14

STANDING COMMITTEE ON ENERGY (1998-99)

TWELFTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS (1998-99)

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

FOURTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

February, 1999/Phalguna, 1920 (Saka)

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Presented to Lok Sabha on .... 10 MAR 1999
Laid in Rajya Sabha on ....10..MAR..

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February, 1999/Phalguna, 1920 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (1998-99)

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7. Shri Nuthana Kalva Ramakrishna Reddy
8. Shri Rajbanshi Mahto

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Fourteenth Report (Twelfth Lok Sabha) on the Action Taken by the Government on the recommendations contained in the Fourth Report of the Standing Committee on Energy (Twelfth Lok Sabha) on "Demands for Grants (1998-99) of the Ministry of Power".

2. The Fourth Report (Twelfth Lok Sabha) of the Standing Committee on Energy was presented to Lok Sabha on 4th July, 1998. Replies of the Government to all the recommendations contained in the Report were received on 10th November, 1998. The Sub-Committee on Action Taken Reports considered the Action Taken Replies received from the Government and considered and adopted the Report at its sitting held on 15th February, 1999.

3. The Standing Committee on Energy considered and adopted this Report at their sitting held on 23rd February, 1999. The Committee place 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 Fourth 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;
27 February, 1999
8 Phalguna, 1920 (Saka)

K. KARUNAKARAN,
Chairman,
Standing Committee on Energy.

CHAPTER I

REPORT

The Report of the Committee deals with Action Taken Report by the Government on the recommendations contained in Fourth Report (Twelfth Lok Sabha) of the Standing Committee on Energy on "Demands for Grants (1998-99) of Ministry of Power" which was presented to Lok Sabha on 4th July, 1998.

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 that have been accepted by the Government:

Sl. Nos. 1, 2, 3, 4, 7, 10, 12, 14, 15.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply:

Sl. Nos. 8 and 9.

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 5 and 11.

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 6, 13.

3. The Committee desire that final replies in respect of the recommendations for which only interim replies has been given by the Government 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:

A. Transmission and Distribution Sector (T&D)

Recommendations (Sl. Nos. 1 & 7)

5. The Committee had expressed their concern over inadequate allocation to T&D sector. A glance at the sector-wise distribution of budgetary support revealed that the T&D sector's budgetary allocation was gradually coming down. Whereas in 1994-95, the budgetary support was Rs. 340 crore, it came down to Rs. 182.97 crore in the year 1998-99. The Committee opined that when existing generation lacked adequate T&D back up and huge energy was being wasted, the Ministry should not solely depend on market forces to take care of T&D.

The Committee recommended that the allocation for T&D be enhanced suitably and the Ministry of Power should take up development of this sector with all seriousness. As the PFC gives/ extends a portion of its allocation to the T&D sector, its allocation needs to be stepped up.

6. The Ministry in their reply have stated that the Rs. 58,000 crore would be required for the distribution schemes in the 9th plan for new development works and for system improvement schemes, augmentation etc. However, action needs to be taken by the State/ Utilities with which they (MoP) interact frequently and requesting SEBs to undertake detailed exercise end furnish data. To help the utilities, Ministry of Power had issued "Guidelines for Reduction in T&D Losses" in July 1991 and "Guidelines for Energy Audit in Power System" in May, 1992. The Government of India have introduced incentive schemes since 1987-88 for utilities for achieving reduction in T&D losses. The Union Government have also provided grant to the extent of 50% of estimated cost of schemes which is Rs. 1273 crore for Pilot Projects for conducting energy audit to the SEBs of Kerala, West Bengal, Punjab and Haryana. These schemes were being monitored by Rural Electrification Corporation. The Ministry were hopeful that the results obtained from these schemes would help in formulating the measures/reforms in reducing the T&D losses. The Ministry also informed that even the Working Group constituted by Planning Commission, while acknowledging low investment in T&D, as

compared in generation recommended need based financial outlay matching the generation. It suggested that for additioning of 57,735 MW generation capacity, the requirement for transmission, distribution, including system improvement schemes should be in the vicinity of Rs. 1,13,970 crore, as against Rs. 1,17,205 crore for generation. However, the Ministry informed that the actual allocation for generation and T&D during the 9th plan would depend on the resources made available to the Power sector.

7. **The Committee note that to help the utilities, in order to reduce T&D losses, Ministry of Power introduced incentive schemes since 1987-88 and issued guidelines 1991 and 1992. The Committee note with concern the unabated T&D losses, in real term. The Committee are of the opinion that the guidelines have failed to enthuse the SEBs to take appropriate actions. The Committee, therefore recommend that these guidelines need to be examined, afresh. The Committee would also like to be apprised of outcome of pilot schemes on Energy Audit and the proposal of Government to extend the scheme in all the State/UTs of the Country.**

The Committee are in agreement with the financial allocation proposed by Working Group with respect to Transmission, Distribution and System improvements. The Committee hope and trust that Planning Commission would allocate the much needed resources for this Sector. At the same time, the Committee recommend that PFC and other FIs/IFIs should also be motivated to finance transmission projects on priority basis.

B. Impact of Sanctions on the Power Sector

Recommendation (Sl. No. 3)

8. The Committee had found that Power Sector was the largest recipient of external aid which receive around 31% of total Committed bilateral and multilateral assistance to the country. The Committee were unhappy that Ministry had not analysed the impact of sanctions imposed due to nuclear tests. The Committee had desired that a thorough study of the impact should be made at the earliest and a detailed Action Plan should be undertaken to deal with the impact.

9. The Ministry in their reply have informed that Government have analysed the impact of sanctions on the Power Sector. The

Ministry informed that ongoing projects in both Central & State Sectors viz. Simhadhari TPS, Bakreshwar, Purulia HEP, Dhauliganga HEP, Ghatghar HEP, Vizag-Simhadhari Line are to be affected. Funds amounting to $ 5661 million (unutilised $4201 + Additional Funds to be Committed for partially Funded capacity and Transmission links $ 1460) are stated to be of uncertain status.

In addition, the Ministry have stated, New projects like Sipat, Rihand II, North Madras, Transmission lines of Talcher, E.N. inter-regional link, IPP related lines and system improvement in Central Sector would be affected due to sanctions. Funds to SEBs through PFC would also be affected and restructuring of SEBs would be delayed in the absence of financial support. Hydro projects like Teesta V, Loktak and Chamera II of NHPC, Lower Kopili Kameng and Tuivai of NEEPCO would also be affected.

Another impact of sanctions as Ministry have assessed is that borrowing cost is likely to increase by 3-4%, if the sanctions are in place for more than one year. Due to this increase, projects like Talcher II TPS, Gas based extension units of NTPC, associated and IPP related transmission line for mega projects would be affected.

Ministry have also informed that in case of nonmaterialisation of uncommitted foreign loans there would be increased pressure on domestic market and in that situation power sector have to complete for resources with other Sectors. Thus, NJPC which expect to finance the gap through borrowing may also fail to meet the requirement.

Squeeze on ECBs would affect funding of IPP projects and the cost of borrowing would result in increase in cost of power to the consumer.

10. The Committee are concerned to note the effects of sanctions imposed by Western countries, in the aftermath of the nuclear explosion. Considering that power sector is the biggest recipient of external aid, the Ministry should formulate an Action Plan to counter the effects of sanctions, if not already done.

C. Hydro-Electric Policy

Recommendation (Sl. No. 5)

11. The Committee *inter-alia* had expressed their concern over inability of Government in finding suitable projects for execution in

the North-Eastern Region and Himalayan Region which has enormous hydro potential. The Committee, therefore, recommended that sufficient number of projects be identified for both public and private investment. The Committee had also recommended adequate allocation of funds for the on-going Hydro Projects, so that they are completed in time and the falling share of Hydro Power could be checked. The Committee while recommending formulation of a comprehensive perspective Hydro-Electric policy also desired that this policy should be able to resolve the resettlement and rehabilitation issues convincingly.

