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STANDING COMMITTEE ON ENERGY
(1999-2000)
THIRTEENTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS
(1999-2000)

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

SEVENTH REPORT

सत्यमेव जयते

Presented to Lok Sabha on 16.5.2000
Laid in Rajya Sabha on 16.5.2000

LOK SABHA SECRETARIAT
NEW DELHI

May, 2000/Vaisakha, 1922 (Saka)

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(1999-2000)

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* Ceased to be Member of the Committee w.e.f. 5.5.2000.
** Nominated to the Committee w.e.f. 27.4.2000.
*** Nominated to the Committee w.e.f. 1.5.2000.
# Renominated to the Committee w.e.f. 1.5.2000.
Nominated to the Committee w.e.f. 5.5.2000.

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ACTION TAKEN REPORTS

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3. Shri C.K.Jaffer Sharief
4. Shri Santosh Bagrodia
5. Shri Basudeb Acharia
6. Shri Prakash Yashwant Ambedkar
7. Shri A.B.A. Ghani Khan Choudhury
8. Shri Amar Roy Pradhan
9. Prof. Ummareddy Venkateswarlu
10. Shri Jagmeet Singh Brar
11. Shri Tilakdhari Prasad Singh
12. Shri V.P.Goyal
13. Shri E.Balanandan
*14. Shri Ananta Sethi

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* Ceased to be Member of the Committee w.e.f. 5 May, 2000.

INTRODUCTION

I, the Chairman Standing Committee on Energy, having been authorised by the Committee to present the Report on their behalf, present this Seventh Report (Thirteenth Lok Sabha) on the Action Taken by the Government on the Recommendations contained in the Nineteenth Report of the Standing Committee on Energy (Twelfth Lok Sabha) on "Demands for Grants (1999-2000) of the Ministry of Power".

2. The Nineteenth Report (Twelfth Lok Sabha) of the Standing Committee was presented to Lok Sabha on 22nd April, 1999. Replies of the Government to all the recommendations contained in the Report were received on 27th March. The Sub-Committee on Action Taken Reports considered the Action Taken Replies received from the Government and considered and adopted the Report at it's sitting held on 2nd May, 2000.

3. The Standing Committee on Energy (1999-2000) considered and adopted this Report at their sitting held on 11th May, 2000. The Committee placed on record their appreciation of the work done by the Sub-Committee on Action Taken Reports.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Ninteenth Report (Twelfth Lok Sabha) of the Committee is given at Annexure-III.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;	SONTOSH MOHAN DEV,
11 May, 2000	Chairman,
21 Vaisakha, 1922 (Saka)	Standing Committee on Energy.

CHAPTER 1

REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Nineteenth Report (Eleventh Lok Sabha) of the Standing Committee on Energy on the Demands for Grants (1999-2000) on Ministry of Power which was presented to Lok Sabha on 22nd April, 1999.

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

(i) Recommendations/Observations which have been accepted by the Government Sl. Nos. 2, 5, 6, 7, 8, 12, 13, 19, 22 and 23.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply: Sl. Nos. 10, 21, 25 and 26

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: Sl, Nos. 1, 4, 11, 14, 15, 16, 17, 18, 20 and 24.

(iv) Recommendations/Observations in respect of which final reply of the Government is still awaited: Sl. Nos. 3 and 9

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

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

Power Sector Allocation

Recommendation (S1. No. 1)

5. The Committee were perturbed to note that overall outlay of the 9th Plan for Power Sector was drastically reduced to 14.5% from 18.3% in the 8th Five Year Plan. Keeping in view 5.5% energy shortage and 11.1% peaking shortage, the Committee did not find any justification for this reduction. The Committee had recommended that Government / Planning Commission should increase allocation for Power Sector and in any case it should be more than the Eighth Plan allocation i.e. 18.3% of the overall outlay so that the on-going and future projects could be completed within the scheduled time frame.

6. The Ministry of Power in their reply have stated that they had made a demand of Rs. 63,000 crore while submitting plan proposals. The Planning Commission however,

has allocated only Rs. 45,591 crore for the Ministry which includes an IEBR of Rs. 30648 crore. The Ministry of Power are of the view that this shortfall is definitely going to affect the projects, especially the new projects proposed to be taken up. According to the Ministry, CPSUs under the Ministry would be able to overcome this resource gap to some extent by raising more resources from the market depending upon the market conditions. the Ministry have also mentioned that the resource position gets further vitiated by the fact that private sector investments have not flowed in at the magnitude expected at the beginning of the plan period.

7. The Planning Commission, in this context, have stated that overall share of Power Sector has been reduced in Ninth Five Year Plan due to the significant investment envisaged from private sector. A capacity addition of 17,588 MW which constitutes about 43.7/. is proposed to be added in the private sector whereas the capacity addition through private sector in the Eighth Five Year Plan was only 2,810 MW (9.2%) out of the total targeted capacity addition of 30,538 MW on all India basis. Due to major capacity addition projected through private sector and availability of limited resources the outlay for Power Sector has come down to 14.5% from 18.3% in the Eighth Five Year Plan. Planning Commission have anticipated that with the capacity addition of 40,000 MW during Ninth Plan the energy deficit and peaking deficit would be 1.4% and 11.6% respectively. In order to bridge the gap of Power supply position, Planning Commission have suggested that this could be reduced by improving the performance of the existing power stations, reducing the T&D losses and adopting the Demand Side Management (DSM) measures.

8. The Committee are unhappy to note the curtailment of resources to Ministry of Power by Planning Commission. As against their projected demand for Rs. 63,000 crore for the 9th Plan, the Planning Commission allocated Rs. 45,591 crore only. The Committee concur with the views of Ministry of Power that curtailment of resources will have a deleterious effect on new projects and especially when the private investment is not on expected lines. The justification put forth by the Planning Commission for reducing allocation on the grounds that 43.7% of capacity addition i.e. 17,588 MW is to be added by private investment outside the Plan, is hardly convincing. The Committee do not approve of total reliance on private sector for improving the power scenario in the country. The bitter experience of private sector during the 8th Plan period, when as against a target of 17,588 MW of capacity addition, only 2810 MW of power could be realised, is still fresh in the mind of the Committee. While reminding the Government that State intervention is a prerequisite for development of infrastructure, like power, the Committee would like to reiterate their earlier recommendation that investment in power sector should be stepped up and be at least of the level of the 8th Plan allocation, i.e. 18.3% of overall outlay.

Capacity Addition

Recommendation (Sl. No. 4)

9. The Committee had observed that a target of 40,245 MW was fixed for capacity addition during the Ninth Plan period. However, during first two years of the Ninth Plan, only about 7000 MW could be added to the capacity. The Committee had opined that even if the target set for the year 1999-2000 i.e. 3923.4 MW is realised, about 29,322 MW will still remain to be realised in the last two years of the Plan. The Committee had warned about the impending failure in targeted capacity addition, similar to the 8^{th} Five Year Plan and had recommended a reassessment of targets for remaining period of the Plan.

10. The Ministry of Power in their reply have stated that they are satisfied with the achievement of capacity addition in the first two years of the 9th Plan period, since these are more than target. So far target for 1999-2000 is concerned it was 4685 MW and achievement upto February, 2000 is 3627 MW. According to Ministry of Power a complete list of such projects is available which would be taken up for commissioning during the 9th plan period which includes liquid fuel project having a capacity of 6000 MW. Ministry further mentioned that the target fixed for capacity addition during the 9th Plan is reviewed by the Planning Commission in consultation with Ministry of Power and according to Mid-term appraisal in July, 1999, a capacity addition of 28097 MW was feasible.

11. The Committee note that their apprehension of not achieving the over-optimistic targets, have been substantiated, as Government have pruned down the target from 40,245 MW to 28,097 MW. The Committee are unhappy to note that the Ministry have not furnished the reasons, which led to reduction in the targets, as a result of mid-term appraisal. The details of the projects targeted to be completed during this period, have also not been indicated. The Committee desire that they may be apprised of these details. The Committee hope and trust that the Ministry would make all out efforts so that the revised target of 28097 MW is achieved during the 9th Plan.

Transfer of Projects

Recommendation (Sl. No. 8)

12. The Committee were surprised to note the number of Pvt. Projects monitored by the Ministry decreasing gradually. This happened due to failure of Pvt. parties in submitting DPR timely and also State Governments taking up projects from Private sector. The Committee besides seeking details of the projects transferred from Pvt. Sector to State Sector had desired the Ministry to firm up the project proposals at the earliest. The Committee had warned that shortfall may occur due to transfer of projects from one Sector to another as happened in Eighth Five Year Plan.

The Ministry in their Action Taken Notes have furnished the list of following projects which have been cancelled/transferred to the State Sector.

(i) 304 MW Maneri Bhali-II HE project in Uttar Pradesh.

(ii) 500 MW Suratgarh TPP in Rajasthan

(iii) 1020 MW Bursar HEP in J&K State.

(iv) 330 MW Kisanganga HEP in J&K State.

(v) 1000 MW Pakaldual HEP in J&K State.

(vi) 600 MW Sawalkot HEB in J&K Stat.

(vii) 500 Guru Nanak Deo TPP (St-IV) in Punjab.

(viii) 1000 MW Pipavav coastal TPP in Gujarat.

(ix) 420 MW Khaperkheda TPP (Units 5 and 6) in Maharashtra.

(x) 500 MW Yamunanagar TPP in Haryana

(xi) 1200 MW Teesta HEP, Stage-III in Sikkim. This is now proposed to be developed in the Central Sector.

(xii) 421 Bawana gas based Project (ph-I) in Delhi.

13. The Ministry have further mentioned that projects were cancelled due to lack of seriousness of the project developer in implementing the project. The list of projects monitored may undergo other changes in future due to new projects awarded on the basis of competitive bidding. The Ministry have also stated that as the decision to implement projects through the private/public/state sector rests primarily with the State Government it is not possible to freeze the list at any given point of time. However, due to close monitoring undertaken by the Ministry of Power over the past 2-3 years, only serious player will be left to develop their projects and the non-serious developers will be excluded.

14. The Committee had expressed their concern at the failing number of private projects monitored by the Ministry and had asked the Ministry to firm up the project proposals at the earliest. The Committee are surprised to observe that the Ministry have failed to firm up the number of the projects which can be implemented. In the Committee's view, the Ministry must be clear about the projects which are to be implemented and through which source. In this context, the Committee would draw the attention of the Ministry to the four hydro-electric projects, viz 1020 MW Bursar, 330 MW Kisanganga, 1000 MW Pakaldual and 600 MW Sawalkot, which have been either cancelled or transferred (it is not clear whether these are cancelled or transferred from the Ministry's reply). Keeping in view the financial position of J&K State the Committee desire that Ministry to take all possible steps to ensure implementation of these four projects. The Committee

feel that the close monitoring of the projects by the Ministry would yield positive and concrete results in capacity addition. The Committee feel that the Government should reconsider the question of giving counter-guarantee to the aforementioned projects of the State so that the State Government can take up these projects through private participation, if they so desire.

Allocation for T&D

Recommendation (Sl. No. 11)

15. The Committee had noted that the ideal ratio for investment in Generation and T&D sectors which was 1:1 dwindled since Fourth Five Year Plan. It was 100:92 and 100:51 in fourth Plan and Seventh Five Year Plan respectively. The ratio in the Ninth plan stands at 1:0.69. The Committee were anguished over the fact that inspite of repeated recommendations for hiking the allocation for T&D sector, the Ministry/ Planning Commission persisted in mismatched allocation.

