FIRST REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1985-86)

(EIGHTH LOK SABHA)

NATIONAL THERMAL POWER CORPORATION LTD.

(MINISTRY OF IRRIGATION & POWER
DEPARTMENT OF POWER)

[Action Taken by Government on the recommendations contained in the Ninety Two Report of the Committee on public Undertakings (Seventh Lok Sabha)]

Presented to Lok Sabha on 12 3 1985
Laid in Rajya Sabha on 12 3 1985

LOK SABHA SECRETARIAT

NEW DELHI

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this First Report on Action Taken by Government on the recommendations contained in the 92nd Report of the Committee on Public Undertakings (Seventh Lok Sabha) on National Thermal Power Corporation Ltd.

2. The 92nd Report of the Committee on Public Undertakings (1983-84) was presented to Lok Sabha on 27 April, 1984. Replies of Government to all the recommendations contained in the Report were received by 26 October, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings (1985-86) on 1 August, 1985. The Committee considered and adopted this Report at their sitting held on 1 August, 1985.

3. An analysis of the action taken by Government on the recommendations contained in the 92nd Report (1983-84) of the Committee is given in Appendix-II.

NEW DELHI;
August 6, 1985.
Sravana 15, 1907 (*Saka*).

K. RAMAMURTHY,
Chairman
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Ninety-second Report (Seventh Lok Sabha) of the Committee on Public Undertakings on National Thermal Power Corporation Ltd. which was presented to Lok Sabha on 27 April, 1984.

2. Action taken notes have been received from Government in respect of all the 30 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations|observations that have been accepted by Government;

Sl. Nos. 1-8, 12—18, 20—22, 26 and 28.

(ii) Recommendations|observations which the Committee do not desire to pursue in view of Government's replies:

Sl. Nos. 9-10 and 25.

(iii) Recommendations|observations in respect of which replies of Government have not been accepted by the Committee;

Nil

(iv) Recommendations|observations in respect of which final replies of Government are still awaited;

Sl. Nos. 11, 19, 23, 27, 29 and 30.

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

The Committee will now deal with the action taken by Government on some of their recommendations.

A. *Delay in completion of sub-stations*

Recommendations Sl. Nos. 6 & 7 (Paras 2.32 & 2.33)

4. The Committee while finding that the completion of 220|400 KV sub-stations being set up by NTPC at Hyderabad, Nagarjunasagar and Cuddapah associated with the Ramagundam project and Durgapur sub-station associated with Farakka project would not match with the construction of the associated transmission lines, had expressed the

hope that every effort would now be made by NTPC to ensure that time lag between completion of transmission lines and the sub-stations was reduced to the minimum. They had also desired that the Central Electricity Authority should continuously monitor the progress of construction of Jeerhat sub-station being set up by West Bengal State Electricity Board and the sub-station (220 KV) at Hyderabad being set up by Andhra Pradesh State Electricity Board to see that they were completed in time for evacuation of power from NTPC units.

5. In their reply the Government have stated that necessary facilities to evacuate power from Ramagundam to the beneficiary States were expected to be ready shortly. NTPC has made plans to make available at least a 220 KV outlet for evacuation of power from Farakka Super Thermal Power Station, till WBSEB completes 400 KV substation at Jeerhat. Transmission projects were being given high priority and CEA has been asked to monitor them closely.

6. **The Committee would like to be informed when the facilities for evacuating power from Ramagundam to the beneficiary States are expected to be ready. The Committee need hardly emphasise that in order to derive optimum benefits from the Super Thermal Power Stations, in future NTPC should strive hard to complete the associated transmission lines and sub-stations alongwith the Super Thermal Power Stations. This factor should also be kept in mind while commissioning the balance approved capacity of Super Thermal Power Stations so that evacuation of additional power generated in future is assured timely. There should be proper coordination and planning in this regard. The Commitee also expect the Central Electricity Authority to ensure that the sub-stations being constructed by the State Electricity Boards are completed in time.**

B. *Institutional arrangements for power sector*

Recommendation Sl. No. 8 (Paragraph 2.34)

7. The Committee, while emphasising the need for an integrated development of the power system in the country, had observed that though the process had been initiated with the formation of regional grids and setting up of the Regional Electricity Boards, still much more remained to be done. NTPC was still depending in certain cases on the State systems for transmission of power from Super Thermal Power Stations. The present institutional arrangements were also not suited to integrated operations. The Regional Electricity Boards needed to be given more authority for integrated management of the power system. The Committee had, therefore, desired that steps be taken to bring about institutional changes as might be necessary for evolving national grid to ensure integrated development and operation of the power system in the country.

8. The Government have *inter-alia* stated in their reply that it is proposed to provide statutory power to Regional Electricity Boards to monitor flow of power. The matter is under discussion with SEBs|State Governments.