12. The Ministry in their reply have stated that they agree with the recommendation of the Committee in the matter of allocation of funds to the on-going HE schemes so that they can be completed in time and arrest the falling share of hydro-power in overall power generation. The Ministry have further stated that while the Central Government is providing adequate funds for central sector hydel projects, the difficulties are being encountered in the matter of funding the joint power projects, like Naptha Jhakri Power Project and THDC, where the participating State Governments are not able to pay their shares. The Ministry have taken the matter with the respective State Governments from time to time and are hopeful that the Uttar Pradesh Government and Himachal Pradesh Government will contribute their shares in the joint sector projects *i.e.*, THDC and NJPC. On resettlement and rehabilitation aspects, the Ministry have stated that the Ministry of Rural Development is formulating policy guidelines which will apply to all development projects including hydel project.

13. The Committee are sad to note that inspite of their counsel to identify sufficient number of hydel projects in North-Eastern Region and Himalayan region, so that these can be taken up under public and private funding, no action seem to has been taken by the Government. Considering that Union Government have decided to expend 10% of their Budget, for North-Eastern States, it becomes all the more important that sufficient projects be identified and funded by Central Government, through CPUs.

The Committee also note that joint-venture projects (between Central and State Governments) like THDC are lagging behind as State Governments are unable to contribute their share. The Committee recommends that the Ministry should persuade the respective State Governments to contribute their shares so that projects can be completed in time. The Committee also express the

concern over delay in formulating comprehensive Resettlement and Rehabilitation Policy. The Committee apprehend that in the absence of such a policy, DPR of hydel projects will be delayed considerably. The Committee, therefore, reiterating their earlier recommendation, desire that Government should formulate such a policy without any further delay.

D. Inadequate Private Sector Participation

Recommendation (Sl. No. 11)

14. The Committee had observed that the Central Government was monitoring 125 projects amounting to 67,221 MW. Out of these, 42 projects aggregating 20,282 MW had been given techno-economic clearance. Keeping the situation in view, the Committee had not agreed with the view of the Ministry that response of the private sector was encouraging. The Committee had observed that inspite of wide-ranging incentives to private sector, the projects have not progressed beyond signing of MoUs, the Committee had recommended that where no work has been taken up within the stipulated time mentioned in MoU, such MoUs should be cancelled. The Committee had desired that to achieve the cost-effectiveness of the project, the Government should encourage Public/Jt. Venture project on the pit head, add additional unit of generation project at the existing plant/project site, wherever possible and enhance the PLF of existing plants.

15. The Ministry of Power in their reply have stated that private power projects are currently in various stages of development. Only 5 projects with a capacity of 748 MW have been partially commissioned. Ministry have mentioned that progress made by private power projects in achieving financial closure and commencing construction is slow due to poor financial health of SEBs, non-finalisation of Fuel Supply Agreements (FSA) with an Independent Power Project developer by Ministry of Coal etc.

16. Expressing their concern in regard to slow progress of private sector capacity addition, inspite of Monitoring of 125 projects amounting to 67,221 MW by Central Government, the Committee had recommended that where no work had been taken up within the stipulated time mentioned in MoU, the MoU should be cancelled. Ministry of Power have not responded to this issue at all. The Committee fail to understand the reluctance on the part of the

Ministry to cancel the MoU where no result is coming out and the Committee reiterate that the Ministry should quickly review the MoUs and cancel these in a time schedule. It would send a strong signal to other projects to complete work in time. The Committee also urge the Ministry to promote only cost effective projects. Taking into consideration the cost effectiveness of the project the Committee had suggested that Government should encourage Public/Jt. venture projects at the pit head, add additional unit of generation project at the existing plant/project site wherever possible and enhance the PLF of existing plants. The Committee are sad to note that Government have not taken up these suggestions. The Committee would again stress upon these measures and want the Ministry to earmark pit head projects which can be offered to Public/Jt venture for implementation and select plant/project site where additional units can be installed and last but not the least the PLF of existing units should be enhanced.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1)

A glance at the Sector-wise distribution of budgetary support shows that budgetary allocation for transmission and distribution has been coming down. In the year 1994-95 it was Rs. 340 crore and for this year only Rs. 182.97 crore have been asked for. Similarly, budgetary allocation for Power Finance Corporation has been reduced to Rs. 370 crore only from Rs. 550 crore in both 1996-97 and 1997-98. The Committee are surprised to note that even after allocating Rs. 550 crore for Power Finance Corporation in the year 1997-98 and additional amount of Rs. 200 crore was taken through Supplementary Grant. Thus, when, the total grant for Power Finance Corporation (PFC) was Rs. 750 crore in the year 1997-98 the Committee are dismayed to observe that a paltry amount of Rs. 182 crore has been allocated this year. While a portion of allocation to PFC is extended to transmission and distribution, the Committee are unable to agree with the Ministry that transmission and distribution sector is getting their special attention. The Committee are of the firm view that when existing generation lacks adequate transmission and distribution back up and huge energy is being wasted, the Ministry should not depend solely on market forces to take care of T&D sector. The Committee recommends that the allocation for T&D should be enhanced suitably.

Recommendation (Sl. No. 7)

The Committee are concerned to note that transmission and distribution sector has been severely neglected. While the rule is to invest equal amount in both generation and transmission, investment in transmission is less than half. The Committee are sad to note that due to lack of facilities for evacuation of power, plants are asked to back down and even if there is power in the grid, the outdated distribution system, fails to take it to the consumer. The Committee are also dismayed to note that due to lack of an adequate evacuation system, the Ministry is considering to drop the Maithon project which is a pit head project and has every facility required at the site. The Committee take a serious view of this situation. The Committee also desire that the Maithon project should be taken up urgently with adequate transmission back-up system. They fail to understand how all of sudden the Ministry has started realising the lack of investment in the field of transmission and distribution whereas all along it has been assuring this Committee that all arrangements have been made for evacuation of power on various new projects that were coming up. (Report 26th of 10th Lok Sabha). As uptil now the sole responsibility for transmission & distribution planning was that of the Ministry, the blame for lop-sided development of power sector squarely lies with the Ministry. The Committee would appreciate if the Ministry now take up development of this sector with all seriousness. The Committee desire that the Government should immediately make matching investment in transmission and distribution sector.

Reply of the Government

MoP has proposed that Rs. 58,000/- crores would be required for the 9th Plan for distribution schemes for new development works and for system improvement schemes, augmentation etc. Necessary action is required to be taken by the States/Utilities for which MoP had been regularly writing to all SEBs for undertaking detailed exercises and for furnishing the data.

To help utilities in their efforts, MoP issued "Guidelines for reduction of T&D losses (July 91)" and "Guidelines for Energy Audit in Power System (May 92)" and circulated them to all the utilities. Government of India have introduced incentive schemes since 1987-88 for utilities for achieving reduction in T&D losses.

Secondly, Govt. of India have provided grant to the extent of 50% of estimated cost of schemes (Pilot projects) for conducting energy audit to the SEBs of Kerala, West Bengal, Punjab and Haryana. The estimated cost of the schemes and date of sanction are given below:

(a) Kerala	Rs. 229.24 lakhs (11.11.94)
(b) West Bengal	Rs. 362 lakhs (3.1.95)

(c) Punjab	Rs. 446.86 lakhs (20.8.97)
(d) Haryana	Rs. 235.79 lakhs (16.1.96)

These schemes are being monitored by REC. The results obtained from the above schemes would help in formulating the measures/ reforms to be taken for reducing the T&D losses.

The anomaly of low investment on transmission & distribution as compared to that in generation has been acknowledged by the Working Group on Power constituted by the Planning Commission in its report submitted in December, 1996. The Working Group has recommended a need-based financial outlay matching the generation.

