections of the Ministry of Power during 9th Plan and 2002-03, 2003-04 are as under:-

Actuals (Rs. crore)

During 9th Plan	Net Budgetary Support	Total Plan Outlay
1997-98	1843.63	6707.72
1998-99	2050.07	7827.89
1999-2000	2380.99	8129.34
2000-01	2462.30	7013.91
2001-02	2889.62	9975.45
Overall 9th Plan	11626.61	39454.31
Against allocation of :	10737.48	45591.05
2002-03		
BE	3300.00	13483.00
RE	2600.00	11268.26
2003-04		
BE	3500.00	14667.61

The Power Sector outlay for the 9th plan was Rs.1,24,526 crore. However, the actual expenditure during the plan could not be computed as expenditure during the final year of 9th plan i.e.2001-02 has not been compiled by the Planning Commission so far. Details of year-wise outlay and expenditure during the 9th plan are as follows:

(Figures in Rs. crore)

ANNUAL PLAN	**POWER SECTOR OUTLAY**	**EXPENDITURE**
1997-98	20830.51	19396.28
1998-99	25741.79	21159.04
1999-2000	26825.00	21327.42

2000-01	26554.36	22066.39
2001-02	27842.67*	Not available

* Excluding Jharkhand

Against BE of Rs. 11525.53 crore the actual expenditure during the year 2001-2002 was Rs. 9975.45 crore. The reason for not expending the money (GBS) during 2001-02 along with the schemes and programmes are given below:-

Corporation	**BE/RE**	**Actual Expenditure**	**Reasons for saving**
	(Rs. in crore)		
NHPC	RE 1769.72	1251.59	1, Non-sanction for equity portion on account of conversion of IDC on GOI loan into equity and loan in the ration 1:1 2. Non-utilisation was mainly due to delay in sanction of RCE of Dulhasti Project. 3. Delay in sanction of Parbati-II Project 4. Delay in Govt Sanction for Omkareshwar project. 5. Non-sanction of Joint venture Purulia PSS 6. Delay in sanction of Stage-II estimates for Teesta Low Dam Stage-III&IV, Siang Middle&Upper, Subansiri Middle&Upper, Chamere-III, Bursar Project. 7. Delay in sanction of Stage-I estimates of Bav-I&II, Upper Krishna Project. 8. Delay in sanction of RCE of Koel Karo due to delay in fresh survey of Project Affected Persons, R&R and land acquisition problems.
NJPC	RE 820.00	752.35	The savings was due to the slow progress of the project because of excessive winter rains/snow and unstable areas near Dam & Intake sites, more time taken for the stabilisation of Desilting Chambers etc.
REC	BE 460.00	50.00	The amount was provided as loan to REC for village electrification and system improvement. Since the scheme was merged with PMGY the funds were released by the MOF, hence technically there was no surrender, in effect.
PTC	RE 50.00	0.00	An amount of Rs. 50 crore is provided to

			PTC as equity. Later on it was decided to re-structure the company with equity participation from NTPC, PGCIL, etc.
NEEPCO	BE 125.00	41.12	Due to non-approval of new scheme
Sardar Sarovar	BE 36.27	0.00	The saving was due to non-receipt of the shares from the Govt. of M.P., Government of India has already released a sum of Rs. 297.4 crore as per the decision of the Government to fund the project in the ratio of 1:28:1. Since RCE of the project was no approved, therefore, the saving.

BE 2002-03 of the Ministry of Power was Rs. 13483 crore which was reduced to Rs. 11268 crore at RE stage. According to the Ministry of Power, the reasons for reducing the budgetary outlay are as under: -

"(i) NTPC has decided to fund the new schemes out of their internal resources and therefore there is no requirement of GBS for them.
(ii) Non receipt of the matching contribution from the States in respect of THDC and NHPC.
(iii) The scheme for AG&SP of PFC have recently been approved and funds of Rs.300 crore provided for the scheme would be released shortly.
(iv) The scheme for Interest Subsidy to REC and ULDC for NER are being submitted to the Competent Authority for approval.
(v) Due to a decision of non-release of IDC component to THDC, NJPC & NHPC.
(vi) Due to non-approval of the new schemes of NHPC/NEEPCO.
(vii) The saving is also due to the non-approval of the new Scheme of CEA viz Technology Improvement in Power System, Technology Improvement in Thermal, Grid Operation, Creation of sub transmission and distribution wing in CEA, Modernisation of Office, Up gradation of IT, etc."

Asked about the rational of increasing both the budgetary support and IEBR component during the next financial year when the earmarked amount could not be expended fully, the Ministry of Power in a written reply have informed the Committee that they were constantly monitoring the progress of expenditure through performance review meetings and quarterly review meetings of the PSUs. Review meetings for utilisation of the funds are also undertaken by the Financial Advisor in order to accelerate the pace of utilisation of funds and also to remove bottlenecks that come in the way of the progress of work.

To overcome these difficulties of not expending targeted outlays, the Ministry of Power view that the existing procedures for obtaining approvals for the project needed to be streamlined and liberalised.

In view of the fact that the budgetary support and IEBR component of different PSUs were revised at RE stages, the Committee desired to know the steps taken by the Government/PSUs to ensure the utilization of Rs. 13987.55 planned for investment in PSUs during 2003-04. In this connection, the Ministry of Power have informed as under:-

> "At the time of preparing the budget for the next financial year, we take into account the requirement of funds for all on-going schemes as well as new start-ups. We made full provision to prevent any uncertainty of funds leading to stoppage of work or delayed procurement or sudden demobilization giving rise to contractual claims. However, during the course of the year, certain unanticipated factors delay the process of clearance, somehow and award of work including disruptions beyond the control of the Ministry. To address such issues, we are constantly innovating to foresee problems and issues and prepare ourselves to meet contingencies. As the alternative of lack of adequate funding provision could further exacerbate the uncertainty factors, we would like to err on the higher side than on the lower side. As far as 2003-04 budgeting is concerned, we have gone ahead on the above premises and we are hopeful of utilizing the amount for the projects and schemes identified for funding."

Taking note of the fact that there are large variation between Budget Estimate and Revised Estimate and actual utilization of budgeted amount, over the years in the Ministry of Power and other Central Ministries. The Committee sought the suggestions of the Ministry of Finance for ensuring full utilization of budgetary allocation considering delegation of more financial power to the Ministry of Power so that actual utilization is picked up.

In this connection, the Ministry of Finance in a note furnished to the Committee have stated as under:-

"As recently as in February 2002, enhanced delegation was permitted to various Central Ministries including Power. The Ministry of Finance is open to any measure, which leads to faster implementation of Power projects, and hence better utilization of budgetary allocations made for Power sector. However, there is need for thorough analysis of reasons for dealy which can also be related to environmental/forest clearance, land acquisition, lad and order problems, tying up of financial resources, signing power purchase agreements, etc. Presently, power projects costing over Rs. 100.00 crore need to be cleared by CCEA. NTPC which is a 'Navratna' company does not need even CCEA clearance since it projects do not require budgetary support. Ministry of Power has already moved a note before Committee of Secretaries for enhanced delegation of powers for implementation of power projects. A view taken therein would be placed before Cabinet for appropriate decision."

The Committee feel that hydroelectricity is clean energy and its generation is not linked to issues concerning fuel supply. Less than one fourth of the vast hydel potential of 1,50,000MW has been tapped so far. When compared to the high utilization of hydro potential in countries like Norway(58%), Canada(41%) and Brazil(31%), the utilization of only 17% of its hydel potential by India is extremely low. In fact, the share of hydro

generation in India has gradually declined during the past 25 years. Consequently, thermal generation, which should generally be used for base load operation, is also being used to meet peaking requirements. As against the desirable hydro share of 40%, the current share is only about 25% in the country. In early 50's the Hydel:Thermal ratio was 33:67. In the 2nd, 3rd, 4th, 5th & 6th Plans the ratio were 35:65, 41:59, 46:54, 42:58, 41:59 and 34:66, respectively. Since then, there is continuous adverse Hydel Thermal mix and now it has reached alarming 25:75.

The Committee are pained to note that the total Plan outlay for power sector (Ministry of Power) during 9th Plan was drastically reduced from an allocation of Rs. 45591.05 crore to Rs. 39454.31 crore. The Committee are further perturbed to note that this downsizing the Plan outlays has not stopped yet and the Plan outlays for 2002-03 were again reduced to Rs. 11288.26 crore at the RE stage from Rs. 13483.00 crore originally allocated. The Committee find that the Central Plan outlays for the year 2001-02 had undergone revision from Rs. 11525.53 crore to Rs. 9975.45 crore due to reasons such as delay in sanction of projects of NHPC, slow progress of the projects by NJPC, non-approval of new schemes of NEEPCO, etc. The Committee observe the slackness in project formulation and implementation and desire that necessary corrective action be taken by the Government to ensure that project allocation be expended as targeted. Further, the plan outlay during 2002-03 have been reduced from Rs. 13483.00 crore to Rs. 11268.00 crore at RE stage. The Committee cannot but deplore the way the new schemes of NHPC and NEEPCO are not getting required approvals during 2001-02 and again during 2002-03 resulting in under-utilization of plan outlays.

The Committee note that as per the existing procedure in vogue, each thermal power project costing more than Rs. 2500 crore is apprised by Central Electricity Authority. Similarly, the limit for hydro project is Rs. 250 crore. Further, all hydro projects involving river flowing through more than one State require CEA clearance. By implication, this means that all the hydro projects irrespective of capacity cost would need CEA nod for execution. The Committee further note that power project costing more than Rs. 100 crore needs clearance from Cabinet Committee on Economic Affairs(CCEA). The Ministry of Power have informed the Committee that in order to utilize the budgeted amount, the progress of expenditure is monitored by them. In order to step up the utilisation of funds, Ministry of Power suggested that the existing procedures for obtaining approval of projects need to be streamlined. The Ministry of Finance have stated that enhanced delegation was permitted to various Central Ministries including Power as recently as February, 2002. The Ministry of Finance have also stated that they are open to any measure which lead to faster improvement of power projects as well as better utilization of funds allocated to power sector. The Ministry of Power have further stated that there is a need for thorough analysis of the reasons for delay which can be related to environment/forests, land acquisition, law and order problems, tying up of financial resources, selling and power purchase agreements, etc. In this connection, the Committee would like to state that NTPC does not need CCEA clearance since they do not require budgetary support and at times they have executed their projects ahead of the completion schedule. For instance, Talcher & Simhadri projects were commissioned, nine and four months ahead of schedule. Taking note of proposal of the Ministry of Power to enhance delegation of powers for implementation of power projects for the consideration of the Cabinet, the Committee find that the present ceiling prescribed for CCEA approval is too

meagre. The Committee, therefore, recommend that Government should appropriately enhance delegation of powers to the Ministry of Power so that delay occurring on account of investment clearances is reduced to a minimum. At the same time, the Committee recommend that Government should allow other power PSUs to take their own investment decisions, rather than routing through CCEA, on the lines of NTPC.

B. CAPACITY AUGMENTATION PROGRAMME

The Central Government has taken up the execution of a number of thermal and hydro-electric projects. The thermal projects are located at Badarpur (Delhi), NCTPP (Dadri-I)(U.P), Unchahar-II (U.P), Kawas-II (Gujarat), Gandhar-II (Gujarat), Anta Gas-II (Rajasthan), Auraiya-II (U.P), Kayamkulam-I (Kerala), Faridabad Gas(Haryana), Simhadri (Andhra Pradesh), Ramagundam-III (AP), Vindhyachal-II (MP), Rihand-II (UP), Farakka-III (WB), Kahalgaon (Bihar), and Talcher-II (Orissa), Singrauli (U.P), Korba (H.P.),TTPS (Orissa), Tanda TPS (U.P.), Dadri Gas (U.P.), Assam Gas Based Combined Cycle Power (Assam), Agartala Gas Turbine Power(Tripura),

The hydro electric projects in the Central sector are located at Dulhasti (J&K), Chamera-II and Koel-karo (Bihar), Rangit (Sikkim), Loktak Down Stream (Manipur) Teesta-V (Sikkim) and Dhauliganga (UP), Baira Siul (H.P.), Salal Stage-I & II, URI (J&K), Tanakpur (Uttranchal), Devighat (Nepal), Kol Dam (H.P.),Kopili (Assam), Doyang (Nagaland), Ranganadi (Arunachal Pradesh).

Besides this, the Govt. of India have decided to contribute Rs.300 crore to the resources gap of M.P. Government in its 57% share in the power component of Sardar Sarovar Project. Further, the Nathpa Jhakri HEP and Tehri Hydro Power Complex are being executed as joint ventures between the Government of India and the respective State Governments of Himachal Pradesh and Uttar Pradesh sharing the cost of the power component of these projects.

The Planning Commission had fixed a target of 40245.2 MW comprising 9819.7 MW hydro, 29545.5 MW thermal and 880 MW nuclear projects for capacity addition during the 9th Plan. Out of this, a capacity of 19015 MW was added during the 9th Plan which is as under:-

	Central	**Private**	**State**	**Total**
Thermal	3084	4975	5538	13597
Hydro	540	86	3912	4538
Nuclear	880	-	-	880
Total	4504	5601	9450	19015

In order to tackle the energy and peak shortages effectively, the Government have drawn up an ambitious capacity addition programme of adding another 1,00,000 MW in the next ten years to ensure power to all by 2012. This would require an investment of Rs. 8,00,000 crore with the associated transmission and distribution network. Out of this, over 40,000 MW is proposed to be added in the 10th Plan and the balance 60,000 MW in the 11th Plan.

On the basis of 16th Electric Power Survey the Working Group on Power for the 10th Plan constituted by the Planning Commission estimated the need based requirement of capacity addition of 55, 158 MW for the 10th Plan. After discussions with the State Utilities and the Central Undertakings, it recommended a feasible capacity addition of 46,939 MW. The matter was further deliberated with the Planning Commission and depending upon the availability of resources and readiness of the projects, a capacity addition target of 41,110 MW was settled.

Despite having an installed capacity of 104917 MW and impressive plant load factor of 70% ,the energy and peak shortages of Power have been of the order of 7.5% and 12.1% respectively in the country. During the 9th Plan ending March, 2002, the new capacity added was 19015 MW against the target of 40245 MW, an achievement of only 47.2% of the target. The Committee observe that the new capacity addition does not match the growing demand and has been stagnating around 20,000 MW in each of the last 3 plan periods.

From the details of projects under execution during 9th Plan projects with their estimated cost and completion period, the Committee observe that the commissioning period of thermal units in the Central Sector ranges from 18 months in case of Faridabad CCGT commissioned by NTPC to 122 months, in case of Mejia thermal power station commissioned by the Damodar Valley Corporation. Implementation of thermal units by private sector during the 9th Plan indicates that although LVS-DGPP commissioned by LVS Power Limited in Andhra Pradesh was completed in18 months time, the maximum time taken for commission of thermal units Paguthan CCGT by Gujarat Torrent Energy in Gujarat was 48 months. The Commissioning schedule of thermal units in the State Sector also indicates varying time taken by commissioning agencies from 23 months (Pragati CCGT by the Delhi Vidyut Board) to 135 months (Panipat TPS by HPGCL).

Examining the details of Hydro-electric projects commissioned during 9th Plan, the Committee find that Doyang (NEEPCO) project in Nagaland was completed in 17 years. Rangit-III (NHPC) and Ranganadi (NEEPCO) were completed in 10 and 16 years respectively. Further, the commissioning of hydro-electric projects in the State sector indicates that in the Northern sector these were completed in 11 to 18 years. In Western region, Rajghat in Madhya Pradesh was completed in 8 years whereas Kadana PSS in Gujarat was commissioned in 26 years. Similarly, both Kadana hydro-electric project in Kerala and upper Indravati project in Orissa were completed in 23 years. The only project commissioned by the private sector during the 9th Plan was Malana (2x43 MW) in Himachal Pradesh and this project was completed in 3 years of time.

CAPACITY ADDITION PROGRAMME FOR THE 10TH FIVE YEAR PLAN

A capacity addition of 41110 MW has been targeted for the 10th Five Year Plan. The details are as under:-

(Figures in MW)

	Hydro	**Thermal**	**Nuclear**	**Cumulative Capacity**

Central Sector	8,742	12,790	1300	22,832
State Sector	4,481	6, 676	0	11,157
Private Sector	1,170	5,941	0	7,121
Overall	14,393	25,407	1,300	41,110

In view of the stagnating capacity addition of around 20,000 MW in each of the last 3 plan periods, thus achieving less than 50% of the targets, the Committee desired to know the steps that have been taken by the Government to ensure targeted capacity addition during 10th Plan period. In this context, the Ministry of Power in a written reply have stated that the actual capacity addition during the seventh and ninth plans has been around 20,000 MW whereas during eighth plan it was around 16,000 MW. However, during the seventh plan the actual capacity addition was about 96% of the targeted capacity addition of 22,245 MW during this plan.