16. The Ministry of Power in their Action Taken Note have stated that T&D is primarily looked after by the SEBs. As the financial condition of SEBs is not satisfactory they have failed to invest required funds in T&D sector. The Ministry are of the view that as private sector is coming in generation, SEBs can invest more in T&D during Ninth Plan period. The Ministry also expect that with the setting up of State Electricity Regulatory Commission the tariff will be rationalized improving the financial viability of SEBs.

17. The Committee after going through the argument of the Ministry still find T&D sector in a precarious situation. Undoubtedly, T&D is primarily looked after by SEBs. And so is generation. The Ministry should take steps for restoring equitable distribution of resources between generation and T&D. In the opinion of the Committee, opening up of transmission activity to private sector and constitution of CERC/SERCs, have brought little solace, as far as investment in T&D Sector is concerned. The Committee, therefore, recommend that 'POWER GRID'/Ministry should try to bring more funds for investment in T&D sector by resorting to all possible sources urgently. The Committee also felt that by strengthening transmission and distribution, more private generating companies will shed their fear of evacuation problem and come forward in the generation sector.

Transmission and Distribution

Recommendation (Sl. No. 12)

18. The Committee were constrained to note that transmission sector was continuously neglected. The Committee besides recommending matching allocation for transmission sector had desired that transmission sector should be extended infrastructure

status. In this context the Committee had recommended that both generation and transmission equipment should be subjected to similar rates of custom and excise duties.

19. The Ministry of Power in their reply have mentioned that the reduced investment in the transmission and distribution sector have been primarily due to the constraints in the availability of funds for the power sector. As a solution, Government of India have opened up power sector for the private parties in order to channelise resources. This step would also make available additional funds in the areas of T&D. The Ministry have also anticipated that after rationalisation of tariff structure through institutional arrangements by constitution of Electricity Regulatory Commission both at centre and the states the power sector would be in a healthy financial position.

20. In regard to the recommendations regarding reducing custom duty for Transmission equipment the Ministry have informed that in accordance with custom Tariff of India 1999-2000, the standard rate of custom duty for goods required for power generation project including gas turbine projects (excluding captive power plans set up by project engaged in activities other than in power generation) is 5% and for power transmission project of 66 KV and above is 25%. The issue of bringing the standard rate of custom duty at par for both power generation and transmission projects has been taken up with the Ministry of Finance as recommended by the Standing Committee. However, the status quo continues.

21. The Ministry of Finance in their action taken reply mentioned that infrastructure facility alongwith power and telecom are granted benefits of a tax holiday under the Income-tax Act. By the Finance Act, 1999, a network of new transmission lines are granted benefits as have been available for undertaking generating or generating and distributing power.

22. The Committee are pained to note the status of power sector in general and transmission sector in particular. The Committee are of the opinion that their repeated emphasis on the matching allocation for transmission sector should not be ignored on the plea that private sector investment will boost the capacity of transmission sector. The Committee are unhappy to note the differential rate of customs duty on generation and T&D Power equipments. The Committee, while recommending that T&D sector should be extended the benefits of other infrastructure sector, also desire that customs duty for T&D equipment should be brought at par with that for equipments for power generation so that generated power can be transmitted to the area where it is needed most.

Transmission Link in Eastern Region

Recommendations (Sl. No 14 & 15)

23. The Committee were concerned about surplus power in Eastern Region amounting to 1500 MW at peak load and 3500 MW at off-peak period which was being wasted due to lack of evacuation facility, absence of distribution line and inadequate

demand within the region. The Committee had also found that NTPC power projects although with the 85% availability, were running at the capacity of 45% only. since 3-4 years were needed to solve the problem, the Committee had emphasized the need for completion of the proposed transmission lines ahead of schedule, so that surplus power could be consumed. Besides the Committee had also recommended to step up their assistance to SEBs for strengthening distribution lines and systems in general.

24. The Ministry in their Action Taken Note have clarified that planning for power sector has so far been carried out considering the region as a unit. Accordingly the transmission plan were prepared keeping in view the utilisation of power within the region itself. Further in order to enable exchange of seasonal surpluses and emergency requirement inter-region transmission system has been planned basically through asynchronous links due to different operating regimes of the various regions. These links would provide limited exchange of power between the regions.

25. So far Eastern Region is concerned, Ministry have mentioned that POWER GRID is making all out efforts to transfer the surplus power in Eastern Region to Northern and Southern regions which are deficit in power. The existing links between Eastern and other regions have capacity to transfer power to the tune of about 1500 MW after commissioning of Gazuwaka HVDC back to back (East & South), Delhi- Karamnasa 132 KV S/C (East & North) and 220 KV S/C Korba- Budhipadar (East & West). This is besides the 400 KV D/C Bongaingaon-Maida (East & Northeast) link to NE Region.

26. POWERGRID is striving to complete 500 MW HVDC station at Sasaram (East & North) and also plan to take up the 400 KV AC line of Raipur-Rourkela (East & West) and high capacity 400 KV AC Purnea- Muzzafarpur-Lucknow (East & North) in next 4-5 years time which shall further increase the exchange capacity from Eastern region.

27. The Committee had been assured that 4 transmission schemes viz. Gazuwaka HVDC back to back, Dehri - Karamnasa, Korba-Budhipadar and Bongaigaon-Malda were to be completed by POWERGRID by the end of June 1999 and would on completion export 1300 MW of power to deficit Northern and Western region. It appears that these schemes are yet to take off, resulting in perennial power problem in Eastern region. The Committee apprehend that Sasaram HVDC, Raipur - Rourkela, Purnea-Muzzaffarpur-Lucknow, Projects which are likely to add another 2300 MW transmission capacity, scheduled for completion during the next 4-5 years, may also not be commissioned within the stipulated time. The Committee cannot but deplore the action of the Ministry in not acting with alacrity as expected from them resulting in chronic power shortage in Eastern region. The Committee would like to emphasise and reiterate their earlier recommendation for speedier implementation of transmission projects without any further delay. The Committee are also of the opinion that free flow of power is being impeded due to different operating regimes of various regions. The Committee would like Government to set up a National Grid at the earliest and

also harmonise the different operating frequencies of power supply without any delay.

Tariff Fixation

Recommendation (Sl. No. 16)

28. The Committee had observed that the State utilises of Eastern Region reacted sharply to hike in the tariff rate by NTPC with retrospective effect. Taking into consideration the objections raised by Member-states the Committee had urged the Ministry to refer the dispute to CERC for adjudication.

29. Ministry of Power in their Action Note have stated that they were aware of the reactions of State utilities like Gridco, Bihar State Electricity Board etc. The Bihar Electricity Board have field a petition vide their letter No. COM / MIS-1055/98/322 dated 8.7.99. Regarding referring the matter to CERC the Ministry have clarified that in accordance with the regulations of CERC (Conduct of Business) Regulation, 1999 the date of application of this Regulation for generating -companies owned or control by Central Government is May 1999. All tariff issues after this period are required to be referred to CERC.

30. The Committee are unhappy to note that the Government have been unable to resolve the question of tariff hike amicably. in the opinion of the Committee, there was no necessity of rushing through the hike, especially when the validity period of earlier Tariff was upto March, 2000. Moreover, the tariff hike necessarily ought to be enforced from a prospective date and is not to be implemented with retrospective effect.

31. The Committee are sad to note that the Government used the intervening period between the Assenting of Bill by President on 2.7.1998 and May, 1999 i.e. coming into force the CERC (Conduct of Business), Regulation 1999, to the disadvantage of States of Eastern Region. The Committee are of the view that administrative delays and slackness should not be used as a means to penalise State Government.

32. In the opinion of the Committee, it would have been prudent on the part of the Government to refer the issue to CERC Authority, for their opinion, ab initio**. The Committee would like the Ministry to withdraw the hike and thereafter refer the matter to CERC for their consideration.**

Mega Power Projects

Recommendations (S1. Nos. 17 & 20)

33. The Committee observed that on receiving suggestions from various countries/organization for development of show-case power generation projects, the

Ministry of Power issued guidelines for setting up mega power projects. The "Mega power project" have been defined as projects having a capacity of 1000 MW or above and supplying power to more than one State. The Committee found that due to procedural shortcomings in framing agreement with different financially weak SEBs lack of fuel supply, transport Agreement with coal/oil companies and multi-level scrutiny the policy had to be changed in November, 1998. Under the revised policy as far as possible promoters for private sector Mega projects, were to follow competitive bidding route. The public sector-Power utility were however, required to follow the normal procedure. The Committee, also found that Government had expected some benefits from these projects due to the size of the projects. The Committee, however, noted that these projects were supported with custom free equipment import, income tax holiday for ten years and sales tax and local levies exemption on supplies of Mega projects by State Governments. The Committee were of the opinion that after extending such incentives the tariff rate can naturally be brought down. The Committee were of strong view that tariff rate is proposed to be brought down after doling out a number of concessions at the cost of public exchequer.

34. The Committee did not find any. reason for extending such benefit exclusively to mega projects. The Committee also apprehended that such inconsistent policy of Government may create dissension's in the mind of the private sector entrepreneurs. The Committee recommended that such concessions and benefits should be extended to other IPPs also.

35. The Ministry in their reply have mentioned that the proposed Mega Power projects will have low tariffs. However, this is not only due to the concessions offered to such projects. The low tariff is expected also due to the following factors:

(i) Lowering of the risk factor on account of reforms that the beneficiary states would have to initiate in order to receive power from these projects.

(ii) Low risk factor due to dealing with a single entity which would have a separate security arrangement with the beneficiary states.

(iii) Economy of scale

(iv) Award of project to the bidder making the most competitive offer.

(v) Location of project at pit-head or coastal site thus obviating the need to transport fuel over long distances and washing of coal etc.

36. The decision to grant various concessions to the mega projects was taken to bring down the tariffs, as are at an early stage of restructuring and without offering low tariffs to the States, the task of reform and restructuring of the power sector would become that much more difficult. The mega power project policy would thus be an instrument in ensuring early structural reforms in the power sector.

37. In regard to extending benefits exclusively to mega projects Ministry mentioned that the main reasons for extending the zero custom duty and other concessions to the identified mega projects is to enhance the pace of the much needed reforms in the power sector in the absence of which most of the other projects are also languishing. These concessions are subject to fulfillment of certain conditions by the utilities such as establishment of State Electricity Regulatory Commissions with full powers and privatisation of distribution in big cities. These conditions, coupled with certain other factors, are expected to result in cheap tariff which will in turn, prompt the beneficiary states to undertake reforms. Needless to say, the decision to exempt the mega power projects from payment of custom duty and other concessions granted will have an impact on the revenue side. It needs to be appreciated that the country can ill afford to provide similar benefits to all the projects. Mega projects will also provide a benchmark for other IPPs to ensure that tariffs are competitive.

38. The Committee do not concur with the views of Government that the main reason for extending concessions to mega projects is that it would enhance the pace of much needed reforms in the power sector. Strangely, the concessions have been denied to non-mega projects, on the grounds that the country can ill afford such benefits to them. The Committee are of the view that all the players, irrespective of their origin and size should be extended similar facilities and concessions, so as to ensure a level playing field. There should be no discrimination between mega and small projects. The Committee, while reiterating their earlier recommendation, desire that the Government should not be selective in extending concessions/ benefits to mega projects only. But similar facilities should also be offered to all projects.

Standing Independent Group

Recommendation (Sl. No. 18)

39. The Committee observed that one of the disadvantages of mega project is that the indigenous expertise for handling global tenders are not available and the services of foreign consultants are being requisitioned. They would be paid by Power Gird Corporation through World Bank loan. The Committee desired that the Ministry share with it the details of payment made to consultants. The Committee also found that another body 'Standing Independent Group had been created unnecessarily to oversee the implementation of Mega Power Projects. In the opinion of the Committee, the composition of SIG was more of administrative in nature, rather than technical. The Committee apprehend that SIG may not gain confidence of the private investor. The Committee had observed that role of CEA, which assist Government in all technical and economic matters, pertaining to power sector, has been diluted to a large extent. The Committee while seeking an explanation from the Ministry in this regard, recommended that responsibilities assigned to 'SIG' should be overseen by CEA. Whatever procedure is followed in case of other projects, it should be followed in case of mega projects also. The Committee also desired that the role of CEA should not be diluted.