The financial outlays as suggested by the Committee corresponding to addition of 57,735 MW of generation capacity is given below:

Transmission	Rs. 56,000 crores
Distribution	Rs. 43,300 crores
System Improvement Schemes	Rs. 14,670 crores
Total	Rs. 1,13,970 crores
For Generation	Rs. 1,17,205 crores

However, the actual allocations for generation and T&D during the 9th Plan would depend on the resources made available to the Power Sector.

As far as Maithon Right Bank Project is concerned, the project has not been dropped. The proposal for construction of this project is under active consideration of the CEA for grant of techno-economic clearance. After the techno-economic clearance is obtained and funds tied up for the same, construction of the project will start. The project would be set up as an export oriented unit, subject to the concurrence of the two participating Govts. of Bihar and West Bengal.

[Ministry of Power O.M. No. 20020/1/98-Bud Dated the 10th November, 1998]

Comments of the Committee

Please *see* para 5 of Chapter I of the Report.

Recommendation (Sl. No. 2)

The Committee note that the IEBR portion of the budget proposed for the Ninth Five Year Plan is substantially high. In the Eighth Five Year Plan the actual mobilisation by all the PSUs was only Rs. 14968 crore whereas in the Ninth Five Year Plan this has been hiked to Rs. 86916.72 crore. This Committee also observe that due to unfavourable market conditions the PSUs have already suffered a major shortfall in the Eighth Five Year Plan. The Committee apprehend that similar unfavourable market can put the Ninth Plan in uncertain position. The Committee are of the view that considering the power as a basic infrastructure, a judicious mix of higher budgetary support and realistic IEBR should be adopted to sustain the growth of this sector. The Committee are also concerned about continuous failure to utilise the fund allocated to the Ministry and emphasize the need for utilising available funds allocated through Budget.

Reply of the Government

The Ninth Plan outlays for the power sector were projections of the expenditure proposed to be undertaken in the Central sector. However, based on the discussions held between Planning Commission & Ministry of Power and keeping in view the overall resource availability position, the 9th Plan outlay has now been placed at Rs. 46143.66 crores consisting of Rs. 31813.59 crore IEBR and Rs. 14330.07 crore as Gross Budgetary Support. The financing pattern for the Ninth Plan is indicative and assessed on the basis of likely generation of internal resources by the concerned corporations, strength of the corporation to borrow money from domestic/external sources, likelihood of some of the schemes getting external assistance already tied and in pipeline, from bilateral/multilateral agencies and the likely availability of budgetary support for funding the proposed programmes. Ministry of Power has undertaken the following steps to assist PSUs to mobilise IEBR:—

(a) Obtaining permission from Ministry of Finance Planning Commission for raising tax-free/taxable bonds;

(b) Obtaining permission from Ministry of Finance for SLR Bonds for REC and NEEPCO;

(c) REC Bonds have been given status of priority sector lending. This ensures lower rates of interest;

(d) PFC financing is available for Central Sector PSUs in case they need the funds;

(e) Assisting the PSUs to raise funds in the overseas market—External Commercial Borrowing;

(f) Assisting the PSUs in recovering their dues from the SEBs.

Earmarking of budgetary support is also guided by the past trends and the eligibility of schemes/programmes for the budgetary support. Hence, the Ninth Plan outlay now finalized by the Planning Commission and the financing pattern are medium term projections, which are indicative in nature. The annual plan outlays are also decided and earmarked for the corporations and other schemes on a yearly basis in the overall framework of Ninth Plan proposals and taking into account assessments of the ongoing works, new schemes to be initiated, assessment of market conditions for borrowings, ability of corporations to raise necessary finances, committed external assistance etc.

As regards lower utilisation of funds *vis-a-vis* the allocations made, it is submitted that Ministry of Power has taken adequate steps to strengthen the monitoring system, expediting clearances to the new schemes included in the annual plans and making more realistic assessments at RE stage. The quarterly physical and financial monitoring of the schemes included in the annual plans is expected to improve utilisation of funds.

[Ministry of Power O.M. No. 20020/1/98-Bud. Dated the 10th November, 1998]

Recommendation (Sl. No. 3)

The Committee find that the Power Sector is one of the biggest recipients of external aid that constitutes around 31% of total committed bilateral and multilateral assistance to the country. The Committee also note that out of Rs. 38,270 crore allocated, the power sector has utilised Rs. 20,833 crore of fund so far leaving Rs. 17,437 crore as unutilised. The Committee are unhappy to note that Ministry have not analysed the impact of sanctions, due to recent nuclear tests, so far. The Committee desire that a thorough study of the impact should be made at the earliest and a detailed Action Plan to deal with the impact should be undertaken. The details of this study and Action Plan should be placed before the Committee.

Reply of the Government

Government have analysed the impact on the Power Sector and the sector-wise likely impact of sanctions on the power sector are summarised as follows:—

Ongoing Projects (Centre + States)	$Million
1. Committed External Assistance for Ongoing Projects (supporting 7348 MW capacity fully and 3500 MW partially, associated trans. Lines, R&R in Orissa and Haryana	7843
2. Utilised Upto 3/98	3642
3. Balance unutilised	4201
4. Additional Funds to be committed for partially Funded Capacity & Transmission Links	1460

(Status-Present position is uncertain but not likely to affect 1998-99 programme of $1200 million)—Subsequently the projects affected would be Simhadari TPS, Bakreshwar, Purulia HEP, Dhauliganga HEP, Ghatghar HEP, Vizag-Simhadari Line.

New Projects (Central Sector)

1. Uncommitted Foreign Loans (1998-99 to 2001-02)	3710
2. Of which under advanced stage of negotiations	900

(Status-Uncertain at the moment. Likely impact would be in form of delay in starting advance action on new thermal schemes, augmentation of finances of SEBs through PFC and new transmission links). Projects affected would be Sipat, Rihand II. North Madras, Transmission lines of Talcher, E-N inter-regional link, IPP related lines and system improvement.

	$Million
3. Uncommitted External Commercial Borrowings (1998-99 to 2001-02)	1950

(Status-Cost of Borrowings is likely to rise due to withdrawal of USEXIM. Japan EXIM is understood to have indicated that new projects would not be affected. Likely increase in borrowing cost is assessed to range around 3-4% if the sanctions are in place for more than one year). Likely projects to be affected are Talcher II TPS, Gas based extension units of NTPC, associated and IPP related transmission line for mega projects.

4. Uncommitted Domestic Borrowings (1998-99 to 2001-02) 4200

(Status-Impact too early to predict. However, in case uncommitted foreign loans do not materialise, there would be an increased pressure on domestic market. Power sector would have to compete for resources with other sectors. Availability of funds may be affected. Interest rates may also go up. All the above projects which depend upon part funding through domestic borrowings would be affected. The funding of the financing gap for NJPC expected to be met through borrowings may also be affected).

5. Uncommitted Other Sources (unidentified) 2400

(Status-Sources of financing for certain projects, particularly advance action on hydro schemes of NHPC and NEEPCO are yet to be identified. Uncertainty about foreign assistance may affect medium term borrowing plants for these corporations. Projects likely to be affected are Teesta V, Loktak and Chamera II of NHPC, Lower Kopili, Kameng and Tuivai of NEEPCO.

New Projects (State Sector)

External assistance at advanced stage of negotiations (but uncommitted) 2300

External assistance under consideration 1500

Status-The support is primarily for Reforms & Restructuring programmes. Absence of support may slow down the reforms of SEBs. States affected would be Andhra Pradesh, Gujarat, Rajasthan and Madhya Pradesh. Initiation of process of reforms would also be delayed in Karnataka, U.P. and Bihar. States are also likely to face pressure to find resources for construction of IPP related transmission lines for which they have signed PPAs. Most affected States are A.P. and M.P.