9. **The Committee feel that it has taken a long time to decide the question of providing a statutory basis to the Regional Electricity Boards. After a decision is taken in the matter, some legislative measure may be necessary to implement. This is also likely to take some further time. The Committee would, therefore, stress that in view of the need for ensuring integrated development and operation of the power system in the country, the matter has to be dealt with at all levels with a sense of urgency. The Committee would like that a time bound programme be laid down in this connection.**

C. *Rationalisation of Price Structure of Coal*

Recommendation Sl. No. 23 (Para 3.60)

10. The Committee had noticed that while the price of coal was fixed grade-wise, its consumption depended upon the actual calorific value. Thus while the average gross calorific value of coal received at Singrauli was only 22 per cent higher than that at Korba, its price was 46 per cent higher. This gave rise to anomalous position inasmuch as in spite of the company getting better quality coal, the cost of coal incurred per unit of power produced was higher. NTPC wanted that the price of coal should be based on useful heat value of various grades of coal. The Committee had, therefore, desired that the matter be examined with a view to rationalising the price structure for coal supplied to the power stations.

11. The Government in their reply have stated that, "The recommendation has been noted and the matter will be taken up with the Department of Coal."

12. **The Committee are concerned to note that so far the Ministry have not even taken up with the Department of Coal the matter of rationalisation of price structure for coal supplied to the power stations which at present is admittedly anomalous. They recommend that a rational price structure should be evolved urgently for coal supplied to the power stations.**

D. *Supply of Power to Central Undertakings*

Recommendation Sl. No. 28 (Para 4.17)

13. In view of the fact that in some cases, the Central Government Undertakings had not been supplied the power committed by the State Governments even though the States were getting power from Super Power Stations set up by the Centre, the Committee had desired that wherever necessary and feasible, power should be made available

to Central Undertakings on priority basis from the 15 per cent share set apart at the disposal of Central Government out of power generated at the Super Thermal Power Stations of NTPC. For this purpose, they had also suggested that tripartite agreements could be entered into between NTPC, the concened undertakings and the State Electricity Boards as was being done in the case of Bharat Aluminium Co. Ltd.

14. Government have stated in their reply that the proposal to supply power to Central Undertakings from Central Power Projects has been accepted in principle. Government have decided that Bharat Aluminium Co. be supplied power from the Korba Super Thermal Power Station out of the unallocated share at the disposal of the Centre till such time as BALCO sets up its own captive power plant. For this purpose, a Tripartite Agreement between NTPC, Madhya Pradesh Electricity Board and BALCO is proposed to be formulated.

15. **The Committee were informed by the Ministry of Steel & Mines (Department of Mines) in December, 1983 that a tripartite agreement would be concluded between NTPC, BALCO and MPEB for supply of power to BALCO from Korba Super Thermal Power Station. Necessary action in this regard was to be initiated by the Department of Power. However, it seems that even after lapse of more than one year the tripartite agreement is yet to be formulated. The Committtee deplore the undue delay in the formulation and finalisation of the agreement. Now that their recommendation in regard to supply of power to central undertakings from Central Power Projects has been accepted in principle, the Committee expect the Government to expedite formulation of such tripartite agreements between NTPC, the concerned undertakings and the State Electricity Boards.**

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Paragraph 1.12)

The National Thermal Power Corporation Ltd. was incorporated in November, 1975 as a thermal power generating company in the Central Sector for construction and operation of large sized thermal power stations with the transmission network associated with each of the projects for evacuation of power. The Committee note that six Super Thermal Power Projects with a capacity of 9060 MW being executed by NTPC are scheduled to be completed by the end of Seventh Five Year Plan. No targets have been set by Government for the company beyond this period. The projections made by the Rajyadhyaksha Committee reveal that the requirement of installed capacity by the turn of the century would be 1,37,859 MW as against 43035 MW estimated to be available by the end of the Sixth Plan period. Considering the huge capacity needed to meet the demand and the long gestation period for power projects, the Committee desires that long term plans for the development of power, determining share of different sources of power generation and the role of Central Government therein should be drawn up expeditiously and specific targets laid down for NTPC.

Reply of the Government

Department of Powers has initiated action for finalization of a long term plan in in consultation with the other agencies concerned. The Corporate plan (1985—2000) of NTPC has since been finalised. Subject to the availability of resources, the plan envisages that NTPC will have a total installed capacity of 27,920 MW by the year 2000, in addition to the 720 MW capacity of Badarpur. At current prices a total investment of Rs. 30,382 crores is programmed, including Rs. 6,345 on transmission projects.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-84]

Recommendation Sl. No. 2 (Paragraph 1.13)

The Committee find that although NTPC was set up in 1975 it had not defined until recently its detailed aims and objectives nor did it have a Corporate Plan. It is only now that these basic documents have been prepared and submitted to Government. In view of the need to define clearly the role of NTPC in the country's power generation pro-

gramme, the Committee desire that these documents should be finalised by Government soon.

Reply of the Government

NTPC has finalised its Corporate Plan which also outlines its long-term objectives. It will be taken into consideration in preparation of the Seventh Plan for the power sector.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US (CT) dated 26-10-84]

Recommendation Sl. No. 3 (Paragraph 2.10)

The Committee find that NTPC submitted long back Feasibility Reports in respect of several projects with a capacity of 8780 MW. These are, however, yet to be approved by Govt. The Committee would stress the need for expeditious approval of these projects to ensure their timely execution and to avoid cost overuns. They also desire that the linked coal mines for these projects be developed well in time so that the power projects do not suffer on account of shortage of coal.

