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STANDING COMMITTEE
ON ENERGY
(1996-97)

ELEVENTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS (1996-97)

LAID ON THE TABLE
THE RAJYA SABHA

FOURTH REPORT

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CHIEF STANDING COMMITTEE ON ENERGY

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LOK SABHA SECRETARIAT
NEW DELHI

August, 1996/Bhadra, 1918 (Saka)

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ON ENERGY
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Presented to Lok Sabha on 3 September, 1996
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LOK SABHA SECRETARIAT
NEW DELHI

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**CORRIGENDA TO THE FOURTH REPORT OF THE
STANDING COMMITTEE ON ENERGY (1996-97)**

<u>Page</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(i)			Capacity Addition Eighth Five Year Plan	Capacity Addition in Eighth Five Year Plan
4	----	13	3557	3537
		(Grand Total)		
5	12	4	stated	started
	12	14	18000 MW which would be the outer limit	18000 MW at most
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11	29	1	sortfall	shortfall
13	33	2	Clear	clear
13	36	7	power project	power projects
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		16	<u>Add</u> 43 before The Committee would	
		20	<u>Add</u> 44 before Regarding Koel Karo	
		21	reapprise	reappraise
56	S1. No 28	2	Read 56 in place of 61	
57	57	1	observes	observe
58	39		Before the beginning of Para <u>add</u> the following The New Para is as under:	

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COMPOSITION OF STANDING
COMMITTEE ON ENERGY
(1996-97)

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INTRODUCTION

I, the Chairman, Standing Committee on Energy, having been authorised by the Committee to present the Report on their behalf, present this Fourth Report on the Demands for Grants (1996-97) relating to the Ministry of Power.

2. The Committee took evidence of the representatives of the Ministry of Power on 14th August, 1996.

3. The Committee wish to thank the representatives of the Ministry of Power who appeared before the Committee and placed their considered views. They also wish to thank the Ministry for furnishing the replies on the points raised by the Committee.

4. The Report was considered and adopted by the Committee at their sitting held on 22nd August, 1996.

NEW DELHI;
27 AUGUST, 1996
5, BHADRA, 1918 (SAKA)


JAGMOHAN,
Chairman,
Standing Committee on Energy.

PART-I

REPORT

ANALYSIS OF DETAILED DEMANDS FOR GRANTS AND PLAN BUDGET OF THE MINISTRY OF POWER (1996-97)

The Ministry of Power have presented Demands for Grants of Rs. 3023.84 crores for the year 1996-97 as against Rs. 3394.36 crores (BE) and Rs. 3025.29 crores (RE) for the year 1995-96 and Rs. 3287.34 crores (Actual) for the year 1994-95. The headwise details of the Demands for Grants are shown in Annexure-I.

I. Decreased Budgetary Support

2. Sector-wise distribution of the Budgetary Support of the Ministry for 1995-96 and 1996-97 is as follows:—

(Rs. in crores)					
Sl. No.	Sector	1995-96		1996-97	
		3	4	Non- Plan	5
1	2	3	4	5	6
(A) Central Sector					
1.	Secretariat Economic Services	3.50	3.52	—	3.52
2.	C.E.A.	42.06	14.86	14.24	29.10
3.	Generation				
(a)	Thermal	1149.45	430.00	377.49	807.49
(b)	Hydro	817.85	—	796.43	796.43
4.	Trans. & Distribution	318.64	—	321.00	321.00
5.	Power Finance Corporation	300.00	—	550.00	550.00
6.	System Improvement (OECF loan)	300.00	—	50.00	50.00
7.	Misc. Schemes	114.86	2.65	115.65	118.30
	Total (A)	3046.36	451.03	2224.81	2675.84

1	2	3	4	5	6
(B) State Sector					
1.	Rural Electrification	348.00	—	348.00	348.00
	Total (A + B)	3394.36	451.03	2572.81	3023.84

3. When asked about the reasons for reduced budgetary support in the year 1996-97 the Ministry of Power have stated:—

“The budgetary support (Plan) for the Power sector has somewhat fallen in the year 1995-96 compared to the year 1994-95 but on the whole it has been gradually increasing during the Eighth Plan. Starting from Rs. 2085 crores (Plan) in 1992-93 it went upto Rs. 2493.50 crores (Plan) in 1993-94 and further increased to Rs. 3203.10 crores (Plan) in 1994-95. Thereafter, there was a marginal fall in 1995-96 to Rs. 2944.61 crores (Plan). This was mainly because of lesser requirement of funds by NTPC during 1995-96 viz. Rs. 344.33 crores (Plan) against Rs. 894.83 crores (Plan) in the previous year.

4. The Committee note that as per budgetary plan allocation 1996-97 the amount is Rs. 2572.81 crores. The budgetary plan support has increased from 1992-93 to 1994-95 but in the subsequent years 1995-96 and 1996-97 the budgetary support has decreased. The Committee are, therefore, not convinced by the contention of the Ministry that budgetary plan support has gradually been increasing on the whole.

5. In case of budgetary support for thermal and hydro generation, the comparative figures are as under:—

(Rs. in crores)			
Generation	1994-95	1995-96	1996-97
Thermal	1705.84	1149.45	807.49
Hydro	909.59	817.85	796.43

6. The Committee observe that in the case of generation of thermal and hydel sectors and in the case of system improvement the budgetary support has been reduced. The Committee are deeply concerned about the current power crisis and its impact on all the sectors of economy.

In the year 1995–96 also the achievement fell far short of the target and the Ministry should have tried to make up the shortfall in the year 1996–97. The budgetary support ought to have been increased substantially. The Committee are constrained to note that the budget outlay in crucial areas has been reduced without considering the aforesaid factors.

II. Capacity Addition in Eighth Five Year Plan

7. The National Development Council has approved a capacity addition of 30537.7 MW alongwith associated transmission and distribution system for the 8th Five Year Plan. The break-up of which is as under:—

Sector	Hydro	Thermal	Nuclear	Total
Central	3260.0	8498.0	1100.0	12858.0
State	5860.2	9009.5	—	14869.7
Private	162.0	2648.0	—	2810.0
Total	9282.2	20155.5	1100.0	30537.7

8. The committee observed that in the last four years the new capacities which have been added are as under:—

Year Wise Achievements During 1992–96 Capacity Addition (MW)

Sector/Type		1992–93	1993–94	1994–95	1995–96	Total
1	2	3	4	5	6	
State Sector						
Hydro		240	142	185	147	714
Thermal		804	1937	2172	660	5573
Total I		1044	2079	2357	807	6287
Central Sector						
Hydro		115	655	115	—	885

1	2	3	4	5	6
Thermal	2140	1685	1197	987	6009
Nuclear	220	—	220	—	440
Total II	2475	2340	1532	987	7334
Private Sector					
Hydro	18	—	150	—	168
Thermal	—	120	560	330	1010
Total III	18	120	710	330	1178
Gross Total S + C + P					
Hydro	373	797	450	147	1767
Thermal	2944	3742	3929	1977	12592
Nuclear	220	—	220	—	440
Grand Total	3557	4539	4599	2124	14799

These figures showed that total capacity addition was only 14799 MW upto the end of the year 1995-96 as against the approved capacity addition of 30537.7 MW for the plan period.

9. When asked about the reasons for shortfall in the achievement of target the Ministry have stated as under:—

“The major reasons for the gap in target and achievement are delay in placement of order for main plant and equipment, delay in supply of equipment by suppliers, procedural delay in land acquisition, resolution of inter-state disputes, problems due to disturbed site conditions at some of the projects, unresolved issues in fuel linkages, suspension of works due to contract failures, resettlement & rehabilitation problems and paucity of funds.”

10. The Ministry further stated that a review by the Central Electricity Authority has shown that after taking into consideration the present status of projects under construction in the pipeline and pending clearance from various agencies, it may not be possible to achieve the target fully and that only about 17666.57 MW of new generation capacity is likely to be added during the 8th Plan period.

11. This will be about 57.8% of target the set out in the Eighth Five Year Plan.

12. Regarding the gap in target and achievement in the Eighth Five year plan, the Secretary, Ministry of Power stated during oral evidence as under :

“Sir, when a survey was made before the Eighth Plan stated, the C.E.A. estimated—in order to see that shortages do not occur either in the peak or in the energy terms—that the country needs about 48,000 MW of power. When we had a close look at the various projects which are under implementation, projects about to be sanctioned or the projects under preparation, in the beginning of 1990-91, it was felt that, perhaps we will be able to achieve 30,500 M.W. But now, when we look back at the achievements of the last four years and also that is likely to be in the current year, we expect that the net addition will be around 18,000 M.W. which would be the outer limit.