New Projects (Private Sector)

Squeeze on ECBs would affect funding of IPP projects and the cost of borrowings for IPPs are likely to go up. This would affect the eventual cost of power to the consumer. Indications are that only USA and UK are serious about the withdrawal of support by their respective EXIM banks for supporting lending to the IPPs. The impact may be neutralised if the European and Japanese banks get attracted for supporting investments in India in absence of competition from their American counterparts. In order to ensure that momentum in the investment in the Power Sector does not get affected, an Action Plan is being formulated.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Comments of the Committee

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

Recommendation (Sl. No. 4)

The Committee note with concern that ratio of hydro-power has fallen below 25 : 75 thus causing peaking shortage in the system. Inspite of caution from this Committee in their earlier Reports, the Ministry have failed to prevent the fall of hydro share and they are now admitting their helplessness. The Committee note that there are not many hydro projects on the shelf and its share will go down further in the Tenth Five Year Plan. The Committee have noted with concern the lacklustre attitude of Private Sector participation in Hydel Sector. As on date, only Maheshwar Hydel Project is being developed by them. The Committee recommend that while the Government should analyse the failure of Private Sector participation, hydel projects in Public and Joint Sector both at Central and State level should be supported and encouraged simultaneously.

Reply of the Government

Government has, on 26th August, 1998, accorded approval to the Policy on Hydro Power Development in the country with a view to prevent a decline in the hydro share and to undertake measures for exploitation of vast hydroelectric potential in the country specially in the North and North-Eastern region. The main objective of the Policy is to ensure capacity addition of 9815 MW (3455 MW in Central Sector, 5810 MW in State Sector and 550 MW in Private Sector). In view of the inadequate response of Private Sector so far in Hydro Power Development, the involvement of Public Sector in Hydel Projects will not only be continued but also has to be enlarged. The policy provides that multipurpose projects involving inter-State issues, project for peaking power and those involving rehabilitation and resettlement be taken up and implemented in the Public Sector. All the on-going Central Sector Hydel Schemes namely; Nathpa-Jhakri (1500 MW), Tehri Stage-I (1000 MW), Ranganadi Stage-I (405 MW), Dulhasti (390 MW), Dhauliganga (280 MW), Doyang (75 MW), Rangit (60 MW) would be provided adequate budgetary support till their completion. Besides, Government will provide funds for the new projects to be taken up by the CPSUs. The monitoring of the on-going projects would be intensive and measures will be taken to ensure that projects are completed according to the schedule approved by CEA.

One of the main reasons for slow development of Hydel Power is that shelf of the projects is not available and survey and investigation of new projects are not being carried out by the States due to paucity of funds. The Hydro Policy envisages creation of Power Development Fund with an imposition of cess on electricity consumed in the country. 2/3rd of the amount realised will be allocated to the respective State Government for promoting hydel projects and also other power development schemes recommended by the State Government. The remaining 1/3 rd will be utilised by the Central Government for promoting Hydel Projects in the Central Sector and for investment in the transmission lines associated sub-stations required to be constructed for evacuation of power from Mega Hydel Projects, which will benefit more than one State.

In order to attract Private Sector participation in Hydel Development, the Policy envisages providing a differential tariff for peaking power, establishment of joint venture framework between Central Sector PSU's and Private Sector and measures to simplify the procedures relating to transfer of the clearances from State Sector to CPSU/IPP/Joint Ventures. Besides the limit for techno-economic clearances have also been revised from existing Rs. 100 crore to Rs. 250 crore and projects upto 100 MW can also be undertaken on MoU route.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Recommendation (Sl. No. 10)

The Committee note that PFC is extending loan to SEBs to implement R&M projects. However, they are sad to note that 16 R&M schemes pertaining to UPSEB, BSEB, WBSEB, ASEB, DVC, etc. are languishing over the years. Considering the fact that very few projects are there for capacity addition in first three years of the Ninth Plan, the Committee want that no existing project should suffer due to lack of funds. The Committee would like PFC to consider these projects and ensure that work is carried out.

Reply of the Government

Power Finance Corporation (PFC) accord very high priority to Renovation & Modernisation (R&M) schemes for thermal and hydro electric stations. They provide financial assistance upto 70% of the completed project cost to these schemes to promote uninterrupted completion of R&M schemes/works. Additionally, financial assistance from PFC for R&M projects is provided to SEBs/utilities under relaxed entity eligibility criteria, so that even ineligible SEBs/utilities under operational policy of PFC can qualify to avail financial assistance for R&M projects and for environmental upgradation projects covered in R&M.

The schemes identified under R&M Phase-II, during Eighth Plan also included 16 schemes from the State Utilities i.e. UPSEB, BSEB, WBSEB, ASEB and DVC. Efforts were made by PFC with the concerned States to improve their financial status through implementation of Operation Financial Action Plan (OFAP) and loans were sanctioned and disbursements were made by PFC.

A statement showing the loans sanctioned and disbursement made by PFC in respect of various R&M Projects of ASEB, WBSEB, DVC, BASEB and UPSEB is enclosed (Annexure-I). A statement showing the physical progress of three schemes is also annexed (Annexure-II).

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

ANNEXURE I

Borrower	Name of Project	Sanction Status	Disbursement Status
1	2	3	4
ASEB	1. R&M of Lahwa TPS (4x15 MW)	Loan sanctioned Rs. 53.35 crs. recently	(1&2) These two loans have been sanctioned recently on 10.08.98. ASEB is yet to complete the formalities relating to loan documentation. Disbursement will start after execution of documents by ASEB.
	2. R&M of Namrup TPS (3x23+1x12.5+1x30 MW)	Loan sanctioned Rs. 30.3 crs. recently.	
	3. R&M of Chandrapur TPS (1x30 MW)	Discussed and Information awaited from ASEB.	
	4. R&M of Bongaigaon TPS (4x60 MW)	—do—	
	5. MGT (7x2.705 MW)	Proposal awaited from ASEB.	
WBSEB	6. R&M of Santaldih TPS (4x120 MW)	Loan sanctioned Rs. 32.00 crores in Sept.'96	(6) An amount of Rs. 18.50 crores have been disbursed upto 21.08.98. In fact, in the loan documents WBSEB have given drawl commitment as follows: Year — Rs. Crores Amount 1996-97 — 3.15 1997-98 — 6.30

1	2	3	4
			1998-99 6.30 1999-2000 6.30 2000-01 6.30 2001-02 3.65 **Total** **32.00** Against this, based on the claims submitted by them, PFC has disbursed Rs. 18.50 crs. as on 21.8.98. Hence our disbursement is more than the original commitment.
DVC	7. **R&M of Bokaro TPS (3x50 MW)**	**Loan sanctioned Rs. 15.40 crores in Oct.'95**	(7) Disbursement can start only after the execution of loan document. DVC has not executed loan documents for the loan. They have raised certain legal/procedural issues on hypothecation deed etc. We have asked for certain clarifications and DVC is yet to respond. In the meantime, the validity of loan sanction expired on 30.6.98. They have been advised to seek extension of validity of sanction.