Reply of the Government

The recommendation of the Committee has been noted. Action has been expedited for early approval of various pojects of NTPC *viz.* Farakka Expansion, Kahalgaon, National Capital Region and Talcher Projects. Farakka Expansion Project has been cleared by Government and Kahalgaon project by PIB. NCR Project has been accorded techno-economic clearance by CEA and Coal Department has been approached for specific coal linkage agreed to in principle by Planning Commission. NTPC has submitted an uptodate feasibility report in June, 84 for installation of 2x500 MW units in the first stage of Talcher STPS. It is under examination of CEA.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-84]

Recommendation Sl. No. 4 (Paragraph 2.11)

The transmission lines associated with the Rihand Super Thermal Power Project have not so far been approved though the power project was sanctioned in June, 1982. According to NTPC any further delay in sanctioning of the associated transmission lines would adversely affect the evacuation of power from this station whose first unit is scheduled to be commissioned in June, 1987. The delay was stated to be on account of the system studies being carried out on the desirability of using a new system viz., HVDC system. In the opinion of the Committee this study of HVDC system by the Government has taken an extraordinarily long time. Now that the recommendations of the

consultants in the matter have been received, the Committee recommend that a decision on the type of transmission lines should be taken without any further delay so as to ensure the timely completion of transmission lines along with the power station.

Reply of the Government

The transmission system associated with Rihand STPS Stage-I has since been finalised in consultation with CEA and NTPC. The proposal has been cleared by the PIB.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Recommendation Sl. No. 5 (Paragraph 2.18)

The Committee find that as against a target of 2400 MW capacity to be created during the Sixth Plan period, the Company has already commissioned units of the capacity of 1800 MW. The remaining 600 MW capacity was also expected to be completed as per the target. However, in respect of construction schedule, Rajadhyaksha Committee had suggested that from the date of sanction of project to commercial operation, 5 years should be allowed for planning purposes, although State Electricity Boards should attempt to finish the job in 4 years or less. The NTPC has been able to put into commercial operation the first unit of 200 MW in 55 to 71 months from the date of Government sanction and the subsequent units at six to eight months interval thereafter as against 6-7 years stated to have been taken by the State agencies to commission such projects. The committee desire that NTPC should progressively aim to reach the target of 4 years suggested by Rajadhyaksha Committee. They also suggest that the management systems and procedures being followed by NTPC in the areas of construction and operation which have produced good results should be studied and followed by other agencies in the country entrusted with setting up of power stations to avoid delays in commissioning of projects and to ensure efficiency in the operation.

Reply of the Government

This recommendation is acceptable to Government and NTPC as well as the Central Electricity Authority have been advised to take necessary action in this regard.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Recommendation Sl. Nos. 6 and 7 (Paragraph 2.32 and 2.33)

The Committee find that the completion of 220|400 KV sub-stations being set up by NTPC at Hyderabad, Nagarjunasagar and Ouddapah associated with the Ramagundam project and Durgapur Sub-station associated with Farakka Project would not match with the construction of the associated transmission lines. This was stated to be on account of the fact that agreements could be signed by NTPC with the concerned State Governments only between April and August, 1982 on the basis of the Government decision that NTPC would set up, own and operate these substations. The Committee regret to note the delay in this regard and would stress the need for proper planning and timely decision by Government it regard to the construction of transmission lines as well as the sub-stations by the NTPC to ensure their completion well in time for evacuation of power from the Super Thermal Power Stations. They hope that every effort would now be made by NTPC to ensure that time lag between completion of transmission lines and the sub-stations is reduced to the minimum.

The Committee also find that the Jeerhat sub-station being set up by West Bengal State Electricity Board and the sub-station (220 KV) at Hyderabad being set up by Andhra Pradesh State Electricity Board were also likely to be delayed. They desire that the Central Electricity Authority who are entrusted with overseeing the matching development of transmission lines and sub-station facilities owned by various agencies, should continuously monitor the progress of construction of these sub-stations to see that they are completed in time for evacuation of power from NTPC units.

Reply of the Government

As a result of the efforts made, necessary facilities to evacuate power from Ramagundam to the beneficiary States are expected to be ready shortly. NTPC has made plans to make available at least a 220 KV outlet for evacuation of power from Farakka Super Thermal Station, till WBSEB completes 400 KV sub-station at Jeerhat.

As recommended, transmission projects are being given high priority and CEA has been asked to monitor them closely.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Comments of the Committee

(Please *see* paragraph 6 of Chapter I of the Report)

Recommendation Serial No. 8 (Paragraph 2.34)

The Committee would also emphasise the need for an integrated development of the power system in the country. They have been in-

formed that the process has been initiated with the formation of regional grids and setting up of the Regional Electricity Boards. Further, decision has been taken to set up Central Transmission projects as well as to own and operate in future in central sector all, 400 KV transmission lines required for evacuation of power from the central sector projects to various States. The Committee welcome these steps. However, admittedly still much more remains to be done. NTPC was still depending in certain cases on the State systems for transmission of power from Super Thermal Power Stations. The present institutional arrangements were also not suited to integrated operations. The Regional Electricity Boards need to be given more authority for integrated management of the power system. The Committee, therefore, desire that steps be taken for construction of additional transmission lines and sub-stations in the central sector as well as to bring about institutional changes as may be necessary for evolving national grid to ensure integrated development and operation of the power system in the country.