13. The Secretary, further added:—

“Sir, out of the 30,500 M.W. that we estimated, about 3,000 M.W. will come from the Private sector. The remaining 27,000 M.W. will come from the State sector and the Central sector, which [includes N.T.P.C., N.H.P.C. and other agencies. Basically what really happened is that during the Eighth Plan the total provision made for generation was Rs. 79,000 crores. The total provision made for generation was Rs. 49,000 crores. That was what was provided. Even if you take the figure of about Rs. 2 crore or Rs. 2.5 crore—now we are talking of about Rs. 4 crore which is the cost of production per M.W., the amount provided for in the Budget, both of State and Central Sector, Rs. 49,000 crores is totally inadequate. We have been claiming that we would like to put on about 30,500 M.W. The provision which is made was much less than what was needed. This is the starting point of the problem.”

"Sir, in the beginning when we estimated, as I mentioned to you, taking into consideration even before the Eighth Plan financial outlay was finalised, we had felt that taking into consideration the progress of various projects and the stage at which they are, it was felt 30,500 M.W. should be our target. As I mentioned, the provision for generation itself was much less than what we really need. If you have to really put 30,000 M.W. and if you take an average cost of Rs. 3 crore per M.W., for generation alone you require about Rs. 90,000 crore. As against this, the Budget provision in the Plan is Rs. 49,000 crore. We started with a minus point right from day one.

When we started talking in terms of the Private sector to bring in investment, in the Nineties, in 1990-91, most of the State Governments felt that if the private sector is coming in a big way for generation of power then they need not invest to such an extent and they could basically concentrate on transmission and distribution.

14. The Secretary, Ministry of power *inter-alia* also stated:—

"Even in acquisition of land and supplies of equipment for which we placed order, there was a lot of delay. These delays have also contributed to lower target achievements. Taking the overall picture, now we find that, as I mentioned, in the Seventh Plan we have commissioned about 21,500 M.W. whereas inspite of the fact that demand for power is growing up we have been able to reach only about 18,000 M.W. if you take even the position in the Eighth Plan also, the first three years, in the first year we commissioned 3,500 M.W. and in the second year we commissioned about 4,500 M.W. and in the third year also 4,500 M.W. When it came to last year, 1995-96, we have been hardly able to commission 2,128 M.W. That is primarily because investment decisions should have been made much earlier. Money should have been provided for these projects much earlier as the gestation period of the projects is between 4 to 7 years, the investment the would be started flowing into the sector in early Nineties will come to result today."

15. When asked whether any Mid-term appraisal by the Planning Commission was made, the Secretary informed:—

"When the Planning Commission take a review State-wise, basically, it depends on the resources of each State. If the State is able to project better resources, then they will get more money. If the State is not able to project better resources, obviously, there are constraints on behalf of the Planning Commission."

16. The Committee are concerned about the failure to achieve the approved target of capacity addition during the Eighth Five Year Plan period. The achievement in the last four years of plan period was only 14799 MW and the total achievement is expected to be below 18000 MW. This is only about 58 per cent of the Eighth Five Year Plan target of 30537.7 MW. The Ministry attributed this failure to the resource crunch and to the attitude of most of the State Government who, thinking that investment in this sector would be forthcoming from the private sector, did not allocate sufficient funds of their own for generation of electricity. But the high expectations from the private sector did not materialise and the plan programme was adversely affected.

17. The Committee are of the opinion that the Ministry, instead of keeping the situation under review and taking corrective measures particularly at the time of mid-term appraisal of Eighth Five Year Plan and persuading the State Governments and the Planning Commission to provide adequate funds, continued to pin its hope on the private sector during the four years of the Eighth Five Year Plan. Obviously, this hope was misplaced.

18. The position in the last four years was that capacity-addition in the Central Sector was 7334 MW against the target of 12858 MW and in the State sector 6287 MW against the target of 14869.7 MW. The Committee, therefore, expect the Ministry to ensure financing of Public Sector Undertakings by Budgetary support as well as external assistance so that the Public Sector Undertakings, like NTPC, NHPC etc. are able to realise the target set out in the Plan. The Committee further desire that in order to assess the actual achievement in capacity addition, the Performance Budget should also indicate the number and full particulars of projects that have been declared commercially open.

III. Capacity Addition in 1996-97

19. For the year 1996-97, a target of 3308.50 MW was envisaged as per Performance Budget (1996-97). The details are given below :

In Mega Watt

	Central	State	Private	Total
Hydro	360.00	475.00	—	835.00
Thermal	33.50	1725.00	275.00	2033.50
Nuclear	440.00	—	—	440.00
All India	833.50	2200.00	275.00	3308.50

20. When asked about the reasons for fixing a high target for the year 1996-97, the Ministry replied :

“The capacity addition targets are fixed at the beginning of the financial year by CEA after taking into account the current status of work and reasonable time required for completing the unfinished works, input tie-ups, financial allocations made for the projects and other related factors in consultations with the State and Project authorities and input suppliers.”

It also furnished figures giving a revised target.

21. When asked about the variation in the revised target figures mentioned below Ministry in a written reply gave the reasons which is reproduced in para 21.

Type	Central Sector	State Sector	Private Sector	Total
Hydro	460.00	375.00	—	835.00
Thermal	357.50	901.00	775.00	2033.50
All India	817.50	1276.00	775.00	2868.50

22. Reply of Ministry of Power :

“The preliminary targets fixed by Central Electricity Authority for the year 1996-97 proposed a capacity addition of 3308.50 MW. This included 440 MW from the Kaiga Nuclear Power Station in Karnataka. However, the subsequent assessment showed that this capacity may not materialise.”

23. On further clarification sought regarding the different figures of target for 1996-97 in Performance Budget (1996-97) the Ministry stated in a written reply that :

"It is clarified that there has been no revision in the list of projects scheduled for commissioning during 1996-97. The discrepancy has arisen mainly due to misclassification of certain central sector and private sector projects as State Sector projects at table preparing stage. The following projects got reflected as State Sector Projects :

Kapili Extension U-1&2 (NEEPCO)	: 100 MW
Kathalguri ST (NEEPCO)	30 MW
Agartala GT U-1 to 4 (NEEPCO)	84 MW
Mejia TPS (DVC)	210 MW
Budge Budge (Private)	: 500 MW

24. The Committee note that the target for capacity addition in the Ministry's Performance Budget (1996-97) is on the high side i.e. 833.50 MW for central sector and 2200.00 MW for state sector. When the Committee specifically enquired about high target set for the year 1996-97 the Ministry clarified that the discrepancy had arisen mainly due to mis-classification of certain central and private sector projects as state sector projects and later on furnished a revised statement. The Committee expect the Ministry to be more careful in the preparation of the Performance Budget which is presented to the Parliament.

IV. Private Sector participation in Power Sector

25. The policy of Private Sector participation in Power Sector was launched in 1991. The response to the policy has been encouraging. In the Annual Report (1995-96) of Ministry of Power it is stated that on 31.3.96, 194 offers for setting up power plants for a total capacity of 75296 MW involving an investment of approx. Rs. 282228.00 crores have been received and are under different stages of clearance. 52 of these offers are from foreign private firms including NRIs and Joint Venture proposals. 16 of these proposals have been approved by the Government from the foreign investment angle.

26. When asked to State the target set forth for the 8th Five Year Plan and the achievement made so far and also expected achievement, the Ministry of Power in a reply stated :

"A capacity addition of 2810 MW is targetted to be added in the private sector in the eighth plan period. Though the plan document does not specify the project wise break up of the total target of 2810 MW, it appears from the projects list in the plan document that perhaps the expectation was for the following projects to be completed in the private sector during Eighth Plan:

Sl. No.	Project Name	Capacity (MW)
1.	Bhira PSS/Tata Electric Companies	150
2.	Dahanu TPS/BSES Ltd.	500
3.	Trombay TPS/Tata Electric Cos.	180
4.	Budge Budge TPS/CESC Limited	500
5.	Chandil TPS/CESC Limited	500
6.	Bawana GBPP/Reliance Ltd.	660
7.	Shivpur/Bhoruka Power Corpns.	18
8.	Karbi Langpi/Bharat Hydro Power Corporation	100
9.	Pench TPS/Sores Fund Management	210
10.	Maniyar HEP/Universal Carboradum	12
Total		2830

27. A capacity of 1257.5 MW has been added during the first four year of the 8th Plan period. The details are :

Year	Achievement (MW)	Remarks
1992-1993	18	Shivpur HEP
1993-1994	120	Trombay (U-I)
1994-1995	572	Dahanu (2 X 250 MW) Trombay (60 MW/U-2) Maniyar HEP (12 MW)
1995-1996	547.5	Bhira PSS (150 MW) *Hazira CCGT (330 MW) *Jojobera 67.5 (MW)
Total	1257.5	

* Originally not envisaged in the 8th Plan.

