

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:1615  
ANSWERED ON:31.07.2003  
PRIVATE SECTOR INVESTMENT IN POWER GENERATION  
SHRINWAS DADASAHEB PATIL;SRINIVASULU KALAVA

**Will the Minister of POWER be pleased to state:**

- (a) whether despite the aggressive reforms and encouragement by the Government the growth of private sector in power sector is very slow;
- (b) if so, the reasons therefor;
- (c) the details of the capacity addition by private sector since 1991, State-wise;
- (d) whether the private sector is not likely to realize its target in Ninth Plan and in the first year of Tenth Plan;
- (e) the reasons for the slippage of target; and
- (f) the steps being taken by the Union and State Government to encourage the private participation in the power sector?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF POWER ( SHRIMATI JAYAWANTI MEHTA )

(a) : Yes Sir.

(b) : The main reasons for slow growth of private sector in power sector are indicated below:-

i) Failure to achieve financial closure inspite of good progress on other fronts due to insistence by the financial institutions on State Government guarantees, Escrow Cover, etc., considering the poor financial condition of the State Electricity Boards / Transmission companies.

ii) Delay in finalization of various contracts such as Power Purchase Agreement, Implementation Agreement, Fuel Supply Agreement and Fuel Transportation Agreement, etc.

iii) Court cases / litigation in the form of public interest petition, etc.

iv) Increase in the prices of liquid fuels such as naphtha.

v) Withdrawal by equity holders and EPC (Engineering, Procurement & Construction) contractors.

The situation is expected to improve once the State owned utilities turn around and become financially sound.

(c) : As per available information, a total capacity to the tune of 7366 MW has been added by private sector since 1991. The State-wise details are indicated below:-

- i) Gujarat - 1587 MW
- ii) Maharashtra - 1570 MW
- iii) Andhra Pradesh - 1032.75 MW
- iv) Goa - 48 MW
- v) Assam - 24.5 MW
- vi) Haryana - 25 MW
- vii) A&N Islands - 20 MW
- viii) West Bengal - 635 MW
- ix) Madhya Pradesh - 13.5 MW
- x) Karnataka - 607.1 MW
- xi) Tamil Nadu - 992.16 MW
- xii) Himachal Pradesh - 386 MW
- xiii) Jharkhand - 240 MW
- xiv) Kerala - 185 MW

(d) : The capacity addition from private sector planned for the Ninth Plan and the first year of the Tenth Plan, could not be achieved.

(e) : The main reasons are already given in the reply to (b) above. In the first year of the 10th Plan, the Dabhol power plant, phase-II (1444 MW), which was at an advanced stage of implementation, could not be commissioned on account of disputes and subsequent legal proceedings between the Maharashtra State Electricity Board and M/s Dabhol Power Company.

(f) : In addition to assisting the State Governments in the reform and restructuring of their power sector and providing assistance under programmes like the Accelerated Power Development Reforms Programme (APDRP), financing of power projects based on reforms linked mile stones has been envisaged. The Government is also providing funds to private sector through the Rural Electrification Corporation and Power Finance Corporation in order that a good project with reasonable tariff is not hampered on account of lack of funds. Some of the State Governments have now started providing suitable payment security mechanism for the private power projects.