Reply of the Government

NTPC is constructing transmission lines associated with STPPs and also under Central Transmission Project (C.T.P.) Stage-I in accordance with an over-all plan devised by CEA. NHPC is constructing transmission lines under C.T.P. Stage-II. NTPC is also preparing feasibility reports for C.T.P. III and IV. These projects will ensure more effective control over transmission of power from Central Power stations. It is also proposed to provide statutory power to REBs to monitor flow of power. This matter is under discussion with SEBs/ State Government.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Comments of the Committee

(Please *see* paragraph 9 of Chapter I of the Report)

Recommendation Serial No. 12 (Paragraph 2.60)

The Committee find that out of 17 projects the revised estimates for 6 projects only have been approved by Government. Even in regard to these projects in two cases (Korba) Stage I and its associated Transmission lines, the latest estimates show an increase of more than 10 per cent of the approved cost and would, therefore, again require the approval of Government. In respect of remaining 11 projects, the final revised estimates are yet to be submitted to Government. The Committee desire that these estimates should be finalised early and the approval of Government obtained. There should be no occasion for the Company to incur expenditure in excess of sactioned estimates. The

Committee also find that the time taken by Government in approval of the revised estimates for the six projects ranged from 11 to 17 months. They desire that approval of Government of the revised estimates in all cases should be given within a reasonable time.

Reply of the Government

Government have already approved the revised estimates for the Ramagundam Stage I project and associated transmission lines. NTPC has also recently submitted Detailed Project Reports for following projects:

(a) Singrauli I & II and transmission lines associated with them.

(b) Korba Stage I & II and transmission lines associated with them.

(c) Farakka Stage I and associated transmission lines.

(d) Ramagundam Stage I & II and associated transmission lines.

These reports are under examination by various agencies, so that approval of Government can be accorded to the revised estimates as soon as possible, as recommended.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Recommendation Sl. No. 13 (Paragraph 2.61)

Incidentally the Committee find that the land acquired for the Ramagundam Super Thermal Power Project was 9500 acres out of which 4722 acres was private land. The land acquired was about double of that in the case of other projects under execution. The need for larger area of land in this case has been sought to be justified on the ground that 5622 acres of additional land was required for construction of a balancing reservoir to ensure continuous supply of cooling water to the power plant. The total length of the earthen dam itself to be constructed for this purpose was about 8.5 Km. The Committee desire that while deciding upon the location of a project the proximity of not only the source of coal but also of water supply required for cooling purposes should be kept in view in order to avoid unnecessary acquisition of private land resulting in avoidable displacement of public and under inflation of capital expenditure on the project.

Reply of the Government

The recommendation is noted.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US(CT) dated 26-10-1984]

Recommendation Serial Nos. 14 & 15 (paragraphs 3.7 & 3.8)

The Committee find that the plant load factor in respect of seven units from the dates these started commercial operation as against the objective of 62.8% set by the company ranged from 39.8% to 92.7%. The performance of Unit II at Singrauli which went into commercial operation in February, 1983 had not been satisfactory. The plant load factor of this unit in 1983-84 was only 39.4%. The poor performance of this unit was attributed to the problem caused by hydrogen leakage in the generator due to which the unit had to be shut down for nearly six months during the year resulting in heavy loss of power. The Committee have been informed that the generator has since been replaced by BHEL and there has been improvement in performance of the unit. They hope that the unit would not work satisfactorily.

The Committee have been informed that there had been design defects in the power equipment supplied by BHEL. But as a result of certain design modifications carried out by the company the performance of the equipment is stated to have improved. They would, however, stress the need for stricter quality control in the manufacture of power equipment by BHEL to bring it upto the international standards. At the same time there should be continuous interaction between the power generating agencies and BHEL so that the feed back from the generating sets in operation is transmitted speedily to BHEL for information and taking corrective measures in the sets to be manufaced in future. The Committee would also stress the need for adopting proper operating practices and standard of maintenance of equipment to ensure better performance of the plants.

Reply of the Government

Constant feed back is provided by NTPC to BHEL on the problems faced during the erection, commissioning and operation stages of the units. Based on the experience gained, suitable modifications are being insisted upon by NTPC in the present as well as future units of 200 MW being manufactured by BHEL.

Standard Operation Procedure

Standard Operating Procedure have been prepared by NTPC based on recommendations contained in the manufacturer's Instructions Manuals. NTPC have also introduced a daily and monthly monitoring system to keep watch over the performance of the units and to take corrective action for the problems being faced in day-to-day operation. NTPC have also developed a Management Information System to monitor the performance of each unit and to keep the management fully appraised for initiation of suitable corrective action whenever necessary.

Standard Maintenance Practices

NTPC have evolved Standard Maintenance Procedures for its Singrauli Station. These Standard Maintenance Practices are being introduced gradually in all the other operating stations of NTPC on the same pattern.