28. The Ministry have also informed that capacity of 775 MW is expected to be added during 1996-97 from the following projects :

Project	Capacity likely to be Commissioned (MW)
Hazira CCGT	185
Jegurupadu CCGT	90
Budge-Budge	500
Adamtila GBPP	9
Banskandi GBPP	15.5
Total	799.5

29. When asked to give details of sortfall in the area of private Sector, the Ministry of Power as under :

1. Projects like Chandil and Bawana with a total capacity of 1160 MW could not take off due to the failure on the part of the State Governments to accord clearances to the projects expeditiously.
2. Change of promoters in case of Pench TPS and lack of progress by the IPP in case of Karbi Langpi HEP.
3. Delays by the IPPs in achieving financial closure due to various reasons including litigation and major events in the international capital market.
4. Change in political leadership in some of the States resulting in de novo examination of existing proposals.
5. Major difficulties faced by the IPPs due to the absence of standard legally enforceable fuel supply/fuel transport agreements.

30. When asked about the reported decision of Central Government to extend Counter guarantee to Fast Track Power Projects by 30th

September, 1996, the Ministry of Power in a Written reply stated :

"Government of India agreed in-principle to extend Government of India Counter Guarantee to 8 power projects. Out of these counter guarantee in respect of Dabhol Power Project Phase I (695 MW-now revised to 740 MW) in Maharashtra and Ib Valley TPS Units 3&4 (420 MW) in Orissa has been signed. The Promoters of Godavari TPS (208 MW) in Andhra Pradesh have withdrawn their request for counter guarantee. Government of India is taking expeditious action to issue Counter Guarantees to the remaining five projects. The status of counter guarantee for the remaining projects is :

- * The Counter Guarantee in respect of Jegurupadu TPS (216 MW) in Andhra Pradesh and Zero unit at Neyveli (250 MW) in Tamil Nadu is likely to be signed shortly as counter guarantee discussions have almost been completed.
- * The Counter Guarantee in case of Mangalore TPS (1000 MW) in Karnataka is likely to be issued within a month as the discussions have reached an advanced stage.
- * In case of Bhadravati TPS (1072 MW) in Maharashtra, the initialled draft PPA has been received recently and is under examination. The PPA discussions to extend counter guarantee will be held shortly thereafter.
- * The revised PPA in respect of Visakapatnam TPS (1040 MW) in Andhra Pradesh is under negotiation between the IPP and the State authorities. The case would be examined for issue of counter guarantee after the State Government makes available the draft PPA."

31. The policy of private sector participation in Power Sector was launched in 1991. The Committee note that while the number of proposals received from private entrepreneurs has been considerable, their materialisation and implementation has not been so. Some of them have been called for re-examination with the change in the Government.

32. During the Eighth Five Year Plan, the Ministry have set a target of 2830 MW for capacity addition and in the first four years of plan

1257.5 MW has been added to the generating capacity by the private sector. Another 799.5 MW is expected to be added in the year 1996-97. Thus, a capacity of 2057 MW will be added in the private sector against a target of 2830 MW. A gap of about 773 MW will thus remain at the end of the Eighth Five Year Plan.

33. Regarding the progress of the eight fast track projects, the Committee observe that though the Ministry is taking action to Clear the pending five fast track projects there is as yet substantial shortfall in the Eighth Five Year Plan target for the private sector. The fast track power projects have not made the expected headway. The Committee stress the need for expeditious action and for formulation of sound, integrated and transparent policy which can inspire public confidence and also tackle effectively the various difficulties that arise from time to time.

34. The Committee also noted that policy launched in 1991 has failed to sort out the problems relating to legally enforceable fuel supply/transport agreements. In the Twenty Sixth Report (Tenth Lok Sabha) also, the Committee had recommended that the comprehensive fuel policy should be drawn up and at the time of finalisation of the project fuel supply/transport agreements should be taken into consideration. The Committee would again draw Ministry's attention to this recommendation.

V. Decline of Hydro Thermal Mix

35. The share of installed hydro generation capacity in the total generation capacity in the country was 32.66% in 1950. After touching a peak of 50.62% in 1963, the share has now come down to 25.19%.

36. The Committee observed from the Performance Budget (1996-97) of the Ministry that the Central Electricity Authority re-assessed the hydro electric potential in the country in 1987. 845 sites were identified with a generation capacity potential of 84044 MW at 60% load factor. Of these, 220 sites were under survey and investigation by the various State Governments. Presently 77 hydel power projects are sanctioned/on going. These 77 power project are monitored by the Central Electricity Authority. The total generation capacity involved in these 77 hydel schemes in 17672.50 MW. These include 39 schemes with a total capacity of 2602.15 MW commissioned/to be commissioned during the 8th Plan.

37. When asked further about the exact status of these projects the Ministry in their post evidence reply stated :

"Of these 39 schemes, 27 schemes have been completed so far. During the remaining part of the year 1996-97, i.e. terminal year of Eighth Five Year Plan, the remaining 12 projects are expected to be commissioned."

38. Asked about the gradual fall of hydro power, Secretary, Ministry of Power in oral evidence stated :

"The right kind of percentage between hydel and thermal is 60 thermal and 40 hydel. This will be the proper mix for having a proper load management. At present it is about 26%. so it has come down. The Government of India has taken steps in this direction. If you have seen the corporations at the Central Government level, we have a large number of hydel corporations created primarily because the States are not taking up these hydel projects. We thought that the Government of India should supplement this. That is how we have got the Tehri, Naptha-Jakhari, NHPC and NEEPCO. All these organisations are promoted by the Government of India basically to increase the hydel share.

Secondly when we prepared the private sector policy initially when we gave the notification in March 1992, we had not distinguished between the incentives for the hydel as well as thermal. Subsequently we realised that hydel has got special problems. Firstly it has a long gestation period, secondly they have got a lot of environmental problems. They have got rehabilitation and resettlement problems, land acquisition problems, afforestation and so many other problems. So, with the result we felt that the hydel projects require a separate, preferred treatment and better incentives. That is how we have modified our schemes in January-February, 1995 where we have given additional incentives by way of depreciation, by way of hydrology. But unfortunately in our case what is happening is that the hydro potential basically exists in the north-east, UP, Himachal Pradesh and J&K. In Himachal we are trying to do our best. About J&K you know the problem better. Our two projects Dulhasti and Uri are already going on and we have completely commissioned Salal Project. In

Himachal Pradesh we are taking special measures. We are having series of discussions, so that the State Government can promote the hydel projects either themselves or offer them to the private sector. We have been regularly reviewing these things.

In the north-east the potential is excellent. But unfortunately the consumption points in the north-east are limited because they do not consume much. Then we will have to bring the transmission all the way to the main land, to West Bengal and other places. But still whatever projects are feasible to be taken up, we are taking them up. We are certainly giving a lot of emphasis for hydro projects in our planning. Even the response for the hydro projects from the private sector is limited. Not that I would like to give you a commitment; but by way of information I could mention that we are thinking whether NTPC can be entrusted even with the hydro projects. This is the thinking going on in the Ministry. We have still not taken a final decision."

39. The Committee observed that there was not target fixed for hydel power in the Central Sector in the year 1995-96. Asked about the problem of National Hydro Power Corporation, Secretary, Ministry of Power Stated:

"... They have serious problems of liquidity. They do not have money."

40. When the Committee expressed their concern about the non-implementation of Koel-Karo Hydro-electric project (710 MW) which was handed over to NHPC by Bihar State Electricity Board in 1980 the Ministry in their post evidence reply stated that the project was delayed till February, 1989 when the Supreme Court disposed of the case lodged by the local people who had resisted land acquisition.

