

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

STARRED QUESTION NO:69
ANSWERED ON:02.03.2007
PRIVATE PARTICIPATION IN NEW POWER PROJECTS
Renge Patil Shri Tukaram Ganpatrao;Thummar Shri Virjibhai

Will the Minister of POWER be pleased to state:

- (a) whether the Government has defined the areas where there can be domestic/private sector participation and foreign participation in regard to setting up of new power projects in the country;
- (b) if so, whether the Government has evolved any guidelines in regard to power tariff and counter guarantee; and
- (c) if so, the details thereof?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF STARRED QUESTION NO. 69 TO BE ANSWERED IN THE LOK SABHA ON 02.03.2007 REGARDING PRIVATE PARTICIPATION IN NEW POWER PROJECTS.

(a) : Under the provisions of the Electricity Act, 2003, generation of electricity has been delicensed. Section 8 of the Act requires the concurrence of the Central Electricity Authority to the hydro-electric generation schemes whose estimated capital expenditure exceeds the prescribed limit. The Central Government has prescribed this limit.

Hundred percent foreign direct investment in generation, transmission, distribution and trading has also been permitted. Any entity or person whether Government or private sector can undertake these activities as per provisions of the Act, rules and regulations issued there under.

(b) & (c) : The Government has notified the Tariff Policy under the provisions of the Act. The Policy, inter-alia, provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity. Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.

The Central Government has issued the guidelines for competitive bidding for determination of tariff for procurement of power by distribution licensees.

The Tariff Policy does not provide for any counter guarantee by the Government. The Policy states that the power purchase agreement should ensure adequate and bankable payment security arrangements to the Generating companies and that in case of persisting default inspite of the available payment security mechanisms like letter of credit, escrow of cash flows etc. the generating companies may sell to other buyers.