40. In their Action Taken replies the Ministry have stated that the composition of SIG was broadened with the inclusion of Secretary (Power) and Chairman, CEA, to facilitate better coordination while interfacing with different departments of the Central Government, as well as with State Governments. Since CEAs Chairman is a member of the SIG, his expertise would be used in evaluating tariff offers, which would generally be through the tariff based competitive bidding process. Consequently, a separate CEA scrutiny of cost is not considered necessary. Further, the scheme formulated by the SIG in respect of methodology of selection and evaluation would be submitted to the Central Electricity Regulatory Commission for its approval. Since mega projects involve complex issues involving several States and IPPs, it was considered necessary to set up an independent body with transparent procedures to generate the required confidence in the investors. Structuring large projects of an inter-state nature would also need the services of experienced consultants, at least in the initial stage. No payments have been made to the international consultants till date. M/s CPISIL Advisory Services Mumbai have been appointed as consultants to the PTC for assisting and advising etc. in the implementation of Pipavav Mega project. Earlier M/s ICICI had been appointed for advising PTC in implementation of the Hirma project.

41. The Committee have observed that the Government have broadened the composition of 'SIG' by including Secretary (Power) and Chairman, CEA to facilitate better coordination while interfacing with different Departments of the Central Government as well as State Governments. The Committee still hold the view that 'SIG' is more of an administrative rather than technical set-up. In the view of the Committee such a move will dilute the powers of CEA in evaluating a project from techno-economic angle, more judiciously. The Committee are not in agreement with the argument of the Government that in a bid to impart transparency in procedure, scheme formulated by 'SIG' are to be submitted to CERC for approval. The Committee are of the opinion that since CEA is the technical arm of the Ministry of Power, it should be the prerogative of CEA only to advise on such matters. The Committee, therefore, reiterate their earlier recommendation and desire that the function of SIG should be overseen by CEA and as such 'SIG' should be headed by Chairman, CEA and if need be other non-technical personnel be associated with it.

Energy Conservation

Recommendation (Sl. No. 22)

42. The Committee had observed that energy conservation programme pursued by the Government were casual in nature. Government had failed to achieve targets for saving electricity during Eight Five Year Plan. The Committee had observed that the Ministry of Power have restricted themselves to funding some insignificant incentive schemes which rarely encourage State Governments and their funds starved utilities to take up Energy Conservation measures in the right earnest. Apart from this causal approach to energy conservation programmes the Ministry had kept the status of Energy Management Center in an uncertain position for a long period, thus blocking the functions such various

training programmes, awareness campaigns etc. The Committee had taken serious view of this incoherent policy of the Ministry and has asked the Ministry to strengthen and expand the scope of work of EMC so as to include the work proposed for Bureau of Energy Efficiency.

43. The Ministry in their reply have mentioned that National Energy and Efficiency Programme (NEEP) was envisaged in the Eighth Plan with a target to save 5000 MW. It was envisaged a target of 2250 MW on the supply side and 2750 MW on demand side. According to the Ministry, supply side target was achieved having earmarked fund, but the monitoring, verification of energy saving in the demand side could not be carried out. So far as the recommendation of the Committee to strengthen EMC, the Ministry have mentioned that the proposed. Energy Conservation Bill will create Bureau of Energy Efficiency to coordinate the activities regarding establishing minimum energy efficiency consumption standards and labeling of domestic appliances, fixing minimum energy efficiency standards for industrial and commercial equipment, preparation of central building code and designating large energy consumer to undertake energy audit and appoint energy managers. Energy Management Center has been asked to initiate the preparatory activities of the functions proposed to be undertaken by Bureau of Energy Efficiency.

44. The Committee are unhappy to note that the Ministry have failed to realise the importance of energy saving programmes. The Committee do not find any reasons for keeping the Energy Management Centre in uncertain position, thus affecting various training programmes and awareness campaigns. The Ministry have also maintained silence on the role of the Energy Management Centre while a new organisation viz. the Bureau of Energy Efficiency is proposed to be created under the Energy Conservation Bill. The Committee would like that the Energy Management Centre be strengthened and its scope of work expanded to include various energy conservation works.

Rural Electrification Programmes

Recommendation (Sl. No. 24)

45. The Committee were distressed to note that programmes covered under Rural Electrification Programme like Tribal Sub-Plan, Special Component (SCP), Village Electrification and Pumpset Energisation Programme are not progressing as per the target made for each programme. Upto September 1998 only 42 Tribal Villages were electrified against the target of 500 and 574 Dalit Bastis were electrified against targeted number of 1720. Similarly, village electrification and pump-set energisation programme also failed to achieve target. The contention of the Ministry that these programmes pick up from the third quarter of the financial year was not convincing to the Committee and they have desired that corrective action must be taken to ensure the work spread throughout the year.

46. The Ministry in their reply have updated the target achieved by different Rural Electrification Programme up to March, 1999. As against target of 2000 villages 2502 villages have been reported to be electrified. By the end of September 1998, only 42 Tribal Villages were electrified. By March 1999, 339 Tribal Villages were electrified. Similarly, in case of Dalit Bastis only 574 Dalit Bastis were electrified and by the . end of March 1999, the figure rose to 3419.

47. The Committee are unhappy to note that the Ministry have failed yet again to explain the reasons for the rural electrification programme picking up only in the third quarter of the year. The Committee would like these programmes to be evenly spread out throughout the year, so that implementation of these programmes could be easier as it will allay the fears of mis-utilisation of funds at the year-end. The Committee have learnt that some of the States/ UTs have inflated the figures of achievement w.r.t. rural electrification programme and investigations are being done in the matter. The Committee, without commenting on the merits of the case, recommend that an independent agency be asked to verify the claims of States/UTs under this programme.

CHAPTER II

RECOMMENDATIONS / OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2)

The Committee note that for 9th Five year plan Rs. 45591.05 crore have been proposed for Central Power Sector. Out of this, Internal and Extra Budgetary Resources (IEBR) amounts to Rs.30648.00 crore. The Ministry's have informed that higher provision of IEBR for the 9th Plan has been envisaged to meet the funds requirement of the ongoing scheme as well as the new schemes. As the mobilisation of resources under internal accrual depends largely on the market conditions the Committee are in serious doubt whether the IEBR amount earmarked for 9th Plan can be realised considering their dismal performance during 8th Five year plan. The Committee have also found that in the first two years of Ninth Plan against a target of Rs. 11283.31 crore, Rs. 8668.85 crore have been realised from IEBR. The contention of the Government that the targeted amount could not be realised during first two years of Ninth Plan due to inability of Central PSUs is hardly convincing. In the view of the Committee the dependency on IEBR may jeopardise the progress of projects due to uncertain IEBR position. Even organisation like NTPC have not been able to raise resources through bonds and debentures in the first two years of Ninth Five year plan. The Committee while recommending that realistic and achievable IEBR targets should be fixed also desire that Government must take measures to encourage investment in the power sector.

Reply of the Government

For the 8^{th} Plan, as against a target of Rs.17979 crore for IEBR, actual achievement was Rs. 14969 crore, implying an achievement of 83%. Within the IEBR, the Ministry had exceeded the targets for Internal Resources (IR). The shortfall was primarily in the bonds as market conditions during the 8^{th} Plan period were poor. The market conditions are much better today and there should be no problem in achieving the target as laid down for the 9th Plan. Besides, as already pointed out, the targets for the first two years of the 9th Plan were not achieved due to reasons like NHPC being given additional budgetary support during 1997-98 on account of which it did not have to go to the market to raise bonds, NJPC being affected by flash floods in 1997-.98 which had an adverse impact on the progress of work, thus obviating the need to raise more resources through IEBR, delays in the sanctioning of some projects of NTPC and PGCIL causing a lower requirements for funds from IEBR etc. The IEBR position is under constant review of the Government based on ground situation, revised estimates have been fixed. The position of BE, RE and actuals in respect of IEBR of central sector for the last two years and for the current year is given below:

Year	BE	RE	Actual
1997-98	4497.31	4196.94	3688.95

1998-99	6786.00	5437.03	4980.90
1999-2000	6660.27	5279.92	3171.90 (upto 1 / 2000)

[Ministry of Power O.M.No. G-20020/1/99-Bud Dated the 24th March, 20001]

Recommendation (Sl. No. 5)

Moreover, the capacity addition programme from different sectors placed before the Committee also raised doubt about achievability of the targets. Out of 40,245.2 NW target in the Ninth Plan period, a capacity of 6000 MW liquid fuel based projects are yet to be identified. The projects under private sector are not showing encouraging results. The Eighth Plan failed due to its too much reliance on private sector. The Ninth Plan is likely to fail due to resource crunch & fixing of unrealistic targets. The Committee would have liked the Ministry to set a realistic target and matching support for its achievements. The Committee desire that project prioritised for capacity addition during Ninth Five Year Plan like Bakreshwar and Faridabad and others should not be left affected due to economic sanctions. The Committee recommend that a contingent plan should be drawn to mobilise, adequate resources for these projects for their earlier completion. Projects like THDC are suffering due to Ministry's complacency be also completed expeditiously.

Reply of the Government

Initially, out of a total of around 12,000 MW, which was planned to be added by projects based on liquid fuels, it was expected that not more than 6,000 MW will actually materialise. Some modifications in the liquid fuel policy were announced in July, 1998. One of the decisions taken under the modified policy was to apply 12,000 MW ceiling only on Naphtha and to de-link projects based on Furnace Oil etc., from this ceiling. Consequently, it became possible to include some additional capacity based on liquid fuels. However, after a recent review of the actual progress made by these projects, this figure has now been re-estimated at 2740 MW, which does not include captive power plants given fuel linkage from the overall 12,000 MW ceiling. Inability of the projects based on liquid fuel to achieve financial closure, owing to various constraints, has been the main reason why capacity addition by liquid fuel based power projects is likely to go down. The inability of SEBs with their precarious financial condition to provide escrow is a critical factor in this regard. The new estimate of 2740 MW based on liquid fuels (including liquid fuels other than Naphtha) is strictly based on the present status of the projects. The position could further change marginally due to slippage of projects or due to ability of some new projects to achieve financial closure in the next few months and consequently get commissioned during the 9th Plan. The projects that are likely to materialise are mentioned below:

Sl.No.	Name of the project / project developer	Capacity (MW)
1	2	3

1.	Global Boards CCGT (Rajasthan)	130
2.	Magnum Power (Haryana)	25
3.	Phoenix Power (Haryana)	175
4.	Ratlam DGPP (M.P.)	118
5.	Kondapally CCGT (Andhra Pradesh)	350
6.	Vemagiri CGT (Andhra Pradesh)	468
7.	Peddapuram CCGT (Gauthami) (Andhra Pradesh)	358.9
8.	Snehlata Power (Andhra Pradesh)	200
9.	Bellary Hospet (Karnataka)	27.8
1.	2	3
10.	Bellary Hospet (Karnataka)	200
11.	Bidadi CCGT	200
12.	Bharat Forge CCGT (Karnataka)	50.8
13.	DLF Power CCGT (Tumkur – Karnataka)	32.5
14.	Eloor BSES (Kerala)	173
15.	Samayanallur (Tamil Nadu)	106
16.	Samalpatti (Tamil Nadu)	105
17.	Bamboo Flat DG (A&N Islands)	20
	Total	2740

Bakreshwar Thermal Power Station Unit-III, Extension Project-II, has been selected by OECF, Japan in its loan package 1998-99 and the loan agreement had been signed on 24.3.99 for Yen 11,537 million.