41. The Ministry also mentioned :

"The cost of the project was updated to Rs. 1338.81 crore and a fresh investment approval was accorded by the Government in November, 1991 for implementation of the project in a period of 8 years. At that stage as Ministry has stated NHPC expected that a substantial portion of its VIII Plan Outlay would be funded through budgetary support from the Government. However, the

expected budgetary support to the Corporation eventually did not materialise and NHPC was required to mobilise a little over half of its VIII Plan Outlay of Rs. 5200 crore through market borrowings. Unfavourable market conditions, combined with substantial time and cost over-runs in the on-going projects of NHPC owing to a variety of reasons including price escalation, exchange rate variation, geological difficulties and military related problems in J&K, have subsequently imposed a severe funding constraint on NHPC. The Corporation has therefore had to confine its available resources to the on-going projects and work on Koel Karo could not be commenced."

42. The Committee note that for decades the share of hydel power has been going down. The required hydro-thermal mix for providing peak support and preventing sub-optimal level operation of thermal plants is 40 : 60 whereas the present ratio is 26 : 74. The Committee note that due to lack of funds in the State Sector, the Centre has created a large number of hydel corporations like NHPC and NEEPCO to implement Hydel Projects, but some of them like NHPC are facing severe resource crunch. The Government should therefore, ensure allocation of adequate funds and uninterrupted cash flow to prime public sector undertakings like NHPC, NEEPCO etc.

43. The Committee would also like the Ministry to take initiative in formulating detailed guidelines for land acquisition and rehabilitation.

44. Regarding Koel Karo Project, the Government may reprise/review it and provide adequate resource. It should also evolve a mechanism for speedy environmental and forest clearance and thus prioritise the hydel projects for execution by both the public and private sector.

VI. Rural Electrification Corporation

45. Rural Electrification Programmes undertaken by the REC cover electrification of villages, including tribal villages and dalit bastis, energisation of pump sets, provision of power for small and agro based rural industries, lighting of rural households and street lighting. The Corporation also provides assistance to the SEBs for taking up System Improvement Projects for strengthening/improving of sub-transmission, distribution system and small generation projects like Wind Energy and Hydel Projects.

46. The Committee observed from the Expenditure Budget (vol. 2) that the Budgetary support for REC for the year 1996-97 has been reduced to Rs. 50 crores from Rs. 300 crores in 1995-96. In the year 1995-96, only Rs. 67 crores have been utilised as stated in Revised Estimates (1995-96).

47. Asked to explain the reasons for the non-utilisation of funds the Ministry of Power in a written reply stated :

“This adjustment was made at the R.E. stage because of the difficulties reported by REC about its inability to utilise about Rs. 233 crores of external assistance being made available to it through budget for its System Improvement Project from OECF of Japan. Actually at the end of the year the utilisation by REC was only Rs. 5 crores and consequently the reduction on this account during the year came upto Rs. 295 crores.”

48. Asked about the difficulties faced by REC and reasons for using only Rs. 5 crores, the Ministry in their post evidence reply stated :

“The difficulties experienced by the REC in executing the projects under OECF assistance are as follows :

- (i) Weak financial health of SEBs.
- (ii) OECF procedure requiring their approval at every stage.
- (iii) Problem of coordination between REC, executing agencies, turn key contractors and consultant.
- (iv) Differences of opinion of SEBs and consultant in bid evaluation led to rebidding.”

49. On being asked further, Secretary, Ministry of Power stated :

“Sir, it is rather unfortunate that last year, where there was a budget provision for REC to spend Rs. 300 crore and they could hardly spend Rs. 10 crore in the first year i.e. 1994-95 out of Rs. 50 crore provided in B.E. 1994-95 and Rs. 5 crores in the last year i.e. 1995-96.”

50. The Ministry also informed that approval of OECF was needed at every stage of the laid down procedure. Due to this contract for 15 System Improvement Sub-Projects amounting to Rs. 60 crores could be awarded only at the fag end of the financial year 1994-95 and during 1995-96, resulting to low utilisation. In addition to this, due to differences of opinion between HSEB and the consultant re-bidding had to be done for 5 Sub-projects. Lack of response led to re-bidding in the case of 1 SI sub-project of APSEB. For the 1 Small Hydro Sub-project, contract could not be awarded due to inter-state Cauvery Water dispute. This has further resulted in deceleration in the budget utilisation.

51. The Committee observed that originally, 59 System Improvement (SI) and 5 Small Hydro Electric Sub-projects were approved by OECF. Out of these, REC could take up only 21 SI and 1 Small Hydro-electric Sub-project, as other sub-projects were taken up for implementation by the SEBs on their own due to pressing needs.

52. Enquired upon the pressing needs of SEBs, the Ministry of Power in their post evidence reply stated :

“Under the OECF System on new projects are eligible for financing. Loan Agreement between Government of India and OECF, Japan was signed on 23.1.1991. At that time 59 Power System Improvement and 5 Small Hydel Projects were eligible for financing. There was a dispute between OECF and Government of India about the appointment of foreign consultant. Because of their long standing expertise in execution of System Improvement projects, SEBs had reservation for execution of projects on turn-key basis. After protracted discussions OECF had agreed for appointment of Indian Consultants and SEBs have agreed for execution of projects on turn-key projects. Because of this there was a loss of considerable time. The stringent procedure of OECF was also time consuming. The consultant was appointed in December, 1993. In the meantime, several SEBs for demand load management had to augment the system and thus some of these sub-projects became ineligible for OECF funding.”

53. Asked to clarify whether non-utilisation of loan amount was due to implementation of projects by SEBs, the Ministry stated :

“Only new projects are eligible for financing under OECF loan

agreement. Since the SEBs had executed part of the proposed work from their own resources, the project initially sponsored by them became ineligible for financing."

54. On a query raised regarding the interest charged upon the amount given to the States as loan for rural electrification, the Chairman, Rural Electrification Corporation stated as under :

"The rate of interest which the OECF charges to the Government of India is 2.5 per cent. The Government of India in turn charges REC at the rate of 12 per cent. REC in turn charges at the rate of 16 per cent."

55. Asked about the terms of repayment of this loan to OECF, the witness added :

"The Government of India takes it with a ten year moratorium and 30 year period for loan repayment. In the case of REC, the Government of India prescribes it as five years moratorium with 15 year repayment schedule. And for the States, REC prescribes two years moratorium and seven to eight year repayment schedule."

56. **Rural Electrification Corporation is an organisation which is involved in a vital sector of development and has a role to play in every nook and corner of the country. The Committee are however distressed to note that the financial matters pertaining to this Corporation are not being managed properly. The Committee observe that the loan agreements between Government of India and OECF, Japan was signed on 23.1.1991. There was a dispute between OECF and Government of India over the the appointment of the foreign consultant. The consultant was appointed in December, 1993. The Committee are constrained to note that this disagreement dragged on for over three years before it was settled. The Committee expect the Government/ REC to have been aware of the procedure followed by the OECF. All the terms and conditions should have been settled amicably before the acceptance of the loan amount. The Committee are of the opinion that, while expertise was available with SEBs, the loan from OECF was received with a string attached i.e. the appointment of a consultant. Keeping in view the availability of expertise in the SEBs, the Ministry should have found a way out for its utilisation. If foreign consultants**

had to be appointed, there should not have been such a long delay in doing so.

57. The Committee observed that the present system of giving of loans is unsound and requires to be examined. Short-term loans at high rates of interest cannot answer the need of the situation. They prevent Rural Electrification Corporation from achieving its goals. The present financial pattern need to be reviewed.

VII. Tribal Sub-Plan and Special Component Plan

59. The Committee observed that in the Performance Budget 1995-96 of Ministry of Power, it was stated that the objective of setting aside Rs. 127.20 crores out of budgetary support for rural electrification was to electrify 925 Tribal Villages and 3400 Harijan Bastis. However, the Performance Budget 1996-97 of the Ministry was silent about the achievements of this programme.

59. Asked to specify the achievements, the Ministry in their reply stated that during the year 1995-96, a provision of Rs. 127.20 crores was set aside for Tribal Sub-Plan (TSP) and Special Component Plan (SCP) out of the Annual Plan of REC. Under the Tribal Sub-Plan, Rs. 42.40 crores were earmarked for electrification of 884 tribal villages and not 925. Similarly Rs. 84.80 crores were kept aside for electrification of 2784 Harijan Bastis. These targets have been fully achieved, on an overall basis. However, there may be distortion in the State-wise achievement.