1	2	3	4
	8. R&M of Durgapur (2x75+1x140+1x210 MW)	Proposal awaited from DVC	
	9. R&M of Chanderpur TPS (3x120+3x140 MW)	Proposal awaited from DVC.	
BSEB	10. R&M of Patratu TPS (4x40+2x90+2x105+2x110 MW)	BSEB not eligible for PFC loan as it has not yet signed the Operational and Financial Action Plan (OFAP)	
	11. R&M of Barauni TPS (2x50+2x105 MW)	—do—	
	12. R&M of Muzzafarpur TPS (2x110 MW)	—do—	
UPSEB	13. R&M of Obra TPS (5x50+3x100+5x200 MW)	Loan Sanctioned Rs. 88.60 crs. in June'97	(13) According to loan documents, UPSEB has given drawl commitments as follows:

Year	Rs. Crores Amount
1997-98	3.17
1998-99	61.67
1999-2000	23.75
Total	**88.59**

1	2	3	4
			Against this, disbursement of Rs. 20.81 Crores have been made upto 21.08.1998.
14.	R&M of Panki TPS (2x32+2x110 MW)	Discussed and revised loan proposal awaited from UPSEB	
15.	R&M of Harduaganj TPS (1x30+2x40+1x105+4x60 MW)	—do—	
16.	R&M of Paricha TPS (2x110 MW)	—do—	

PHYSICAL PROGRESS AS ON 31.3.1998

		Activities				
		Total	Completed	Under Progress	Pending	Dropped
(1)	ASEB					
	Lakwa	11	3	3	5	0
	Namrup	23	15	6	2	0
	Chandrapur	17	3	13	1	0
	Bongaigaon	40	19	11	6	4
(2)	WBSEB					
	Santaldih	30	27	1	0	2
(3)	D.V.C.					
	Bokaro	12	6	0	0	6
	Durgapur	17	9	3	0	5
	Chandrapur	39	18	4	6	11
(4)	BSEB					
	Patratu	107	19	35	40	13
	Barauni	30	2	2	25	1
	Muzaffarpur	6	1	1	4	0
(5)	UPSEB					
	Obra	64	10	10	44	0
	Panki	29	8	10	11	0
	Harduaganj	31	0	5	21	5
	Paricha	22	8	7	5	2

Recommendation (Sl. No. 12)

The Committee note that North-Eastern region has a huge unexploited hydro-electric potential. The Committee are also apprised of the Action Plan for Power Development in the North-Eastern region. The Committee are unhappy that enough projects are not there for investment and Ministry of Power failed to extend 10% budgetary support as required by the Government guidelines. The Committee doubt that identification of projects followed by the series of clearances like environment clearance etc. can create bottlenecks in the way of extending budgetary support for some years. The Committee desire that besides identifying new projects, the required fund should be extended to on-going projects for their early completion.

Reply of the Government

The requirement of funds for on-going projects for the North Eastern Region being executed by NEEPCO, NHPC and Power Grid Corporation of India Limited are being met through budgetary support. The Gross Budgetary Support (GBS) out of the budgetary allocation of the Ministry is provided to these Corporations for specific projects based on the progress of work and requirement of funds in consultation with Central Electricity Authority. Out of the total Plan Outlay (Central) of Rs. 9500 crores for 1998-99, the Gross Budgetary Support for various Public Sector Undertakings is Rs. 2714 cores. Out of this Gross Budgetary Support of Rs. 2714 crores, a sum of Rs. 226.96 crore has been earmarked for the three PSU's referred to above. In addition, NEC/MHA provided Rs. 118 crore out of their Gross Budgetary Support for Doyang HEP (75 MW), Nagaland and Ranganadi HE Project (1405 MW) in Arunachal Pradesh being executed by NEEPCO. During the discussion with the Planning Commission held on 11/9/98, it was decided not to take into account the budgetary allocations made by Ministry of Home Affairs for the purposes of commutation of 10% budgetary allocation of Ministry of Power for North East. Accordingly it was decided to credit shortfall of Rs. 45 crore in the non-lapseable fund.

Fifteen Hydro-electric Projects with total installed capacity of 1078 MW is under execution. These projects are scheduled to be commissioned during 9th Plan period. Out of these 15 projects, 5 projects namely; Assam Gas Based Combined Cycle Project (291 MW), Agartala Gas Based Projects (84 MW), Ranganadi HE Project (405 MW).

Doyang HE Project, Nagaland (75 MW) and Kopili HE Project Stage-II (25 MW), are in Central Sector and remaining 10 projects of aggregate capacity of 399 MW are under State Sector. The details are as under:

Project	Location	Capacity (MW)
1. Kathalguri (7, 8&9 unit)	Assam	90*
2. Doyang	Nagaland	75
3. Agartala	Tripura	84*
4. Ranganadi	Arunachal Pradesh	405
5. Kopili-II	Assam	25
	Subtotal	679

(*) These units have since been commissioned.

Project	Location	Capacity (MW)
1. Nuranang	Arunachal Pradesh	6.0
2. Dhansiri HEP	Assam	20.0
3. Lower Borpani	Assam	100.0
4. Lakwa	Assam	48.0
5. Namrup*	Assam	120.0
6. Umiam-Umtru IV	Meghalaya	18.0
7. Serlui-B	Mizoram	9.0
8. Likim Ro	Nagaland	24.0
9. Rokhia Ph. II	Tripura	8.0
10. Leimakhong	Manipur	36.0
	Subtotal	399.0
	Grand Total	1078.0

(*) Subject to availability of Gas.

Advance action is being initiated during 9th Plan for the following projects which will provide benefits in the 10th Plan:

(i) Lower Kopili, Assam (150 MW),

(ii) Loktak Down Stream, Manipur (90 MW),

(iii) Tuirial HEP, Mizoram (60 MW),

(iv) Tuivai HEP, Mizoram (210 MW),

(v) Kameng HEP, Arunachal Pradesh (600 MW),

(vi) Dalamia, Assam (6 MW).

Action Plan for the North Eastern Region and Sikkim also envisages the new schemes which are under survey and investigation. The Policy on Hydro Power Development envisages creation of a Power Development Fund, out of which funds will be released for expeditious completion of survey and investigation and preparation of DPRs for taking up new projects in North Eastern region.

[Ministry of Power O.M. No. 20020/1/98-Bud Dated the 10th November, 1998]

Recommendation (Sl. No. 14)

The Committee also desire that while planning for the North-East, Sikkim must be treated at par with other States and planning should be made for North-East as a whole.

Reply of the Government

While implementing the Prime Minister's package for the North Eastern Region announced in 1996, Sikkim is included as one of the beneficiary States for the evacuation of power from the North Eastern Region. It is submitted that Sikkim has been treated as an integral part of the North East in the new Hydel Policy also.

Some of the major hydel projects already under operation in Sikkim are as under:

Name of the project	Units (MW)	Total capacity (MW)
Lower Lagyap	2x6.0	12.0
Mayangchu	2x2.0	4.0
Upper Rongichu	4x2.0	8.0

In additional to the above, two other hydro projects with an installed capacity of 66 MW are under execution. They are as follows :

Name of the scheme	Installed Capacity (MW)	Agency	Latest Comm. Schedule
Rangit	3x20 = 60	NHPC	1998-99
Rolep Stage-I	2x3 = 6	Sikkim Govt.	X Plan

Two new schemes have been identified for initiating action for their commissioning in the 10th Plan. They are:

1. Teesta State-III 1200 MW
2. Teesta Stage-V 510 MW

In view of the suggestions of the Hon. Committee, a conscious attempt will be made to integrate Sikkim with the power plans of NE.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Recommendation (Sl. No. 15)

The Committee note that Badarpur Thermal Power Station was constructed to provide back-up for hydro-power in the Northern Region consisting of Punjab, Haryana, Uttar Pradesh, Rajasthan, Himachal

Pradesh, J&K and Delhi as well as other beneficiaries in the Northern Region. The Committee also note that power from this project is now consumed only by Delhi and due to low system demand/high frequency BTPS is losing about 340 MUs production. The Committee desire to be informed of the reasons for limiting the supply of BTPS to Delhi only. The Committee take a serious view of the problem of non-payment of dues by D.V.B. and note with concern that while all the SEBs together owe an amount of Rs. 12,139 crore to all PSUs taken together, the DVB alone owe Rs. 6000 crore to BTPS and this is due to BTPS being owned by the Government of India. The Committee do not find any reason for supporting a region with high per-capita income and such a huge amount in arrears when in case of other States Plan assistance is being appropriated. The Committee desire that same steps may be taken in case of DVB as are taken in case of SEBs of other States.

Reply of the Government

Due to lack of demand from other constituent States of the Northern Region and increase in demand of Delhi, year after year, full output of BTPS power is being supplied to Delhi.

During the year 1997-98 the loss of generation at BTPS of 293 MU was on account of low system demand/system constraints and low voltage. During the year 1997-98 the system frequency in the Northern Grid during certain part of the year was high due to unexpected rains in the winter months and this resulted in surplus power condition in the Northern Regional Grid. To control the high frequency, generation at stations with high operating cost was backed down. Hence the generation loss was due to non-production.