As regards Faridabad project of NTPC, the matter was reviewed in November/December 1999 with Appraisal Mission from erstwhile OECF, now Japan Bank for International Co-operation (JBIC), and it was concluded that Rs. 850 crore approx. (JY 22.85 billion) already tied up in 1st tranche loan will meet the requirements for the projects.

THDC had been encountered with various problems relating to rehabilitation and environmental aspects of the dam. All these problems have since been overcome as the

Government have issued orders for implementation of the recommendations of the Hanumantha Rao Committee relating to environmental and rehabilitation aspects of the project involving an additional expenditure of Rs. 305.20 crores in December, 1998. The seismic safety of the Tehri Dam has also been established by a Group of Experts constituted by the Government at the behest of Shri Sunderlal Bahuguna. Now various construction activities at the project site are in full swing and the project is likely to be commissioned by the year 2002. The execution of the project is being constantly monitored by a Hydel Task Force headed by the Union Minister of Power.

[Ministry of Power O.M. No. C-20020/1/99-Bud Dated the 24th March, 2000]

Recommendation (Sl. No. 6)

The Committee are sad to note the casual approach in handling the Hanumantha Rao Committee Report on the R&R of Tehri oustees. The HRC Report was submitted to the Ministry on 11.11.97 and Ministry took more than one year to take a decision on the report and the issue has not been settled so far. The Committee desire that as Government of UP is unable to meet its financial commitment, with respect to irrigation component, efforts should be made in getting adequate funds from PFC etc. and other FIs. Union Government should also consider reduction in free quota of power, which a beneficiary State is entitled to pending fulfilment of financial commitments, on the part of Government of Uttar Pradesh.

Reply of the Government

Ministry of Power has processed the recommendations of Hanumantha Rao Committee relating to the environmental and rehabilitation aspects of the Tehri Project on priority basis. The following events given in chronological order would show that there has not been any delay in dealing with the recommendations of the Committee:-

1.	Receipt of the report of Hanumantha Rao Committee by the Ministry	11.11.97
2.	Meeting of the Committee of Secretaries (CoS) to discuss the strategy for processing the recommendations of the Committee	25.11.97
3.	Setting up of Inter-Ministerial Committee headed by Secretary, Deptt. of Rural Development, as decided by CoS	02.12.97
4.	Receipt of the views of Inter-Ministerial Committee.	16.03.98

5.	Consideration of the report of the Inter- Ministerial Committee by CoS.	19.05.98
6.	Issue of final orders after obtaining the approval of competent authority.	09.12.98

In order to resolve the difficulties faced by THDC on account of non-release of funds by the Government of UP, meetings have been held at various levels. Government of UP is now availing the partial funding assistance under the "Accelerated Irrigation Benefit Project' to meet its funding obligation for the "irrigation" component of the project. PFC has agreed in principle to sanction a term loan of Rs. 1903 crores to THDC to meet the expenditure on "power" component of the project. During 1999-2000, Government of UP has agreed to pay Rs. 20 crores per month (Rs. 10 crores for irrigation and Rs. 10 crores for power component). Till 29.2.2000, Government of UP has released Rs. 171 crores (Rs. 84 crores for 'Irrigation' component and Rs. 87 crores for 'Power' component). This amount includes Rs. 47 crores for "Power" component sanctioned by Government of UP on 31.3.98 but released during the current financial year. In the event of Government of UP's failure to meet, its obligations for meeting 25% cost of the 'Power' component of the project, Central Government may consider taking decision at the appropriate time to provide the funds subject to such conditions as may be mutually decided.

[Ministry of Power O.M. No. C-20020/1/99-Bud. Dated the 24th March, 2000]

Recommendation (Sl. No. 7)

During evidence on the Demands for Grants (1999-2000), the Ministry of Power officials informed the Committee that six projects, which were earlier scheduled for commission after the year 1998-99, had been commissioned during the year 1998-99 itself and thus the capacity additional targets of the year had been exceeded and that these units were doing very well. But in a P.E.R. (Post Evidence Reply) on the subject, the Ministry have shown that these five units commissioned during the last two months had generated 111 MUs only in which four plants has not generated any electricity during the period. This clearly shows that the attempt of the Ministry was to mislead the Committee. The Committee take a serious note of it and desire that the matter should be examined in detail and facts be placed before the Committee.

Reply of the Government

The position in regard to Power Projects commissioned ahead of scheduled in 1998-99 is indicated below:-

Project	Unit No.	Capacity (MW)	Date of Synchronisation

			Scheduled	Actual
Kayamkulam GPP	GT-I	115	March, 99	2.11.1998
	GT-II	115	May, 99	28.2.1999
Feroze Gandhi Unchahar TPP St.II	U-III	210	Jan, 2000	27.1.1999
Vindhyachal STP St.II	U-VIII	500	Feb, 2000	3.3.1999
Raichur-V		210		
Birsingpur-III		210		
Koyna-IV		210	31st March, 99	20.6.99

It is a fact that after test synchronization, the units take some time in trial operation and stabilization; thereafter the units starts generating on regular basis. As regards Kayamkulam GPP, First Gas Turbine (GT) unit generated 224.3 MUs and GT-2 generated 19.0 MU during the period from their synchronisastion upto March, 99, Unchahar-II (unit-III) generated 0.023 MUs and Vidhyachal-II (Unit-VII) generated 0.03 MUs till March, 99 after first (test) synchronization.

As regards less generation of energy from Raichur-V (210 MW) and Birsingpur-III (210 MW), it is submitted that after synchronisation, the units take some time in trial operation and stabilisation. Thereafter the units start generating on a regular basis. Koyna Unit-IV Hydroelectric Project scheduled for commissioning in early 1999-2000 was spun on 31.3.1999 and synchronised on 20.6.1999. Testing is in process and 72 hours continuous operation of trial run has been planned from 25.10.1999. During the period of a testing the generation was 30.096 MUs upto 20.10.1999.

The above level of generation from the new units is considered very reasonable in view of the fact that a unit after its test synchronisation normally takes time to achieve stabilized operation. The Government of India notification dated 30.3.1992 provides a period of 180 days from synchronisation to commercial operation and another 180 days after commercial operation before the unit can achieve the stabilized operating parameters. In case of gas turbine stations, a stabilization period of 90 days is envisaged after commercial operation. By all standards including the Government Notification, excellent performance has been achieved.

[Ministry of Power O.M. No. C-20020/1/99-Bud. Dated the 24th March, 2000]

Recommendation (Sl. No. 8)

The Committee are also astonished to note that the number of private projects monitored by the Ministry is gradually decreasing due to failure on the part of parties in submitting detailed DPR timely, and State Government deciding to take up projects from private parties. The Committee desire that Ministry should firm up the number of projects proposals at the earliest. As committee are aware of the fact that one of the reasons for shortfall in Eighth Five Year Plan was State sector projects transferred to private parties for implementation, the Committee require the details of the projects which have been shifted/ proposed to be shifted from private entrepreneurs to State Authorities.

Reply of the Government

The main reasons for the decrease in the number of Private Sector Power Projects being monitored by Ministry of Power (MoP) are mentioned below:-

(i) The inability of some of the MoU route projects to meet the deadlines stipulated by MoP for submission of complete DPRs to CEA for consideration of TEC. The list of MoU route projects is not likely to undergo any major change in future except that some projects which are not able to meet even the extended deadlines for submission of DPR to the satisfaction of CEA, are liable to get deleted.

(ii) Decision by concerned State Governments to transfer the projects to State sector.

(iii) Delegation of powers to the States for giving clearance to certain categories of projects. MoP is presently monitoring only those projects which require the techno-economic clearance (TEC) of the Central Electricity Authority (CEA).

2. The following projects, which were initially planned to be developed through the private sector, have subsequently been cancelled/transferred to the State sector by the concerned State Governments:

(1) 304 MW Maneri Bhali-II HE project in Uttar Pradesh.

(2) 500 MW Suratgarh TPP in Rajasthan.

(3) 1020 MW Bursar HEP in J&K State

(4) 330 MW Kisanganga HEP in J&K State,

(5) 1000 MW Pakaldual HEP in J&K State,

(6) 600 MW Sawalkot HEB in J&K State,

(7) 500 Guru Nanak Deo TPP (St-IV) in Punjab

*(8) 1000 MW Pipavav coastal TPP in Gujarat,

(9) 420 MW Khaperkheda TPP (Units 5&6) in Maharashtra

@(10) 500 MW Yamunanagar TPP in Haryana

(10) 1200 MW Teesta HEP Stage-111 in Sikkim. This is now proposed to be developed in the Central Sector.

(11) 421 Bawana gas based Project (Ph-1) in Delhi.

* This project, which as earlier proposed as bid route private sector project, has been subsequently shelved by Government of Gujarat. A 2000 MW power project is now being developed at the same site as mega power project under the revised mega power policy of the GoI.

@ The MoU for this project with the previous developer was cancelled by the Government of Haryana and the project has again been proposed to be developed through private sector who would be selected through competitive bidding.

3. In most of the cases where the projects were cancelled, one of the main reasons has been lack of seriousness of the project developer in implementing the project. The list of projects monitored may undergo other changes in future due to new projects awarded on the basis of competitive bidding. As the decision to implement projects through the Private/Public/State sector rests primarily with the State Governments, it is not possible to freeze the list at any given point of time. However, due to close monitoring undertaken by the Ministry of Power over the past 2-3 years, only the serious players will be left to develop their projects and the non-serious developers will be excluded.

[Ministry of Power O.M. No. C-20020/1/99-Bud. Dated the 24th March, 2000]

Comments of the Committee

(Please see Para No. 14 of the Chapter 1 of the Report)

Recommendation (Sl. No. 12)

The Committee are constrained to note that transmission is still a neglected area. The Committee are of the opinion that for the development of power sector, transmission is as important as Generation and Distribution are. Besides recommending that matching allocation be made for transmission sector, the Committee also desire that Government should extend infrastructure status to Transmission activities also. The differential rates of Custom and Excise Duties levied on Generation equipments and Transmission equipments are a matter of concern. The Committee recommend that generation and transmission should be subjected to similar rates of custom and excise duties.

Reply of the Government (Ministry of Power)

The reduced investment in the transmission and distribution sector have been primarily due to the constraints in the availability of funds for the power sector. In order to provide additional funds it has been decided by the Government of India to open the power sector for participation by private sector. This should also make available additional funds in the areas of transmission and distribution. It has also been decided to rationalise the tariff structure through institutional arrangements by constitution of Electricity Regulatory Commission both at Centre and the States. A number of states have also gone in for restructuring of the power sector in their respective States through unbundling of the power utilities to make them economically viable. This step alongwith the rationalisation of tariff through the Electricity Regulatory Commission is anticipated to put the power sector in a healthy financial position.

Customs & Excise Duty

In this connection it is to be pointed out that in accordance with Central Excise Tariff of India 1999-2000, there is no difference in the rate of Central Excise Duty for Power Generation and Transmission Equipment. However, in accordance with Customs Tariff of India 1999- 2000, the standard rate of custom duty for goods required for power generation project including gas turbine power projects (excluding captive power plants set up by projects engaged in activities other than in power generation) is 5% and for power transmission project of 66 KV and above is 25%. The issue of bringing the standard rate of custom duty at par for both power generation and transmission projects has been taken up with the Ministry of Finance as recommended by the Standing Committee. However, the status quo continues.