60. Asked to explain the reasons for variations in figures of tribal villages and Harijan Bastis, the Ministry in their post evidence reply stated :

"At the time of printing of the Performance Budget of the Ministry of Power for the year 1995-96, Annual Plan for Rural Electrification was not finalised and only tentative figures have been indicated in the Performance Budget. Subsequently after discussion with the State Governments, Planning Commission have given their approval for earmarking separate fund amounting to Rs. 127.20 crores (Rs. 42.40 crores for electrification of 884 villages under Tribal Sub-Plan and Rs. 84.80 crores for electrification of 2784 Harijan Bastis). Against this target SEBs have reported electrification of 1050 Tribal Villages and 5396 Harijan Bastis."

61. From a statement (Annexure-II) furnished by the Ministry the Committee observed that the target and achievement under Tribal Sub-Plan and Special Component Plan are not matching. In the year 1995-96 there was not target under Tribal Sub Plan for the States of Assam and Bihar though the outlay for the scheme was Rs. 2.70 crores and Rs. 6.15 crores respectively. Against this the achievement was 29 villages in Assam and 4 villages in Bihar.

62. The Committee also observed that under Special Component Plan in case of Gujarat Rs. 1.97 crores was set for 198 Harijan Bastis however the achievement is stated to be nil.

63. The Committee note that in the Performance Budget (1995-96) the target was set to electrify 925 Tribal Villages and 3400 Harijan Bastis. However Performance Budget (1996-97) is silent about the achievements in this regard. The Committee are unable to appreciate why the number of Tribal Villages and Harijan Bastis were not given in the Performance Budget. The Committee desire that the Performance Budget should reflect the precise and up-to-date position of the programme.

64. The Committee also regretd to note that there are discrepancies in the figures of targets relating to some States and that these have been furnished without correcting them.

VIII. Non-Utilisation of External Assistance

65. From the Economic Survey-1995-96 the Committee observed that a review of the existing external assistance portfolio reveals that the total undisbursed balance of external assistance in the power sector by the end of March, 1995 stood at Rs. 17,146.6 crores and Ministry stated that the Commitment changes for world Bank loans only amount to Rs. 979 crores. (Annexure-III)

66. Asked to give details of utilisation of external assistance in the years 1992-93 to 1995-96, the Ministry indicated as under :

Year	(Rs. in crores)								
	Central Sector			State Sector			Central & State Sector		
	Estimated	Actual	%age	Estimated	Actual	%age	Estimated	Actual	%age
1992-93	1443	1200	83	1313	1373	105	2756	2573	93.4
1993-94	1482	2092	141	1096	891	81	2578	2983	115.8
1994-95	1482	1871	132	1851	1330	72	3272	3201	99.8
1995-96	1821	1931	106.7	1422	1012	71	3243	2943	90.7

67. Asked about the remedial measures taken/proposed to be taken by the Government to expedite the utilisation of undisbursed fund, the Ministry of Power mentioned as under :—

“While the utilisation of the external assistance in the Central Sector is fairly satisfactory, in the State Sector its utilisation is somewhat lower. The reasons for slow utilisation of external loans in the State Sector are generally paucity of counterpart funds with implementing agencies, delay in acquisition of land and contractual issues including delay in supply of equipment and execution of actual works.

Ministry of Power is monitoring and reviewing the externally aided Project with a view to removing the various impediments arising in implementation. Special teams are also being sent from the Central Electricity Authority to the Projects and the causes of delay taken up with the State and the Central Authorities, suppliers of equipment etc. It has also been decided to set up a Project Monitoring Cell in the Ministry of Power. Such steps have resulted in some improvement in aid utilisation during the past few years.”

68. Asked about the reported threat from multilateral funding agencies, including World Bank and ADB threatening not to extend fresh assistance to India till utilisation of the borrowings in pipelines improves. The Ministry in a written reply stated :—

“The multilateral funding agencies like the World Bank and ADB have not threatened to stop fresh assistance to India but have expressed concern about the financial viability of the Power Sector

as a whole. Their concern focuses on the following areas : tariff structure, absence of a cost related pricing policy; receivables position of NTPC, POWERGRID and other CPSUs; the need to improve the financial viability of SEBs improving their physical performance including reducing T&D loses; slow project implementation; restructuring of SEBs and establishment of independent Central and State regulators.”

69. Asked further during oral evidence the Secretary, Ministry of Power, stated :-

“Sir, we basically get external aid from the World Bank, Asian Development Bank, OECF of Japan, KFW of Germany and from the ODA of U.K. Of course, we also get some small amounts from other people, but basically these are the five agencies. Now, the total loan sanctioned by these institutions for our country, whether it is a State Sector or Central Sector—we have got roughly about 75 projects which are funded by the external agencies—is about Rs. 17,146 crore. Out of which, roughly about Rs. 2,750 crore are the loans which were just sanctioned, say during the last year or in the last two years, and they are becoming effective now or will be effective infuture. So, that leaves us with roughly about Rs. 14,480 crore. So, this is one point. One is, the new projects sanctioned will take some time. Normally, the gestation period for implementation of power projects in the power sector is four to six years, that means, when they sanction Rs. 100 crore, that amount of Rs. 100 crore would not be available to us in one day. It would be available over a period of four to five years. That is how the pattern is in the Power Industry. In fact, the World Bank very recently surveyed our utilisation of their funds. There may be one case here or one case there and they may be saying that they would not give us any loan. Take for instance NTPC. It got a loan from the World Bank. One of the conditions imposed by the World Bank is that whatever monies they would have to get from the Electricity Boards for supply of power should not be more than two months' average. Supposing, if they are supplying power worth Rs. 100 crore per month, then the dues should not exceed more than Rs. 200 crore. Right today, I think, our default has gone upto almost six month's average because the Electricity Boards are not able to pay because of financial break downs and the situation in which they are already working.

So, only in those cases, they do threaten. Then, we go there and we would request them to extend the loan. They keep on extending the loan. In fact, the latest likely casualty of World Bank loan is going to be the Maharashtra State Electricity Board.

Sir, I was the Chairman of the Maharashtra State Electricity Board and I negotiated the loan. Now, I really feel that the Maharashtra State Electricity Board has become as bad as any other State Electricity Board. That is a fact of life. In fact, the World Bank has already threatened them. We have got a letter saying that they would suspend the loan. They have given time upto 31st of July. We requested them and now they are saying that the time is upto 31st of August. So, this is how they keep on threatening because we are really not able to stick up to the terms and conditions of the loan. One of the basic conditions which the World Bank imposed is that under all circumstances the rate of return should be at least minimum three per cent which is prescribed under the Electricity Supply Act. The Maharashtra State Electricity Board, as of now, my information is a tentative information, for the year 1995-96 is getting only 1.4 per cent or 1.5 per cent. In the case of Maharashtra, we ourselves have agreed for this.

70. Commenting on the failure of State sector in utilisation of fund, the Secretary, Ministry of Power, stated :—

“One of the reasons why the States are not able to utilise these funds is because World Bank do not give 100 per cent loan for a project. Sometimes they give 70 per cent or 60 per cent or 85 per cent, OECF of Japan gives 85 per cent fifteen per cent you will have to arrange. In this, the major problem is the States because the financial position of the States is not satisfactory. They are not able to find counterpart funds. If they give 70 per cent, we have to get 40 per cent. This has to be spent in proportionate basis. They are not able to do it. This is one of the major constraints.”

71. The Committee have expressed grave concern in their Twentieth Report (Tenth Lok Sabha) regarding the fact that the funds borrowed from external sources remain unutilised. The commitment charges on unutilised funds amount to Rs. 97 crores. The Committee are disappointed to note that their earlier recommendations in this regard have

not been followed by the Government and now multilateral agencies are threatening to stop assistance.

72. The Committee are of the opinion that the Government should not draw comfort from the fact that the Central sector has utilised the funds received as loan. The Ministry must take the power sector as a whole and monitor all the externally aided projects whether in the Central or State sector. The Committee would like firm advice to be given to all States/SEBs to utilise all the required funds in order to avoid cut in the external assistance.

IX. Transmission & Distribution

73. Presently the Transmission and Distribution losses in the country are on the higher side. Due to concerted efforts, the transmission and distribution losses for the country has been coming down. It has come down from 22.83% during the year 1991-92 to 21.41% during the year 1993-94, resulting in a reduction of 1.42% and to 20.85% (Provisionally) during 1994-95. The year-wise details of transmission and distribution losses in the country are given below :—

<i>Year</i>	<i>T&D Losses (%)</i>
1991-92	22.83
1992-93	21.80
1993-94	21.41
1994-95	20.85 (Prov.)