About performance during 9th Plan and target for 10th Plan, the Committee have been apprised as under:-

(MW)

	Addition during 9th Plan			
	Target	Actual	Target for 10th Plan	Capacity under execution
Central Sector	11909	4504	22,832	12,295
State Sector	10748	9450	11,157	6,503
Private Sector	17588	5061	7121	1048
Overall	40245	19015	41110	19846*
	*48% of targeted capacity already under execution			

Asked about the hydro capacity addition during 9th Plan, the Committee have been informed by the Ministry of Power as under:-

	9th Plan		10th Plan	
	Target	Actual	Target	Under Execution
Central Sector	3455	540	8742	6365
State Sector	5814.7	3912	4481	3565
Private Sector	550	86	1170	700
Overall	9819.7	4538	14393	10630

The Ministry of Power have further informed that advance action for hydro capacity addition during 11th Plan in Central Sector are as follows:-

(Figures in MW)

Under Execution	1600
Under Stage-III	5525
Under Stage-II	7551

Under Stage-I	3190
Total	17,866

On being asked about the steps taken by the Government to ensure the achievement of capacity addition target set for the 10th Plan , the Committee have been apprised as follows:-

"(i) Regular review meetings are held with project authorities to identify bottlenecks/ problem areas and to take corrective measures.

(ii) Steps are being taken to facilitate arrangement of necessary resources in consultation with project authorities and financial institutions (including PFC) to avoid delay in project execution.

(iii) Regular visits are made to power plant sites for assessment of progress of projects in consultation with project authorities and contractors."

In addition to the above, the Government have reported to be taken measures to improve the financial viability of the power utilities, which would also have a bearing on timely execution of 10th plan projects. According to the Ministry of Power, some of these measures are as follows:

(i) Providing a legal framework for mandating corporatisation and commercial functioning of the SEBs and utilities with the objective of improving their financial health.

(ii) Establishing an administrative, financial and regulatory framework to encourage investment by private sector in the areas of generation, transmission and distribution.

On capacity addition, Secretary, Ministry of Power informed the Committee during evidence as under: -

"In this Five Year Plan, we are laying particular emphasis on hydro capacity addition. The Central Electricity Authority has conducted a ranking study of almost 400 small, medium and large power projects. We are trying to improve our hydro-thermal proportion during this Plan and the following Plans so that the ever-declining trend of hydro-should get reversed hopefully during this Five Year Plan and it should improve further in the coming Plans…. In the 9th Plan we achieved 4538 MW only on hydro capacity. As against that, 10630 MW is already under execution. It is against the target of 14,000 MW…. During the 10th Plan, the NTPC targets to add 9160 MW. Out of that, 4000 MW is already under execution and 1000 MW has been added to it or commissioned. For another 1000 MW, the letter of award has to be issued very shortly."

In term of Mega Power Policy, the import of capital equipment would be free of customs duty for these projects. In order to ensure that domestic bidders are not adversely affected, price preference of 15% would be given for the projects under public

sector, while deemed export benefits as per the EXIM policy would be given to domestic bidders for projects both under public and private sector. The domestic bidders would be allowed to quote in US Dollars or any other foreign currency of their choice. In addition, the income-tax holiday regime would be continued with the provision that the tax holiday period of 10 years can be claimed by a promoter in any block of 10 years, within the first 15 years. The State Governments are requested to exempt supplies made to mega power plants from sales tax and local levies.

All such measures and the economies of scale in mega projects would substantially bring down tariffs from such identified mega projects to provide much needed relief to State Electricity Boards from rising tariffs from generating stations, both in public and private sector. The policy would also enable implementation of a policy where large projects are set up at viable pit head sites, coastal locations and hydel source, thus eliminating the unnecessary movement of fuel by rail and encouraging the setting up of national transmission grid. The tax concessions are necessary as these projects would help in catalysing reforms which are crucial to the restoration of the financial health of the State Electricity Boards and would also help to accelerate the establishment of systems that would transfer power across states and regions.

The projects would be offered to the developers only after all the clearances/ land have been obtained so that projects can start soon after they are granted to the most competitive bidder. The environmental clearance would be given in two phases by the Ministry of Environment and Forest- the site clearance being given initially. Initial project development expenses would be incurred by designated Central Public Sector Undertaking which would be recouped from the successful developers. PGCIL would be entrusted with developing the required transmission network. Since the transmission network would depend upon the identification of the beneficiary states, PGCIL would identify the schemes and the corresponding costs of these transmission schemes. It would interact with the beneficiary states to identify the requisite investment required in transmission and distribution on the states side to absorb the power generated by the mega project.

While examining the capacity addition programme during 9th Plan, the Committee were distressed to note from the details of the projects under execution that the commissioning period of thermal units in the Central Sector ranged from 18 months in case of Faridabad CCGT commissioned by NTPC to 122 months, in case of Mejia thermal power station commissioned by the Damodar Valley Corporation. Implementation of thermal units by private sector during the 9th Plan indicates that although LVS-DGPP commissioned by LVS Power Limited in Andhra Pradesh was completed in18 months time, the maximum time taken for commission of thermal units Paguthan CCGT by Gujarat Torrent Energy in Gujarat was 48 months. The Commissioning schedule of thermal units in the State Sector also indicates varying time taken by commissioning agencies from 23 months (Pragati CCGT by the Delhi Vidyut Board) to 135 months (Panipat TPS by HPGCL). The Committee were further perturbed to note that some hydro-electric projects took as much as 26 years for completion. Doyang (NEEPCO) project in Nagaland was completed in 17

years. Rangit-III (NHPC) and Ranganadi (NEEPCO) were completed in 10 and 16 years respectively. Further, the commissioning of hydro-electric projects in the State sector indicates that in the Northern sector these were completed in 11 to 18 years. In Western region, Rajghat in Madhya Pradesh was completed in 8 years whereas Kadana PSS in Gujarat was commissioned in 26 years. Similarly, both Kadana hydro-electric project in Kerala and upper Indravati project in Orissa were completed in 23 years. The only project commissioned by the private sector during the 9th Plan was Malana (2x43 MW) in Himachal Pradesh and this project was completed in 3 years of time. Although the Government have stated that steps have been taken like regular review meetings, arrangements of necessary resources, regular visits to power plant site to ensure the achievement of capacity addition targets set-forth in 10th Plan, the Committee failed to understand whether these often stated steps were not undertaken while achieving 9th Plan generation targets. The Committee, therefore, cannot but deplore the Government's casual approach to achieve future target of power generation and recommend that the delay in implementation of both thermal and hydel projects be investigated by comparing delayed projects with such projects who have been completed in a short span. The Com+mittee would await the report of the Committee investigating such delays and desire that the Government should take necessary steps on the findings so that future thermal and hydel units are completed as per the initial targets set for them. It would be seen from the details of the additions made during 9th Plan that major shortfalls have been reported in Central Sector and private sector. The State sector has been able to achieve its targets to a large extent. But it appears that while fixing the targets for 10th Plan, these facts have not been kept in mind. The target fixed for the Central Sector is 22832 MW whereas, its achievement during 9th Plan had been only 4504 MW. The Committee desire that realistic targets should be fixed in future for Plan periods taking into consideration all such factors.

Taking note of the fact that an investment of Rs. 8,00,000 crore is needed in the next 2 Plan periods for a capacity addition of 1,00,000 MW in the country the Committee would like to know the present status of the resources mobilized during the first year of 10th Plan against the total 10th Plan outlays for the capacity addition. The Committee have also observed that against the target of 41,110 MW capacity addition during 10th Plan, 48% of this i.e. 19846 MW is already under execution. Further, against the targeted hydro-electric capacity addition of 14393 MW during 10th Plan, 10630 MW is already under execution. Considering the slippages of both thermal and hydel plants from 9th Plan to 10th Plan, the Committee desire the Government/implementing agencies to start all the projects targeted for 10th Plan in the right earnest so that they are not slipped to the 11th Plan. In this regard, the Committee recommend that an action plan be formulated to implement all the projects targeted for the 10th and 11th Plans and the Committee be apprised of the same.

The Committee are concerned to note that Dhabol Power Project in which huge investment was made by Indian Financial Institutions, is not generating electricity and lying idle. The Committee desire that Government should take

concrete result-oriented steps to revtilise the power stations, so as to make the project viable, thereby augmenting capacity addition during 10th Plan period. According to DPC Phase-I should be restarted and Phase-II be operationalize at the earliest.

The Committee note that the present power system is suffering from instability and unreliability impermissible frequency variation and low voltage conditions causing poor quality and uncertainty of supply of electricity. The frequency variation being experienced in recent times are beyond technically permissible range and are due to improper hydel:thermal mix in the power system. As against a minimum hydro share of 40% in the system, the contribution of hydro at present is only at 25% having a declined from 1960. Strangely, the trend of power development tend to indicate that there is going to be a further decline in hydro share in times ahead for tending further deterioration in the quality of power supply. For instance, during the 10th and 11th Plans the ratio of hydel:thermal mix would be 35:65 and 31:69, respectively. In order to improve the quality of power supplied by maintaining system parameters within permissible limits, there is an imperative need to increase the hydro share in the system to the maximum possible extent by accelerating hydro development and augmenting hydro capacity. The Committee find that as per Mega Power Policy, hydel projects with capacity of more than 500MW, are eligible to avail benefits of taxes, such as custom free import of capital equipments, income tax holidays for 10 years, exemption from sales tax and local levies, etc. In order to promote hydel power, so as to attain 40:60 hydel thermal mix, the Committee recommend that the Government should revise downwardly the ceiling of a hydel project, attracting such benefits. Any hydel projects with a capacity of 100MW and above should be made eligible to avail the benefits under Mega Power Policy. The Committee therefore, recommend that Government should review Mega Power Policy, accordingly so that hydel projects with capacity of 100 MW or above are covered under this Policy.

C. ENERGY CONSERVATION IN THE COUNTRY

Considering the vast potential of substantial energy savings and benefits of energy efficiency, the Government of India has enacted the Energy Conservation Act, 2001 (52 of 2001). The Act provides for the legal framework, institutional arrangement and proper regulatory mechanism at the Central and State level to embark upon energy efficiency drive in the country. All the provisions of the Energy Conservation Act, 2001 except those relating to establishment of Appellate Tribunal have come into force with effect from 1st March, 2002. The Act provides for legal framework, institutional arrangement and proper regulatory mechanism at the Central and State level to embark upon energy efficiency drive in the country.

The Ministry of Power have informed the Committee that the Bureau of Energy Efficiency (BEE) has been established by merger of the Energy Management Centre with effect from 1.3.2002 to promote energy efficiency and its conservation in the country. The Governing Council of the BEE has been established and notified in the Gazette of

India on 26.04.2002. The BEE is the central nodal agency for promoting energy efficiency and its conservation and implement the various provisions of the Energy Conservation Act, 2001 in the country. The Action Plan for the BEE has been released by the Prime Minister on 23rd August, 2002 while inaugurating the International Conference on Strategies for Energy Conservation in the New Millennium in New Delhi. The Action Plan includes the following thrust areas:

- Indian Industry Programme for Energy Conservation (IIPEC)
- Demand Side Management (DSM)
- Standards & Labelling Programme
- Energy Efficiency in Buildings and Establishments
- Energy Conservation Building Codes
- Professional Certification and Accreditation
- Formulation of Manuals and Codes
- Energy Efficiency Policy Research Programme
- School Education
- Delivery Mechanism for Energy Efficiency Services

Under the Major Head 2801 the plan budget allocations for the Bureau of Energy Efficiency (BEE) during 2002-03 were Rs. 50.00 crore. They were revised to Rs. 51.21 crore during the year. However, there are no budgetary support for the Bureau of Energy Efficiency during 2003-04.

An Action Plan for 30% energy savings in Government buildings and 20% in private buildings is targeted to be achieved over the next 5 years. A Steering Committee has been constituted to draw up a road map for promotion of energy efficiency in selected Government Buildings through enforcement of performance guarantee contract mechanism. The Ministry of Power have informed that the Energy Service Companies (ESCOs) would be selected through a competitive bidding process which will make investment and recover the same through return on guaranteed performance of energy savings. The BEE have formed a consortia after inviting expression of interest from various parties. The Consortia would be doing the energy audit for the identified Government buildings. The Energy Audit Report would be thoroughly analysed by a group of senior managers from the reputed organizations like National Productivity Council (NPC), Tata Energy Research Institute (TERI) and Tata Honeywell for providing the best solution to achieve high order of energy saving. The programme will be expanded gradually to cover major Government and private buildings and establishments.

The following energy saving potential has been estimated by the end of 5 years (by the 2006-2007) through the programmes and activities of BEE as per details given below:-

(i) 3320 MW avoided capacity addition

(a)	Standard and Labeling	1960 MW
(b)	Designated Consumer through	

	Implementation of IIPEC	1200 MW
(c)	DSM	160 MW

(ii) 9 million tones of oil equivalent per year in thermal areas.

The anticipated monetary benefits from above energy saving potential are assessed to be Rs. 19,500 crore.

The Committee have further been informed that the Ministry of Power through the National Energy Conservation Award Scheme have motivated the industrial units in the country to implement various energy Conservation projects in their plants. This has proved a great success considering the fact that during the last 4 years schemes (i.e., in 1999, 2000, 2001 & 2002), the industrial units have collectively saved 1855 million KWh of electrical energy, equivalent to the energy generated from a 357 MW thermal power station operation at a PLF of 60%. The participating units have also saved 6.8 lakhs kiloliters of furnace oil, 14.98 lakhs metric tones of coal and 42668 lakhs cubic meter of gas per annum. In the monetary terms, these units have been able to save Rs. 1752.0 crore per annum with an average payback period of 20 months.

The Committee are happy to note that during the last 4 years of National Energy Conservation Award Scheme (i.e., in 1999, 2000, 2001 & 2002), the industrial units have collectively saved 1855 million KWh of electrical energy, equivalent to the energy generated from a 357 MW thermal power station operation at a PLF of 60%. The participating units have also saved 6.8 lakhs kiloliters of furnace oil, 14.98 lakhs metric tones of coal and 42668 lakhs cubic meter of gas per annum. In the monetary terms, these units have been able to save Rs. 1752.0 crore per annum with an average payback period of 20 months. Although the Committee are satisfied to note the ambitious plans for energy saving by the end of 10th Plan i.e. by 2006-07 whereby, the anticipated monetary benefits assessed are to the tune of Rs. 19,500.00 crore. The Committee are unable to understand the reasons as to why no budget allocation for the Bureau of Energy Efficiency during 2003-04 has been made against Rs. 51.21 crore at the RE stage during 2002-03. Taking note of the Action Plan for energy conservation including thrust areas like Indian Industry Programme for Energy Conservation (IIPEC), Demand Side Management (DSM), Standards & Labelling Programme, energy efficiency in buildings and establishments, energy conservation building codes, professional certification and accreditation, formulation of manuals and codes, energy efficiency policy research programme, school education and delivery mechanism for energy efficiency services, the Committee expect that more budgetary support should have been given to BEE to achieve the various thrust areas of the Action Plan for energy conservation during 2003-04. The Committee would also like to know the details of the mechanism by which the Bureau of Energy Efficiency select Energy Service Companies who are willing to invest and recover the same through return as guaranteed performance of energy savings and desire that the selection procedure should be made transparent. The Committee feel that there is a greater need to bring about public awareness regarding energy efficiency measures of the Governments which would be mandatory for the public after four years time.

D. RURAL ELECTRIFICATION PROGRAMME

Electrification is one of the main infrastructure requirements for agricultural and employment generation in rural areas. Intensive programmes for electrification of villages undertaken particularly during the last three decades have resulted in the electrification of more than 5.09 lakhs villages. According to the statistics compiled by Central Electricity Authority (CEA), the status of villages electrification as on 30thSeptember, 2002 is as follows :-

Total number of villages according to 1991 census	-	5,87,258
Number of villages electrified	-	5,09,620
% of electrified villages	-	87
balance feasible villages to be electrified	-	77,142

The Committee observe that although according to CEA, a balance of 77,142 feasible villages still remain to be electrified, Bihar, Jharkand and U.P.have reported some villages which have to be rehabilitated. 10 States have achieved 100% village electrification, i.e., Andhra Pradesh, Goa, Haryana, Kerala, Punjab, Tamil Nadu, Maharashtra, Gujarat, Sikkim and Nagaland. 6 States are about to complete village electrification,i.e.,Mizoram, Karnataka, Himachal Pradesh, J&K, Tripura & Manipur. The Ministry of Power have stated that village electrification during previous Plan period was not satisfactory as only 6542 villages were electrified during last 4 years. Further, 13608 village electrification committed by States during current year i.e. 2002-03, only about 5000 villages are likely to be electrified.

Rural Electric-Supply Technology Mission

The objective of Rural Electric-Supply Technology Mission (REST) is to identify such technologies, interact with R&D institutions, manufacturers, entrepreneurs, other stake holders so as to provide quality power at reasonable rates to the villages in India.It is necessary that innovative technological solution are identified for the purpose. A provision of Rs. 5.00 crore has been made for this programme during 2003-04.

In order to improve the quality of life of rural population, living below poverty line including Harijans and Adivasi families, Central Government launched the Kutir Jyoti scheme in 1989 for extending single point light connection to the households of the poor section of the society. During 2001-02, 75599 connections were released up to September, 2001 Budget Estimate for 2003-04 of Kutir Jyoti Programme is Rs. 100.00 crore.