The recommendation contained in para 3.8 has also been communicated to BHEL and Department of Heavy Industries for follow up action.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial Nos. 16 & 17 (paragraphs 3.34 & 3.35)

The Management of Badarpur Thermal Power Station was assigned to NTPC on agency basis from 1st April, 1978. The Committee find that the performance of the station is still not satisfactory. The plant load factor in 1983-84 for Stage-I (3x100 MW) was 49.9% and for Stages-II and III (210 MW) 39.9% and 55.6% as against the norms of 61% set by CEA for 100 MW units and 57% for 200 MW units. The main reason for poor performance of Stage-I of BTPS was stated to be some inherent design and manufacturing defects in the equipment supplied by BHEL for Stage-I. A renovation scheme finalised by Central Electricity Authority after involving BHEL and Instrumentation Limited, Kota and approved as far back as in October, 1977 has however, not been completed so far even in one out of three units. Surprisingly, no time schedule for the implementation of the scheme was laid down. The Committee have been informed that the renovation was expected to be completed on all the three units by early next year (1985).

The Committee feel that the renovation scheme could have been completed early had the Units IV and V (stage II and III) performed well thereby facilitating shut down of units of Stage-I. Unfortunately this was not so. While unit IV had problem with the turbine etc., the

generator windings of Unit V had to be replaced. The Committee need hardly emphasise the desirability of completing the renovation scheme expeditiously in view of the importance of Badarpur Station in supply of power to the capital and in order to avoid heavier expenditure on repairs and replacement of equipment in the long run. They hope that as assured by the Chairman and Managing Director, NTPC, there would be no increase in the cost of the renovation scheme on account of the delay in its completion. The Committee desire that the defects in Units IV and V should be rectified early.

Reply of the Government

Unit III of Stage-I of Badarpur has been recomissioned in August, 84 after renovation. Unit I will now be taken up for renovation. The work on Unit II is also expected to be completed by early 1985.

As a result of rectification of design and manufacturing deficiencies Unit IV and V have operated at PLFs well above the CEA's norms of 57% for 210 MW units. In 1983-84 the P.L.F. of Badarpur Thermal Station was 48.7% as against the all-India PLF of 47.9% for thermal stations. The performance of the Badarpur Station also depends upon factors such as the quality of coal supplied, the cooling water available, the system conditions in the Northern grid, and productivity of the work force employed.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 18 (paragraphs 3.36 & 3.37)

There were a large number of outages in Badarpur Station. During 1982-83, there were 394 outages and the percentage of duration of outages to total available hours was 19.6 in Stage I, 30.1 in Stage-II and 35.5 in Stage-III. Though the large number of break-downs were attributed primarily to bad quality of coal and wear and tear, it transpired during evidence that the Northern Region Electricity Board had till recently not been giving permission for taking down the units for overhauling according to schedule due to the power supply situation in Delhi.

The Committee hope that with the setting up of the Maintenance Planning Section, NTPC would undertake planned maintenance as per schedule. The Committee are of the opinion that the postponement of necessary overhauling of equipment resulted in more loss of power in the long run due to heavy outages and was not a sound policy. While agreeing with the observations of the Committee on Public Accounts (1981-82) that postponement of overhauling of equipment may result

in greater number of forced outages, which have come out true, this committee would like the Government to impress upon the Northern Region Electricity Board the necessity of making such arrangements with the electricity producing agencies with whom it has reciprocal agreements for supply of power to Delhi so that the various units of BTPS are allowed to undertake overhauling of equipment at prescribed intervals without adversely affecting the power supply to the Capital City.

Reply of the Government

A separate Maintenance Planning Section has been set up at Badarpur to reduce the number and duration of outages by giving due importance to the concepts of preventive and planned periodic maintenane. The observations of the Committee have also been conveyed to NREB for action.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial Nos. 20 & 21 (paragraphs 3.50 & 3.51)

The Coal supply position to Badarpur Station is far from satisfactory. The supply remained critical throughout last year, reaching as low level as 4-5 days reserve except during November-December, 1983. Not only there was problem of quantity but of the quality as well. Badarpur is linked to as many as 15 collieries which gives rise to wide variation in the calorific value of coal received. It also contains a lot of shale and stone resulting in excessive breakdown of the coal handling equipment with consequential increase in maintenance cost and loss of generation. Obviously such irregular supply of coal and that too of inferior grade had adversely affected the normal functioning of the plant. The Committee were informed by the Secretary of the Department of Power that the Department of Coal had agreed to reduce the number of collieries linked to Badarpur Power Station. They hope that immediate action would be taken in this regard and the power station would be linked to the minimum number of collieries to ensure supply of coal consistent with the design parameters of its boilers.

The Committee would also like to observe that in order to ensure continuous supply of power to Delhi and smooth functioning of Badarpur Station it is necessary to keep in reserve stocks of coal sufficient to meet requirements for at least six weeks. The Government Departments and other authorities concerned should make concerted efforts in this direction.