[Ministry of Power O.M. No. C-20020/1/99-Bud. Dated the 24th March, 2000]

Ministry of Finance

Recommendations do not relate to Direct Taxes. However, infrastructure facility alongwith power and telecom are granted benefits of a tax holiday under the Income-tax Act. By the Finance Act, 1999, a network of new transmission lines are granted benefits as have been available for undertaking generating or generating and distributing power.

Comments of the Committee

(Please see para 22 of Chapter I of the Report.)

Recommendation (Sl. No. 13)

Due to faulty planning by the Ministry, the Committee are distressed to find that some transmission projects are under utilised, thus increasing the cost of flow of power and on the other hand enormous power is being wasted in the Eastern Region due to non-availability of evacuation facilities in the region. Project like Agartala GBPP and

Kathalguri GBPP in North-East are not able to generate their fullest capacity due to lack of transmission facility. The Committee find that imprudent allocations were made for transmission projects like CEPA transmission system and Talcher-II transmission system since the Generation projects, could not take off. Powergrid thus failed to utilise about Rs. 900 crore in the year 1998-99. The Committee are also perturbed over delay in commissioning of Nathpa Jhakri Hydro Project. Power Grid has already suffered a loss of Rs. 320 crore on account of delay in commissioning hydel project. The Committee stress the need for optimum utilisation of the existing transmission system. In this context, the Committee recommend that a National Grid should be created at the earliest, so that the regional imbalances in the generation and transmission of Power can be corrected.

Reply of the Government

In Eastern Region, the load growth has been low against what was envisaged at the time of planning the generation projects which resulted in under-utilisation of the facilities provided. Further, non- commissioning of matching sub-transmission and distribution facilities have impeded the load growth and the drawal of power remained stagnant thus aggravating the under-utilisation of facilities provided.

There is no evacuation constraint from Agartala GBPP and Kathalguri GBPP on account of non-availability of evacuation facilities. In fact, the required evacuation lines from Kathalguri GBPP have already been commissioned and the same are adequate for evacuation of power from the project. Similarly for Agartala GBPP, Agartala-Agartala 132 KV D/C line has been commissioned which can evacuate the complete power from Agartala. However, the other line of this project i.e. Agartala-Kumarghat 132 KV SIC line which is to provide redundancy could not be commissioned due to law & order problem and is expected to be completed in 1-2 years time.

For the year 1998-99, POWERGRID had made an allocation of Rs. 1.11 crores only for CEPA transmission system to carry out preliminary survey and development of feasibility report etc. which can not be considered imprudent.

Similarly, POWERGRID had earmarked Rs. 79.10 crores for Talcher-II transmission project to match with the commissioning schedule of generation project. The transmission project was approved by CCEA in Feb, 2000.

[Ministry of Power O.M. No. C-20020/1/99-Bud Dated the 24th March, 2000]

Comments of the Committee

Recommendation (Sl. No. 19)

The Committee are sad to note that the first project under Mega Power Policy "Nabinagar Project" was identified in February, 1996. Inspite of showering all sorts of benefits, the project could not progress beyond RFQ stage. The Committee are anguished over the fact that the mega power policy failed to implement the very first project taken up under this programme. The Committee seek an explanation from the Ministry regarding dropping of the project and details of funds spent so far on the project.

Reply of the Government

Nabinagar project was identified in February, 1996 for development as the first Mega Power Project under the Government of India Mega Policy announced in November 95. North Dadhu Coal block (having geological reserves of 900 Million Tonnes) of North Karanpura Coal field of CCL, which is 200 km away from the project site, was identified as the coal source. Ministry of Coal clarified that due to the financial position of Coal India Ltd., it may not possible for them to develop the mine for the project and, therefore, development of coal mine block for 10 Million Tonnes/Annum capacity was covered under the scope of IPPs/Developer as captive mine.

2. Accordingly, POWERGRID, in consultation with Ministry of Power, Ministry of Coal and National Thermal Power Corporation Ltd. prepared RFQ documents for Pre-qualification of IPPs/developers and notification for Pre-qualification of IPPs for the project was issued on 30.08.96 on ICB basis. Eight IPPs purchased the RFQ documents but because doubts were raised about the commercial viability of the captive mines, the whole procedure could not go beyond the RFQ stage. Thereafter, the captive mine was changed from North Dadhu to Dumagarh having geological reserves of 268 Million Tonnes, and fresh notification for RFQ issued. This time the response was far from encouraging as only two IPPs purchased the RFQ document, despite the fact that 3 extensions were given. It was therefore decided not to pursue the bids through this route. The experience with Nabinagar underlines the need to select projects purely on economic and technical considerations so that the project has a chance to come up and be viable.

3. The expenditure incurred by NTPC & Power Grid on the Nabi Nagar Project is as follows:-

NTPC

NTPC has informed that they were conducting the site specific studies and accordingly, various packages namely, Topographical Survey, EIA Study & Soil Investigation were awarded by them. Subsequently, after it was decided not to pursue the project under the revised mega power projects policy, the site investigation work was stopped and these contracts are being foreclosed. While the final settlements are yet to be done, the likely direct cost for the completed work is estimated to be around Rs. 10 lakhs.

Power Grid

Power Grid have informed that they have spent around Rs. 37 lakhs on preparation and publication of RFQ notifications in the Press. Against this, they have also realised around Rs. 15.75 lakhs (non- refundable) towards the sale of RFQ documents. Besides the above, Power Grid has also incurred administrative and other associated overhead expenditure while undertaking the activities relating to pre- qualification and selection of developers through bidding route, etc.

4. Based on the earlier experience, Government recast its policy on the development of such mega power projects. Certain sites have been identified for development of mega projects in which the Nabinagar project has not been included. Keeping in view the experience gained from the earlier efforts made to develop this project, Ministry of Power is not contemplating developing it under the revised mega policy. However, a proposal to have the project developed by NTPC is under consideration.

[Ministry of Power O.M. No. C-20020/1/99-Bud Dated the 24th March, 2000]

Recommendation (Sl. No. 22)

The Committee acknowledge that conservation and efficient use of energy is one of the important ways to bridge the gap between the demand and availability of various forms of energy. The Committee observed that this point has been categorically emphasized in the draft Ninth Five Year Plan. The Committee are, however, sad to note that the emphasis given by the Government on Energy Conservation is very casual as the electricity saving targets for the Eighth Plan could not be achieved. The Committee are aware that implementation of energy conservation projects depend on initiatives and responses from State Governments and their utilities. The Ministry of Power have restricted themselves in funding some insignificant incentive schemes which rarely encourage State Governments and their funds starved utilities to take up energy conservation measures in the right earnest. Moreover, the only organization Energy Management Centre which is under Ministry of Power has been kept in uncertain position for a long period, thus blocking the functions like various training programmes, awareness campaign's etc. The Committee take a serious view of the incoherent policy pursued by the Ministry. The Committee, recommend that EMC should be strengthened and the functions proposed to be handed by Bureau of Energy Efficiency, be handled by it so that the work relating to energy conservation can be taken up in the right earnest.

Reply of the Government

(a) A National Energy Efficiency Programme (NEEP) was envisaged in the 8th Plan with a target saving of 5000 MW. It envisaged a target of 2250 MW on the supply side and 2750 MW on demand side. Although, the supply side target having ear-marked funds was achieved, but the monitoring, verification of energy savings in the demand side could not be carried out. However, information on the activities initiated and the achievements on the demands side are as follows:-

1. Industry

The weighted average specific energy consumption has come down by over 5% in the last decade. Cement manufacturing units in India have achieved better energy rations than weighted average of developed countries and some of the units have achieved the international norms. In the Aluminum sector over 2,5% reduction was observed in specific energy consumption during the last decade and few recent installations compare with the international standards for energy consumption norms. Similar such reduction in energy indices are reported in the other sectors of industry such as pulp & glass ceramic, foundaries etc. Such efforts are still only sporadic.

Wide variation in energy and material consumption coefficient among different units in the same industry using comparable technology (30 to 150%). The energy efficient units have been improving their efficiency year after year, while the not so efficient units have been lagging behind leaders and gap has been ever widening. There is still a vast section of industry needs to improve their energy efficiency.

Potential for energy savings varied from 10 to 25% in implementing operational and medium term efficiency projects and without change of process or technology. Economic benefits of investments in energy saving measures are attractive in all sectors of industry with return on investment ranging from 1.4 to 3.6 years. Energy saving measures are the least cost options for improving profitability and improving competitive edge of the industry.

Strategy for Industrial Sector

- Get senior management commitment and a focal person devoted to energy efficiency improvements with basic knowledge to implement improvements.

- Conduct of energy audit by professionals to identify energy saving projects and measures along-with economics. This would bring to notice of senior management the benefit of energy efficiency measures Industries to implement measures on economic merit.

- Since variation in energy indices between similar group of industries is very high there is a need for fixing norms and adhering to the norms. However, while fixing norms all factors including age of the plant and others should be considered.

- Develop innovative financing mechanism including leveraging equity for Energy Service Companies which would facilitate energy efficiency.

2. Agriculture

Ministry of Power have implemented the following schemes:

(i)	REC Scheme	50,000
	No. of pump-sets rectified % improvement in efficiency	30%
(ii)	Institute of Co-operative Management (ICM) scheme	
	No. of agricultural pump-sets rectified	10750
	Diesel pump-sets	6250
	Electric pump-sets	4500

The rectification programme resulted in a saving of 1875 KL of diesel per year and 11.5 Million units electricity every year. Complete rectification of R4 type in 500 electric pump-sets resulted in reduction of connected load by 45% and consumption of the electricity came down by 54%.

The investment per KW load reduction was Rs. 2976 KW. This favourably compares with cost of supply side additional Rs. 4500 KW.

The frames have very little incentive in improving the efficiency of the irrigation pump-sets. However, the farmers, are paying for the maintenance cost which is a significant proportion of first cost of inefficient agricultural pumping system.

Targeting agricultural irrigation pump-sets efficiency improvement is in the interest of State utilities and distribution companies since the energy saved in agriculture would result in lower demand and the utility need not spend the money for procurement for meeting electricity demand. The cost of this option is only 7% of the cost of capacity addition.

Two pronged approach is proposed for the agriculture sector.

- Carrying out the rectification programme *i.e.* R4 type of rectification on a sustainable manner to improve existing pump-sets.

- For the new stock of irrigation pump-set evolving energy consumption standards for various components and the system and enforce them.

3. **Commercial Sector**

Energy audit studies conducted in Hotels, Hospitals and Office buildings reveal that an average 15-20% energy savings can be achieved by improving HVAC systems and lighting system.

Strategies for commercial sector would aim at conducting energy audit of plant facilities with a view to improve performance and reduce energy bill, introducing minimum energy efficiency standards for equipment including HVAC, lighting system, building management and evolving building codes.

4. **Domestic Sector**

The energy efficiency strategy for this sector is through changing attitude of the customer through education, awareness creation and introduction of minimum energy efficiency standards and labeling of equipment/devices.

(b) The Energy Conservation Bill 2000 has been introduced in the Parliament which inter-alia envisages establishing minimum energy efficiency consumption standards and labeling for domestic appliances fixing minimum energy efficiency standards for industrial and commercial equipment, preparation of central building code and designating large energy consumers to undertake energy audit and appoint energy managers. These activities would be coordinated by the proposed Bureau of Energy Efficiency which is proposed to be set up under the proposed Bill. Energy Management Centre has been asked to initiate the preparatory activities of the functions proposed to be undertaken by Bureau of Energy Efficiency. Accordingly, EMC has been preparing following projects:-

(i) Preparation of curriculum and course material for energy efficiency examination;

(ii) Preparation of guidelines for minimum energy performance standards and appliance labeling programme;

(iii) Preparation of guidelines for energy efficiency design of buildings and utility systems; and

(iv) Preparation of guidelines for minimum efficiency standards for industrial and commercial equipment.