An important component of rural electrification is the energization of the agricultural pump sets. Over the years, demand for power in the agricultural sector has been rising steadily and today it constitutes nearly 30% of the overall demand for power. The statistics relating to pump sets energization as on 30.9.2002 are as follows :-

Total potential	-	19.594 million
Pump sets energization		
As on 30.9.2002 is	-	13.326 million

In order to ensure that the remaining villages are electrified expeditiously, the Ministry of Power informed that in a Conference of the Chief Ministers held in March 2002, it was resolved that village electrification may be completed by the end of the 10th Plan i.e., by 2007 and full coverage of all household by the end of the 11th Plan i.e. by 2012. To achieve these objectives, the Ministry of Power have stated that village electrification is now treated as a Basic Minimum Service under the Pradhan Mantri Gramodaya Yojana (PMGY) from the year 2001-02. PMGY, at present is being administered by the Planning Commission. According to the guidelines issued by the Planning Commission, the States have flexibility to decide their inter se allocation of Additional Central Assistance (ACA) among the six PMGY sectors, including rural electrification as per their own plan priorities and discretion. For the year 2001-02, an allocation of Rs.421 crore were released to the States. During 2002-03, a sum of Rs.360 crore has been allocated for rural electrification, Ist insalment equivalent to 50% has already been released to the states by the Ministry of Finance. Funds for investment in rural electrification are also available from out of Rural Infrastructure Development Fund (RIDF) operated by NABARD. However, States where the backlog of village electrification exists have not drawn funds from NABARD. Funds support by way of loan assistance for intensive village electrification, hamlets and dalit bastis can also be availed from Rural Electrification Corporation (REC).

About other schemes for rural electrification, the Committee observe that the Government of India in the Budget for 2002-03, have announced the introduction of a new subsidy scheme called Accelerated Rural Electrification Programme. The scheme is pending with the Group of Ministers for approval. With the interest Subsidy Scheme, States should be able to give the programme requisite momentum. This Scheme is expected to be continued in the year 2003-04 and subsequent years during the 10th Plan period. The Ministry of Power have informed that to facilitate investment in electrification of villages, the States may also seek MPs involvement and may explore the possibility of arranging funds under MPLAD for extending village electrification. It would therefore be seen that availability of funds is no longer a constraint in the task for completing electrification of all the villages by 2007.

Moreover, Under the AG&SP scheme recently approved by Government of India, REC (along with PFC) has also been included to provide the financial assistance under this scheme.

Under the new scheme, Rs. 500.00 crore annual allocation will be made with following provisions:-

(i) Loan assistance at 3% for villages and hamlets electrification.

(ii) Loan assistance at 1% for tribal and dalit bastis electrification.

(iii) To waive off interest on timely project implementation.

The Committee are perturbed to note that although according to the Central Electricity Authority, 77142 feasible villages still remain to be electrified, only 6542 villages have been electrified during the last 4 years. Further, the States failed to attain committed village electrification during 2002-03 as against the target of 13608 villages, about 500 villages are likely to be electrified. The Committee are dismayed to note the dismal performance of States in achieving the desired targets of village electrification during 2002-03. The Committee note that the village electrification is now treated as a Basic Minimum Service under the Pradhan Mantri Gramodya Yojana (PMGY) from the year 2001-02 and funds are also made available to Rural Electrification Programme under it by the Planning Commission. Funds for rural electrification programme are also made available to States out of Rural Infrastructure Development Programme Fund (RIDF) by NABRAD and the Rural Electrification Corporation (REC). The Committee observe that funds will also be made available for Rural Electrification Scheme through the Accelerated Rural Electrification Programme (AREP) which is pending approval of the Group of Ministers, etc. the Committee is however surprised at the time taken in clearance of this scheme which has been announced by the Government during the budget for the year 2002-03. The Committee desire its implementation without any further delay. With this, the Committee feel that fund is no longer a constraint in the task for completing electrification of all the villages by 2007. However, taking note of dismal performance of the State Governments in achieving village electrification targets, the Committee recommend the Government to take desired steps so that States having backlog of un-electrified villages should draw up an action plan to complete the village electrification by 2007 and get it expedited. The Committee would also like to know the steps taken to electrify such villages who due to one or other reasons have been de-electrified.

In order to improve the quality of life of rural population, living below poverty line including Harijans and Adivasi families, the Committee find that the Central Government launched the Kutir Jyoti scheme in 1989 for extending single point light connection to the households of the poor section of the society. During 2001-02, 75599 connections were released up to September, 2001. The Budget Estimates 2003-04 for Kutir Jyoti Programme are Rs. 100.00 crore. The Committee observe that neither the Performance Budget 2003-04 nor the Annual Report 2002-03 of the Ministry of Power provide any information on this important programme of rural electrification for which Rs. 100.00 crore have been budgeted for the year 2003-04. The Committee would, therefore, desire the Government to ensure that appraisal of such important schemes should be a regular feature in the Performance Budget of the Ministry in future. At the same time, the Committee would like to be apprised of the targets and achievements for the scheme during the last 3 years.

The Committee also find that against the total potential of 19.594 million of pump sets energization as on 30.9.2002 13.326 million pump sets have been energized. The achievement during 2002-03 (up to September, 2002) for pump set energization are 184259. In view of the large number of villages remaining un-electrified and a vast number of pump sets energization against the available potential, the Committee desire that an action plan covering each State to complete hundred per cent electrification of villages by 2007

including pump set energization to the desired potential and that of the households by 2012 should be drawn up and the Committee be apprised of the same within 3 months.

E. POWER GRID CORPORATION OF INDIA LIMITED

The Internal and Extra Budgetary Resources of the Power Grid Corporation for the year 2002-03 was Rs. 3312.00 crore which was revised to Rs. 2577.00 crore at RE stage. The IEBR component of Power Grid is Rs. 2670.00 for investments in transmission projects duing 2003-04.

Asked about the reasons for decline in the total plan outlay of POWERGRID at revised stage for 2002-03 as compared to budget estimate stage, the Committee have been informed as under:-

"Power Grid propose to invest Rs. 3352.00 crore at the BE stage during 2002-03. However, the investment plan was reduced to Rs. 2687.00 crore at the RE stage mainly due to the following reasons:-

(a) Delay in investment approval from the Government of India like Telecom, Rihand-II, Sipat, Tala-Dulhasti combined, Ramagundam-III, etc. For Rihand-II against BE of Rs. 143.00 crore the RE were Rs. 64.00 crore. The Ministry of Power have informed the Committee that the Ministry of Finance was not agreeing to convene the PIB meeting and had desired that BPTA agreement with constituents be entered into. The meeting was held on 29.7.2002 even though the PIB note was circulated on 21.1.20001.

(b) Sasaram HVDC back to back_II Scheme is not forthcoming as CEA has not agreed to tecno-economic clearance.

(c) Expenditure advance in earlier years.

(d) System improvement for BSEB is now being executed as deposit work against the Government of India grant to Bihar instead of being a bilateral scheme.

(e) Progress hampered due to law and order and land acquisition problems.

(f) About the ongoing schemes for Dulhasti Combined Project against the BE of Rs. 108.00 crore the RE during the 2002-03 were Rs. 19 crore. Similarly, for Ramagundam-III, RE were Rs.74.00 crore against the original estimates of Rs. 123.00 crore during the 2002-03. Further the Talcher-II project was commissioned ahead of schedule. Rs. 247.00 crore has been provided for refund of deemed export benefit to the Government of India due to non-availability of the World Bank loan. The Committee have been further apprised that Talcher-II project was completed ahead of schedule by 9 month and a total saving of Rs. 700.00 crore was made as per the original outlays approved by the Government of India for the period.

Asked about the physical and financial targets of Power Grid Corporation of India Limited in Telecom Sector, the Committee have been informed as under:

"The Delhi - Mumbai Telecom link has been completed and commissioned as per schedule. Award of various packages for Telecom Base Network could not be placed as approval of the competent authority is awaited. Hence, release of advance and payment towards supply and erection could not take place.

The outlay for telecom sector during 2002-03 was as follows:

(i)	BE for 2002-03	Rs 266.56 Crores
(ii)	RE for 2002-03	Rs 128 Crores
(iii)	Amount spent upto Feb' 2003 (i.e. April '02 to Feb' 03)	Rs 53 Crores

Asked about the commissioning of various transmission lines as targeted during 9th Plan period, and the steps taken by the Government/Power Grid Corporation of India Limited to ensure that 10th Plan targets are achieved, the Committee have been informed by the Ministry of Power in a note as under: -

"The year-wise targets and the achievements during 9th Plan period in respect of the Transmission Works of 220 kV and above voltage level are as under:-

Table

The emergence of 800 kV voltage level in the Indian power system was an important milestone during this plan period as 1160CKM of 800 kV lines were constructed, though these would be operated presently at 400 kV level. The consolidation of 500 kV HVDC lines along with HVDC converter terminals was another achievement.

Besides, the above 1500 MW HVDC B/B substations at Chanderapur (1000 MW) and Gazuwaka (500 MW) were also added to facilitate the regulated transfer of power between the regions.

About the reasons for shortfall in achievement of targets during 9th Plan, the Committee observe that in spite of the fact that the programme envisaged during various years of the 9th Plan period have been met, yet there still remained some inadequacies/missing links/ bottlenecks at the end of 9th Plan from the planning perspective and thus affecting the stability of the power system network. According to the Ministry of Power, the main causes for the non-attainment of transmission works as envisaged at the beginning of 9th Plan are as follows:-

1. Delay in the commissioning of the generating projects.
2. Setback to the transmission programme due to imposition of sanctions by the foreign financial institutions after Pokharan Nuclear Test.
3. Delay in sanctioning of funds by foreign financial institutions.
4. Availability of funds with the utilities
5. Contractual, law and order problems and courts cases.
6. Delay in forest clearance.
7. Dropping of transmission works by the utilities on account of non-development of the load in the area/region.

To ensure that the 10th Plan targets of transmission capacity addition are achieved, the Ministry of Power have stated that all the schemes are being vigorously monitered in CEA. The Engineers of CEA regularly visit the project sites, review the status of the progress with the site Engineers and assist them in resolving the problems faced by them in implementation of the schemes.

The Committee are unhappy to note the reduced revised outlays of Power Grid Corporation of India Limited of Rs. 2577.00 crore during 2002-03 due to delayed investment approval from the Government for projects such as Telecom, Rihand-II, Sipat, Dulhasti, Ramagundam-III, etc. Although during examination of Demands for Grants (2002-03) of the Ministry of Power, the Government have reported similar reasons for not expending the IEBR for the year 2001-02, the Committee fail to understand why the outlays and projects are allowed to languish year after year. The Committee are dismayed to note that during 2002-03 for Rihand-II against BE of Rs. 143.00 crore the RE were Rs. 64.00 crore as the Ministry of Finance was not agreeing to convene PIB meeting. Further, Sasaram HVDC back to back-II scheme is not forthcoming as CEA has not agreed to techno-economic clearance. The Committee find that the achievement of Power Grid Corporation of India Limited for implementing transmission projects is far from satisfactory and hope that IEBR targets set for the year 2003-04 shall be fully mobilized and utilised. The Committee will like to be apprised of the action taken by the Government to ensure the same.

The Committee find that over ambitious targets for telecom sector were proposed by Power Grid. During 2002-03, the total allocation for the telecom sector was Rs. 266.56 crore which was reduced at RE stage to Rs. 128 crore and only Rs. 53 crore have been utilized so far. The contention of the Power Grid that award of various packages for Telecom Base Network could not be placed as approval of the competent authority is awaited, indicate the lack of project, planning, formulation and implementation on the part of Power Grid. It is in this context, the Committee would like to remind that the Power Grid was permitted to undertake telecom business with a stipulation that the excess revenue generated through this(telecom business) would be ploughed back in power sector, so that the delivered cost of power to the consumers is reduced. The present progress of Power Grid does not speak well of this organization. The Committee, therefore, desire that only achievable targets should be set forth so that the scarce resources are made available for other sectors of the economy.

The Committee appraised of the progress of Power Grid Corporation during 9th Plan and found that as against target of 1333 CKM of transmission capacity addition of 800 KV lines, only 1160 CKM was achieved. Similarly, as against the target of 18090 CKM of transmission capacity addition of 220 KV lines, only 17393 CKM could be realized. As regards to substations, against a target of 56497, only 56147 MW/MVA could be met. The Committee further find that there still remains inadequacies/missing links/bottlenecks at the end of 9th Plan from planning perspective and thus affecting the stability of the power system network. The main causes for the non-attainment of transmission works as envisaged at the beginning of 9th Plan includes - delay in the commissioning of the generating projects, setback to the transmission programme due to imposition of sanctions by the foreign financial institutions after Pokhran Nuclear Test, delay in sanctioning of funds by foreign financial institutions, availability of funds with the utilities, contractual, ROW, law and order problems and court cases, delay in forest clearance, dropping of transmission works by the utilities on account of non-development of the load in the area/region. In this context, the Committee would like to recommend that Power Grid should enter into indemnity agreement with all generating stations so that it is compensated for any loss occurring on account of the delay in commissioning of generating projects. The Committee have also noted that some of the reasons outlined by the Power Grid are difficult but not insurmountable. The Committee, therefore, desire that Power Grid should take proactive steps to ensure that the projected plans are achieved completely and without any cost and time overruns.

The Committee are happy to note that Power Grid could commission projects like Jamshedpur-Rourkela, Talcher-II, Trans-System and Kollapur-Mapusa lines nine/ten months ahead of schedule. The Committee would like to be apprised of saving accrued, as a result thereof and recommend that engineers/technical officers responsible for such feat be appropriately rewarded. The Committee also recommend that the Government should introduce, a system of reward for completion of projects ahead of schedule, for all PSUs.

F. NATIONAL THERMAL POWER CORPORATION LIMITED

The Budget Estimate 2002-03 of the National Thermal Power Corporation Limited at Rs. 3506.00 crore includes Net Budgetary Support (NBS) of Rs.167.63 crore kept for three new projects (Sipat-I - Rs.46.63 crore, Kahalgaon-II - Rs.50.00 Crore and Barh - Rs.71.00 crore). At RE Stage, the outlay was reduced to Rs.2712 crore. The Committee have been informed that the reduction in the outlay is only on account of shifting of provisions earmarked for Sipat-I, Barh and Kahalgaon-II. Bids for Sipat and Barh were scheduled to be opened in July/August, 2002 respectively. Opening of the Bids had to be postponed as BHEL was not able to finalize the collaboration arrangements, particularly in case of Boiler where their Collaborator went into liquidation. CEA had stipulated Techno-Economic Clearance (TEC) to ensure participation of indigenous manufacturers in bidding. BHEL has not yet been able to finalize their Collaborator for the Boiler. As regards Kahalgaon St-II, Unit configuration has been changed to 500 MW from 660 MW and bids are being opened in end of March 2003. The outlay for these projects have been shifted to BE 2003-04. Accordingly, the requirement of NBS of Rs.167.63 crore was reported to be not required in 2002-03.

The Committee have been further informed that the approved BE 2001-02 of Rs.3006.00 crore was revised to Rs.2880.00 crore at Revised Estimate stage. As against this the actual expenditure has been Rs.3009.29 crore. The Actual Expenditure up to December 2002 is Rs.1856.74 crore as against the phased RE 2002-03 target up to December 2002 of Rs.1510.54 Crore. Thus there is no shortfall. The expenditure upto February 2003 is Rs.2374 crore and the RE 2002-03 target of Rs.2712.00 crore are likely to be achieved.

The Budget Eestiamte 2003-04 of NTPC are Rs.4501 crore as compared to Revised Estimate of Rs.2712 crore during 2002-03, considering the milestones of various projects likely to be achieved, physical progress and the contractual terms of payment of various awarded contracts of On-going schemes, R&M schemes and the New schemes likely to be taken up during the year.

The year-wise targets and actual power generation of NTPC are as under:-

(Figures in MUs)

	GENERATION			
Year	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003 (April-February)**
MOU Target	107000	114000	121000	123813
Actual	118677	130154	133190	128418

Outstanding Dues of NTPC

The outstanding dues of NTPC against various power utilities for the last 3 years i.e. as on 31.03.2000, 31.03.2001,31.03.2002 and 31.01.2003 are Rs. 16063.49 crore

(Principal, Rs. 9800.65 crore and surcharge Rs. 6262.84 crore), Rs. 22997.25 crore (Principal, Rs. 14242.03 crore and surcharge 8755.22 crore) and Rs. 26084.60 crore (Principal, Rs. 16290.58 crore and surcharge Rs. 9794.02 crore) respectively.

Asked about the steps NTPC have taken to recover arrears from power utilities as well as the State Electricity Boards/Electricity Departments, the Committee have been informed of the following steps:

(i) Implementation of One-Time Settlement Scheme

Pursuant to the decisions taken in Chief Ministers Conference on 3.3.2001, the Government of India had constituted an Expert Group under the Chairmanship of Member, Planning Commission to suggest a scheme for one-time settlement of dues payable by SEBs to CPSUs and also the steps required to ensure full payment of current dues in future. The scheme for One-Time Settlement of Dues payable by State Electricity Boards/State power utilities to the central public sector undertakings as per the recommendations of Ahluwalia Committee and endorsed by High Level Empowered Group was approved by the Cabinet Committee on Economic Affairs on 23.3.2002. The Scheme was implemented by Government of India on 17.4.2002. The approved scheme along with Tripartite Agreement was forwarded by Ministry of Power on 20.5.2002 to all the state Governments & Union Territory Administrations.