Reply of the Government

The Committee's recommendaions have been noted for action, and coal supply to BTPC is being continuously monitored by the organisations concerned.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 22 (Paragraph 3.52)

The Committee find that at present there is no formal agreement between NTPC and coal companies in regard to supply of coal. In order to ensure that the coal supplied to power stations is of the desired quality, it was proposed to enter into long term agreements with the collieries providing for incentive by way of higher prices for better quality coal than contracted for, and penalty for lower quality coal There were, however, stated to be certain difficulties in this regard, particularly in regard to joint sampling of coal. While the NTPC preferred to take samples at the power station and in all cases, the Coal Department was not agreeable for joint sampling at the power Station and in all cases and would like this to be done at the collieries end. The committee desire that the points of difference in this regard should be resolved soon and the long term agreements entered into with the collieries for ensuring supply of required quality of coal to the power stations. They would also like to emphasise the need for having time bound programme for installing proper coal handling plants at the mines. The Committee desire that important issues like joint sampling at power stations or coal mines head, incentives or penalties for quality of coal, setting up of benefication plants etc. should be resolved speedily by the Ministry of Energy in consultation with the parties concerned as on these factors will depend the efficiency of thermal plants in the long run.

Reply of the Government

Department of Power has since finalised with CIL and Department of Coal arrangements for joint sampling of coal at power stations end. A model draft agreement has also been drawn up in consultation with NTPC, SEBS, CIL and coal Department for supply of desired quality of coal to power stations. The model draft agreement, which also incorporates the decision about joint sampling of coal at power stations end is expected to be finalised shortly. Department of power is also interacting with Department of coal regarding expediting installation of Coal Handling plants and setting up coal berefication plants.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 24 (paragraph 3.61)

The Committee find that as against the norm of 15 ml/kwh of consumption of oil, the actual consumption in various units ranged from 0.6 to 10.68 ml/kwh. The norm of oil consumption is stated to have been fixed by CEA based on the performance of 210 MW units in the country. The Committee desire that the norms for various inputs should be periodically reviewed on the basis of the actual performance and the achievable targets fixed so that these norms can actually serve as a yardstick for measuring the operational efficiency.

Reply of the Government

CEA has issued guidelines to the State Electricity Boards regarding secondary fuel oil consumption of the 200/210 MW units on the basis of the actual consumptions of such units. The national average of secondary fuel oil consumption during the year 1983-84 was about 17.4 ml/kwh. However, the recommendation has been noted and the Central Electricity Authority has been requested to take necessary action.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 26 (Paragraph 4.10)

The Committee find that one of the main issues concerning of the commercial agreements viz. the rate of return to be allowed to NTPC still remains unresolved. While the Government directive of December, 1982 required NTPC to fix its tariff after allowing for a return of 12% of equity, the States insist that the tariff should be based on a return of 10% on the total capital employed (equity and loan) as agreed to in the meeting held in December, 1976 to decide the principles for formulation of tariff. The Government stand is that a return of 12% on equity was fixed as this was the rate of return which the external financing institutions expected. The Committee desire that this issue should be resolved early.

Reply of the Government

Government have since taken a decision to permit the NTPC to fix its tariff based on a return of 10 per cent on the equity capital.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 28 (Paragraph 4.17)

As per the constitutional provisions 'electricity' is a concurrent subject. Though the amendment in 1976 of Electricity (Supply) Act 1948

has enabled the setting up of generating companies in the Central Sector, the responsibility for distribution of power still vests in the State Electricity Boards. The Committee have come across cases where in spite of the fact that the States were getting power from Super Power Stations set up by the Centre, the Central Government Undertakings have not been supplied the power committed by the State Governments. For instance, Bharat Aluminium Company which is very near to Korba Super Thermal Power Station of NTPC could not get adequate power for its plant from Madhya Pradesh Government. The shortage of power results in huge loss of production with its all consequences. The Committee, therefore, desire that wherever necessary and feasible, power should be made available to Central Undertakings on priority basis from the 15% share set apart at the disposal of Central Government out of power generated at the Super Thermal Power Stations of NTPC. For this purpose, tripartite agreements could be entered into between NTPC, the concerned undertakings and the State Electricity Boards as is being done in the case of Bharat Aluminium Co. Ltd. If found necessary the Government should consider the question of amending the Electricity (Supply) Act to empower the Central power generating companies to supply power direct to Central Undertakings whenever situation demands so.

Reply of the Government

The proposal to supply power to Central Undertakings from Central Power Projects has been accepted in principle. Government have decided that Bharat Aluminium (BALCO) be supplied power from the Korba Super Thermal Power Station out of the unallocated share at the disposal of the Centre till such time as BALCO sets up its own captive power plant. For this purpose, a Tripartite Agreement between NTPC, Madhya Pradesh Electricity Board and BALCO is proposed to be formulated.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Comments of the Committee

(Please *see* paragraph 15 of Chapter I of the Report)

CHAPTER III

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

Recommendation Serial Nos. 9 & 10 (Paragraphs 2.57 & 2.58)

The Committee note that as against the original estimated cost of Rs. 4855.01 crores for generation projects, the latest revised cost was Rs. 6630.66 crores representing an increase of 36%. Similarly in the case of transmission lines the estimated cost has gone up from Rs 738.97 crores to Rs. 979.28 crores *i.e.* an increase of 32%. The escalations have varied from 27% to 91% in the case of 9 generation projects and 6% to 135% in the case of 8 transmission lines. Apart from the price increase, the main reasons for the cost escalations were stated to be change in scope and payment of customs duty on import of equipment on account of international competitive bidding for World Bank aided projects or bilateral agreement with other countries.