74. The reduction has been only 1.98% in the first four years of Eighth Plan as against a targetted reduction of 1% per year.

75. The Committee observed that though there is a declining trend in the T&D losses, it is still higher when compared with the international average of less than 10% for advanced countries of the World. .

76. The Committee found that Economic Survey 1995-96 has stated that high T & D losses are mainly due to sparsely distributed loads over a large rural area, substantial amount of energy sold at low voltage level,

under investment in power distribution system, inadequate billing and high pilferage of energy.

77. The survey has mentioned that the inherent losses in conductors and equipment can be brought down through system improvement schemes and pilferage and theft of energy can be reduced through appropriate administrative measures.

78. Asked about the T&D losses, Secretary, Power during the oral evidence stated :—

“When we talk in terms of transmission and distribution losses, there are basically two reasons; one is theft of energy. For that, we have amended the Act about four years back. We have said that the theft of energy is a cognizable offence. We see that they intensify their vigilance squad and try to bring down thefts.

The second one is on the technical side because of the expansion that has taken place in the power sector. Almost about 86 per cent of the villages and 35 per cent of the rural domestic connections have been converted. We have gone far and wide all over the country. An extra voltage transfer or a sub-station, whether you call it 400 KV or anything like that, you need tremendous amount of investment to reduce the technical losses. Today, in our context, as we have gone far and wide, we have considerable amount of technical losses and that has to be removed. That is what we are trying to do. As pointed out by me, while we require about 50 per cent of the investment—if you make in generation—another 50 per cent should be made in transmission, generation and rural electrification. Whereas we are making almost 75 per cent of the investment in generation and 25 per cent in other fields. That is why we found this problem of break down and all.”

79. Asked about DESU, the Secretary, Ministry of Power stated :

“In DESU, the losses are in the range of about 40 to 50 per cent. Even if we account for 10 to 12 per cent in respect of technical aspect, the remaining 30 per cent is due to theft of energy. It is a daylight robbery. We have been having meetings with DESU and telling them that they have to really go ahead and detect as many theft of energy as is possible. It is easier to detect this thing

in Delhi which is an urban area, which is accessible to everybody. In the case of States, you have to go to the rural areas. It is very difficult to find out what exactly is happening. so, from this point of view, we made theft of energy as a cognizable offence. In fact, we have been conducting various tests. Some States have taken steps to see how to bring down the losses. Very recently, one team has come from the U.K. we have requested that team to make a special study of Delhi to find out what exactly that is going on. We have also initiated similar steps in respect of other States also to check up what exactly could be the categories of technical loss. Frankly speaking, we still do not have a scientific calculation and assessment of the transmission and distribution loss. That is why we have already initiated certain steps and in Delhi itself we have done it."

80. Asked about the number of cases detected, Secretary, Ministry of Power stated :—

"It is not really encouraging."

81. Enquired whether these cases are monitored, Secretary mentioned as under :—

"I am honest about it. We do get the information from the States. As I submitted, we do not find a marked improvement in it. This only shows that the States are not really giving importance that this particular aspect deserves. That is why we go on taking up this matter in every forum and telling them about this."

Ministry have also furnished the statewise details of prosecutions launched during the year 1992-93 and 1993-94 (Annexure-IV)

82. The Committee are of the view that Transmission and Distribution losses which can be reduced with minimum investment are losses due to non-technical factors like pilferage of energy, defective meters and unmetered supply. These losses can be brought under control by taking strong administrative measures. The financial position of SEBs will improve with the reduction in the non-technical losses. So far as technical losses are concerned the Committee desired the Ministry to identify the system elements responsible for such losses and formulate system improvement schemes for strengthening and improvement of Sub-Transmission and Distribution System. These schemes should be implemented expeditiously.

NEW DELHI;
27 August, 1996
5 Bhadra, 1918 (Saka)


Jagmohan,
Chairman,
Standing Committee on Energy.

**STATEMENT OF CONCLUSIONS/ RECOMMENDATIONS OF THE
STANDING COMMITTEE ON ENERGY CONTAINED IN THE REPORT**

Sl. No.	Reference Para No. of the Report	Conclusions/Recommendations
1	2	3
1.	4	<p>The Committee note that as per budgetary plan allocation 1996-97 the amount is Rs. 2572.81 crores. The budgetary plan support has increased from 1992-93 to 1994-95 but in the subsequent years 1995-96 and 1996-97 the budgetary support has decreased. The Committee are, therefore, not convinced by the contention of the Ministry that budgetary plan support has gradually been increasing on the whole.</p>
	6	<p>The Committee observe that in the case of generation of thermal and hydel sectors and in the case of system improvement the budgetary support has been reduced. The Committee are deeply concerned about the current power crisis and its impact on all the sectors of economy. In the year 1995-96 also the achievement fell far short of the target and the Ministry should have tried to make up the shortfall in the year 1996-97. The budgetary support ought to have been increased substantially. The Committee are constrained to note that the budget outlay in crucial areas has been reduced without considering the aforesaid factors.</p>
2.	16	<p>The Committee are concerned about the failure to achieve the approved target of capacity addition during the Eighth Five Year Plan period. The achievement in the last four years of plan period was only 14799 MW, and the total achievement is expected to be below 18000 MW.</p>

This is only about 58 percent of the Eighth Five Year Plan target of 30537.7 MW. The Ministry attributed this failure to the resource crunch and to the attitude of most of the State Governments who, thinking that investment in this sector, would be forthcoming from the private sector, did not allocate sufficient funds of their own for generation of electricity. But the high expectations from the private sector, did not materialise and the plan programme was adversely affected.

17 The Committee are of the opinion that the Ministry, instead of keeping the situation under review and taking corrective measures particularly at the time of mid-term appraisal of Eighth Five Year Plan, and persuading the State Governments and the Planning Commission to provide adequate funds, continued to pin its hopes on the private sector during the four years of the Eighth Five Year Plan. Obviously, this hope was misplaced.

18 The position in the last four years was that capacity-addition in the central Sector was 7334 MW against the target of 12858 MW, and in the State sector 6287 MW against the target of 14869.7 MW. The Committee, therefore, expect the Ministry to ensure financing of Public Sector Undertakings by Budgetary support as well as external assistance so that the public sector undertakings, like NTPC, NHPC etc. are able to realise the targets set out in the plan. The Committee further desire that in order to assess the actual achievement in capacity addition, the performance Budget should also indicate the number and full particulars of projects that have been declared commercially open.

3. 24 The Committee note that the target for capacity addition in the Ministry's Performance Budget (1996-97) is on the higher side i.e. 833.50 MW for

central sector and 2200.00 MW for State sector. When the Committee specifically enquired about high target set for the year 1996-97 the Ministry clarified that the discrepancy has arisen mainly due to misclassification of certain central and private sector projects as state sector projects and later on furnished a revised statement. The Committee expects the Ministry to be more careful in the preparation of the Performance Budget which is presented to the Parliament.

4. 31 The policy of private sector participation in power sector was launched in 1991. The Committee note that while the number of proposals received from private entrepreneurs has been considerable, their materialisation and implementation has not been so. Some of them have been called for re-examination with the change in the Government.

32 During the Eighth Five Year Plan, the Ministry have set a target of 2830 MW for capacity addition and in the first four years of plan 1257.5 MW has been added to the generating capacity by the private sector. Another 799.5 MW is expected to be added in the year 1996-97. Thus, a capacity of 2057 MW will be added in the private sector against a target of 2830 MW. A gap of about 773 MW will thus remain at the end of the Eighth Five Year Plan.