The scheme provides for securtisation of dues (after 60% waival of surcharge) against energy supplied upto 30.9.2001 in the form of 15 years 8.5% tax-free bonds to be issued by the State Govts. to CPSUs. For ensuring full payment of current dues, the Scheme stipulates opening of letter of credit equivalent to 105% of the average monthly billing of proceeding 12 months with six monthly adjustments. In case the dues remain unpaid for more than 90 days, such outstanding dues would be recovered from the State's account maintained with RBI for which a Tripartite Agreement is required to be signed among the State Government, Government of India and RBI.

NTPC reported to be vigorously pursued with State Governments and SEBs for implementation of the Scheme. Efforts made by NTPC with support from the Ministry of Power resulted in a large number of State Governments supporting the scheme. So far 24 states have accepted the scheme namely Andhra Pradesh, West Bengal, Tamil Nadu, Gujarat, Kerala, Karnataka, Assam, Goa, Uttar Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, Punjab, Jammu & Kashmir, Nagaland, Uttaranchal, Orissa, Himachal Pradesh, Rajasthan, Bihar, Maharashtra, Jharkhand, Sikkim and Meghalaya have signed the Tripartite Agreement. Pursuant to above SEBS and Power utilities of above states have enhanced LC equal to 105% of average monthly billing for payment of monthly bills except J&K, Bihar and Sikkim. NTPC does not supply power to Nagaland and Meghalaya.

(ii) Other Steps Taken to reduce Outstanding:

(a) Intensive Follow up

The matter of outstanding dues and payment of current bills has been taken up by NTPC and Govt. of India at the level of Chief Minister, Minister of Power, Chief Secretary of State and Chairman of SEBs. Periodic meetings are arranged to find solutions to issues relating to payment of dues.

(b) Central Appropriation

The Government of India has from time to time been helping to bring dues within the covenant level of 2 months. The Govt. of India since 1987-88 has approved Central Appropriations out of Central Plan Assistance to States to help in recovery of outstanding dues of NTPC against various defaulting SEBs.

(c) Regulation of Power Supply

NTPC has also taken up regulation of power supplies where all efforts to persuade SEBs to liquidate dues have failed.

(d) Mutual Adjustments

Arrangements with SAIL and IISCO for settlement of outstanding dues owed by DVC to them through 'Round' adjustment.

(e) Bonds

NTPC has accepted bonds against outstanding dues of various SEBs.

(f) Takeovers

NTPC has taken over three power stations from SEBs of U.P and Orissa towards settlement of old outstanding dues. The details of thermal plants taken over by NTPC in the past are as under:

Name of Power Station	**Capacity MW**	**Date of take over**	**Taken over from**
Talcher Thermal Power Station	460 (4X60+2X110)	3.6.1995	Orissa
Unchahar Thermal Power Station	420 (2X210)	13.2.1992	Uttar Pradesh
Tanda Thermal Power Station	440 (4X110)	14.1.2000	Uttar Pradesh

NTPC would be willing to selectively take over some of existing thermal plants of SEBs in order to recover its outstanding dues.

(g) Long-Term Payment Safeguards

NTPC has provided special payment safeguards in the power purchase agreements being signed for its new projects. These include back up for the LCs by way of Escrow Arrangement, State Government Guarantee and Tripartite Agreement for direct payment out of State's RBI Account in case of default in payment.

(h) Direct Power

NTPC has been permitted by the Government of India for direct Power supply to Financially sound bulk consumers like Railways.

The Committee observe that the Budget Estimate 2002-03 of the National Thermal Power Corporation Limited at Rs. 3506.00 crore includes Net Budgetary Support (NBS) of Rs.167.63 crore which was kept for three new projects (Sipat-I - Rs.46.63 crore, Kahalgaon-II - Rs.50.00 crore and Barh - Rs.71.00 crore). At Revised Estimate stage, the outlay were reduced to Rs.2712 crore. The Committee have been informed that the reduction in the outlay is on account of shifting of provisions earmarked for Sipat-I, Barh and Kahalgaon-II and Bids for Sipat and Barh which were scheduled to be opened in July/August, 2002 respectively. The Committee further note that opening of bids for Sipat and Barh had to be postponed as BHEL was not able to finalize the collaboration arrangements, particularly in case of Boiler where their Collaborator went into liquidation. The Central Electricity Authority had stipulated Techno-Economic Clearance (TEC) to ensure participation of indigenous manufacturers in bidding. The Ministry of Power have further informed that BHEL has not yet been able to finalize their Collaborator for the Boiler. As regards Kahalgaon St-II, the Committee have been apprised that unit configuration has been changed to 500 MW from 660 MW and bids are being opened in end of March 2003. The Committee do not approve of such a lackadaisical attitude on part of NTPC in undertaking project planning and implementation. The Committee desire that NTPC should review their project planning, formulation and implementation mechanism to ensure that projects are executed, as per DPRs. At the same time, taking into consideration that indigenous manufacturers, BHEL has not yet finalized their collaborator for the Boiler and delay in opening of bids for Kahalgaon St-II, the Committee would like to know the steps taken by the Government/CEA/NTPC to ensure that the projects are not further delayed. Taking note of the enhanced outlay of Rs. 4501.00 crore during 2003-04 as compared to RE of Rs. 2712.00 crore for 2002-03, the Committee expect that the Government/NTPC have taken all necessary steps so that targets set for the year be fully accomplished and the funds fully utilised. The Committee would like to know the concrete steps taken by the Government/NTPC to achieve the targets.

The Committee are also unhappy to note that in spite of various steps the Government/NTPC have taken to recover the arrears from power utilities as well as the State Electricity Boards/Electricity Departments, the outstanding dues as on 31.1.2003 have increased to Rs. 26084.60 crore (Principal Rs. 16290.58 crore and surcharge Rs. 9794.02 crore) from Rs. 22997.28 crore (Principal Rs. 14242.03 crore and surcharge Rs. 8755.22 crore) on 31.3.2002 and Rs. 16063.49 crore (Principal Rs. 9800.65 crore and surcharge Rs. 6262.84 crore) as on 31.3.2000. The Committee observe that 24 State Governments have so far accepted the scheme which provides for securtisation of dues (after 60% waival of surcharge) against energy supplied upto 30.9.2001 in the form of 15 years 8.5% tax-free bonds to be issued by the State Govts. to CPSUs. For ensuring full payment of current dues, the Scheme stipulates opening of letter of credit equivalent to 105% of the average monthly billing of proceeding 12 months with six monthly adjustments. In case the dues remain unpaid for more than 90 days, such outstanding dues would be recovered from the State's account maintained with RBI for which a Tripartite Agreement is required to be signed among the State Government, Government of India and RBI. However, the resultant outcome is yet to be achieved. The Committee, therefore, recommend that besides the

tripartite agreement the Government should help NTPC by way of Central Appropriations out of Central Plan Assistance to States to help in recovery of outstanding dues of NTPC against various defaulting SEBs, regulation of power supplies, etc. The Committee also feel that takeover of power stations from SEBs is also a good step to recover the outstanding dues and would like to know the details of other power stations being selected and offered to NTPC against their outstandings dues. Taking note of the various steps taken so far by the Government/NTPC to recover the outstanding dues, the Committee would like to be apprised of the reasons for continuous increase in the outstanding dues including principal amount and the time by which all these dues are targeted to be neutralized.

The Committee appreciate the Government decision to securitize the dues of Power PSUs. At the same time. The Committee recommend that steps should be taken to recover the dues in a time bound manner. There is also a need to monitor the working of SEBs closely so that they generate enough resources for their on-going and future power projects.

JOINT VENTURE PROJECTS BY NATIONAL THERMAL POWER CORPORATION

Nabinagar Thermal Power Station was originally conceived by Bihar SEB in 1988-89 for an ultimate capacity of 1500 MW with World Bank Assistance. However, due to paucity of funds with the State Government, implementation of the project could not be taken up. Policy for development of Mega Power Projects having capacity of 1000 MW or more and for supply of power to more than one State, in private sector through competitive bidding route was announced by Ministry of Power, Government of India in November 1995. Nabinagar was identified for development as the first Mega Power Project (of 1000 MW capacity including development of associated coal mine) for implementation by private power developer (IPP) to be selected through competitive bidding. As the response continued to be poor even after extension, further bidding process was abandoned. Nabinagar project was not included in the list of Mega Power Projects circulated as per the revised Mega Power Policy of GOI approved in October/November 1998.

NTPC has entered into a Memorandum of Understanding (MOU) with the Ministry of Railways on 18/02/2002 with an intention to promote a joint venture company (JVC) with the aim of establishing and operating power projects to supply reliable power to Railways, to meet electric traction and non-traction power requirement of Railways on the basis of feasibility studies to be carried out. Total power requirement of Railways for traction and non-traction purposes is currently 2000 MW(Approx.).

To a query whether there is a proposal to set up an indigenous coal based power project of 1000 MW capacity in Joint Venture at Nabinagar, District Aurangabad, Bihar between National Thermal Power Corporation and Railways with the objective to meet the traction and non-traction requirement of power for Railways. The Committee have been informed in a note as under:-

"In a meeting between Hon'ble Minister of Railways and Hon'ble Minister of Power held on 2nd January, 2002, it was agreed that Railways could set up power plants in Joint Venture with NTPC to meet power requirement of Railways. Accordingly, a Memorandum of Understanding (MOU) was signed between Railways and NTPC on 18th February 2002. Nabinagar was one of the sites identified by NTPC and Railways to be examined in detail for the selection of site for the proposed power plant. In the meeting held between Hon'ble Ministers of Power and Railways on 7/2/2003, it was agreed that Nabinagar project (2x500 MW), a site near Ghirsindi village in Aurangabad district of Bihar, would be considered for development by as a Joint Venture between NTPC and Railways as a captive power plant to meet Railways traction and non-traction power requirement for benefits in XI Plan subject to Railways and NTPC getting Net Budgetary Support from GOI for contributing equity for this project and Investment approval by PIB/CCEA. NTPC vide letter dated 5.3.2003 requested the Ministry of Power, GOI's confirmation about the availability of NBS to cover equity contribution and debt portion relating to NTPC.

Meanwhile, Government of Bihar has been requested to confirm availability of land and water for the project and Coal Company (CCL) for necessary coal linkage. Further action on initiating site specific studies will be taken up after above confirmations."

The Committee have observed that Nabinagar Thermal Power Station was originally conceived by Bihar SEB in 1988-89 for an ultimate capacity of 1500 MW with World Bank Assistance. However, due to paucity of funds with the State Government, implementation of the project could not be taken up. Although, the Committee have earlier also recommended that Nabinagar which was identified for development as the first Mega Power Project (of 1000 MW capacity including development of associated coal mine) for implementation by private power developer (IPP) should be taken up for implementation during 9th /10th Plan periods, the Committee are optimistic that at least now, the project to be jointly undertaken by NTPC and the Ministry of Railways will see the light of the day. The Committee, however, would like to be apprised of the action taken by the Government on NTPC proposal to get budgetary support from the Government of India for contributing equity for this project and Investment approval by PIB/CCEA. The Committee recommend the Government to provide necessary budgetary support to the project and take all possible steps with the State Government of Bihar to expedite the start of the project at the earliest. The Committee would like to know the action taken by the Government in this regard.

G. DAMODAR VALLEY CORPORATION (DVC)

The Committee note that DVC has proposed to achieve targets of Rs. 1450.00 crore as IEBR for the year 2003-04 from the following:

(a) Internal resources : Rs. 202.21 crore
Taking into consideration the retained surplus from operations, general and other reserve, sinking fund which remain invested internally after repayment of market and other loans.
(b) By issuing Public Sector Bond: Rs. 400.00 crore
(c) Loan from financial institutions like PFC, banks, etc. : Rs. 405.33 crore
(d) Surplus credit and alternative channels of funding like pledging of bonds, etc. Rs. 442.46 crore.

There has been no capacity addtion since 1999-2000. The last capacity addition was for only Mejia TPS Unit No. 3, which was also commissioned in March, 1998.

Asked about for variation between Budget Estimate/Revised Estimate and actuals during the previous years, the Committee have been informed as under:-

"The scheme-wise break-up of outlay for BE/RE and actual for the period 2002-03 is given below :

Rs.in Lakhs

Sl.	**Schemes/Projects**	**BE**	**RE**	**Actual Expenditure**	**BE**
No.		**2002-03**	**2002-03**	**From 4/02 to 1/03**	**2003-04**
1.	Mejia TPS Extn. Unit # 4(1X210 MW)	21700.00	22500.00	6365.62	32000.00
2.	Mejia TPS Unit # 5 & 6 (2x250 MW)	5140.00	20017.00	16.85	30000.00
3.	Chandrapura TPS Unit # 7 & 8 (2x250 MW)	5140.00	20031.00	9.54	30000.00
4.	Bokaro Steel TPS Stage-I: Unit # 1 (1x 500 MW)	5140.00	3000.00	0.00	4400.00
5.	Durgapur Steel TPS Stage-I: Unit # 1(1x 500 MW)	5140.00	4000.00	0.00	6942.00
6.	Ramgarh TPS Stage-I: Unit # 1&2(2x500 MW)	1934.00	100.00	0.00	2000.00
7.	Kodarma TPS Stage-I: Unit # 1&2 (2x500 MW)	1934.00	1000.00	0.00	3000.00
8.	Maithon LB TPS Stage-I: Unit # 1&2 (2x500 MW) (to be implemented through MPL)	1934.00	1000.00	0.00	1000.00
9.	Equity contribution to MPL for Maithon RB TPS (4x250 MW)	10000.00	10000.00	556.48	10000.00
10.	Investigation/Feas. Studies/DPR etc. for New Projects	51.00	473.00	46.18	5.00

11.	Captive Coal Mining				1000.00
12.	Equity contribution to PTC		1000.00	600.00	0.00
13.	Refurbishment of Maithon Hydel	2826.00	2608.00	474.12	1174.00
14.	R & M Schemes	11934.00	2408.22	821.95	7603.56
15.	T & D Schemes	10700.00	8324.18	3250.75	15036.36
16.	Communication Schemes	493.00	571.09	23.00	737.52
17.	Pollution (Addl. ESPs at BTPS)		323.00	8.14	101.00
	TOTAL Outlay	84066.00	97355.49	12172.63	144999.44
	Outlay in Rs. Crores ~	**840.66**	**973.55**	**121.73**	**1450.00**

About the reasons for variation, the Ministry of power informed in a written note reply as reproduced below:-

Sl. No.	**Schemes/Projects**	**BE -vs-RE 2002-03**	**RE-vs-Actual 2002-03**
1.	Mejia TPS Extn. Unit # 4(1X210 MW)	**Increase in provision in RE was based on the Expenditure schedule furnished by the EPC Contractor i.e. BHEL**	The payments required by BHEL have been revised on the basis of sub-contractrs awarded to their sub vendors. As such there may be shortfall to some extent. Expenditure is expected to reach nearly 200 crs.
2.	Mejia TPS Unit # 5 & 6 (2x250 MW)	Enhanced provision kept in RE to cater the advance payments required on account of placement of order for main plant & equipment.	Advance payment likely to be in the range of 160 crs., if the EPC Contract is awarded by end March,'03.
3.	Chandrapura TPS Unit # 7 & 8 (2x250 MW)	Enhanced provision kept in RE to cater the advance payments required on account of place of order for main plant & equipment	For want of coal linkage, MOEF clearance, etc the EPC Contract may not be finalised in March'03. Hence the major provision may not be utilised.
4.	Bokaro Steel TPS Stage-I: Unit # 1 (1x 500 MW)	Provision in RE kept for acquisition of part of land only.	Delayed completion of formalities / clearances such as coal linkage, MOEF

			clearance, section 29 etc. required may result in under utilisation of the funds provided in RE
5.	Durgapur Steel TPS Stage-I: Unit # 1(1x 500 MW)	Provision in RE kept for acquisition of land only	Delayed completion of formalities / clearances required may result in under utilisation of the funds provided in RE
6.	Ramgarh TPS Stage-I: Unit # 1&2(2x500 MW)	Due to resistance by local people at the proposed site, only token amount of Rs.1 crore kept in RE.	Due to persistent resistance from local people in conduction of survey, the provision kept in RE may not be utilised.
7.	Kodarma TPS Stage-I: Unit # 1&2 (2x500 MW)	Provision in RE kept for acquisition of land only	Delayed completion of formalities / clearances required may result in under utilisation of the funds provided in RE.
8.	Maithon LB TPS Stage-I: Unit # 1&2 (2x500 MW)	Provision in RE kept for acquisition of land only	Delayed completion of formalities / clearances such as coal linkage, MOEF clearance, section 29, R&R etc.required may result in under utilisation of the funds provided in RE
9.	Investigation/Feas. Studies/DPR etc. for New Projects	During finalisation of BE(2002-03), orders for consultants were not awarded. The increased provision in RE is on the basis of actual orders placed on the consultants, M/s.MECON/M/s.DESEIN	Preparation of DPRs / obtaining statutory clearances & project appraisal thereafter has taken time resulting in shortfall.
10.	Equity contribution to MPL for Maithon RB TPS (4x250 MW)	Not applicable	Progress of the project has suffered because of non-availability of coal linkage and mining blocks. The amount provided may not be utilised. Amount to be spent will be limited to shared land acquisition cost only, because of the status of the project.
11.	Equity contribution to PTC	The proposal for equity participation of DVC in PTC came up only during 2002-03. Hence the provision of Rs.10 Crores was kept	Balance payment of 4 crores may be made by end March,03

		in RE.	
12.	Refurbishment of Maithon Hydel	Provision in RE had been kept as per actual order value	Due to deviation in supply and work of consortium from the projected schedule, the fund provided in RE, may not be fully utilised. However, work is expected to be completed by June 2003 i.e. before the next season.
13.	R & M Schemes	Finalisation of orders for consultancy in respect of RLA based R&M/LE programmes and commencement of work thereof took some time. Hence the provision has been reduced from Rs.119.34 crs. to 24.08 crores.	Due to time taken in RLA study and finalisation of Recommendation thereof, the amount provided in RE may not be fully utilised.
14.	T & D Schemes	Reduction in outlay was on account of delay in execution of certain schemes, delay in receipt of land and environmental clearance.	Delay in execution of certain schemes by certain contractors, receipt of land and environmental clearance.
15.	Communication Schemes	Increase in RE is due to addition of some new schemes and based on actual orders placed in respect of the schemes already finalised.	Delay in placement of orders of certain schemes.
16.	Pollution (Addl. ESPs at BTPS)	Completion of work, due to be completed in 2001-02, could not be completed due to slow progress of works by M/s. APBL. Hence the provision had been kept in RE for taking up of the major balance works	Due to continued slow progress of work by M/s. APBL, the amount kept in RE may not be fully utilised.