As regards non-payment of dues by Delhi Vidyut Board to Badarpur Thermal Power Station, it is stated that the Government has taken a number of steps including meetings at PM's level to make the recoveries from the Government of Delhi/DVB. It also includes the approval by the Cabinet in May, 1994 according to which the differential amount payable by DESU (now DVB) against current billing for supply of power from BTPS to DVB is to be recovered by diversion of Plan

Assistance of Delhi by MHA, to BTPS as a regular mechanism from the year 1994-95 onwards. Because of this it has been possible to contain/restrict the accrual of current arrears to the outstanding, to a great extent. The Government of Delhi/DVB have also been asked to prepare a firm action plan for liquidation of their old outstanding dues to BTPS and also open an irrevocable Letter of Credit (backed by State Government Guarantee) to cover full current monthly payment against power supply.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

CHAPTER III

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

Recommendation (Sl. No. 8)

The Committee note with concern that the loan subsidy extended to Power Finance Corporation is too late and too little to have any major impact. The Committee recommended that the subsidy scheme on loan amount started in the year 1997-98 should be continued throughout the Ninth-Five Year Plan and the Committee should be informed of the gains made through this subsidy.

Reply of the Government

The Government of India has approved that continuation of the Accelerated Generation and Supply Programme throughout the Ninth Five Year Plan through the concessional lending by Power Finance Corporation to the State Electricity Boards (SEBs)/State Generation Corporation (SGCs)/State Power Departments (SPDs) and Central Utilities as under:

(a) Budget grant of Rs. 370 crores in 1998-99 to be utilised for interest subsidy based on disbursements made to SEBs/SGCs/SPDs and Central Utilities during 9th Five Year Plan at 4% below normal lending rates of PFC and towards full grants for studies.

(b) The interest subsidy would be utilised for disbursements to SEBs/SGCs/SPDs & Central Utilities on projects/schemes which meet the criteria for inclusion in the programme.

(c) The disbursement to the eligible projects in all SEBs/SGCs/SPDs and Central Utilities shall be at an interest rate 4% lower than the PFC's normal prevailing lending interest rate. For the projects of North Eastern States, interest rate will be 5% lower than the PFC's normal prevailing lending interest rate. Additional 1% interest subsidy for those States who establish SERC. Grant will be released to PFC on the basis of Net Present Value (NPV) of the interest subsidy over repayment period. This will not be treated as budgetary support to PFC.

(d) Interest subsidy received from Government of India would be used to cover interest subsidy over the total repayment period.

(e) The disbursements made towards studies would be fully reimbursed to PFC as grants to SEBs/SGCs/SPDs and Central utilities.

(f) The interest proposed for the remaining four years of the Plan, year-wise in 1998-99 is Rs. 370 crores including Rs. 5 crores for studies, 1999-2000 Rs. 260 crores, 2000-2001 Rs. 255 crore and 2001-2002 Rs. 245 crores (Total Rs. 1130 crores). This includes additional provision of Rs. 40 crores interest subsidy for 1997-98 and Rs. 70 crores towards additional subsidy for State establishing SERC's in 1998-99 only and Rs. 30 crores per annum for NE States. (The figures for 1998-99 to 2001-2002 are only indicative. Actual amounts would depend upon the level of sanctions and disbursements under the programme and budgetary support available).

(g) If generation projects/schemes are delayed in comparison to the projected commissioning date as agreed with eligible borrowers at the time of sanction/disbursements, the interest subsidy shall be reduced in proportion to the delay.

2. The Government, while approving the above proposal, also directed that the programme be reviewed at the end of the current financial year.

3. During the year 1997-98, the Power Finance Corporation disbursed Rs. 1270 crores and as such the interest subsidy on this amount was Rs. 240 crores. Out of Rs. 240 crores. Rs. 200 crores was released to PFC during 1997-98 and the balance of Rs. 40 crores was released during the current financial year.

4. During the current year upto 31.8.1998, PFC has sanctioned an amount of Rs. 1470.56 crores for the schemes covered under the

programme. Out of this, an amount of Rs. 675.04 crores has already been disbursed. As such, the interest subsidy on the disbursement as on 31.8.1998 will be around Rs. 135 crores. Out of this, Rs. 90.53 crores has already been released as interest subsidy to PFC.

5. In September, 1997, it was expected that as a result of this scheme, 3000 MW of additional generating capacity would be added by March, 2000. Based on the actual sanctions and disbursements in 1997-98, 3480 MW of additional generating capacity is now expected to be added by March, 2000. Similarly, additional capacity through R&M and up-gradation is expected to go up by 244 MW as against 123 MW estimated when the schemes was sanctioned (Sept., 1997). As regard savings due to capacitors/meters, 611 MU are expected to be saved as against 635 MU anticipated in September, 1997. This is on account of late start during 1997-98. In the R&M projects, sanctions were to be given to achieve 6 billion units of additional generation during 1997-98. However, disbursement to the desired extent could not be achieved in 1997-98. It is expected that additional generation from sanctioned schemes will be 4.6 billion units and further progress will be achieved during 1998-99 onwards.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Recommendation (Sl. No. 9)

The Committee note that High Voltage Direct Current (HVDC) Transmission line have been laid, to meet the deficiencies of transmission system. The Committee recommend that the Government should evaluate the benefit of HVDC line before inducting this technology on a large scale.

Reply of the Government

It is necessary to install HVDC back to back system in case of asynchronous connections between contiguous regions keeping in view the present operational discipline and for giving operational convenience & flexibility. Long distance bulk power, HVDC transmission lines are being planned only in places where the HVDC transmission system is techno-economically superior compared to the AC alternative. The HVDC system has the advantage of enhancing stability of the parallel AC transmission.

At present the Northern and Western Regions are connected through the Singrauli, Vindhyachal 400 KV D/C line with 2 x 250 MW HVDC B/B station at Vindhyachal. The Southern & Western regions are linked through Ramagundam-Chandrapur 400 KV D/C Line with 2 x 250 MW HVDC B/B station at Chandrapur. Whereas for Eastern to Southern & Eastern Northern HVDC links are under construction/planned. These are essentially required for inter-regional transfer of power and also are necessary for the formation of an All India Power grid.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

CHAPTER IV

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

Recommendation (Sl. No. 5)

The Committee are disheartened to note that inspite of enormous potential of hydro-electricity in the North-Eastern region (31,857 MW) and Himalayan region, the Ministry are not finding projects for execution. The Committee desire that sufficient number of projects must be identified for both Public and Private investment. The Committee also recommend that adequate attention should be given in allocation of funds to the on-going Hydro projects, like T.H.D.C.S. so that they are completed on time and check the falling share of hydro-power in over all power generation. The Committee also urge that a comprehensive perspective Hydro-electric policy should be formulated urgently. The Committee are also of the view that this policy should be inconsonance with the resettlement and rehabilitation issues so that human related problems can be handled convincingly.

Reply of the Government

The Ministry agrees with the recommendation of the Standing Committee on Energy in the matter of allocation of funds to the on-going hydro-electric schemes like Tehri HE Project so that they are completed in time and arrest the declining share of hydro power in overall power generation. While, the Ministry of Power is providing adequate funds for Central Sector hydel projects, difficulties are being encountered in the matter of funding joint sector projects like NJPC and THDC where the State Governments are unable to pay their share. The matter has been taken up with the State Governments of Himachal Pradesh and Uttar Pradesh from time to time and it is hoped that State Government of Himachal Pradesh and UP will also contribute their share in the joint sector projects namely Nathpa Jhakri Hydro-electric Project (1500 MW) and Tehri Hydro-electric Project Stage-I (1000 MW). On resettlement and rehabilitation, the Ministry of Rural Development is formulating policy guidelines which will apply to all development projects including hydel projects.

