GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3630
ANSWERED ON:13.02.2014
SHORTFALL IN POWER GENERATION
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Will the Minister of POWER be pleased to state:

(a) whether the Ministry in its report to the Planning Commission has informed that coal availability and capacity addition during the 12th Five Year Plan period are bleak in achieving nine percent growth rate;

(b) if so, the details thereof including the details of the factors responsible for shortfall in generation of power;

(c) whether the financial health of the power distribution companies is also declining;

(d) if so, the details thereof; and

(e) the steps taken/being taken by the Government in this regard?

Answer

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

(a) & (b) : To achieve 9% GDP growth, capacity addition target for 12th Plan has been fixed at 88,537 MW, out of which 69,280 MW is from coal based projects. As per the report of the Working Group on Power for 12th Plan, estimated coal requirement is of the order of 842 MT by 2016-17. Considering the availability of coal from indigenous sources, approximately 213 MT of coal needs to be imported.

In order to ensure adequate availability of coal to the power plants, following steps have been taken/ proposed to be undertaken:

1. Cabinet Committee on Economic Affairs (CCEA) in the meeting held on 21st June, 2013, has decided the following in order to meet the shortfall in supply of domestic coal requirement of the Thermal Power Projects;

(a) Coal India Ltd. (CIL) has been asked to sign Fuel Supply Agreement (FSA) for a total capacity of 78000 MW including cases of tapering linkage, which are likely to be commissioned by 31.03.2015. Actual coal supplies would however commence when long term Power Purchase Agreements (PPAs) are tied up.

(b) Taking into account the overall domestic availability and actual requirements, FSAs are to be signed for domestic coal quantity of 65%, 65%, 67% and 75% of Annual Contracted Quantity (ACQ) for the remaining four years of the 12th Five Year Plan.

(c) To meet its balance FSA obligations, CIL may import coal and supply the same to the willing Thermal Power Plants (TPPs) on cost plus basis. TPPs may also import coal themselves. Ministry of Coal will issue suitable instructions in this regard.

2. Ministry of Coal/ Coal India Ltd. is being insisted upon to enhance production of domestic coal in the country along with associated development of adequate Rail/ Port/ Road infrastructure along with bridges etc. to facilitate evacuation / transportation of coal.

In addition to above, main factors responsible for shortfall in generation (against target) during year 2012-13 & 2013-14 (upto Dec. 13) are as given below:

i. Reduction in gas availability from KG D6 block to gas power plants.

ii. Monsoon failure causing less availability of water in reservoir and less hydro generation.

iii. Less demand by States leading to shutdown or partial operation of power plants.

iv. Delay in commissioning of Kundakulam Atomic Power Plant.

(c) & (d): As per Power Finance Corporation report on `Performance of State Power Utilities for the years 2009-10 to 2011-12` based on the accounting details provided by the Utilities, most of the utilities selling power directly to consumers have incurred losses during the period 2009-10 to 2011-12 as follows:

(Rs Crore)

	2009-10	2010-11	2011-12
Profit/ (Loss) after tax on accrual basis	(28,548)	(49,235)	(57,811)
Profit/ (Loss) on subsidy received basis	(43,488)	(51,606)	(62,221)

The main reasons for poor financial health of State Power Utilities are infrequent revision of tariff/inadequate tariff increase, delay in payment of subsidy amount, high technical and commercial losses etc.

(e) : The Central Government had approved and notified the Financial Restructuring Plan (FRP) of State owned Discoms in October, 2012. Discoms of four states i.e. Tamil Nadu, Uttar Pradesh, Rajasthan and Haryana have participated in the scheme.

The scheme requires 50% of Short Term Liability (STL) as on 31.3.2012 to be changed first into State Government guaranteed Bonds, and then in next 2−5 years, into Special Securities to be repaid by State Government.

Balance 50% of STL has to be rescheduled by the lenders providing moratorium on principal and the best possible terms for its repayment to ensure viability of the Discoms.

Central Government vide notification, dated December 13, 2013, have extended the scheme to cover States of Andhra Pradesh, Jharkhand and Bihar. For these three states, the notifications have been amended by extending the cut-off date for reckoning the eligible amount of short term liabilities for bonds / re-schedulement under the scheme as on 31.03.2013.

A Transitional Finance Mechanism (TFM) by the Central Government in support of the restructuring effort is available for providing support, by way of a grant equal to the value of the additional energy saved by way of accelerated AT&C loss reduction beyond the loss trajectory specified under R-APDRP and (b) capital reimbursement support of 25% of the principal repayment by the State Government on the liability taken over by the State Government under the scheme. The incentive is available only if certain mandatory conditions are abided by them.

The restructuring of loans is to be accompanied by concrete and measurable actions by the Discoms/States to improve the operational performance of the distribution utilities. State Govt./Discoms have to commit themselves and execute in a time bound manner certain mandatory conditions.

The Mandatory Conditions are:

1. State Government shall convert all its loans into equity or defer its recovery till rescheduled Financial Institutions (FIs)/ Banks loans are fully re-paid.

2. State Government shall pay all its outstanding energy bills (by 30.11.2012) and subsidy bills (by 31.03.2013) to the respective utilities.

3. State Government is to prepare the road map for involvement of private sector in Distribution, within a year and submit to CEA.

4. State Government to underwrite short fall in achievement of annual FRP projections.

5. State Government is to make the category-wise payment of subsidy as per declared policy. Payment of agriculture subsidy has to be based on feeder/distribution transformer meter data. These payments are to be adjusted in Annual Revenue Requirement (ARR). State Government is to make the payment of subsidy upfront.

6. State Government to formulate State level Monitoring Committee (SLMC) for monitoring the FRP of the State.

7. State Government to make FRP a part of `Annual State Budget Statement`.

8. State Government to enact Model Legislation for compliance of FRP.