The total value of equipment contracts awarded to foreign parties upto the end of March, 1983 was Rs. 940.89 crores, out of which value of equipment which had to be necessarily imported against bilateral financial arrangements with the U.K. and USSR Governments amounted to Rs. 695.59 crores. The customs duty payable on these imports amounted to Rs. 417 crores. While on the one hand this resulted in additional capital cost of NTPC, there was no gain to the economy as the price of equipment imported was not lower than the prices of similar indigenous equipment. The Committee, therefore, desire that the Government should avoid as far as possible entering into bilateral agreements with foreign countries involving necessarily the import from them of equipment which are available within the country at a comparative prices.

Reply of the Government

The bulk of the country's requirement for power generating equipment is being met by indigenous production. The import of power equipment is resorted to selectively depending upon the circumstances and merits of each proposal. Bilateral agreements are accepted only in a few cases to fill the resource can when financial assistance is available

on favourable terms. However, the Committee's recommendations has been noted.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 25 (Paragraph 4.9)

As per the understanding given to the World Bank, NTPC was required to enter into commercial agreements with each of beneficiary State Electricity Boards six months prior to commencement of operations. As per this the Agreements between NTPC and benficiary States of the Northern Region were to be signed in 1981. No formal agreements have, however been entered into with the beneficiary states so far. Admiitedly, the finalisation of these agreements has taken an unusually long time. Recently, Memoranda of Understanding have been entered into with the beneficiary States of power from Singrauli and Korba STPS as an interim arrangements. Regular multiparty agreements are contemplated to be entered into after gaining experience of integrated operation of Central Sector Power Stations. The Committee hope that this would meet the requirements of the World Bank.

Reply of the Government

The agreements concluded between NTPC and the beneficiary States are acceptable to the World Bank.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

CHAPTER IV

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

—NIL—

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Serial No. 11 (Paragraph 2.59)

The import of equipment not only resulted in increased capital cost for NTPC but also affected the capacity utilisation of indigenous producers of power equipment like BHEL for want of adequate orders. The overall capacity utilisation of BHEL during 1985-86 to 1993-94 was likely to be around 50 per cent only. It has been stated that even in the case of World Bank aided projects, in spite of 15 per cent price preference on c.i.f. value of imported equipment, BHEL could not secure several orders in global tendering. The factors affecting their cost efficiency should be analysed with a view to taking necessary remedial measures to imporve their competitiveness. At the same time, the indigenous industry needs to be protected against unfair international competition. The whole matter, therefore, needs serious consideration by the Government.

Reply of the Government

The recommendation has been communicated to Department of Heavy Industry, Ministry of Industry, for action.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recomendaion Serial No. 19 (Paragraph 3.38)

Although the management of Badarpur Thermal Power Station was entrusted to NTPC on 1st April, 1978 on agency basis pending formal transfer of ownership, no decision has so far been taken on this issue. It was stated that under the Delhi Municipal Corporation Act, 1957 it was necessary to obtain permission of the Corporation for such transfer of ownership. Alternatively, the Act itself would have to be amended to the extent that such permission was not necessary. From the reply to a question given to Lok Sabha, the Committee, note that the Government are not inclined to transfer BTPS to the Delhi Municipal Corporation/Delhi Electric Supply Undertaking. The Committee, therefore, urge the Government to take steps to obtain formal approval of the Delhi Municipal Corporation for transfer of

ownership of BTPS to the National Thermal Power Corporation or have the necessary amendments made in the Delhi Municipal Corporation Act as may be considered proper. They suggest that expeditious action may be taken in this regard to enable transfer of ownership at an early date which they hope will go a long way in improving the functioning and management of this Thermal Power Station.

Reply of Government

Transfer of ownership of BTPS to NTPC involves a number of administrative, financial and legal issues which are under consideration. Government is also considering other possible alternatives. However, the Committee's recommendation has been noted.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 23 (paragraph 3.60)

The Committee notice that though the consumption of coal per kwh at Singrauli was less than that at Korba, the cost of coal included in the energy charge was more in the case of former. The reason for this was stated to be that while the price of coal was fixed gradewise its consumption depended upon the actual calorific value. Thus while the average gross calorific value of coal received at Singrauli was only 22 per cent higher than that at Korba its price was 46 per cent higher. This gave rise to anomalous position in as much as in spite of the Company getting better quality coal, the cost of coal incurred per unit of power produced was higher. NTPC wants that the price of coal should be based on useful heat value of various grades of coal. The Committee desire that the matter be examined with a view to rationalising the price structure for coal supplied to the power stations.