[Ministry of Power, O.M. No. C-20020/1/99-Bud., Dated the 24th March, 20001

Comments of the Committee

(Please see Para 44 of Chapter I of the Report)

Recommendation (Sl. No. 23)

The Committee are sad to note that at present there is no separate organisation for ensuring energy efficient electrical equipment. The Committee desire that the existing scope and functions of the Energy Management Centre should be widened so that electrical equipment can be standardized in tandem with Bureau of Indian Standards. Standards and norms of energy consumption for equipment and for various applications should also be laid down.

Reply of the Government

Under the proposed Energy Conservation BW 2000, it is proposed to:-

(i) specify equipment or appliances for the purposes of this Act;

(ii) fix minimum energy consumption standards for specified equipment and appliances;

(iii) Prohibit manufacture or sale or purchase of specified equipment or appliances;

(iv) Direct display of such particulars on labels on specified equipment and appliances.

The Bill seeks to fix minimum energy efficiency standards for specified equipment and appliances and introduce labeling programme for appliances.

Presently, the Bureau of Indian Standards are involved in preparation of energy efficiency standards for a limited number of equipment and appliances apart from safety and other performance parameters. These standards are purely voluntary in nature and present standards are very lenient. Most of the manufacturers in the country are achieving the efficiency or bettering the standards of voluntary minimum efficiency standards.

Under the proposed Energy Conservation Bill 2000, the existing Energy Management Centre is proposed to be merged into the Bureau of Energy Efficiency (BEE). One of the major task assigned is fixing minimum energy efficiency standards and labeling programme. Fixing of energy efficiency standards would be on a participatory approach utilising the existing infrastructure. The services of Bureau of Indian Standards would be utilised in evolving the standards. However, the standards would be prepared on a logarithm prepared by a Policy Working Group consisting of member from Bureau of Energy Efficiency, Ministry of Power, Bureau of Indian

Standards, Equipment & Appliance Manufactures and their Association. This is one of the important activities under the proposed legislation.

[Ministry of Power, O.M, No. G-20020/1/99-Bud., Dated the 24th March, 2000]

CHAPTER III

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

Recommendation (Sl. No. 10)

The Committee note that amount earmarked for Power Finance Corporation for the year 1999-2000 is Rs. 1560.81 crore which is higher than last year's allocation. As majority of failure in raising resources under IEBR is due to lack of investment in PSUs, Bonds and Debentures and PFC is involved in helping SEBs system improvement etc., the Committee emphasise the need for increasing the allocation for the Power Finance Corporation.

Reply of the Government

Power Finance Corporation does not depend on Government of India for budgetary support. Corporation mobilize resources through tax free/taxable bonds, term loan from banks, foreign currency loans (syndicated loan), External Credit, World Bank, ODA and recoveries from earlier borrowings. During last financial year the Corporation raised resources to the tune of Rs. 2729.52 crores. As against this, Corporation's disbursement was Rs. 2467 crores. During the last financial year i.e. 1998-99 the Articles of Association of the Corporation were amended to enable the Corporation to raise resources from the market. The Corporation is not facing any difficulty in resource mobilization.

The amount expected to be raised by the PFC during the year 1999-2000 is Rs. 2806 crores and not Rs. 1560.81 crores. In addition to this, Government of India is providing Rs. 300 crores as interest subsidy under AC&SP scheme. The Corporation is facing no difficulty in either resource mobilization or in their disbursement programme. The Corporation's disbursement target for the current year is Rs. 2250 crores. In view of this, there does not appear to be any need to provide additional allocation for the Power Finance Corporation.

[Ministry of Power, O.M. No. C-20020/1/99-Bud., Dated the 24th March, 2000]

Recommendation (Sl. No. 21)

The Committee are also in doubt as to how the creation of Power Trading Corporation will help, when it will take power from private parties and sell it to SEBs. Further PTC would be paying for purchase of power from Mega projects to IPPs but they may not be able to recover the amount from SEBs to whom they sell the power. Hence the entire financial burden will come on the Union Government. PTC will be forced to purchase the power from Mega projects because of Power Purchase Agreements and sell it to SEBs whether they get money for it or not. The Committee do feel that creation of another intermediary organisation in the form of PTC may also increase the tariff for SEBS. The Committee deprecate the attitude of the Ministry, which close it's eyes to the real issue of strengthening financial status of SEBs and go on creating avoidable organisations. The Committee fails to understand the rationale of PGCIL, NTPC, PFC and other FI's in subscribing to the equity in the proposed PTC, when none of them has a mandate to trade in power. The Committee cannot but desire that the decision to set up PTC, may be reviewed afresh.

Reply of the Government

The earlier experience with the Nabinager and Hirma mega power projects established that developers look for a single entity with whom it can sign the Power Purchase Agreement instead of having to deal with several SEBs. There is also the high risk perception in dealing with financially weak SEBs and hence demand for high comfort levels resulting in delays and difficulties in working out the security packages. It was in this background that the decision to have a Power Trading Corporation was taken. Government does not agree that having another intermediary organisation in the form of the PTC may increase the tariff for SEBs. On the contrary, the tariff could get reduced due to lowering of the risk factors. It is important to note that the PTC will have a security arrangement with the beneficiary States which will enable it to dip into the State's share of Central Plan allocation and devolution in case of default by the SEB in making payment. Such kind of an agreement between a private developer and State Utility is not possible.

Government is fully aware of the need to improve the financial health of the SEBs. The mega power policy aims at encouraging reforms by the SEBs due to the various conditions attached to the policy and the cheap power produced by the mega projects.

The PTC will be a separate entity with equity by Power grid, PFC, NTPC, IFIs and possible SEBs/State Governments. Equity investment in the PTC by these organisations will not affect their regular activities. The activities of the PTC and the participation of these organisations therein are in line with their broad mandate as mentioned in the Memorandum and Articles of Association.

Recommendation (Sl. Nos. 25 & 26)

The Committee note that in setting up of large hydel and thermal plants, a large number of people, flora and fauna are affected. The Committee are astonished to note that there is no National Policy on Rehabilitation and Resettlement of land oustees. The Committee find that the policy varies from State to State and project to project. The Committee also find that due to technical and skilled manpower required for such projects, the employment opportunities for the local people are also limited and scarce.

The Committee were informed that so far as State power projects were concerned, it was the duty of the concerned State to take resettlement and rehabilitation measures in respect of project affected people. But the Committee is unable to accept the plea of the Government that it has no role in rehabilitation of the people affected by the State projects. Now that under liberalised policy, all the State Governments are inviting private participation in power projects, they are also acquiring private lands in public interest and thus uprooting a large number of people in the process. As there is no uniform R&R policy at national level, these people are left to fend for themselves. IPPs are also not taking any action in the matter. The Committee are pained to learn that the Union Government has washed off its hands by merely stating that it is a State matter and they cannot do much in the matter. It is strange that the Union Government has failed to take any cue from the policy followed by the World Bank in this regard where the Bank insist that before any release of funds by it, the resettlement and rehabilitation measures are in place for the project affected people. The Committee desire that following the same guidelines, Central Electricity Authority should not give its sanction to any State project till the State Government has made sufficient provision for R&R of the affected people. The Committee desire that the Government should examine the whole matter within three months and place before the Committee action taken by it in the matter.

Reply of the Government

As regards the uniform policy on rehabilitation and National Policy on rehabilitation, it is submitted that Department of Rural Development is already engaged in formulating a comprehensive policy guidelines which would apply to all developmental projects including hydroelectric projects. In the absence of any uniform guidelines, various project authorities are evolving their rehabilitation and resettlement policy on project affected persons based on inter-action with the concerned State Government and discussion with the representative of local people. For eg. THDC's R&R policy was evolved and decided by the State Government at the highest level and after inter-action with the representatives of the local people. After formation of the THDC and transfer of the rehabilitation work in February, 1998, the rehabilitation policy as evolved by the State Government was fully adopted by the THDC. Later on, improvements have been made wherever necessary. A comprehensive package of improvement was also decided by THDC after interaction with the affected population and the local administration which was made effective from September, 1995. As a result of further demands received, Government of India had in September, 1996 constituted a High-level 12 Member Expert Committee under the Chairmanship of Prof. C.H. Hanumantha Rao, former Member, Planning Commission to examine the rehabilitation and environmental aspects. In December, 1998, Government have issued orders for the implementation of the recommendations of Hanumantha Rao Committee (HRC) report as decided by the Inter-Ministerial Committee. The implementation of these recommendations would entail additional financial implication of Rs. 242 crores on rehabilitation aspect.

[Ministry of Power O.M. No. C-20020/1/99-Bud., Dated the 24th March, 2000]

CHAPTER IV

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

Recommendation (Sl. No.1)

The Committee have been apprised that the Planning Commission has approved an allocation of Rs. 1,24,526 crore for power sector during Ninth Plan comprising of Rs. 4,559.05 crore in Central Sector and rest Rs. 78,935 crore in the State Sector. The Committee, are, however, perturbed to note that the overall outlay of the 9th Plan for Power Sector, has been drastically reduced to 14.5% from 18.3% during 9th Plan. The Committee are of the view that when the country is facing 5.3% energy shortage and 11.1% peaking shortage on macro level, and impact of economic sanctions, looming large, the reduction in plan outlay for Power Sector is neither desirable nor justified. The Committee recommend that Government/Planning Commission should increase allocation for Power Sector and it should be more than the level of 8th Plan *i.e.* 18.3% of overall outlay, so that the on-going and future projects could be completed within the scheduled time frame.

Reply of the Government (Ministry of Power)

The Ministry of Power, while submitting Plan proposals for the Ninth Plan, had made a demand for Rs. 63,000 crore. The Planning Commission, however, has allocated only Rs. 45,591 crore for this Ministry which includes an IEBR of Rs. 30,648 crore. This shortfall is going to affect the projects, especially the new projects which the Ministry proposes to take up. The CPSUs of this Ministry would be able to overcome this resource gap to some extent by raising more resources from the market, depending upon market conditions. The resource position, however, gets further affected by the fact that private sector investments have not come at the magnitude expected at the beginning of the plan period.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Reply of the Government (Planning Commission)

As per the Ninth Plan Document the approved outlay on Power Sector is Rs. 1,24,526.41 crore during the Ninth Plan period (1997-2002) which is the same as indicated at para 2.18 of the Standing Committee Report (Annexure 6.2, Vol. II, Ninth Plan Document). However, the Ninth Plan Outlay for Power Sector as indicated in the document comprises of Rs. 53,299.41 crore in the Central Sector and Rs. 71,227 crore in the State Sector as against Rs. 4,559.05 crore in the Central Sector and Rs. 78,935 crore in the State Sector indicated in the above report. This needs to be corrected.

As regards the reduction in the share of Power Sector in the overall public sector outlay from 18.3% approved during the Eighth Plan to 14.5% in the Ninth Plan is concerned, it may be stated that the role of the private investment has been quite significant in the Ninth Plan period compared to Eighth Plan period. The Ninth Plan document has envisaged a capacity addition of the order of 40,245 MW at all India basis during the Plan period (1997-2002). This comprises 11,909 MW (29.6%) in the Central Sector and 10,748 MW (26.7%) in the State Sector. A capacity addition of 17,588 MW which constitutes about 43.7% is proposed to be added in the private sector whereas the capacity addition through private sector in the Eighth Five Year Plan was only 2810 MW (9.2%) out of the total targetted capacity addition of 30,538 MW on All India basis. Due to the major capacity addition projected to come in the private sector during the Ninth Plan period and with the availability of limited resources for the public sector, the share of the power sector in overall public sector outlay only has come down to 14.5% in the Ninth Plan period as compared to 18.3% approved for the 8th Plan period. Further, it may be stated that all the on-going power projects in the Ninth Plan period have been provided full funding. With the capacity addition of 40,245 MW during the Ninth Plan period the anticipated power supply position in 2001-2002, as assessed by CEA, indicates an energy deficit of 1.4% and peaking deficit of 11.6 percent. In order to bridge the gap of power supply position it has been suggested that this gap could be reduced by improving the performance of the existing power stations, reducing the T &D losses and adopting the Demand Side Management (DSM) measures (para 6.84 of Vol. II, Ninth Plan document.)