As regards THDC the present status of work, progress of expenditure based on the Revised Commissioning Schedule and Revised Cost Estimates is as under:

(A) Works Completed

* Various infrastructural works have been completed at the project site.

* All the four diversion tunnels have been completed and the river diverted through the two right bank tunnels. Left Bank tunnels have also been made operational.

Excavation of four numbers head race tunnels (two each for Tehri HPP Stage-I & Tehri PSP) of 8.5 M diameter each with a total length of 5190 M have been completed and lining work is complete in Stage-I tunnels while it is partly done in tunnels for PSP. The balance works are in progress.

* The foundation of the Main Dam over the entire length of 1.1 Km. has been laid and the Main Dam raised upto 15 m above the river bed level.

* The Coffer Dam, which would form part of the Main Dam, has been raised upto EL 661.0 m.

(B) On-going Works

* Power House Civil Works: The work of Power House, awarded in three packages during November, 1995, *i.e.* excavation work in Power House cavity, Transformer Hall, Butterfly Valve Chamber, Penstock Assembly Chamber, ventilation Tunnels,

  Underground excavation for TRT and drainage galleries etc. are in progress.

* Dam : Work on the 260 m high rockfill dam, which would be the highest dam in the Asian Region, has been taken up after it was awarded in January, 1997.

* Spillways: Excavation works were taken up in the spillway area which are under progress. Tenders for the major Contract of spillways is under process.

* E&M Equipment : Contracts for Turbine, Generator, Valves and Control Systems with financing have been awarded to the consortium of manufacturers form Russia, Ukraine, and ABB-Germany. Loan Agreements have been signed with KfW, Germany for financing of the ABB portion of supply. Tenders under ICB with compulsory minimum 85% financing for other Power house equipments *viz.* Transformers, Busducts, Switchgear were invited and the pre-qualification of bidders has been completed. Bid documents have been issued to the pre-qualified bidders, and pre-bid conference held. Contract for imported penstock liner plate has been awarded Contracts for penstock fabrication, Dam instrumentation and Power House cranes are under various stages of processing. Tenders for balance Power House auxiliary equipment packages and Hydromechanical works are under various stages of processing.

(C) Rehabilitation

Rehabilitation is being implemented in two phases. The Phase-I covers those families (total 2064 fully affected families) which are affected by construction of Coffer Dam, including the Old Tehri Town. In Phase-II, all remaining families affected by construction of main Dam be rehabilitated. In Phase-I of the rehabilitation, out of 2064 fully affected families, 2034 families are rehabilitated or paid compensation. Thus, 98.5% progress has been made in first Phase of rehabilitation.

(D) Environment

The Ministry of Environment & Forests while clearing the project, had laid down certain conditions, as per which studies were to be carried out and, based on their findings, action plans had to be drawn up for execution *pari-passu* with construction of the project. All the require studies have been completed and their reports submitted to the Ministry of Environment and Forests. It has been established that there would be no such adverse effect on the environment and bio-diversity of the area due to Tehri Project, which cannot be corrected by adoption of mitigative measures, wherever called for. THDC is carrying out Catchment Area Treatment in the direct draining areas of high and very high erodibility classification. Out of the 36,000 Ha. area planned to be treated at Project cost, around 31,000 Ha. area has been treated so far; the balance area is scheduled to be completed well before impoundment.

Expenditure incurred (upto July 1998)	Rs. 1704.92 Crs.
Revised Cost Estimate (Dec., 1997 price level)	Rs. 4657.23 Crs.
Revised Commissioning Schedule, St. I (1000 MW)	September, 2002

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Comments of the Committee

(Please *see* para 11 of the Chapter I of the Report)

Recommendation (Sl. No. 11)

The Committee observes that the Central Government is monitoring 125 projects amounting to 67,221 MW. Out of these, 42 projects aggregating 20,282 MW have been given techno-economic clearance. The Committee do not agree with the stand taken by the Ministry that response of the private sector is encouraging. Since 1991 the Government stated to have given wide ranging incentives to private producers. The Committee are of the view that there is nothing encouraging beyond signing of MoUs. The Government have failed to give a boost to private sector participation in spite of all these incentives. The Committee recommend that where no work has been taken up within the stipulated time mentioned in MoU, such MoUs should be cancelled. The Committee note that at present SEBs have an aggregate ESCROW capacity of only 10000 MW, whereas monitored projects are of 67,221 MW. Thus if all these projects are to come up they will need 6.7 times more ESCROW capacity of SEBs. The Committee are doubtful whether the Ministry's total reliance on tariff fixation by tariff commission will fill the need in time. The Committee desire that keeping in mind that earlier MoU projects are to put increasing burden on the exchequer year after year as the tariff will increase from Rs. 4.23 per unit to Rs. 5.60 per unit in the tenth year of operation. The Ministry should speedily take the required steps to clear and support more most effective projects. The Government should encourage Public/Jt. Venture project on the pit head, add additional unit of generation project at the existing plant/project site, wherever possible and enhance the PLF of existing plants.

Reply of the Government

Private power projects are currently in various stages of development. So far, 44 projects amounting to 21,221 MW have been given techno-economic clearance by Central Electricity Authority. Presently, 19 private power projects with a generating capacity of 4099.5 MW (including projects developed by licensees and those also which do not require the techno-economic clearance of CEA) are under construction, out of which 5 projects (with a capacity of 748 MW) have been partially commissioned. Also 12 projects with a capacity of 2276.4 MW (including projects developed by licensees and those also which do not require the techno-economic clearance of CEA) have been fully commissioned in last five years and are under operation. As per available information, 9 projects for 3211 MW have so far achieved financial closure and loans have been secured by 27 more private power projects (including those projects also which do not require the techno-economic clearance of CEA) from Indian Financial Institutions (IFIs) for a total capacity of around 7936 MW.

An enabling administrative, financial and legal environment has been brought in place to catalyse private sector investments in the power sector. The initiatives taken and those under way, *inter alia*, include minimising the number of clearances for setting up of power projects, empowering the States to clear generation projects of higher capacities, delegation of environmental clearance to the States for big projects, liberalising the scope of automatic approval for foreign direct investment, simplification of procedures for issue of counter guarantee, improving the procedure for competitive bidding, credit enhancement of SEBs by encouraging reforms and modifications in the policy of the use of liquid fuels for power generation. In order to weed out non-serious proposals, deadlines were set for submission of completed detailed project report to CEa, alongwith firm cost estimates and the recommendation of the cost by the State Government.

The progress made by private power projects in achieving financial closure and commencing construction is slow due to the following reasons.

The most important constraint facing private sector power projects is the poor financial health of SEBs due to which only a limited ESCROW space is available to mitigate the payment risk of IPPs.

In case of coal-based projects, Fuel Supply and Fuel Transportation Agreements have not yet been signed in number of cases. Ministry of Coal have currently finalised a Fuel Supply Agreements (FSA) with an Independent Power Project developer. It is also understood that the heads of terms have almost been finalised with that developer for the Rail Transport Agreement. These can now be used as model agreements for other coal-based thermal power projects in the private sector.

The Electricity Regulatory Commissions Act, 1998, which has been enacted recently will provide for the establishment of a Central Electricity Regulatory Commission and State Electricity Regulatory Commissions, rationalization of electricity tariff, transparent policies regarding subsidies and promotion of efficient and environmentally benign policies. Irrational and unremunerative tariff fixation is one of the most important reasons for the poor health of the power sector and thus this problem is expected to be addressed suitably by these commissions. Once the SEBs become financially sound, their ESCROW capacity is bound to increase and thereby more private sector power projects would be able to fructify.