The Committee are unhappy to note the progress and achievements in Damodar Valley Corporation(DVC). There is no capacity addition since 1999-2000. The last capacity addition was Mejia TPS Unit-3 which was commissioned in March, 1998. The performance of thermal and hydel power units are far from satisfactory with PLF only 57% in thermal units. The Committee further note that the project planning and implementation of DVC lack firm commitment. For instance, the actual expenditure for Bokaro Steel TPS Stage-I(500 MW), Unit-I, Durgapur Steel TPS Stage-I(500 MW), Ramgad TPS(2 x 500MW), Kodarma TPS(2 x 500MW) and Maithon Left Bank TPS, Unit-I(2 x 500MW) was nil till January, 2003, in spite of adequate provisions made for the purpose during the year 2002-03.

Similarly, there is a mismatch between revised project estimates and actual expenditure in schemes like Mejia, Chandrapur, R&M and T&D schemes, etc. The Committee have taken note of reasons adduced by DVC on each of such schemes. The Committee do not approve of casual manner in which projects are executed. The Committee recommend that DVC should review their project planning and implementation mechanism so that the projects are commissioned as per schedule/DPRs.

H. MAITHON POWER PROJECT

The 1,000 MW Maithon power project, promoted by BSES and Damodar Valley Corporation (DVC) has reported to be following a tiff between the promoters and Coal India Limited over the agreement on coal supply. The project has been incorporated as a joint venture between BSES and Damodar Valley Corporation, with each holding a 45 per cent stake, while the balance 10 per cent will be picked up by financial institutions. Coal India Limited is reported to be neither entering into a fuel supply agreement with Maithon Power, nor allowing the project to go ahead with setting up a captive coal mine. Talks between the two sides reported to have broken down on coal supply following various disagreements. According to a press report the validity of the present bids would expire soon and would have to be extended.

Asked about the main hurdles in Fuel Supply Agreement between the promoters and CIL and the present status of the Fuel Supply Agreements or awarding of captive mine blocks to the promoters of Maithon Power Project, the Ministry of Power informed the Committee in a written note as under:

"Long Term Coal Supply Linkage for 1000 MW Maithon Right Bank Power Station which was initially granted by the Standing Linkage Committee in 1997 for supply of 3.9 mtpa, was subsequently revised to 4.864 mtpa, vide Ministry of Coal Letter Ref. No.47011/11/96/CPA dtd. 31st August 1999.

CMD, Bharat Coking Coal Limited (BCCL) confirmed allocation of coal from the following coalmines, which was later reconfirmed in the Coal Linkage Committee Meeting, dated 30th April,2002 and it was decided that Fuel Supply Agreement (FSA) would be signed by September'02.

- Block – III (NC)
- Shalabeli
- Keshalpur – Expansion/Nichitpur
- Golukdih (NC)
- Dehibadi/Basantimata

However, on further follow-ups to conclude FSA, BCCL informed that the above-identified coal blocks were no longer available and hence the FSA cannot be signed.

Instead in August 2002, BCCL put up a proposal to supply coal from its Laikdih, Salanpur (A,B,C & D) mines."

According to the Ministry of Power, coal from these mines is not suitable for a reliable operation of the plant; primarily it's mixed with high quantity of Jhama having low volatility. Coal of this quality has not been used earlier. Also development schedule of these mine blocks are very long and does not match with the present Project Schedule. High cost of mining due to availability of coal at an average depth of more than 100 meter below ground level further makes these mines economically un-viable. Also, Coal India Ltd., is yet to confirm the coal source from where they would be supplying to meet the required quality of the coal.

As a parallel action to ensure a reliable supply of coal and also to keep end tariff lowest, possibilities of developing it's own captive mines by the promoters were also explored, and a formal request in this regard was forwarded to the Ministry of Coal through Ministry of Power in February 2002. Requests for the following coal mines/blocks was made for allotment among the list of various mines identified for captive uses:

- Kasta – East, Central, West
- Gourandin (D)
- Dahibari OCP and
- Basantimata OCP

However, the requisite clearance from the Department are reported to be still awaited. Also, the Screening Committee meeting is long pending for the above allocation.

The above project is scheduled to be commissioned in the 10th Five Year Plan, and has a direct bearing on the proposed Power Development Programme. Due to the above delays, Maithon got the offer validity date extended by the EPC Bidders till 31st July 2003. The project progress is also reported to be badly affected due to this.

The Committee note that Long Term Coal Supply Linkage for 1000 MW Maithon Right Bank Power Station was initially granted by the Standing Linkage Committee in 1997 for supply of 3.9 mtpa, was subsequently revised to 4.864 mtpa, vide Ministry of Coal Letter Ref. No.47011/11/96/CPA dtd. 31st August 1999. The Chairman and Managing Director, Bharat Coking Coal Limited (BCCL) confirmed allocation of coal from certain coalmines, which was later reconfirmed in the Coal Linkage Committee Meeting, dated 30th April, 2002 and it was decided that Fuel Supply Agreement (FSA) would be signed by September'02. However, the Committee are unhappy to note that on further follow-ups to conclude the Fuel Supply Agreement, BCCL informed that the above-identified coal blocks were no longer available and hence the FSA cannot be signed. Instead in August 2002, BCCL put up a proposal to supply coal from its other coal mines viz. Laikdih, Salanpur (A,B,C & D) mines. The Committee cannot but deplore the way the Ministry of Coal had not intervened in the matter and the linkage granted by Standing Linkage Committee in 1997 was subsequently annulled. The Committee feel that such action are unwarranted by

the coal companies which are monopolistically running the coal industry and recommend that the matter should have been brought to the notice of the Cabinet Committee on Economic Affairs of the Government by the Ministry of Power as it will discourage the Independent Power Producers for investing in power projects. At the same time, as the Maithon Power Project with a capacity of 1000 MW promoted jointly by BSES and the Damodar Valley Corporation is scheduled to be commissioned in the 10th Five Year Plan and has a direct bearing on the proposed Power Development Programme, the Committee strongly urge the Government to take necessary steps to ensure that either necessary Fuel Supply Agreement from the nearby coal source is concluded or a suitable mine block in the neighbouring area is immediately allotted to the promoters. The Committee would like to know the action taken by the Government in this regard.

I. MERGER OF POWER FINANCE CORPORATION (PFC) & RURAL ELECTRIFICATION CORPORATION (REC)

The Committee observe that PFC has a wide and comprehensive role for promoting least cost, technically sound, efficient and reliable power sector including generation, transmission and distribution systems, through its financial, technical and managerial services. PFC also has a role in guiding and encouraging balanced, economical and efficient growth of power sector by contributing to the power sector reforms, policy and regulatory framework.

The main objectives of PFC as specified in its Memorandum of Association are :

(a) To finance:
- Power generation projects, particularly thermal and hydro-electric projects;
- Power transmission and distribution works;
- Renovation and modernisation of power plants aimed at improving availability and performance of such plants;
- System improvement and energy conservation schemes;
- Survey and investigation of power projects;
- Maintenance and repair of capital equipment including facilities for repair of such equipment, training of engineers and operating and other personnel employed in generation, transmission and distribution of power;
- Studies, schemes, experiments and research activities associated with various aspects of technology in power development and supply in Power Sector;
- Promotion and development of other energy sources including alternate and renewable energy sources; and

(b) To promote, organise or carry on Consultancy Services in the related activities of PFC.

Further, the main objects for which the REC is established are:-

1. To finance rural electrification schemes in the country.
2. To subscribe to special rural electrification bonds that may be issued by the State
3. Electricity Boards on condition to be stipulated from time to time.

4. To promote and finance rural electricity co-operatives in the country.
5. To administer the moneys received from time to time from the Government of India and other sources as grants or otherwise for the purpose of financing rural electrification in the country in general.
6. To promote organise or carry on the business of consultancy services and/or project implementation in any field of activity in which it is engaged in India and abroad.
7. To finance and/or execute works on small/mini/micro generation projects, promotion and development of other energy sources and to provide financial assistance for leasing out or to directly lease out or otherwise the above sources of energy including small/mini/micro generation projects.
8. To finance survey and investigation of projects falling in the ambit of REC.
9. To promote, develop and finance viable decentralised power system organisation in cooperative, joint, private sector, panchayat and/ or local self bodies.

Recently, a decision has been taken to enlarge the scope of activities of REC with a view to financing power projects without any limitations imposed.

The Committee note that both Power Finance Corporation(PFC) and Rural Electrification Corporation(REC) are developmental financial institutions in power sector financing similar schemes i.e. generation, transmission and system improvement schemes, etc. The Committee further find that the scope of REC has been expanded to provide financial assistance for projects in generation and transmission both in rural and urban areas. Accelerated Generation and Supply Programme for funding RRM scheme is now will be routed through PFC and REC. The Committee are of the opinion that to the extent possible, no two public institutions, should discharge the similar function. The Committee, therefore, feel that there is a need to study a possibility of merging these two PSUs. The Committee recommend that the Government should commission a study to evaluate the working of PFC and REC so that appropriate action of their merger or otherwise may be taken by the Government. The Committee would like to be apprised of the outcome of such study.

J. NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED

The North Eastern Electric Power Corporation (NEEPCO) was registered as a company under the Companies Act, 1956 on 2nd April, 1976 with the objective to plan, promote, investigate, survey, design, construct, generate, operate and maintain power stations in the North-Eastern region of the country.

The performance of the generating stations with respect to the targets vis-à-vis the achievement during 2001-2002 and 2002-2003 are given below :

(Generation in Million Units)

Name of the Project		Installed Capacity (MW)	2001-2002		2002-2003	
			Target	Actual	Target	Actual upto Oct.'02
i)	Kopili HE Project, Assam.	250	900	723.00	900	858
ii)	Assam Gas Based Combined Cycle Power Project, Assam.	291	1400	1321.82	1425	451
iii)	Agartala Gas Turbine Power Project, Tripura.	84	450	554.00	575	305
iv)	Doyang HE Project, Nagaland.	75	150	142.00	175	89
v)	Ranganadi HE Project, Arunachal Pradesh	405	—	21.71	800	141
T O T A L		**1105**	**2900**	**2762.53**	**3875**	**1844**

The generation during the 2001-2002 was 2762.53 MU against MOU target of 2900 MU.

The Committee note that NEEPCO is presently executing the following projects in the North Eastern region :

1. Tuirial HE Project, Mizoram — 60 MW
2. Kopili HE Project – IInd Stage, Assam — 25 MW
3. Kameng HE Project, Arunachal Pradesh — 600 MW

New projects proposed to be taken up during X Plan :

1. Tuivai HE Project, Mizoram — 210 MW
2. Tripura Gas Based Power Project, Tripura. — 500 MW
3. Tipaimukh (Multipurpose) HE Project, Manipur — 1500 MW
4. Ranganadi HE Project – 2nd stage, Arunachal Pradesh — 130 MW
5. Lower Kopili HE Project, Assam — 150 MW

The plan allocation for the year 2001-02 at BE stage was Rs. 211.72 crore, which includes Rs. 125.00 crore as NBS and Rs. 86.72 crore as IEBR. Against this, the actual expenditure was Rs. 81.30 crore, the break-up of which is indicated as follows:-

Tuirial H.E. Project	-	Rs. 9.92 crore	(IEBR)
Kameng H.E. Project	-	Rs. 41.28 crore	(NBS)
Tripura Gas Based Project	-	Rs. 30.10 crore	(NBS)
T O T A L	**-**	**Rs. 81.30 crore**	

IEBR component for NEEPCO during BE 2002-03 was Rs. 175.28 crore. This was revised to Rs. 111.19 crore at RE stage. IEBR component for 2003-04 has been targeted at Rs. 198 crore without any budgetary support.

According to the Ministry of Power, during 2001-02 funds were not made available to NEEPCO due to availability of Spill-over balance of fund lying with NEEPCO and non-sanction of new projects. The projects were not sanctioned due to various reasons reported to be beyond the control of NEEPCO.

Against an allocation of Rs. 375.76 crore for the year 2002-03 at BE stage, a sum of Rs. 6.23 crore has been raised against IEBR upto December, 2002. However, actual expenditure made for the Projects from April, 2002 to December, 2002 was Rs. 40.70 crore from the balance of fund available against previous year. The total outlay for the year 2002-03 has been revised to Rs. 105.57 crore, which comprises of Rs. 82.37 crore as NBS and Rs. 23.20 crore as IEBR.

According to the Ministry of Power, the reasons for variation during 2002-03 are as under: -

(a) Tuirial Hydro Electric Project: Although all the remaining packages of this project have been awarded during the year 2002-03, the outlay had been reduced from Rs. 58.72 crore at BE stage to Rs. 20.00 crore during RE stage. This was mainly on account of delay in award of works, thereby slowing down the progress of work, resulting in non-utilisation of funds. Works of Tuirial H.E. Project have since picked up, and Package-I & Package-II works, i.e. Diversion Tunnel Works and Dam and Spillway Works are proceeding satisfactorily.

(b) Tripura Gas Based Combined Cycle Power Project: A provision of Rs. 116.56 crore was kept as IEBR during the year 2002-03 for the Tripura Gas Based Combined Cycle Power Project (500MW) keeping in view of the likely investment approval of the project during the current year. The investment approval to the project has been delayed due to the capacity of the project during 10^{th} Plan is being reworked in view of inadequate availability of gas. Accordingly, the revised DPR submitted by NEEPCO is under examination in Central Electricity Authority (CEA) for obtaining fresh Techno-Economic Clearance. Therefore, only a token provision of Rs. 3.20 crore has been kept in the RE 2002-03.

(c) Similarly, the NBS of Rs. 200.48 crore at the BE stage of 2002-03 reduced to Rs. 67.00 crore at the RE stage. Though works of Kopili H.E. Project-2^{nd} Stage Extn. (25MW) had picked up substantially during the year, necessitating enhancement of NBS for this project from Rs. 12.00 crore to Rs. 32.00 crore. Works on Tuivai H.E. Project, Tipaimukh HE (Multipurpose) Project, Tripura Gas Turbine Project, Lower Kopili H.E. Project and Ranganadi H.E. Project-Stage-II could not be taken up so far during the year, pending investment approval. Second stage

clearance of Ranganadi H.E. Project-Stage-II has since been received in February, 2003 and Stage-II works are scheduled to be taken up immediately. The infrastructure development works under Stage-II for the Kameng H.E. Project (600MW), Arunachal Pradesh are in progress and are proceeding satisfactorily. NEEPCO has proposed to this Ministry that CEA has approved cost estimate of Stage-II activities of Ranganadi HEP stage-II at a cost of Rs. 15.37 crore in February, 2003, Therefore, RE 2002-03 may be increased to Rs. 83.37 crore instead of Rs. 67.00 crore. The same is under consideration in the Ministry.

The Committee have desired to know the reasons for enhancing the plan outlay for the year 2003-04 as NEEPCO could not utilise the funds made available to them during the previous years. In this context, the Ministry of Power have informed the Committee as under:-

(i) The works of Tuirial H.E. Project for all the packages are planned to be executed in full swing so that substantial progress can be achieved during the year. An amount of Rs. 48.00 crore has been earmarked as IEBR for this project.

