

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:195
ANSWERED ON:05.12.2013
REGULATED TARIFF REGIME
Karwariya Shri Kapil Muni

Will the Minister of POWER be pleased to state:

- (a) whether the Government has made it mandatory for States to procure electricity through the tariff based competitive bidding route;
- (b) if so, the details thereof and the reasons therefor including its impact on various stakeholders in the power sector;
- (c) whether power sector lenders have requested the Government to shift back to the regulated tariff regime as an alternative to the current norms for power procurement through long term Power Purchase Agreements;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF POWER (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b) : Yes, Madam. Tariff Policy, notified by Ministry of Power in 2006 under Section 3 of the Electricity Act, 2003 mandates the States to procure electricity through the tariff based competitive bidding route after 6.1.2011 subject to certain sector specific exemptions.

Further, in compliance with Section 63 of the Electricity Act, 2003, the Central Government has notified guidelines for procurement of power by Distribution Licensees through competitive bidding. Central Government has also issued the Standard Bidding Documents (SBDs) containing Request for Qualification (RfQ), Request for Proposal (RfP) and Power Purchase Agreement (PPA) for long term procurement of power from Case-2 projects (having specified site and location) through tariff based competitive bidding in 2006 and from Case-1 projects (where the location, technology or fuel is not specified) in 2009 and amended it from time to time.

As regards procurement of power from Non-conventional sources of energy, para 6.4 of Tariff Policy stipulates that such procurement by Distribution Licensees for future requirements shall be done, as far as possible, through competitive bidding process under Section 63 of the Act, within supplies offering energy from same type of non-conventional sources. Hydro power projects have been exempted from competitive bidding till 31st December, 2015.

Introducing competition in different segments of the electricity industry is one of the key features of the Electricity Act, 2003. Competition is expected to lead to significant benefits to consumers through reduction in capital costs and also efficiency of operations. It will also facilitate the price to be determined competitively. This is aimed to bring in larger private sector investments in power at competitive tariffs. As per a study conducted by CERC, out of 14 projects it has been observed that tariff under competitive bidding route in case of 12 projects is lower than the cost plus approach.

(c) to (e) : As per available information, no power sector lenders have requested the Government to shift back to the regulated tariff regime as an alternative to the current norms for power procurement through long term power Purchase Agreements.