

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:3708  
ANSWERED ON:21.08.2003  
GAP BETWEEN AVERAGE COST OF PRODUCTION OF TARIFF  
V. SAROJA

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

- (a) whether the gap between average cost of production of power and average tariff collection per unit has widened;
- (b) if so, the details thereof; and
- (c) the steps taken by the Government to narrow this gap?

**Answer**

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

(a) : Yes, Sir.

(b) : The gap between the cost of electricity supply and average tariff has been widening over the years. This gap has increased from a level of 50 paise in 1996-97 to about 110 paise in 2001-2002.

(c) : The widening gap between cost of supply and average revenue per unit is primarily due to unduly high Transmission and Distribution (T&D) losses, due to theft of electricity and inadequacy in the distribution system, low collection efficiency and distortion in the tariff structure. The Government of India has been signing Memorandum of Understanding (MOU)/Memorandum of Agreement (MOA) with States reflecting the joint commitment of the Centre and the States to undertake reforms in a time bound manner. 27 States have been covered by this exercise till now.

Under the Accelerated Power Development and Reforms Programme (APDRP), projects for bringing about a turn around in identified distribution circles by reducing Aggregate Technical and Commercial losses and improving the quality of power supply are being financed. In addition actual reduction of the gap between revenue and cost in the State is incentivised through grants.