[Ministry of Power O.M. No. 20020/1/98-Bud Dated the 10th November, 1998]

Comments of the Committee

(Please *see* para 14 of the Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 6)

The Committee are sad to note that Government is withdrawing its hand from Koel-Karo Project which is admittedly a technical necessity for the grid operation. The Committee are informed that Koel-Karo project was envisaged mainly to provide peaking support and in the year 1991 it was accorded investment sanction. However, due to local resistance and lack of funds, the project could not be takeoff. The Ministry, however, supported the project with token grants in various financial years. Now, the Committee fail to understand, without considering the importance of the project for system operation in eastern region and without arranging funds for the projects Ministry is prepared to drop the project. The Committee are of the firm view that the project should not be dropped even after these 8 years of inaction, specially when there is a shortage of hydro power and identified projects. The Committee also stress that all the ongoing projects should be completed in a time bound manner.

Reply of the Government

The Ministry recognises the importance of the Koel-Karo Hydro-electric Project for meeting the peaking requirements in the Eastern Region and for improving the hydro-thermal mix which will in turn, stabilise the grid frequency.

The project count not takeoff for want of funds and due to strong resistance by the local people. OECF funding had been sought but the OECF did not agree to provide financial assistance.

In a Note submitted by Ministry of Planning and Programme Implementation for the meeting of Central Empowered Committee to review the Central projects making slow progress, it was mentioned that "the Committee of Secretaries (COS) in the meeting held on

31.10.95 recommended that the Kotel Karo HE Project and associated transmission projects should be dropped".

Central Empowered Committee (CEC) in its meeting on 26.2.97 decided that a detailed report on the project, stating clearly the problems being faced, financial implications, revised implementation schedule, be prepared for the CCEA. It was further decided in the meeting that further expenditure on the project should not be incurred without the approval of CCEA.

Department of Programme Implementation (DPI) accordingly communicated to the Ministry that Central Empowered Committee has recommended freezing of further expenditure. The draft CCEA note on the recommendation of CEC has been circulated by DPI and Ministry of Power had forwarded its comments.

While the Ministry of Power has no specify comments to offer on the draft Cabinet Note, it was considered desirable to slightly modify Para 3.1.3 (a) of the draft Note in the light of discussions held in the meeting of CEC on 26.2.97 wherein the Committee took a view that essential establishment expenditure may continue to be incurred till such time final decision is taken on the project and its transmission system.

The DPI submitted the Note to the CCEA (Cabinet Sectt.) on 18.3.98 but after the change in Government, the Cabinet Sectt. returned the Note to the DPI with the instructions to obtain the concurrence of the new Minister-in-charge of the Ministry concerned, in this case the Ministry of Power.

Subsequently draft CCEA note was circulated by the Ministry of Power in May'1998 among the Ministry of Finance, Deptt. of Programme Implementation and Planning Commission. The Finance Ministry, (Deptt. of Expenditure) had desired that the Revised Cost Estimates of the Project be posed to the PIB afresh after determining the funding of the Project and its viability. The comments were given by Department of Programme Implementation (PMD) of Ministry of Planning and Programme Implementation in July'1998. As per comments, the studies with higher PLF and anticipated completion cost have been included in the PIB note, alongwith details regarding need and viability of the project and its proposed funding pattern.

The Memorandum for the Public Investment Board (PIB) is under process for obtaining investment approval to the revised Cost Estimate of Keol Karo Project.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

Recommendation (Sl. No. 13)

The Committee find that due to weak distribution system, power cannot be absorbed and wheeling cost is high for the States in the North-East. The Committee recommend that the Power Grid Corporation should be extended subsidy for the transmission cost so that States in the region can have power at lower cost.

Reply of the Government

An amount of Rs. 1270 crores has been invested in the NER to augment/strengthen the transmission system. As a result of this investment and due to the fact that the generation projects have been delayed resulting in underutilisation of the transmission system envisaged for evacuation of power from these generation projects, the tariff has gone up from 35 ps/unit to 60 ps/unit. A proposal to grant one time subsidy of Rs. 790 crores is under consideration of the Ministry to ensure that the transmission tariff is kept at the reasonable level.

[Ministry of Power O.M. No. 20020/1/98-Bud, Dated the 10th November, 1998]

NEW DELHI;
27 February, 1999
8 Phalguna, 1920 (Saka)

K. KARUNAKARAN,
Chairman,
Standing Committee on Energy.

ANNEXURE-I

EXTRACTS OF THE MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE ON ACTION TAKEN REPORTS OF STANDING COMMITTEE ON ENERGY (1998-99) HELD ON FEBRUARY 15, 1999

The Sub-Committee met from 15.00 hrs. to 16.00 hrs.

PRESENT

MEMBERS

Shri Ghulam Nabi Azad — *Convenor*

2. Shri Sushil Chandra Verma

3. Shri Nuthana Kalva Ramakrishna Reddy

SECRETARIAT

Shri R.S. Kambo — *Under Secretary*

2. At the outset, the Convenor of the Sub-Committee welcomed the Members of the Sub-Committee to its first sitting.

3. The Sub-Committee then considered the following draft reports :—

(i) ** ** **

(ii) ** ** **

(iii) ** ** **

(iv) Action taken by the Government on the recommendations contained in the Fourth Report of the Standing Committee on Energy (1998-99) on Demands for Grants (1998-99) of Ministry of Power.

**Sub-Para (i), (ii), (iii) of Paragraph 3 relating to other Reports have not been included.

4. The Sub-Committee adopted the Draft Reports mentioned at (i), (ii) and (iv) above relating to Department of Atomic Energy, Ministry of Coal and Ministry of Power respectively without any change.

5. ** ** **

6. 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.

**Paragraph 5 relating to other Report has not been included.

EXTRACTS OF THE MINUTES OF THE THIRTEENTH SITTING OF STANDING COMMITTEE ON ENERGY (1998-99) HELD ON FEBRUARY 23, 1999

The Sub-Committee met from 15.30 hrs. to 16.15 hrs.

PRESENT

Shri K. Karunakaran — *Chairman*

MEMBERS

2. Shri Basudeb Acharia
3. Shri Parasram Bhardwaj
4. Shri K.C. Kondaiah
5. Shri Salkhan Murmu
6. Shri Amar Roy Pradhan
7. Shri Kanumuru Bapi Raju
8. Shri Braj Mohan Ram
9. Shri Anantha Venkatrami Reddy
10. Shri Larang Sai
11. Shri Shailendra Kumar
12. Prof (smt.) Rita Verma
13. Shri Jalaludin Ansari
14. Shri Gandhi Azad
15. Shri Ghulam Nabi Azad
16. Shri Brahmakumar Bhatt
17. Shri Bangaru Laxan
18. Shri Ramshanker Kaushik
19. Shri S. Agniraj

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 of the Committee welcomed the Members of the Committee to its Thirteenth sitting.

3. The Committee then considered the following draft reports:—

(i) ** ** **

(ii) ** ** **

(iii) ** ** **

(iv) Action taken by the Government on the recommendations contained in the Fourth Report of the Standing Committee on Energy (1998-99) on Demands for Grants (1998-99) of Ministry of Power.

4. The Committee adopted the aforesaid Draft Reports without any amendments.

5. The Committee also authorised the Chairman to finalise the above mentioned Reports after making consequential changes arising out of factual verification by the concerned Ministry/Department and to present the same to both the Houses of Parliament.

The Committee then adjourned.

**Sub-Paras (i), (ii) and (iii) of Paragraph 3 relating to other Action Taken Reports have not been included.

ANNEXURE III

(*Vide* Para 4 of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE TWELFTH LOK SABHA STANDING COMMITTEE ON ENERGY (1998-99)

I.	Total No. of Recommendations made	15
II.	Recommendations that have been accepted by the Government (*vide* recommendations at Sl. Nos. 1, 2, 3, 4, 7, 10, 12, 14 and 15)	9
	Percentage of total	60
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (*vide* recommendations at Sl. Nos. 8 and 9)	2
	Percentage of total	13.3
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*vide* recommendations at Sl. Nos. 5 and 7)	2
	Percentage of total	13.3
V.	Recommendations in respect of which final replies of the Government are still awaited (*vide* recommendations at Sl. Nos. 6 and 13)	2
	Percentage of total	13.3