33 Regarding the progress of the eight fast track projects, the Committee observe that though the Ministry is taking action to Clear the pending five fast track projects there is as yet substantial shortfall in the Eighth Five Year Plan target for the private sector. The fast track power projects have not made the expected headway. The Committee stress the need for expeditious action and for formulation of a sound, integrated and

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		transparent policy which can inspire public confidence and also tackle effectively the various difficulties that arise from time to time.
34		The Committee also noted that policy launched in 1991 has failed to sort out the problems relating to legally enforceable fuel supply/transport agreements. In the Twenty Sixth Report (Tenth Lok Sabha) also, the Committee had recommended that the comprehensive fuel policy should be drawn up and at the time of finalisation of the project fuel supply/transport agreements should be taken into consideration. The Committee would again draw Ministry's attention to this recommendation.
5.	42	The Committee note that for decades the share of hydel power had been going down. The required hydro-thermal mix for providing peak support and preventing sub-optimal level operation of thermal plants is 40:60 whereas the present ratio is 26:74. The Committee note that due to lack of funds in the State sector, the Centre has created a large number of hydel corporations like NHPC and NEEPCO to implement Hydel Projects, but some of them like NHPC are facing severe resource crunch. The Government should therefore, ensure allocation of adequate funds and uninterrupted cash flow to prime public sector undertakings like NHPC, NEEPCO etc.
43		The Committee would also like the Ministry to take initiative in formulating detailed guidelines for land acquisition and rehabilitation.
44		Regarding Koel Karo Project, the Government may reappraise/review it and provide adequate resource. It should also evolve a mechanism for speedy environmental and forest clearance and

1	2	3
		thus prioritise the hydel projects for execution by both the public and private sector.
6.	56	<p>Rural Electrification Corporation is an organisation which is involved in a vital sector of development and has a role to play in every nook and corner of the country. The Committee are however distressed to note that the financial matters pertaining to this corporation are not being managed properly. The Committee observe that the loan agreements between Government of India and OECF, Japan was signed on 23.1.1991. There was a dispute between OECF and Government of India over the appointment of the foreign consultant. The consultant was appointed in December, 1993. The Committee are constrained to note that this disagreement dragged on for over three years before it was settled. The Committee expect the Government/REC to have been aware of the procedure followed by the OECF. All the terms and conditions should have been settled amicably before the acceptance of the loan amount. The Committee are of the opinion that, while expertise was available with SEBs, the loan from OECF was received with a string attached i.e. the appointment of a consultant. Keeping in view the availability of expertise in the SEBs, the Ministry should have found a way out for its utilisation. If foreign consultants had to be appointed, there should not have been such as long delay in doing so.</p>
	57	<p>The Committee observed that the present system of giving of loans is unsound and requires to be examined. Short-term loans at high rates of interest cannot answer the need of the situation. The present Rural Electrification Corporation for achieving its goals. The present financial pattern need to be reviewed.</p>

1	2	3
	63	The Committee note that in the Performance Budget (1995-96) the target was set to electrify 925 Tribal villages and 3400 Harijan Bastis. However, Performance Budget (1996-97) is silent about the achievements in this regard. The Committee are unable to appreciate why the number of Tribal villages and Harijan Bastis were not given in the Performance Budget. The Committee desire that the Performance Budget should reflect the precise and up-to-date position of the programme.
	64	The Committee also regrets to note that there are discrepancies in the figures of targets relating to some States and that these have been furnished without correcting them.
8.	71	The Committee have expressed grave concern in their Twentieth Report (Tenth Lok Sabha) regarding the fact that the funds borrowed from external sources remain unutilised. The commitment charges on unutilised funds amount to Rs. 97 Crores. The Committee are disappointed to note that their earlier recommendations in this regard have not been followed by the Government, and now multilateral agencies are threatening to stop assistance.
	72	The Committee are of the opinion that the government should not draw comfort from the fact that the Central sector has utilised the funds received as loan. The Ministry must take the power sector as a whole and monitor all the externally aided projects whether in the Central or State sector. The Committee would like firm advice to be given to all States/SEBs to utilise all the required funds in order to avoid cut in the external assistance.

1	2	3
9.	82	<p>The Committee are of the view that Transmission and Distribution losses which can be reduced with minimum investment are losses due to non-technical factors like pilferage of energy, defective meters and unmetered supply. These losses can be brought under control by taking strong administrative measures. The financial position of SEBs will improve with the reduction in the non-technical losses. So far as technical losses are concerned the Committee desires the Ministry to identify the system elements responsible for such losses and formulate system improvement schemes for strengthening and improvement of Sub-Transmission and Distribution System. These schemes should be implemented expeditiously.</p> <hr/>

ANNEXURE-I

Demands for Grants for the Ministry of Power

Sl. No.	Major Head	Actuals 1993-94		Budget Estimates 1994-95		Revised Estimates 1994-95		Budget Estimates 1995-96		Remarks	
		Plan		Non-Plan		Plan		Non-Plan			
		Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan		
1	2	3	4	5	6	7	8	9	10	11	
Demand No. 68											
1.	3451	-	3,3631	-	3,50,00	3,52,00	-	-	3,52,00	This head comprises items like salaries etc. of Sectt. Ministry of Power.	
2.	2801	44,21,58	440,45,69	120,47,00	446,25,00	134,42,00	447,16,00	112,31,00	447,51,00	This head comprises items like Assessment of small Hydro Electric potential, All India Load Survey Scheme, Renovation & Modernisation of Thermal Power Stations; Badarpur, Thermal Power Stations, Transmission & Distribution of Rural Electrification Corp. Transmission & Distribution, CEA Salaries, OTA etc. Power System Training Institute, R & D, other expenditure like Salary, OTA etc Study & Training, Organisational development, R&D Cogeneration Call.	
3.	3601	4,57,83		5,00,00		4,70,00	-	5,30,00		This head comprises items like grants in aid to State Govts. Central Plan Schemes & Incentive Payments etc.	
4.	4801	1313,16,71		993,85,00	-	848,93,00	-	607,60,00	-	This head comprises items like External Aided Schemes.	
5.	6801	1466,56,00	-	1821,99,00	-	1583,36,00	-	1842,10,00	-	Loans for Hydel, Thermal Power Projects, Transmission and Distribution	

1	2	3	4	5	6	7	8	9	10	11
of Rural Electrification, Loans to Public Sector and other Undertakings. This Head comprises exp. under the charged Head like Loans & Advances to State Govt. Centrally Sponsored Plan Scheme etc.										
6.	7601	15,00,00	3,30,00	3,30,00	-	5,50,00				
		2843,57,12	44,82,00	2944,61,00	449,75,00	2574,61,00	450,68,00	2574,81,00	451,03,00	

ANNEXURE II

**TRIBAL SUB-PLAN (TSP) AND SPECIAL COMPONENT PLAN (SCP)
FOR THE YEAR 1995-96 TARGET & ACHIEVEMENTS**

Sl. No.	State	Tribal Sub-Plan			Special Component Plan		
		Outlay (Rs. crs.)	Tribal Targets	Villages Ach.	Outlay (Rs. crs.)	Harijan Targets	Bastis Ach.
1.	Andhra Pradesh	0.00	0	0	6.74	338	529
2.	Arunachal Pradesh	0.56	6	121	0.00	0	0
3.	Assam	2.70	**	29	0.00	0	0
4.	Bihar	6.15	**	4	8.00	**	3
5.	Goa	0.00	0	0	0.00	0	0
6.	Gujarat	0.00	0	0	1.97	198	0
7.	Haryana	0.00	0	0	2.10	**	0
8.	Himachal Pradesh	0.00	0	0	0.00	0	0
9.	Jammu & Kashmir	0.00	0	0	0.00	0	0
10.	Karnataka	0.00	0	0	4.71	235	127
11.	Kerala	0.00	0	0	1.85	92	136
12.	Madhya Pradesh	14.35	360	191	6.11	305	895
13.	Maharashtra	0.00	0	5.60	280	123	
14.	Manipur	0.56	6	163	0.00	0	0
15.	Meghalaya	1.40	21	0	0.00	0	0
16.	Mizoram	0.65	5	45	0.00	0	0
17.	Nagaland	0.00	0	0	0.00	0	0
18.	Orissa	6.52	220	366	3.24	162	328
19.	Punjab	0.00	0	0	3.62	**	0
20.	Rajasthan	5.13	133	106	4.83	241	595
21.	Sikkim	0.00	0	0	0.00	0	0
22.	Tamil Nadu	0.00	0	6.81	**	0	
23.	Tripura	0.84	15	15	0.32	**	0
24.	Uttar Pradesh	0.00	0	0	18.65	933	2660
25.	West Bengal	3.34	118	10	10.25	**	0
	Total	42.40	884	1050	84.80	2784	5396

** The funds provision in these States would be partly utilised for laying electrical infrastructure, load development and other similar works in power sector in rural areas.

Note on payment of commitment charges for non-utilisation of external aid for power projects.

Commitment Charges are payable on External Loans made available by world Bank (IDA and IBRD), ADB, Sweden and Germany. These are levied on Committed Loan amount which remains undrawn or undisbursed. Since the period of time over which an External loan is disbursed corresponds to the implementation period of a project, Commitment charges are also paid to the donor till the terminal date of disbursement of the related loan committed to the project. The payment commences from 60 days after the signing of the loan agreement.