[Planning Commission O.M. No. 1-22(5) 1/99-P&E, 24th May, 2999]

Comments of the Committee

(Please *see* Para 8 of the Chapter I of the Report.)

Recommendation (Sl. No. 4)

The Committee note that the Government have fixed a target of 40,245 MW for the Ninth Plan. During the first two years of the plan there has been a capacity addition of only about 7000 MW. The target for the third year (i.e. 1999-2000) has been fixed at 3923.4 MW. Presuming that this target is realised in full, even then there will be a gap of 29,322 MW to be realised in the last two years of the plan. This target of 29,322 MW realising in next two years the Committee feel, is next to impossible to achieve. The Committee have based its conclusion on the dismal performance of the Government during 8th Plan when against the target of 30,000 MW only 16,423 could be achieved. The Committee therefore recommend that Ministry of Power should re-asses the targets and apprise them of the realistic targets which can be achieved during the Ninth Plan, within three months of presentation of this Report.

Reply of the Government

The Working Group for the 9th Plan for the power sector had estimated a requirement of additional capacity of 57,000 MW. This was, however, reduced to 40,245 MW on account of paucity of resources and other factors. A complete list of such projects is available which would be taken up for commissioning during the 9th Plan period which includes liquid fuel projects having a capacity of 6000 MW. The performance during the first two years has been satisfactory since we have been able to exceed the targets laid down. The targets/ achievements during the first two years of the 9th Plan are as under:-

Year	Targets	Achievements
1997-1998	3239 MW	3283 MW
1998-1999	3299 MW	4242 MW
1999-2000	4685 MW	3627 MW (upto 2/2000)

Targets Achievements (upto 2/2000) 43 The target fixed for capacity addition during 9th Plan is reviewed by the Planning Commission in consultation with Ministry of Power and according to mid-term appraisal in July, 1999, a capacity addition of 28097 MW was feasible.

[Ministry of Power O.M. No. C-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please see Para 11 of the Chapter I of the Report)

Recommendation (Sl. No. 11)

The Committee have found that rational allocation for and Transmission and distribution should be in the ratio However, since Fourth Five Year Plan, the allocation in Sector has gone down gradually. It was 100:92 in Fourth Plan, in Fifth, 100:52 in Sixth and 100:51 in Seventh Five Year Plan. During Eighth Five Year Plan the allocation ratio between Generation and transmission distribution was 1:0.53 whereas this has slightly hiked favourably in the Ninth Plan Period which stands at 1:0.69. The Committee are at loss to understand the inequality in allocation between generation and T&D, inspite of recommendations, to provide matching allocation for Transmission sector, by the Committee on a number of occasions.

Reply of the Government

Transmission and distribution is primarily looked after by the SEBs. The financial position of the SEBs has not been satisfactory. As a result, the SEBs have not been able to invest the required funds in the Transmission & Distribution Sector. There has been a slight improvement in the proportion of money being spent on transmission and distribution in the Ninth Plan since with the coming up of private power plants, the SEBs may now be in a position to invest more in the transmission and distribution. It is expected that with the setting up of the State Electricity Regulatory Commission, tariffs would ultimately be rationalised improving the financial viability of the SEBs. Improvement in the financial health of the SEBs would also give a fill up to more private sector investments which would help the SEBs to spend more money on transmission and distribution activities.

[Ministry of Power O.M. No. C-2002011/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please see Para 17 of Chapter I of the Report)

Recommendation (Sl. Nos. 14 & 15)

The Committee would now delve upon a serious problem which reflect the result of meager allocation and unscientific planning relating to Transmission & Distribution Sector. At present, Eastern region has a surplus power of 1500 MW at the peak load and 3500 MW during the off-peak period. This huge amount of power is being wasted due to lack of transmission system to evacuate power to other regions and also due to lack of distribution lines and inadequate demand within the region. The NTPC projects in the Eastern Region, inspite of 85% availability are running at the capacity of 45% only. The Committee are concerned to note that it will take another 3-4 years, if all the transmission links identified are commissioned in time. The Committee emphasize the need for completing the proposed transmission lines ahead of schedule so that surplus power can be consumed and systemic frequency in the Eastern region be balanced.

The Committee also recommend the Ministry to step up their assistance to SEBs in the region for strengthening the distribution lines and the system in general. The Committee desire that transmission lines in Eastern Region should be completed urgently and sufficient funds be provided for the purpose, so as to enable the surplus power transferred to the other regions.

Reply of the Government

The planning for power sector has so far been carried out considering the region as a unit. Accordingly, the transmission plans have been prepared keeping in view the utilisation of power within the region itself. Further, in order to enable exchange of seasonal surpluses and emergency requirement, inter region transmission system have been planned basically through asynchronous links due to different operating regimes of the various regions. These links would provide limited exchange of power between the regions.

POWER GRID is making all out efforts to transfer the surplus power in Eastern Region to Southern and Northern Region which are deficit in power. The existing links between Eastern and other regions have capacity to transfer power to the tune of about 15000 MW after commissioning of Gazuwaka HVDC back to back (East & South), Dehri-Karamnasa 132 KV S/C (East & North) and 220 KV S/C Korba-Budhipadar (East & West). This is besides the 400 KV D/C Bongaigaon-Malda (East & Northeast) link to NE Region.

POWERGRID will strive to complete 500 MW HVDC station at Sasaram (East & North) and also plan to take up the 400 KV AC line of Raipur-Rourkela (East & West) and high capacity 400 KV Purnea-Muzaffarpur-Lucknow (East & North) in next 4-5 years time which shall further increase the exchange capacity from Eastern region.

[Ministry of Power O.M. No. C-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please see Para 27 of Chapter I of the Report)

Recommendation (Sl. No. 16)

The Committee observe that the State utilities of Eastern Region have reacted sharply to hike in the tariff rate by NTPC. Now they have to take the more costly power and as the increase in tariff is effective retrospectively the same cannot be passed on to the consumers. The Committee realise the seriousness of the problem due to threat by Gridco even to isolate their grid from the Eastern Region Grid. The Committee desire that the issue raised by the State utilities should be settled urgently. Now that Central Regulatory Authority has been constituted, the hike in the tariff by NTPC should be referred to the Authority for proper disposal.

Reply of the Government

For the hike in the tariff rate by NTPC, the state utilities of Eastern Region like GRIDCO, Bihar State Electricity Board (BSEB), etc. have reacted. The Bihar State Electricity Board vide their letter No. Com/ Mis-1055/98/322 dated 8.7.99 have filed a petition before CERC in respect of their objections.

Regarding reference to CERC, it is clarified that in accordance with the regulations of Central Electricity Regulatory Commission (Conduct of Business) Regulation, 1999, the date for application of this regulation for generating companies owned or controlled by Central Government in May, 1999. Accordingly all tariff issues after this period are required to be referred to CERC.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please *see* Paras 30-32 of Chapter I of the Report)

Recommendation (Sl. No. 17)

The Committee observe that on receiving suggestions from various countries / organisations for development of show-case power generation projects, the Ministry of Power issued guidelines for setting up mega power projects. The "Mega power project" have been defined as projects having a capacity of 1000 MW or above and supplying power to more than one State. The Committee find that due to procedural shortcomings in framing agreement with different financially weak SEBs, lack of fuel supply, transport Agreement with coal! oil companies and multi-level scrutiny the policy had to be changed in November, 1998. Under the revised policy as far as possible promoters for private sector Mega projects, were to follow competitive bidding route. The public sector power utility were however, required to follow the normal procedure. The Committee, also find that Government had expected some benefits from these projects due to the size of the projects. The Committee, however, note that these projects are supported with custom free equipment import, income tax holiday for ten years and sales tax and local levies exemption on supplies to mega projects by State Governments. The Committee expect that after extending such incentives the tariff rate can naturally be brought down. The Committee are of strong view that tariff rate is proposed to be brought down after doling out a number of concessions at the cost of public exchequer.

Reply of the Government

It is expected that the proposed mega power projects will have low tariffs. However, this is not only due to the concessions offered to such projects. The low tariff is expected also due to the following factors:

(i) Lowering of the risk factor on account of reforms that the beneficiary states would have to initiate in order to receive power from these projects.

(ii) Low risk factor due to dealing with a single entity which would have a separate security arrangement with the beneficiary states.

(iii) Economy of scale.

(iv) Award of project to the bidder making the most competitive offer.

(v) Location of project at pit-head or coastal site thus obviating the need to transport fuel over long distances and washing of coal etc.

2. The decision to grant various concessions to the mega projects was taken to bring down the tariffs, as we are at an early stage of restructuring and without offering low tariffs to the States, the task of reform and restructuring of the power sector would become that much more difficult. The mega power project policy would thus be in

instrument in ensuring early structural reforms in the power sector.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please *see* Para 38 of Chapter I of the Report.)

Recommendation (Sl. No. 18)

The Committee observe that one of the disadvantages of mega power project is that the indigenous expertise for handling global tenders are not available and the services of foreign consultants are being requisitioned. They will be paid by Power Grid Corporation through World Bank loan. The Committee desire that the Ministry share with it the details of payment made to consultants. The Committee also find that another body "Standing Independent Group" has been created unnecessarily to oversee the implementation of Mega Power Projects. In the opinion of the Committee, the composition of SIG is more of administrative in nature, rather than technical. The Committee apprehend that SIG may not gain confidence of the private investor. The Committee have observed that role of CEA, which assist Government in all technical and economic matters, pertaining to power sector, has been diluted to a large extent. The Committee while seeking an explanation from the Ministry in this regard, recommend that responsibilities assigned to 'SIG' should be overseen by CEA. Whatever procedure is followed in case of other projects, it should be followed in case of mega projects also. The Committee also desire that the role of CEA should not be diluted.

Reply of the Government

The SIG is headed by justice (Retd.) P.N. Bhagawati. The composition of SIG was broadened with the inclusion of Secretary (Power) and Chairman, CEA, to facilitate better coordination while interfacing with different departments of the Central Government, as well as with State Governments. Since CEA's Chairman is a member of the SIG, his expertise would be used in evaluating tariff offers, which would generally be through the tariff based competitive bidding process. Consequently, a separate CEA scrutiny of cost is not considered necessary. Further, the scheme formulated by the SIG in respect of methodology of selection and evaluation would be submitted to the Central Electricity Regulatory Commission for its approval. Since mega projects involve complex issues involving several States and IPPs, it was considered necessary to set up an independent body with transparent procedures to generate the required confidence in the investors. Structuring large projects of an inter-State nature would also need the services of experienced consultants, at least in the initial stage. No payments have been made to the international consultants till date. M/s CPISIL Advisory Services, Mumbai have been appointed as consultants to the FTC for assisting and advising etc. in the implementation of Pipavav Mega Project. Earlier M/s ICICI had been appointed for advising PTC in implementation of the Hirva Project.