Reply of the Government

The recommendation has been noted and the matter will be taken up with the Department of coal.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Comments of the Committee

(Please *see* paragraph 12 of Chapter I of the Report)

Recommendation Serial No. 27 (paragraph 4.11)

The Memorandum of Undertaking for the present provides for a flat energy charge. The beneficiary SEBs have, however, accepted in principal fixation of tariff in two parts, a fixed commitment charge

and a variable charge. The fixed commitment charge consisting of 75 per cent of the fixed cost will be recoverable in proportion to the allocated capacity. The variable energy charge consisting of 25% of the fixed cost and the variable cost will be recoverable on the basis of the energy received by the States. The committee had been informed that certain States had asked NTPC to give a firm commitment regarding delivery of power in case they were required to pay commitment charges. This according to the committee seems to be a reasonable demand. The committee, therefore, desire that the feasibility of working out an overall rate covering both fixed and variable costs should be examined. The Government should also consider the question of having uniform tariff rate for power produced at different Super Thermal Power Stations of NTPC facilitate inter-regional transfer of Power.

Reply of the Government

Although the principle of fixation of tariff in two parts, *viz,* fixed capacity commitment charge and a variable charge has been accepted, it can be implemented only after NTPC acquires necessary transmission capability to assure delivery of power from the Super Thermal Power Stations to the beneficiary States.In view of this a flat energy rate has been agreed to with the SEBs for sale of power from NTPC's stations.

As regards, uniform tariff for power generated by NTPC's stations, the matter involves a number of technical and financial issues which are under consideration of Government.

[Ministry of Energy, Department of Power D.O. No. 11/5/83-US (CT) dated 26-10-1984]

Recommendation Serial No. 29 (Paragraph 4.18)

The Committee also find that various Public undertakings have been allowed to set up their own or are demanding captive power plants to meet their power requirements. They would like the Government to examine the possibility of additional capacities at their super power stations to meet the requirements of Central undertakings from such stations wherever it is physically possible and economical to supply power direct to them, before allowing them to set up captive power plants.

Reply of the Government

The suggestion for creating additional capacities at the existing Central power stations to meet the requirements of central undertakings has been noted for consideration.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US (CT) dated 26-10-84]

Recommendation Serial No. 30 (paragraph 4.24)

The Committee find that an amount of Rs. 177.53 crores as on 31|3|1983 was due to NTPC from the beneficiary States. There were heavy outstandings particularly from U.P. (Rs. 18.77 crores) and DESU (Rs. 121.89 crores) in respect of power supplied from Singrauli STPS and Badarpur Thermal Power Station respectively. While the issue is stated to have been resolved in the case of power supplied from Singrauli by having a provision for letter of credit opened in favour of NTPC in the Memorandum of Undertakings signed with the beneficiary States, the position in regard to DESU continues to be very unsatisfactory. As on 31|3|1983 out of total outstandings of Rs. 121.89 crores an amount of Rs. 77.33 crores were outstanding for more than six months. The Committee were informed in evidence (September, 1983) by the representative of NTPC that the total outstandings against DESU had gone up to Rs. 160 crores. The fact that as against a monthly bill of Rs. 8 crores, DESU has expressed its inability to pay more than Rs. 50 lakhs shows, that the position would become worse in future unless immediate steps are taken to solve this problem. The matter, therefore, deserves serious consideration at the highest level. In this connection, the committee would also like the Government to examine the suggestion made to them that as a temporary measure an advance could be given by the Government to DESU to cover its outstanding amounts to enable it to clear its outstanding with NTPC.

Reply of the Government

The matter is under consideration of Government.

[Ministry of Energy, Department of Power D.O. No. 11|5|83-US (CT) dated 26-10-1984]

NEW DELHI;
August 6, 1985.

K. RAMAMURTHY,
Chairman,

Sravana 15, 1907 (*S*)

Committee on Public Undertakings.

APPENDIX I

Minutes of the 4th sitting of the Committee on Public Undertakings held on 1 August, 1985

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

Shri K. Ramamurthy—*Chairman*

MEMBERS

2. Shri Akhtar Hasan
3. Shri S. M. Bhattam
4. Shri Haroobhai Mehta
5. Shri Satyagopal Misra
6. Shrimati Geeta Mukherjee
7. Shri Chiranji Lal Sharma
8. Shri V. S. Vijayaraghavan
9. Shri Ashwani Kumar
10. Shri Nand Kishore Bhatt
11. Dr. Shanti G. Patel
12. Shri Gulam Mohi-ud-Din Shawl

SECRETARIAT

1. Shri M. K. Mathur	*Chief Financial Officer.*
2. Shri G. S. Bhasin	*Senior Financial Officer.*
3. Shri Rup Chand	*Senior Financial Officer.*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same:

(i) Action Taken Report on 92nd Report of CPU (1983-84) on National Thermal Power Corporation Ltd.

* * * *

The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministries|Undertakings corcerned and Audit and present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Ninety-Second Report of the Committee on Public Undertakings (Seventh Lok Sabha)

I.	Total number of recommendations made	30
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at S. Nos. 1-8, 12-18, 20-22, 24, 26 & 28)	21
	Percentage to total	70%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (*Vide* recommendations at S. Nos. 9-10 and 25).	3
	Percentage to total	10%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee	NIL
	Percentage to total	NIL
V.	Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendations at S. Nos. 11, 19, 23, 27, 29 and 30)	6
	Percentage to total	20%

C. P. U. No. 3/3

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