

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:612

ANSWERED ON:02.03.2007

MERCHANT POWER PLANTS

Owaisi Shri Asaduddin;Vallabhaneni Shri Balashowry

Will the Minister of POWER be pleased to state:

- (a) whether the Government proposes to popularize the concept of Merchant Power Projects (MPP) to develop a market for power in the country;
- (b) if so, whether a meeting of Inter-Institutional Group (IIG) on power was held in Mumbai in this regard during December, 2006;
- (c) if so, the details thereof;
- (d) the main issues discussed therein along with the outcome thereof; and
- (e) the reaction of the Government thereto?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) : Yes, Sir. Merchant Power Plants are a product of the restructuring of the electricity industry. In the past, utilities either owned the generating facilities or contracted with Independent Power Producers (IPPs) for purchase of power on long-term basis. Merchant Power Plants are not bound by take or pay long term Power Purchase Agreements and fill different niches in the market-some provide steady supplies to a power grid, while other generate only when demand is highest and meet peak loads. Merchant power plants operating competitively help assure that power is produced with efficiency and supplied to locations where it is needed most. Considering the redundancies that are being provided in the grid to promote open access in transmission and open access in distribution in coming years, it would be reasonable to expect the Merchant Power Plants each of capacities between 500 and 1,000 MW could be accommodated for being able to access transmission availability for wheeling of power to customers which are generally not pre-determined.

(b) to (e) : The meeting of the Inter-Institutional Group (IIG) was held on 20th December, 2006 in Mumbai to primarily review the progress of power projects which are being monitored for achieving early financial closure. In this meeting, besides reviewing the latest developments on the IIG power projects, an attempt was also made to sensitize these Financial Institutions on the need for developing merchant power plants in the country and as such, no specific outcomes were sought in these preliminary discussions.