(ii) The Kopili H.E. Project-2nd Stage Extn. (25 MW) will be commissioned during the year. All works in this project are in advanced stage of completion and remaining amount of Rs. 21.49 crore has been kept as NBS for this project.

(iii) All works of Kameng H.E. Project towards infrastructure development and finalisation of tender specifications and drawings are scheduled to be completed within specified period, so that Stage-III clearance of the project can be obtained at the earliest and works can be taken up during the year. Accordingly, a provision of Rs. 70.00 crore has been kept during the year. Works have been geared up accordingly and, with the present pace of activities, it is expected that the main works will start during the year 2003-04.

(iv) Techno-Economic clearance of Tipaimukh HE (Multipurpose) Project is expected very shortly. The Government of India is according top most priority for start of this project within this year and it is expected that all statutory clearances will be obtained and investment approval to the project will also be obtained during the year. Accordingly a provision of Rs. 40.00 crore as NBS has been provided for this project for the year 2003-04 so that infrastructure development works can be taken up.

The Committee note that the plan allocation for the year 2001-02 at BE stage was Rs. 211.72 crore, which includes Rs. 125.00 crore as net budgetary support and Rs. 86.72 crore as IEBR. Against this, the actual expenditure was Rs. 81.30 crore. The Committee are constrained to note the continuous reduction of plan outlays for NEEPCO during previous years. The IEBR component for NEEPCO during BE 2002-03 was Rs. 175.28 crore. This was revised to Rs. 111.19 crore at RE stage. The Committee find that against an allocation of Rs. 375.76 crore for the year 2002-03 at

BE stage, a sum of Rs. 6.23 crore has been raised against IEBR up to December, 2002. However, actual expenditure made for the Projects from April, 2002 to December, 2002 was Rs. 40.70 crore from the balance of fund available against previous year. The total outlay for the year 2002-03 has been revised to Rs. 105.57 crore, which comprises of Rs. 82.37 crore as NBS and Rs. 23.20 crore as IEBR. The Committee cannot but deplore the way the outlay had been reduced from Rs. 58.72 crore at BE stage to Rs. 20.00 crore at RE stage for Tuirial Hydro-Electric Project on account of delay in award of works. At the same time, the Committee would like to know the present status of Package-I and Package-II works of the Tuirial project which are now reported to be proceeding satisfactorily. The Committee would like to know the steps taken to ensure that Rs. 48 crore earmarked as IEBR for this project during 2003-04 are achieved. The Committee would await similar information in regard to other on-going projects such as Kopili HE project and Kameng HE Project.

The Committee are further perturbed to note that works on Tuivai H.E. Project, Tipaimukh HE (Multipurpose) Project, Tripura Gas Turbine Project, Lower Kopili H.E. Project and Ranganadi H.E. Project-Stage-II could not be taken up so far during the year 2002-03, pending investment approval. The Committee desire the Government to ensure financial closure of the Tripura gas-based power project of 500 MW targeted to be commissioned during 10th Plan at the earliest. The Committee also recommend that besides investment approval for the project, the Government should also ensure required quantity and quality of gas for the project. The Committee are, however, are glad to note that Techno-Economic clearance of Tipaimukh HE (Multipurpose) Project is reported to be expected very shortly. The Government of India is according top most priority for start of this project within this year and it is expected that all statutory clearances will be obtained and investment approval to the project will also be obtained during the year. Accordingly, a provision of Rs. 40.00 crore as net budgetary support has been provided for this project for the year 2003-04 so that infrastructure development works can be taken up. In view of this, the Committee recommend the Government to take all necessary steps to ensure that work on Tipaimukh Dam should at least start during 2003-04 and the provision of Rs. 40.00 crore through NBS be fully expended.

The Committee note that in the event of loading of security expenditure, diversion of national highway, flood moderation scheme on the project cost, the Tipaimukh Hydel Project become unviable. If such costs are excluded from project cost this will bring down tariff by 87 paise per kilowatt. The Committee are of the view that no power project should be abandoned in North-East/J&K regions on the grounds of security. At the same time, the cost of security should not be loaded on project cost. Similarly, adequate provisions may be made in the budget of Department of North-Eastern region and Water Resources for funding flood moderation schemes. The Committee find that Ministry of Water Resources are operating a scheme for flood control in Brahmaputra and Barak valleys under

which grant is provided for undertaking works of flood control and moderation schemes. The Committee desire that funds should be provided in the budget for meeting expenditure on account of the flood moderation scheme on account of Tipaimukh hydel project. The Committee also desire that the Government should make appropriate fund in the budget of Ministry of Surface Transport for meeting expenditure for diversion of national highways occurring as a result of this project.

The Committee also urge the Government/NEEPCO to take all possible measures so that targeted IEBR/NBS for various projects viz. Tuirial HE, Kopili HE and Kameng HE be fully expended during 2003-04. The Committee would like to be apprised of the action taken in this regard.

K. CENTRAL POWER RESEARCH INSTITUTE

Section 10(23g) of income tax act: Section 10(23)G was inserted in the Income Tax Act 1961, by the Finance (No.2) Act, 1996, w.e.f. 1/4/1997. The Section entitles debt financiers of infrastructure projects tax exemptions on interest received. The intention of the section was to lower the cost of finance for infrastructure projects by enabling financing institutions to pass on the fiscal benefits to the project. As per the current provisions in the Act, any income by of way of dividends, interest or long-term capital gains of an infrastructure capital fund or an infrastructural capital company or a cooperative bank from investments made or after the 1st day of June 1998 by way of shares of long term finance in any enterprise or undertaking wholly engaged in the business of developing or maintaining and operative, or developing maintaining and operating of any infrastructure facility is exempt from tax. This Section, however, fell short of achieving its objectives because CBDT Circular (No. 780, issued 4-10-1999 F. No. 205/96/99-ITA-II GoI Ministry of Finance Dept. of Revenue (CBDT) clarified that the benefits under this section is available only on 'net' basis i.e. gross receipts less cost (which comprises all expenses incurred to earn the receipts), and that the term "income" refers to income as computed under the provisions of the IT Act. This was contrary to the intent of the Legislature while enacting this provision. It was further reinforced by introduction of section 14A by Finance Act, 2001.

Asked whether CPRI unlike ICAR, ICMR, CSIR, DRDO, Department of Electronics, Department of Atomic Energy, etc. is not eligible to attract funds for research and creation/ augmentation/ upgradation of testing facilities from Private & Public Sector undertakings and as such, CPRI, is not included in 2AA Section 35 of Income Tax Act, the Committee have been apprised by the Ministry of Power that at present, CPRI is not eligible to attract funds for research and creation/augmentation/upgradation of testing facilities from private and public sector undertakings as CPRI is not included in sub-section 2AA, Section 35 of Income Tax Act as a national laboratory.

This issue was also reported to be taken up with the Ministry of Finance during pre-budget discussions. However, the same has not been included in the Finance Bill, 2003.

In this Connection, Ministry of Finance have reported as under:-

> "Under the provisions of section 35(2AA) of the Income-tax Act, where the assessee pays any sum to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved in this behalf by the prescribed authority, then, deduction of 125% is allowed to the assessee. For the purposes of the said section, "National Laboratory" means a scientific laboratory functioning at the national level under the aegis of the Indian Council of Agricultural Research, the Indian Council of Medical Research, the Council of Scientific and Industrial Research, the Defence Research and Development Organisation, the Department of Electronics, the Department of Bio-Technology or the Department of Atomic Energy and which is approved as a National Laboratory by the prescribed authority in such manner as may be prescribed. The Central Power Research Institute is not covered under the definition of national Laboratory and, hence, is not eligible for the purposes of the said section".

The Committee find that the in terms of Income Tax Act(Section 35(2)(AA)), where an assessee pays any sum to a national laboratory or institute or a specified person with a specific direction that the such sum shall be used for scientific research undertaken a programme approved in this behalf prescribed by the authority an exemption of 125% is allowed to the assessee. National laboratory, are laboratories functioning under ICAR, ICMR, CSIR, DRDO, Department of Electronics, Department of Bio-Technology or Department of Atomic Energy and approved by the prescribed authority. The Committee are of the view that CPRI although is not a national laboratory but is a premiere R&D laboratory totally dedicated for power sector. The past performance of CPRI< is no less than any National Laboratory. The Committee, therefore, recommend that CPRI should be made eligible to attract funds for R&D/augmentation/upgradation of testing facilities from private and public sector undertakings. The Committee do not share the contention of the Ministry of Finance that since CPRI is not covered under the definition of national laboratory and hence ineligible. The Committee desire that Government should amend the relevant statute to ensure that CPRI also attract funds for R&D and other activities.

L. ACCELERATED POWER DEVELOPMENT & REFORM PROGRAMME

The Government of India provides 50% of the project assistance to the States, in the non-special category, in the form of additional Central Plan Assistance which has

components of grant and loan in equal ratio. Under the APDRP programme the remaining 50% of the project cost is to be arranged by the utilities undertaking the schemes under APDRP. For availing of assistance in such cases, the States have to enter into a Memorandum of Understanding (MOU) with the Central Government on the one hand and a Memorandum of Agreement (MOA) with the concerned private sector utilities on the other.

63 circles have been selected at present in the country (in many cases one circle is bigger than a district) which are being developed as " Centres of Excellence" for distribution reforms. The plan is to cover all the circles in a country in a phased manner. States have been asked to form District Level Committees for generation and distribution resource planning. A comprehensive technical manual on preparation of projects for improvement in distribution network has been brought out. States have to prepare detailed project reports for the identified circles, the progress of which is being closely monitored. In these 63 circles, efforts are on to supplement the efforts of the States for carrying out necessary improvements for which teams from certain central utilities are working in close coordination with the States. MOAs have been entered into with the States so that funds are released based on the performance of clearly specified and achievable milestones.

In the Chief Minister's Conference held in March 2001 under the chairmanship of the Hon'ble Prime Minister, there was unanimous consensus to depoliticize power sector reforms and speed up their implementation. For this purpose, an all-party consensus was considered necessary. There has been interaction with political parties, trade unions and leaders of opposition in the States. Efforts are being made to forge an all-party declaration on power sector reforms. During meetings with the Chief Ministers of Maharashtra, Andhra Pradesh, Karnataka, Delhi, Kerala, Uttar Pradesh, Tamil Nadu, Pondicherry, Jharkhand, Uttaranchal, Haryana, Punjab, Himachal Pradesh, Jammu Kashmir etc., a common understanding was reached that restructuring and reforms in the distribution sector is a must, with concomitant funding to improve the sub-transmission and distribution system.

In order to bring in more focused approach to address problems specific to States, the Government of India has been encouraging States to sign MOUs for undertaking reforms and restructuring in a time bound manner and linking the support of Government of India to achievement of pre-determined milestones. This is expected to provide the necessary impetus to the reform process. Twenty-five other States have also signed the MOUs and similar MOUs with most of the remaining States are at an advanced stage. The salient features of the MOU includes reforms programme by State Government, reorganization of State Electricity Boards, 100% electrification of villages and hamlets, energy audit at all levels, setting up of State Electricity Regulatory Commissions , rationalization of tariffs, strengthening & improvement of transmission network, strengthening of sub-transmission & distribution system, reduction in transmission & distribution losses, funding for 100% electrification of village and hamlets, concessional financing by Power Finance Corporation, financial restructuring plans, etc.

According to the Ministry of Finance, it is seen that by January, 2002 most States had not transferred APDP funds to the SEBs and power utilities nor a single Utilisation Certificate was received by the Ministry of Power on the basis of which any further release could be agreed to by the Ministry of Finance. Thus, in the year 2001-2002, leaving aside Rs.43.50 crore to West Bengal on the basis of the MoU that they had entered into, no amount could be released to the States."

It further stated,

"On reviewing the broad objectives of the Scheme of the APDP in 2001-2002, the then Finance Minister wrote to the Power Minister stating that the Scheme which was originally meant to leverage reforms in the Power Sector had in fact failed to do so. He suggested that the basic premises on which funds should be released for the APDP should be a reduction in the gap between the average cost of power per kilowatt per hour and the average realization per kilowatt hour. It was also noted that the MoUs lacked detailed milestones towards reforms in the Sector. The current APDRP takes into account most of our earlier concerns on APDP.

Asked about the salient features of the recommendations made by Expert Committee on State specific reforms – restructuring of APDRP reform framework and principles of financial restructuring of SEBs and follow up action taken thereon, the Committee have been informed by the Ministry of Power in a written reply as under:-

"The salient features of the recommendations made by Expert Committee on State-specific reforms – restructuring of APDRP reform framework and principles of financial restructuring of SEB are as follows: -

(a) Assistance under this scheme should be leveraged by obtaining a matching contribution from the State. In other words, while the fund should provide 50% of the funds required for a project, the balance 50% funds of the project requirement should be raised by the State and disbursal takes place after the projects are financially closed.

(b) The APDRP has also an incentive component to encourage/motivate utilities to reduce their cash losses. The funds under the incentive stream should be disbursed as a one-for-two matching grant based on reduction of the gap between unit cost of supply and revenue realisation. This reduction must be on a enterprise level, where the enterprise is defined as a corporate body or a electricity Board or Department.

(c) Reform Framework- for investment to yield quick result and proposed incentive to give strong signal, the electricity distribution business would need some structural changes as brought out in the expert committee report of the Deepak Parekh. Taking into account the experience of power sector reform in India and abroad, the four key elements of a Reform Framework, viz., Market Structure, Distribution Zoning, Regulation and Ownership are essential to be carried by the State Governments.

(d) Financial restructuring of SEBs- the issue of the general financial debility of SEBs has also to addressed by tackling two broad types of deficits, viz., deficits from the past and deficits pertaining to the future."

The Committee have further been apprised that under the APDRP programme for investment in the high energy density areas, the concept of distribution zoning within the State is to be introduced so as to demarcate areas where it is possible to quickly reap substantive efficiency gains. The reform template of the concerned State could then easily sequence the privatization process of such concentrated distribution zones to attract private investment.

The Committee have been informed that the recommendations of the Expert Committee have been accepted by the Government. The Ministry of Power have requested the Energy/Power Secretary of the State Governments on 21.1.2003 to implement the recommendations of the Committee particularly those relating to the reform framework and the broad principles of financial restructuring.

In the financial year 2000-01, APDRP fund amounting to Rs. 978 crore were released to various states for implementation of projects costing 1898.48 Crore. Out of this a sum of Rs. 977.48 Crore has been utilized. The schemes cover mainly 100% metering for feeders & consumers, replacement/augmentation of distribution transformers, Reconductoring of sub-transmission & distribution lines, capacitor installation and R&M/R&U of thermal/hydel power plants.

The Committee observe that the budgetary allocation for APDRP by Ministry of Finance was drastically reduced at Revised Estimate stage from initial Budget Estimates of Rs.3500 crore to Rs.1098 crore during the year 2002-03. In this regard, the Ministry of Finance in a note furnished to the Committee have submitted as under:-

"The Accelerated Power Development and Reforms Programme (APDRP) has two components. 50% of the funding is to go as an incentive if any SEB is able to reduce its cash losses compared to the base year 2000-01. The remaining component is for investment in the Distribution Sector, for example, metering upto 11 KV level, energy audits and strengthening of the distribution network. It must be stressed, however, that the main aim in the Programme is to bring about financial viability in the Sector. The early APDP Scheme turned to be a funded investment Scheme without much emphasis on incentivising the SEBs to reduce their cash losses.

In 2002-2003 out of the Budget Estimates Rs.3500 crore, Rs.1750 crore was originally earmarked for release to utilities which have shown a cash improvement in their operations compared to base year 2000-2001. It may be noted that to date Ministry of Power has not been able to give a comprehensive list of such improvements, SEB-wise to the Ministry of Finance. Nor has the Ministry of Power requested Ministry of Finance to sanction any payments out of the incentive portion of APDRP funds. What has been proposed by Ministry of Power is releasing the investment portion only. Out of Rs.1750

crore (50% of the APDRP funds for the current year) Rs.1087.59 crore already stands released. Provision for 2003-04 has been kept at Rs.3500.00 crore."

Asked about the release of funds for APDRP in time, the Ministry of Finance apprised the Committee as under:-

"In 2002/03, budget discussions for firming up the Revised Estimates started in October, 2002. Discussions with the Ministry of Power were held on 31st October, 2002. Based on expenditure incurred upto October/November, 2002, amounting to Rs.425 crore the Revised Estimates for APDRP were kept at Rs.1089 crore. Proposals for releasing the investment portion of APDRP were received on 10th December, 2002, by which time, the Revised Estimates had been fixed. This amount has since been released."

According to the Ministry of Finance, Ministry of Power have never taken up the matter with the Ministry of Finance, for reducing the allocation under APDRP.

About the reasons that Ministry of Power's initial demand of earmarking Rs.10,000 crore annually for the APDRP during 10th Plan with 50% as Central Assistance & remaining 50% by way of loan which has not been acceded to the Ministry of Finance have stated that allocation for earmarked schemes in Tenth Plan, not only for the overall period of the Plan but also for individual Annual Plans are done by the Planning Commission keeping in mind the overall resources available for the Plan.