[Ministry of Power G.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please *see* Para 41 of Chapter I of the Report)

Recommendation (Sl. No. 20)

The Committee do not find any reason for extending such benefit exclusively to Mega projects. The Committee also apprehend that such inconsistent policy of Government may create dissension's in the mind of the private sector entrepreneurs. The Committee recommend that such concessions and benefits should be extended to other IPP also.

Reply of the Government

The main reason for extending the zero custom duty and other concessions to the identified mega projects is to enhance the pace of the much needed reforms in the power sector in the absence of which most of the other projects are also languishing. These concessions are subject to fulfillment of certain conditions by the utilities such as establishment of State Electricity Regulatory Commissions with full powers and privatisation of distribution in big cities. These conditions, coupled with certain other factors, are expected to result in cheap tariff which will in turn, prompt the beneficiary States to undertake reforms. Needless to say, the decision to exempt the mega power projects from payment of custom duty and other concessions granted will have an impact on the revenue side. It needs to be appreciated that the country can ill afford to provide similar benefits to all the projects. Mega projects will also provide a benchmark for other IPPs to ensure that tariffs are competitive.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please *see* Para 38 of Chapter I of the Report.)

Recommendation (Sl. No. 24)

The Committee are distressed to note that programmes covered under Rural Electrification Programme like Tribal sub-plan, Special Component Plan (SCP), village electrification and pumpset energisation programme are not progressing as per the target made for each of the programme. Up to

September, 1998 only 42 Tribal Villages were electrified against the target of 500 and 574 Dalit Bastis were electrified against the target of 1720 Dalit Bastis. So far as village electrification and pumpset energisation is concerned the programmes have also failed to achieve the targets as only 1494 villages were electrified out of a target of 2000 villages and only 2.29 lakh pumpsets electrified against a target of 2.5 lakh. The contention of the Ministry that these programmes pick up from the third quarter of the financial year is not convincing. The Committee desire that the reasons for slow progress of these schemes may be gone into and corrective actions taken in the matter may be placed before the Committee. They also desire that a time bound programme be made to achieve the cent percent targets in case of these programme to ensure that the work progress is evenly spread over the financial year.

Reply of the Government

Village Electrification

The overall physical targets for village electrification have been achieved/exceeded during 1998-99 (upto March, 1999). Against the total target of 2000 villages, the progress of 2502 villages have been reported electrified.

Tribal Villages Electrified

Against the target of 500 tribal villages, 339 tribal villages have been reported electrified with REC financing during 1998-99 (upto March, 1999). The shortfalls due to MPEB having electrified 142 tribal villages but instead of taking loan from REC, they have taken financial assistance for the same by the State Government.

Dalit Bastis

During 1998-99 (upto March, 1999), 3419 Dalit Bastis have been reported electrified against the target of 1720.

Pumpsets

The overall physical target of pumpset energisation has been exceeded during 1998-99. Against the total target of 2.50 lakh pumpsets for the year 1998-99 (upto March, 1999), the progress of 279209 pumpsets have been reported energised.

[Ministry of Power O.M. No. C-20020/1/99-Bud., Dated the 24th March, 2000]

Comments of the Committee

(Please see pare 47 of Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 3)

The Committee have noted that about Rs. 19,000 crore is still outstanding against SEBs. The non-realisation of the dues are affecting the operating performance of CPSUs in the Power Sector, to a large extent. The Committee have noted that the scheme announced by the Government during Budget (1998-99) on the floor of the House regarding guarantee scheme to cover outstanding dues for SEBs on the basis of which they can raise resources either by securitisation or directly entering in the market for raising resources, has not been finalized. The Committee are of the opinion that the scheme announced on the floor of the House and specially during Budget are sacrosanct and should be operationalised with maximum dispatch. However, in the present case, it has been bogged down in the inter ministerial skirmish. The Committee expect that Government should now, at least act with alacrity and take immediate steps to resolve all the issues, delaying the implementation of the scheme and inform the Committee within 3 months of presentation of this report. The Committee have also observed that deduction from CPA due to State Government are inadequate and it will take many years to liquidate the arrears, since only 15% of CPA is allowed to be appropriated. The Committee therefore recommend that this percentage should be increased so that the much needed resources are made available for the on going & future projects.

Reply of the Government

A number of State Electricity Boards / State Governments have regularly defaulted in payment to the Central Public Sector Undertakings viz. NTPC, NHPC, PGCIL, REC DVC, NEEPCO. DVB is also defaulting in payment to Badarpur Thermal Power Station. To recover the outstanding dues from the various State Electricity Boards/ State Governments, the Union Government has resorted to the measure of appropriation from Central Plan Assistance. Despite four appropriations from the CPA, the dues of CPSUs of power sector continue to increase. This was noted by the Finance Minister, who, 'm his Budget Speech for 1998-99, announced that the Government would evolve a guarantee scheme to cover these dues. Accordingly, a proposal for securitisation of outstanding dues is under consideration of the Government of India.

While approving the fourth Central appropriation, the CCEA has put a condition of maximum recovery of 15% of the Central Plan Assistance from the States in a year. As this ceiling restricts the early recovery of dues, a proposal for securitisation of outstanding dues and for increased recovery from the Central Plan assistance payable to the State Governments is being considered in consultation with the Ministry of Finance. Subsequently the matter was placed before CCEA who directed that a group of Minister under the Chairmanship of Finance Minister should examine the proposal. The matter is presently being considered by the Group of Ministers.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

Recommendation (Sl. No. 9)

The Committee note that external assistance forms around 33% of the Central Sector and 15% of the State Sector Plan. Due to recent economic sanctions USA has opposed multilateral funding to India, Government of Japan has frozen all new yen loans and Government have also stated that with committed assistance going unaltered, the ongoing projects are not likely to be affected. However, the impact on the future projects will be most profound and some SEBs who have taken up restructuring programme may be the first casualty. The Committee have, noted that many projects in Central Sector have been delayed considerably due to resource crunch. The preparedness of Government in meeting the challenges by approaching international market, to partly finance the future projects, lack conviction. The Committee feel that in a bid to face the challenge there is an urgent need to mobilise more resources, internally. The Committee, therefore recommend that tax concessions should be extended to power sector and Provident Funds and other available source should be tapped. The decision to impose cess on hydel power generation kept in abeyance should be revived and cess levied. The Committee also emphasize use of available power prudently and the Ministry should encourage SEBs to take up system improvement scheme, to off-set the impact of sanctions.

Reply of the Government

Ministry of Power has formulated a proposal for the constitution of the "Electricity Development Fund" by levying a cess @ 5 paise per unit on electricity generated in the country. The two-third of the proceeds of the Fund were proposed to be allocated to the respective State Governments for utilisation for hydro power development and the remaining one-third to be utilised by the Central Government for promoting hydro-projects in the Central Sector and for making investment in the transmission line for evacuation of power from mega hydro-electric projects. The Government have, however, deferred consideration of the proposal.

For the present, this Ministry is not pursuing the proposal. However, an alternative proposal has been suggested which does not require legislation to levy a surcharge on tariff in respect of power generated from (Thermal/Hydel/Gas) Power Stations, owned and operated by Central Public Sector Undertakings namely; National Thermal Power Corporation (NTPC), National Hydro-electric Power Corporation (NHPC) and North-Eastern Electric Power Corporation (NEEPCO) which would have to be approved by Central Electricity Regulatory Commission (CERC). A similar methodology for levy of surcharge on electricity generation in the State Sector could be followed by State Governments with the approval from State Electricity Regulatory Commission.

NHPC has been advised to approach the CERC for the levy of a 10 paise surcharge in respect of power generated from its generating stations to mobilise additional resources for acclerating hydro power development in the country.

[Ministry of Power O.M. No. G-20020/1/99-Bud., Dated the 24th March, 2000]

NEW DELHI;
11 May, 2000
21 Vaisakha, 1922 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

ANNEXURE-I

MINUTES OF THE SECOND SITTING OF THE ACTION TAKEN SUB-COMMITTEE OF STANDING COMMITTEE ON ENERGY (1999-2000) HELD ON 2ND MAY, 2000 IN ROOM NO. 134, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Sub-Committee met from 16.00 hours to 17.20 hours.

PRESENT

1. Shri Vijayendra Pal Singh Badnore - Convenor
2. Shri Basudeb Acharia
3. Shri Vedprakash P. Goyal
4. Shri Anantha Sethi
5. Prof. Ummareddy Venkateswarlu

SECRETARIAT

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

At the outset, Convenor, Sub-Committee on Action Taken Reports welcomed the Members to the sitting of the Sub-Committee.

2. Thereafter, the Sub-Committee considered and adopted the following Draft Reports with some modifications:-

(i) Action Taken by the Government on the recommendations contained in the Standing Committee on Energy (1998-99) on the subject “Renovation & Modernisation of Power Plants”.

(ii) Action Taken by the Government on the recommendations contained in the Nineteenth Report of the Standing Committee on Energy (1998-99) on Demands for Grants 1999-2000 relating to the Ministry of Power.

(iii) Action Taken by the Government on the recommendations contained in the Seventeenth Report of the Standing Committee on Energy (1998-99) on Demands for Grants 1999-2000 relating to the Ministry of Non-Conventional Energy Sources.

3. The Sub-Committee authorised the Convenor to finalise the Reports and submit these to the Chairman for consideration by the Standing Committee on Energy.

The Sub-Committee then adjourned.

ANNEXURE-II

MINUTES OF THE NINTH SITTING OF STANDING COMMITTEE ON ENERGY (1999-2000) HELD ON 11TH MAY, 2000

The Committee met from 09.30 hours to 10.20 hours

PRESENT

Shri Sontosh Mohan Dev - Chairman

MEMBERS

2. Shri Vijayendra Pal Singh Badnore
3. Shri Lal Muni Chaubey
4. Shri M. Durai
5. Shri Sanat Kumar Mandal
6. Shri Amar Roy Pradhan
7. Shri Ravindra Kumar Pandey
8. Shri Harpal Singh Sathi
9. Shri Manoj Sinha
10. Shri P.R. Khunte
11. Shri Girdhari Lal Bhargava
12. Shri Trilochan Kanungo
13. Shri Gandhi Azad
14. Shri Brahamakumar Bhatt
15. Shri Vedprakash P. Goyal
16. Shri Sontosh Bagrodia
17. Shri Ramamuni Reddy Sirigireddy

SECRETARIAT

1. Shri John Joseph - Joint Secretary
2. Shri P.K. Bhandari - Deputy Secretary
3. Shri R.S. Kambo - Under Secretary

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

3. Thereafter, the Committee considered and adopted the following draft Reports without any amendment:-

(i) ** ** ** **

(ii) Action Taken Report on the Recommendations contained in 19th Report of the Committee on Demands for Grants (1999-2000) of the Ministry of Power.

(iii) ** ** ** **

(iv) ** ** ** **

4. ** ** ** **

5. The Committee authorised the Chairman to finalise these Reports after making consequential changes arising out of factual verification by the concerned Ministries and to present the same to both the Houses of Parliament. 6.

6. ** ** ** **

The Committee then adjourned.

** Para 3(i), (iii) and (iv), 4 and 6 relating to other matters have not been included.

ANNEXURE-III

[Vide Para 4 of Introduction]

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

I.	Total No. of Recommendations made	26
II.	Recommendations that have been accepted by the Government (vide recommendations at SI. Nos. 2, 5, 6, 7, 8, 12, 13, 19, 22 and 23)	10
	Percentage of total	38.4
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide recommendations at Sl. Nos. 10, 21, 25 and 26)	4
	Percentage of total	15.4
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 1, 4, 11, 14, 15, 16, 17, 18, 20 and 24)	10
	Percentage of total	38.4
V.	Recommendations in respect of which final replies of the Government are still awaited (vide recommendations at Sl. Nos. 3 and 9)	2
	Percentage of total	7.8