The Committee have been informed that there had been differences in emphasis between the Ministry of Power and Ministry of Finance on the ultimate objectives of the APDP, the predecessor of the APDRP. In the first years of the APDP scheme, i.e. 2000-2001, Rs.934.55 crore was released by the Ministry of Finance against the budget availability of Rs.1000 crore for that year. This was done on the basis of Memoranda of Understanding reached between the Ministry of Power and the respective State Governments. According to the guidelines finalised by the Ministry of Power in consultation with the Ministry of Finance and the Planning Commission, further funds were to be released on the basis of utilisation certificates. The guidelines further stipulated that:

(a) the State Governments set apart separate account to which releases from APDP made by Government of India would flow.

(b) that such funds should be released within seven days to the implementing agencies for the works envisaged in the APDP scheme.

Asked about the reduction in project cost by the power utility under APDRP and whether the present system of dispesral and utilization need to be streamlined, the Committee have been informed that there has been no reduction made in the project costs by any utility due to the reduction in the budget allocation/release in the APDRP funds. As per the information available with the Ministry of Power, states of Assam,

Bihar, Jharkhand, Kerala, Maharashtra, Uttar Pradesh and West Bengal did not release the APDP/APDRP funds to the utilities in time. As per the conditions of Ministry of Finance, it will be considered, as diversion of funds and penal interest shall be levied for the delayed period in releasing the fund by the state government to the utilities.

To avoid the delay in releasing the fund by the state government to the utilities, Ministry of Power have suggested that the fund may directly be released to the utilities.

Asked to furnish details of bankable proposals drawn up for the year 2002-03 and in the event of reduction of allocation how these proposals will be implemented, the Committee have been informed in a written note as under: -

The Ministry of Power has sanctioned bankable projects costing to Rs. 13703 crore in financial year 2002-03, out of which the APDRP component is Rs. 7386.81 crore. As per the Memorandum of Agreement (MOA) this amount shall be released progressively in 3 installments of 25% to 50% and 25% each. SEBs have to arrange matching counter part fund from REC, PFC. After utilisation of funds released by the Ministry of Power and matching counter part fund by SEBs, next installment is released to the states. Out of the first installment of Rs. 2114 crore, Rs 1087 crore has been released in the current financial year. The Ministry of Finance been requested to release balance allocated amount under investment component of Rs. 668 crore within March '03. Balance amount will be released in the next financial year.

The project implementation period for each project from 18 months to 24 months. The balance amount will be released to the states every year as per the utilisation done by States.

The Committee have observed that the Accelerated Power Development and Reforms Programme (APDRP) have two components. 50% of the funding goes as an incentive if any SEB is able to reduce its cash losses compared to the base year 2000-01. The remaining component is for investment in the Distribution Sector, for example, metering upto 11 KV level, energy audits and strengthening of the distribution network. The Committee further note that out of Rs.1750 crore (50% of the APDRP funds for the current year) Rs.1087.59 crore already stands released. Provision for 2003-04 has been kept at Rs.3500.00 crore. The Committee find that as per the recommendation made by the expert Committee on State specific reforms certain changes have been effected in APDRP scheme. Assistance under this scheme should be leveraged by obtaining a matching contribution from the State. In other words, while the fund under APDRP provide 50% of the funds required for a project, the balance 50% funds of the project requirement should be raised by the State and disbursal takes place after the projects are financially closed. Further, the APDRP has also an incentive component to encourage/motivate utilities to reduce their cash losses. The funds under the incentive scheme are to be disbursed as a one-for-two matching grant based on reduction of the gap between unit cost of supply and revenue realisation. The Committee desire that all the recommendations of the expert Committee be implemented by the State Governments at the earliest to get benefits under APDRP programme. The Committee also desire that efforts should be made to complete the 63 circles identified as 'Centres of Excellence' at the earliest and hope that the task of covering all the circles in the country will be expeditiously completed. The Committee also

desire that the Central and State Governments should take necessary steps to ensure 100% electrification in and around the 'Centre of Excellence' identified circles

The Committee have been informed that there had been differences in emphasis between the Ministry of Power and Ministry of Finance on the ultimate objectives of the APDP, the predecessor of the APDRP. In the first years of the APDP scheme, i.e. 2000-2001, Rs.934.55 crore were released by the Ministry of Finance against the budget availability of Rs.1000 crore for that year. This was done on the basis of Memoranda of Understanding reached between the Ministry of Power and the respective State Governments. According to the guidelines finalised by the Ministry of Power in consultation with the Ministry of Finance and the Planning Commission, further funds were to be released on the basis of utilisation certificates. The guidelines further stipulated that the State Governments set apart separate account to which releases from APDP made by Government of India would flow and that such funds should be released within seven days to the implementing agencies for the works envisaged in the APDP scheme. Although the Committee appreciate that the guidelines do exist for releasing of funds within seven day to the implementing agencies, the Committee are perturbed to note that by January, 2002 most States had not transferred APDP funds to the SEBs and power utilities nor a single Utilisation Certificate was received by the Ministry of Power on the basis of which any further release could be agreed to by the Ministry of Finance. Thus, in the year 2001-2002, leaving aside Rs.43.50 crore to West Bengal on the basis of the MoU that they had entered into, no amount could be released to any State. In view of the fact brought to the notice of the Committee, they would like to know whether any such violation of the scheme has been reported to the Ministry of Power or the Ministry, *suo-moto* have examined the issue. The Committee would like to be apprised in the matter. The Committee also feel that the conditions laid down by the expert Committee to ensure proper utilization of funds should be strictly followed.

On being apprised by the Ministry of Finance that to date Ministry of Power have neither been able to give a comprehensive list of cash improvements in their operations, SEB-wise to the Ministry of Finance, nor has the Ministry of Power requested Ministry of Finance to sanction any payments out of the incentive portion of APDRP funds, the Committee are not satisfied with the present system of allocation of funds to the State Government directly under APDRP. The Committee, therefore, strongly urge the Government to reconsider the sanction/disbursal of funds under APDRP to State Government and stress that the funds should directly be released to implementing agencies for both the incentive and investment portion of APDRP funds.

M. FUEL POLICY

The liquid fuel policy announced by the Ministry of Power in November, 1995 was aimed at setting up of short gestation power projects to meet the immediate shortages

of power. It was decided under the policy to permit setting up of generating units based on heavy fuel oils such as, Heavy Petroleum Stock (HPS), Low Sulphur Heavy Stock (LSHS), Heavy Furnace Oil (HFO), Furnace Oil (FO), natural gas, naphtha, Petroleum coke, vacuum residue, condensate orimulsion, domestic high speed diesel, domestic light diesel oil and domestic Distillate Oil No. 2. The use of liquid fuels for generation is a short term policy and coal based as well as hydel generation will be the mainstay of the power sector. The policy envisaged that captive power plants, plants located in proximity to refineries, coastal and remote locations, and those being set up to look after exigencies of the grid, would be given preference in the allocation of fuel. While communicating this policy to the States, they were requested to judiciously use the provisions spelt out in the policy. A capacity of up to 12,000 MW only based on naphtha was planned. As per information available, 8 power projects based on naphtha as the primary fuel (including phase-I of 740 MW Dabhol CCGT) and having a total capacity of around 2325 MW have been commissioned. In addition, there are about 42 existing power plants based on gas/liquid fuels with a total capacity of about 9899.82 MW. Out of these, 15 gas based projects with a total capacity of about 5534.1 MW envisage to use naphtha as back up fuel in the event of short supply of gas. Due to the escalation in the international prices of naphtha, it is no longer considered a viable fuel for generation of electricity. The State Government are also not encouraging naphtha based generation.

Asked about the present pricing policy of gas, the Committee have been informed in a written note as under: -

"Presently, the price of domestic natural gas in India is fixed at 75 percent parity to a basket of fuel oils with a floor, of Rs. 2150 per MCM and ceiling of Rs. 2850 MCM. Accordingly, the total delivery price to power plants ranges anywhere from Rs. 4700 to Rs. 5400 per MCM based upon which the fuel costs of generation presently ranges from about Rs. 0.90 per kilowatt hour to Rs. 1.06 per kilowatt hour depending upon the location of the power plant.

It is understood that the Ministry of Petroleum and Natural Gas has mooted a proposal which inter alia aims at following.

"(i) Upward revision in the ceiling price of gas
(ii) Link the gas price to 100% neutralization level of basket of fuel oils
(iii) Do away with the ceiling limits over a period."

It further states,

(i) Pricing of gas is an extremely sensitive subject as any increase would directly get reflected in increase in price of power which would have to be recovered from the consumers through revision of tariffs. About 7500 MW of gas based power plants exist in the country of which about 4000 MW are operated by NTPC and about 3500 MW by the states of Andhra Pradesh, Tamil Nadu, Gujarat and Delhi. The other states that would get affected on account of gas price increase are UP, Haryana, Rajasthan, Madhya Pradesh, Maharashtra, Punditry, Assam and Tripper. Considering that about 60,000 MU of electricity, presently being generated per annum with gas as fuel, an increase in gas prices from the existing Rs. 2850/MCM to about Rs. 5500/MCM would correspond to an additional burden of Rs. 4000 Crores per annum to the power sector .

(ii) The prices of gas have already increased in the following manner during the last few years.

PERIOD	Gas Price Rs./1000 SCM	CAGR% with respect to	
		April 92	Sept. 97
April 92	1550	--	--
Sept. 97	1850	4	--
Oct. 99	2850	9	24
Till date	2850	6	9

(iii) The following issues show that there is no need for increasing the price of gas.

a) The existing prices in India are comparable to the well head prices in most of the developed countries (Annexure-XIV(a)). Further the existing gas prices in India fully cover the cost of gas production from ONGC/OIL (Annexure-XIV(b)).

b) It is also understood that on the whole, ONGC is not incurring any financial losses on the production of gas even at the current prices of gas.

c) Pegging the price of produced natural gas to the international prices of a basket of fuel oils is also not logical since these are two separate commodities. This view is based on :

- Gas production in India was by and large produced in the 50:50 ratio as associated gas and free gas (present ratio 30:70). The Gas based infrastructure (Power Plants) were accordingly created by the utility sector also to utilize the associated gas, which otherwise was being flared without yielding any revenue to the oil sector.

- World wide there is no such practice of linking the price of gas to that of Fuel Oil. Annexure-B.

d) Further, the price of fuel oils is decided by a cartel outside the country and it is debatable whether this price can be called market price. In any case, there does not seem to be any justification for linking price of natural gas found within the country to international prices which are affected by dollar-rupee variations, prices being influenced by external agencies like OPEC on grounds of impending war etc. which have no relevance upon the production of natural gas in India.

e) In fact, to the best of our knowledge, no country in the world has pegged price of natural gas to that of Liquid fuel.

Asked about the impact on the power projects, the Ministry of Power in the event of rise in the price of gas in a note furnished to the Committee have been informed as under:-

(i) Once the ceiling limits are withdrawn and the price of gas is fixed at 100% parity of fuel oil, the variable cost of generation may increase steeply. Considering existing basket price of fuel oils, the price of gas is likely to become almost double from its existing level (the impact on price of gas at various cap limits and at different price levels of basket of fuel oil along with the variable cost (fuel cost) of generation for the power plants located in the various States is placed at Annexure-A.

(ii) Increase in cost of fuel per unit generation will reduce in scheduling given for generation under merit order operation. This inter-alia will cause reduction in PLF and consumer will land up paying higher costs without drawing the power. We have witnessed this in the naphtha based projects where, due to reluctance by the SEBs to off-take high cost power, the plants had to run at low PLF and in some cases, the plants were virtually shut down.

(iii) Since PLF shall go down, Power sector will have to pay for gas as committed – under the take or pay clause, even without its consumption – thereby incurring huge losses.

(iv) Even fixed charges per KHz will also increase due to lower off-take of power, thus increasing the power cost both on account of fuel price as well as fixed charges per KHz.

(v) Increase in gas prices linked on parity to FO basket will give unreasonable profits to the companies. The price of gas should be such that gas producers & transporters get compensated for the cost of production and transportation and earn a reasonable return of on capital employed as per the recommendations of Shaker Committee.

(vi) The basic question is why the gas price shall be benchmarked with international commodities when no export is involved. Difficulty/cost of transporting natural gas imparts it a characteristics of non-tradable commodity. Further, where the fuel prices are benchmarked to international commodities, the international price volatility and rupee-dollar parity (exchange rate) will adversely affect the common consumers.

The Committee have been further apprised that the market conditions prevalent in India with respect to natural gas are monopolistic and lacks adequate competition, a pre-requisite for going into market driven pricing. With ONGC & GAIL being the monopolies in their respective fields, the prices cannot be decontrolled without a balancing regulatory mechanism.

On the request of State Governments of Delhi and Gujarat for enhancement of gas supply for meeting the power requirement, the Committee have been informed by the Ministry of Power that gas based power stations in the country including those in Delhi & Gujarat have been installed by incurring huge expenditures. ONGC/GAIL are unable to supply contracted quantity of the gas to most of the gas based power stations in the country. The gas based power stations in Delhi & Gujarat are unable to generate to their

full capacity for the want of full quantity of gas. Considering the above, desired enhancement of gas supply to meet the power requirement by Governments of Delhi & Gujarat may be accepted.

The Committee note that gas is supplied to different segments of economy i.e. textiles, fertilizers, power and other sector as per allocation policy. However, supply of gas to power sector is not a priority area. The Committee have further observed that new allocations are being made without fulfilling the requirement of the existing consumers, which results in under-utilisation of the existing installed capacity. The Committee do not approve of not according priority sector status to power sector and starving existing consumers/utilities of power supply. The Committee are of the view that since power is critical infrastructure for economic development and mother of all industries, there is no justifiable argument/reason, in denying priority status to this sector. Further, since there is shortage of power-peaking & non-peaking, steps ought to be taken to meet the power requirement of the masses. The Committee desire that while allocating supply to different sectors of the economy top-most preference should be given to power sector so as to make other sectors get going. Further, the gas requirements as per the firm allocation for the existing consumers should be fully met first, before making allocation to new consumers. The Committee also desire that Government should make use of new gas finds – both in public and private sectors, in augmenting the supply of gas to various sectors, including power. The Committee also recommend that Government should explore the possibilities of sourcing gas from neighbouring countries like Bangladesh and others sector for use in power.

The Committee find that in accordance with liquid fuel policy, Government allowed use of natural gas, as feedstock for power sector. The policy aimed at setting up of short gestation power projects, to meet immediate shortage of power. The gas-based power stations were installed by incurring huge expenditure. Sadly, ONGC/GAIL failed to supply contracted quantity of gas to most of gas-based power stations, resulting in poor Plant Load Factor(PLF) and thereby chronic shortage of power. The Government of Delhi and Gujarat have pleaded allocation of gas to the States to run the existing power plants. The Committee, see merit in their contention and desire that the Government should not only supply contracted quality of gas, but also enhance the gas supply to meet the power requirements.

The Committee find that Government intend to raise the price of gas being used as feedstock in thermal plants. In the opinion of the Committee this move of the Government will increase the delivered cost of power which is still on the high side as compared to world scenario. The Committee further find that presently the price of domestic natural gas in India is fixed at 75% parity to a basket of fuel oils with a floor of Rs. 2150 per MCM and ceiling of Rs. 2850 per MCM. Accordingly, the total delivery price to power plants ranges anywhere from Rs. 4700 to Rs. 5400 per MCM based upon which the fuel costs of generation presently ranges from about Rs. 0.90 per kilowatt hour to Rs. 1.06 per kilowatt hour depending upon the location of the power plant.

The Committee further note that the pricing of gas is an extremely sensitive subject as any increase would directly get reflected in increase in price of power which would have to be recovered from the consumers through revision of tariffs. The Committee do not share the contention of the Government that there is a need to increase the price of gas, since the existing prices in India are comparable to the well head prices in most of the developed countries. Further, the existing gas prices in India fully cover the cost of gas production from ONGC/OIL. Moreover, pegging of price of produced natural gas to the international prices of a basket of fuel oils is also not logical since these are two separate commodities. In this context, the Committee would like to remind that gas production in India was by and large in 50:50 ratio as associated gas and free gas(present 30:70). The gas based infrastructure(power plants) were accordingly created by the utility sector also to utilize the associate gas which otherwise was being flared without yielding any revenue to the oil sector. Further, world wide there is no such practice of linking the price of gas to that of Fuel Oil. In the event of rise in price of gas the power sector will financially suffer in more than one way which will get reflected in all other sectors of the economy. Once the ceiling limits are withdrawn and the price of gas fixed at 100% parity of fuel oil, the variable cost of generation may increase steeply. Considering the existing basket price of fuel oils, the price of gas is likely to become almost double from its existing level. Increase in cost of fuel per unit generation will reduce in scheduling given for generation under merit order operation. This inter-alia will cause reduction in PLF and consumer will land up paying higher costs without drawing the power. Since PLF is going down, the power sector will have to pay for gas as committed under the take or pay clause even without its consumption thereby incurring huge losses. Even fixed charges per KHz will also increase due to lower off-take of power, thus increasing the power cost both on account of fuel price as well as fixed charges per KHz. In view of the foregoing the Committee recommend that the concept of linking the price of natural gas to the basket of fuel oils lacks logic and therefore should not be insisted upon. The price of gas should be such that gas producers get compensated for the cost of production and earn a reasonable return on capital employed. Further, appropriate protection should be given to existing consumers who have already made huge investments in establishing their infrastructure. The Committee, therefore, recommend that Government should not increase the price of gas, as it will have a cascading effect on the whole economy of the country. The Committee would like to know the reaction of the Government in the matter.

N. DUTY STRUCTURE OF POWER PROJECTS

To meet the energy shortage of 7.5% and peak power shortage of 12.1% in the country at present, a capacity addition programme to double the existing generation capacity by 2012 has been planned for the country. This programme envisaged an investment of about Rs 9,00,000 crores for adding 1,00,000 MW of new generating capacity with the associated transmission and distribution net work. Out of the above expansion programme nearly 40% is proposed for addition in the present five-year plan and the remaining in the XI Five Year Plan.

But this capacity enhancement programme is facing a serious challenge due to the un-viability of the sector because of the poor financial health of the State Electricity

Boards and State Utilities which are the buyers of bulk power and distributors to the retail consumers. The unfunded losses of Rs.88,100 crores in the last 10 years is casting a shadow on the ability of the sector to attract investment of the magnitude required for the programme.

To address this basic issue apart from other initiatives, the Ministry of Power is looking at all possible areas of controlling the cost of supply as a measure plank of our action to bridge the gap between revenue and cost which would contain the loss and take this sector forward to viability. It has been observed that in the last 10 years the cost of power has increased 10.8% annually as against the annual inflation rate of 8,8% during the same period. Hence aggressive cost control is a sine-qua-non for the sector to turnaround.

It has been observed that a significant component of the cost of power is fixed charges flowing out of the capital cost and financing charges. For thermal projects it constitutes around 42% of the total cost and in case of hydro projects it is 90% of the total cost of power. Though fixed charges appear to be an endogenously controlled cost, its analysis shows that a good part of it is arising out of various taxes and duties as embedded part of the fixed charge. In case of power generation projects in thermal and hydro sector the contribution of duties and taxes to fixed charge works out to be around 23% and in case of transmission project it works out to be around 52%.

A comparative analysis of tax and duty structure applicable to power sector prevailing in other Asian developing countries provide a perspective in this regard. The following is an overview of taxes and duties in other Asian countries:-

Sl. No.	**Country**	**Duty Structure**	**Total Duty**
1.	Taiwan	0.125%+0.5% tax	0.5%- 13%
2.	Singapore	Zero import duty. Only 3% Goods & services Tax is imposed.	3%
3.	Sri Lanka	Zero ----- duty /VAT	Nil
4.	Thailand	5% duty + 10% VAT	15%
5.	Vietnam	10% VAT	10%
6.	South Korea	8% + 10% VAT	18%
7.	India	23.2% (generation projects)& 52.31% on spares, transmission	23.2% - 52.31%

According to Ministry of Finance, in the budget for 2003-04, the basic customs duty on specified equipments for power transmission projects has been reduced from 25% to 5%. The goods for setting up of mega power plants and nuclear power plants enjoy full exemption from customs duties. Other power generation projects are liable to concessional basic customs duty of 5%. Further, goods required for renovation and modernisation of an existing power plant are also liable to concessional basic customs

duty of 5%. Similar benefit has not been extended to spares imported for the existing power plants, as verification, on a day to day basis, of the nature as well as quantity of the spares imported for intended purpose would be difficult and cumbersome. Such an exemption will be prone to misuse, In any case, any major import for modernization and renovation of existing power plants is covered by the benefit of concessional customs duty.

It further stated,

"the Ministry of Power in their per-budget memorandum had recommended two options for stabilization of the health of the power sector. Complex tax holiday for power sector for five years was one of such option. The other option was individual tax rationalization measures. The steps taken for liberalization of exemption available to mega power projects and extension of exemption to power transmission projects are the outcome of consideration of the proposals relating to individual tax rationalization measures suggested by the Ministry of Power".

On reduction of custom duty on power equipment Secretary, (Revenue), Ministry of Finance, informed the Committee during evidence:-

"the basic custom duty, an issue that has been raised, as you would have seen in the Budget, we have moved towards reduction of the peak custom duty. This we have brought down form 30 per cent to 25 per cent. In case of the power sector, there is already a separate dispensation for the power projects. In case of mega power projects that been announced originally, 18 of them, in those cases, the custom duty and the CVD is nil. That is creating a problem because we listed out those 18 projects. So, on the suggestion from the Ministry of Power we have said that any mega power project that satisfies the conditions that are stipulated for mega power projects will get all the benefits that are already enumerated. We do not have to list them out every time".

The witness further stated,

"the second suggestion that has been accepted in the current year's Budget is about the transmission projects. In the transmission projects our basic concern is that you have got a considerable amount of indigenous industry which has gone in for transformers and various other equipment. Any concession we give for custom should not hurt the local industry. We requested the Ministry of Power to indicate as to what is the equipment that is not being locally manufactured so that we could give concessional benefits to them. That has been done in the current year's Budget. Our attempts are basically to bring down the rates of duty. This exercise will continue. That is what we are trying to do. The problem still is that the metals have a very high custom duty like steel. For example, it has 25 per cent duty. Unless those duties are brought down, we cannot really bring down the duty for the capital equipment. That is one problem standing in the way. The steel industry is just on its way to revival in the current year. It has gone through a very difficult period. We did not want to touch the steel sector this current year. Maybe, next year we will be able to do something and progressively bring down the customs duty".

Reduction in Cost of Delivered Power

In terms of Government guidelines Under Exim Policy of 21.12.2001, all the deemed export benefits have been extended to nuclear power projects, where the procedure of domestic competitive bidding has been followed. It may be mentioned that a substantial portion of the project cost, even where the projects are funded by multilateral agencies like World Bank, ADB etc., gets executed through the route of Domestic Competitive Bidding. With a great thrust being given by the Government towards increasing the power generation capacity, a majority of new capacity addition is likely to be contributed by the thermal/ hydro power plants to be set up in the Central Sector. This would also require development of new equipment suppliers as existing capacities with the suppliers may be insufficient to cater to the increased demand. Accordingly, it will be worthwhile to consider extending all the deemed export benefits to the thermal and hydropower projects (in addition to the nuclear power projects) where the route of domestic competitive bidding has been followed. Chaturvedi Committee report constituted under the Chairmanship of Special Secretary,(EF& Insurance) Deptt. Of Economic Affairs inter-alia recommended the following in context of the power sector

> "Existing sector list be expanded to cover power (including generation, transmission and distribution) and renovation of power plants, coal and hydrocarbon, petroleum, fertilizer, refining, rail, road, ports, civil aviation, bridges and such other infrastructure sector areas which may be subsequently notified by Government of India both in public and private sectors with a minimum investment. The Committee recommends that minimum specific investment allowed be Rs. 100 crore."

The refund of terminal excise duty for Talcher STPP to NTPC which was started after evaluating the project cost with the benefit of terminal excise duty, is now going to cost Rs 342.20 crores more an this would increase the cost of power by 12 paisa/KW.

Asked about any action taken by the Government to ensure that the recommendations of the Chaturvedi Committee for lower custom duty as well as TED refund, given the precarious financial condition of the sector and to soften the energy cost at consumer's end, the Committee have been apprised as under:

"The exim policy of the Govt. of India existing before 1-4-2000 was modified w.e.f. 1-4-2000 whereby the refund of terminal excise duty was withdrawn for Non-mega and non-multilateral funded projects. As a result of which the Indian manufacturers had to bear an additional excise duty of 16% on the bids made by them under this route.

The Committee have been informed by the Ministry of Finance that exim policy is dealt with by the Ministry of Commerce. The matter had been taken up with DGFT, Ministry of Commerce. However, DGFT opined that the benefits of refund of terminal excise duty is directly related to the incidence of customs duty and counter-availing duty

(CVD) on imports. Thus, whenever the imports are exempted from the incidence of CVD, the domestic suppliers are given the benefit of refund on TED. DGFT accordingly suggested that the matter be taken up with Ministry of Finance for waiving off the CVD.

In light of this and the recommendations of the Chaturvedi Committee based on which the exim policy was modified as indicated above, a proposal was sent to Ministry of Finance requesting to cover entire gamut of power sector so that the benefits of the deemed export would automatically be made available to the Power Sector. This was also suggested as a part of the pre-budget memorandum submitted to Ministry of Finance. This does not find place in the Finance Bill".

In this connection, Ministry of Finance, (Department of Revenue), have informed the Committee as under:-

> "The proposal of the Ministry of Power for reducing the customs duty on spares required for operation and maintenance of gas based power plants was examined as part of the budget exercise for 2003-04 but was not accepted as customs duty concession is limited to new Projects and renovation and modernisation of power plants".

As regard to any measures initiated to reduce the cost of borrowing of funds for power sector in order to provide cheap power to the consumers, the Committee have been informed by the Ministry of Power as under:-

"Ministry of Power has suggested to Ministry of Finance to include the investment in power sector under the existing provision accessing tax free bonds u/s 10 (15) of the Income Tax Act for all the investors. At present this window is available only in a limited manner out of the allocation made by the Ministry of Finance in consultation with Planning Commission. The response of Ministry of Finance is awaited. We are encouraging our CPSUs to prepay high cost loans of the part with low cost loans available now. We are also encouraging them to access international mark."

Customs Duty On Import Of Critical Spare Parts For Gas Turbines Used In Power Plants.

The Committee find that as per Chapter 84 of Customs Tariff Act, 1975, the customs duty on spares for power plant equipment like steam boilers, steam turbines, gas turbines etc. is being charged as – basic duty 25% + 16% CVD + 4% Special Additional Duty (SAD). The total customs duty on the above items accordingly works out to 50.80%.

Indigenous facilities and capability for manufacture of spares for gas turbines (which have been mostly imported or only partly manufactured in some cases based on imported technology) are yet to be developed. Further, with the likely introduction of the supercritical technology in the near future, import of spares for steam boilers and turbines

would also be necessitated. As on today, considering the volume of business I the investment required, indigenous manufacturer is reluctant to develop facilities for the present. Power generating companies have to, therefore, necessarily import these items from the OEMs abroad to keep these plants running. However, the existing rate of customs duty (50.80%) leads to higher cost of imported spares to the power generating companies which in turn would increase/ increases the running cost of power plants. As the spares for such power plants are required to be normally imported by the end users i.e. the power generating companies, the existing duty structure (5% basic duty + 16% CVD + 4% SAD (Sl. No. 236 of Customs Notification No. 21/2002)) as applicable for import of goods for renovation and modernization of power plants be extended to spares required for operation and maintenance of power plants. This will at least partly lower the running cost of power plants and may provide some relief to the consumers in terms of lower tariff.

Enquired about the steps taken by the Ministry of Power to ensure the parity of customs duty rates of critical spares of gas turbines, the Committee have been informed that the matter regarding reduction of basic customs duty on import of critical spare parts for gas turbines used in power plants was taken up with the Ministry of Finance, Department of Revenue during pre-budget discussions for inclusion in the Finance Bill, 2003. However, the same has not found a mention in the Finance Bill, introduced in the Parliament.

The Committee find that in terms of Government guidelines under Exim Policy of December, 2001 all the deemed exports benefits have been extended to nuclear power projects, where power developer follow Domestic Competitive Bidding procedure. However, such benefits are not available for thermal and hydel power projects. It is worthwhile to mention that a substantial portion of the projects cost, even where the projects are funded by multilateral agencies like World Bank, ADB etc., gets executed through the route of Domestic Competitive Bidding. Taking into consideration that emphasis of the Government is towards increasing the power generation capacity, a majority of new capacity addition is likely to be contributed by the power plants to be set up in the Central Sector. This will require development of new equipment suppliers as existing capacities with the suppliers may be insufficient to cater to the increased demand. The Committee find that by virtue of extending the deemed exports benefits to hydel & thermal power stations, there would be substantial reduction in case of generation. In this context, the Committee would like to remind that the refund of terminal excise duty for Talcher STPP to NTPC which was started after evaluating the project cost with the benefit of terminal excise duty, is going to cost Rs. 342.20 crore, thereby increasing the cost of power by 12 paise/KW. The Committee further note that where the power developer follows International Competitive Bidding procedure, for the power projects financed by internal resources/external commercial borrowings, the advantage of refund of Terminal Excise Duty, under deemed export benefits, is not available. As such, the project authorities, are required to pay as much as 16% of ex-works price of goods additionally towards excise duty to the domestic supplier.

This entails additional burden of Rs. 476 crore on revenue and per unit cost of power raises by another 4 paise.

The Committee have taken note of averment of Ministry of Power that the matters were taken with the Ministry of Commerce who have opined that benefit of refund terminal excise duty is directly related to the incidence of customs duty and Counter-Vailing Duty(CVD) on imports. Thus, whenever the imports are exempted from the incidence of CVD, the domestic suppliers are given the benefit of refund on Terminal Excise Duty. The Ministry of Commerce suggested to take up the matter with the Ministry of Finance for waiving off the CVD. On the other hand Ministry of Finance have stated that such matter are appropriately dealt by Ministry of Commerce. The Committee do not approve the casual action of Ministry of Commerce and Ministry of Finance in the matter. Taking into consideration that there exists energy and peaking shortage of power to the tune of 7.5% and 12%, respectively and increase in the cost of delivered power, there is an imperative need to aggressively take measures, for cost reduction exercise. The Committee, therefore, strongly recommend that all the Deemed Export Benefits for supply of goods to power sector, be made available to domestic suppliers, where the bids have been invited under International Competitive Bidding procedure. At the same time, deemed export benefits be extended to thermal & hydel utilities, on the lines of nuclear power.

The Committee find that the customs duty on import critical spare parts for gas turbines used in power plants is as high as 50.80 %. Taking into consideration that indigenous facilities and capability for manufacture of spares for gas turbines(which have been mostly imported or only partly manufactured in some cases based on imported technology) are yet to be developed. Further, the likely introduction of the supercritical technology in the near future, import of spares for steam boilers and turbines would also be necessitated. As on today, considering the volume of business the investment required, indigenous manufacturer is reluctant to develop facilities for the present. The power generating companies have, therefore, necessary to import these items to keep running their plants. However, the existing rates of customs duty leads to higher cost by imported spares to the power plants which in turn would increase the running cost of power plants. The Committee have taken note of matter being taken up with the Ministry of Finance who have opined that the suggestion of Ministry cannot be accepted as it would adversely effect the power sector. The Committee are not inclined to accept the views of Ministry of Finance that the benefits have not been extended to spares imported for the existing power plants, as verification on day-to-day basis as of this nature as well as quantity of the spares imported for intended purposes would be difficult and cumbersome. Taking into consideration, the shortage of power both peaking and non-peaking power and also abnormal high cost of power to the consumers, the Committee are of the view that as the spare for such power plants normally imported by the end users i.e. the power generating companies, the existing duty structure(5% basic duty + 16% CVD + 4% SAD) as applicable for import on goods and for renovation and modernisation of power plants, be extended to spares required for operation and maintenance of power plants. In the opinion of the Committee, this will partly lower the running cost of power plants and may provide some relief to the consumers in terms of lower tariffs. The Committee also desire that the Ministry of Finance should devise a mechanism to ensure that the benefits of concessional customs duties for import of

spare parts are availed of only by genuine power stations and the system is not misused by any agency or authority. At the same time, it should be ensured that benefits of reduction of duties, are duly passed on to the consumers.

The Committee find that interest cost on borrowings for power sector accounts 18% of the total cost of the delivered power. Further, whereas cost of generation, world-over is on the decline, the production cost of power in the country has is sky-rocketed. It is interesting to note that the cost of power in the country has grown 10.8% annually vis-à-vis annual inflation rate of 8.8%, during the last 10 years. The Committee have also observed that a significant component of cost of power is fixed charges flowing out of capital cost and financing charges. For thermal projects it constitutes around 42% of the total cost and in case of hydro projects it is 90% of the total cost of power. Though fixed charges appear to be an endogenously controlled cost, its analysis shows that a good part of, it is arising out of various taxes and duties as embedded part of the fixed charge. In case of power generation projects in thermal and hydro sector the contribution of duties and taxes to fixed charge works out to be around 23% and in case of transmission project it works out to be around 52%. A glance over tax and duty structure applicable to power sector prevailing in Asian Developing Countries reveals that whereas Bangladesh and Sri Lanka levy zero duty, Singapore 3%, South Korea 18%, Thailand 15%, the duty leviable in the country is as high as 23 to 52%. As such the cost of power in the country is one of the highest in the world and if the same trend continues, the power may become a thing of luxury. It is in this context, the Committee recommend that Ministry of Power should find ways and means to rationalize duties and taxes on power industry equipments and spares for reducing cost of power. The Committee also desire that the power sector PSUs, should retire the debt which had been obtained on a very high cost and access national/international markets for obtaining loans on cheaper rates. The Committee note that investment in power sector for accessing tax free bonds, is available under Income Tax Act(u/s 10(15) in a limited manner, out of allocation made by Ministry of Finance in consultation with Planning Commission. The Committee desire that in order to reduce the cost of borrowings, Government should permit investment in free power bonds for all the investors.

NEW DELHI;
28th March, 2003
7 Chaitra,1925 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.