2. Details of commitment charges paid in respect of power projects for the year 1991-92 to 1995-96 are given in Annexure.

POWER SECTOR REPORT ON COMMITMENT CHARGES

ADS										DC in Million/Rupees in Crores					
S.No.	Loan No.	1991-92		1992-93		1993-94		1994-95		1995-96		Total			
		US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.	US\$	Rs.
1.	789 IND NMTP1	0.618	1.43	0.200	0.61	0.417	1.31	0.346	1.09	0.270	0.89	1.851	5.33		
2.	907 IND Unchahar Thermal Power Project	0.840	11.99	1.057	3.23	1.188	3.74	1.200	3.78	1.200	3.99	5.484	16.73		
3.	988 IND Royal Seema Thermal Power Project	0.238	0.59	0.744	2.28	0.755	2.38	0.547	1.72	0.325	1.08	2.609	8.05		
4.	1029 IND NHTP	0.030	0.08	0.258	0.77	1.065	3.34	0.850	2.67	0.705	2.36	2.908	9.22		
5.	1161 IND Power Efficiency Project	0.000	0.00	0.134	0.41	0.550	1.73	1.197	3.77	1.699	5.66	3.580	11.57		
	Total	1.726	4.09	2.393	7.30	3.975	12.50	4.140	13.03	4.199	13.98	16.433	50.90		
SWEDEN															
S.No.	Loan No. & Description	1991-92		1992-93		1993-94		1994-95		1995-96		Total			
		Sek	Rs.	Sek	Rs.	Sek	Rs.	Sek	Rs.	Sek	Rs.	Sek	Rs.	Rs.	Rs.
1.	Chandrapur Padghe HVDC Bipole Prop.	0.000	0.00	0.000	0.00	0.00	0.00	1.882	0.78	1.449	0.70	3.331	1.48		
2.	URI Project 765 M Sek	1.932	0.76	1.423	0.70	0.614	0.24	0.040	0.02	0.040	0.02	0.409	1.74		
3.	URI Project 157 M CHF	0.151	0.23	0.008	0.02	0.00	0.00	0.000	0.000	0.000	0.00	0.159	0.25		
	Total	2.083	0.99	1.431	0.72	0.614	0.24	1.922	0.80	1.489	0.72	7.539	3.47		

(Rs. in Crores)

S.No.	Loan No. & Description	1991-92		1992-93		1993-94		1994-95		1995-96		Total	
		DM		Rs.		DM		Rs.		DM		Rs.	
		DM	Rs.	DM	Rs.								
1.	8566069 Farraka	0.098	0.15	0.125	0.24	0.110	0.20	0.059	0.12	0.059	0.14	0.451	0.85
2.	8365209 Ramagundam	0.078	0.11	0.055	0.11	0.011	0.02	0.009	0.02	0.010	0.02	0.163	0.28
3.	8985840 Dadri Cas	0.767	1.09	0.490	0.95	0.277	0.51	0.212	0.43	0.163	0.38	1.909	3.36
4.	8865446 MSEB	0.437	0.62	0.391	0.75	0.207	0.38	0.155	0.31	0.063	0.15	1.253	2.21
5.	8165631 Karba NTCP	0.078	0.12	0.090	0.17	0.035	0.06	0.028	0.06	0.028	0.07	0.259	0.48
6.	7965338 NTCP Singrauli	0.033	0.05	0.017	0.03	0.016	0.03	0.007	0.01	0.007	0.02	0.080	0.14
Total		1.491	2.14	1.168	2.25	0.636	1.20	0.470	0.95	0.330	0.78	4.115	7.32

FRANCE

S.No.	Loan No. & Description	1991-92		1992-93		1993-94		1994-95		1995-96		Total
		F.Fr	Rs.									
1.	Protocol-FF 75.35MDT CPRI Bangalore	0.208	0.090	0.037	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.25
	Protocol-FF 561.2MDT CPRI Bangalore	0.00	0.000	0.000	0.000	0.000	0.000	0.099	0.580	0.201	0.14 ,	0.30
2.	Protocol-FF 1130 CPRI Bangalore	1.111	0.480	0.249	0.140	0.390	0.210	0.102	0.060	0.161	0.110	2.01
3.	Li No.-7 NTPC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
4.	1600 NHPPC Loan	1.319	0.570	0.286	0.160	0.390	0.210	0.201	0.640	0.362	0.250	2.556
	Total	1.319	0.570	0.286	0.160	0.390	0.210	0.201	0.640	0.362	0.250	1.830

1.	2	3	4	5	6	7	8	9	10	11	12	13	14
13.	2845 Tapchar Project	0.820	2.12	0.712	2.21	0.559	1.77	0.425	1.35	0.343	1.09	2.859	8.54
14.	3024 Nathpa Zhakri	1.123	2.61	1.146	3.43	1.117	3.50	1.063	3.34	0.849	2.92	5.298	15.80
15.	3096 Maha. Power	0.944	2.59	0.869	2.67	0.762	2.39	0.626	2.07	0.505	1.62	3.706	11.34
16.	3237 Northern Region Transmission	1.448	3.64	1.195	5.32	1.124	3.53	1.108	3.49	1.028	3.38	5.903	19.36
17.	3436 Power Utilities Efficiency	0.000	0.00	0.526	1.69	0.627	1.96	0.625	1.97	0.558	1.90	2.336	7.52
18.	3498-In IInd Maha. Power Project	0.000	0.00	0.000	0.00	1.066	3.28	0.810	2.55	0.762	2.53	2.638	8.36
		8.543	21.35	9.072	24.02	7.995	21.82	5.282	16.77	5.400	13.94	36.292	97.90

ANNEXURE- IV
Item: How many prosecution were launched ? How many cases have been detected ? The statistics to be given.

Reply of the Ministry of Power

The information in respect of all the SEBs/Electricity Departments (EDs) is not available. However, information in respect of some of the SEBs/EDs is available for the year 1992-93 and 1993-94 which is as follows:

Information Regarding Pilferage of Energy During the Year 1992-93

State/ Union Territory	Number of Installations Checked	Number of Cases of Pilferage Detected	Total Energy Esti- mated as Pilfered (MKPH)	Revenue Assessed For the Pilfered Energy (Rs. Lakhs)	Amount Collected As Fine (Rs. Lakhs)	No. of Prosec- cutions Laun- ched Against Persons Ind- ulging in Pilferage	No. of Offenders Convicted	Information Regarding Pilferage of Energy During the Year 1992-93			
								1	2	3	4
Northern Region	1. Haryana 2. Himachal Pradesh	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
	3. Jammu & Kashmir	56056	365	0.298	3.81	Nil	Nil	Nil	Nil	Nil	Nil
	4. Punjab	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
	5. Rajasthan	280116	11912	137.80	835.00	Nil	Nil	Nil	Nil	Nil	Nil
	6. Uttar Pradesh	10073	7379	-	2248.12	253.11	161	Nil	Nil	Nil	Nil
	7. Chandigarh	75082	6418	Nil	1491.00	224.75	6319	Nil	Nil	Nil	Nil
	8. D.E.S.U.	Na	Na	Na	Na	Na	Na	Na	Na	Na	Na
		6904	706	Nil	Nil	Nil	537	Nil	Nil	Nil	Nil
Western Region	1. Gujarat 2. Madhya Pradesh	405973	9614	26.180	1304.73	521.90	193	Nil	Nil	Nil	Nil
		600450	108233	46.280	987.21	5.87	668	55	55	55	55

	1	2	3	4	5	6	7	8
Southern Region	3. Maharashtra	13345	4852	53,300	830.62	266.80	50	Nil
	4. D & N Haveli	8	2	0.471	7.03	Nil	Nil	Nil
	5. Goa	546	Nil	Nil	Nil	Nil	Nil	Nil
	6. Daman & Diu	3922	Nil	Nil	Nil	Nil	Nil	Nil
Southern Region	1. Andhra Pradesh	33619	13559	42,520	1034.91	243.88	1061	35
	2. Karnataka	23337	2139	17,176	431.46	136.42	235	5
	3. Kerala	5818	2263	13,00	200	46.00	2	Nil
Eastern Region	4. Tamil Nadu	81658	527	0.770	71.76	13.86	527	153
	5. Lakshadweep Isls.	4663	Nil	Nil	Nil	Nil	Nil	Nil
	6. Pandicherry	1567	34	0.001	1.63	0.10	Nil	Nil
Eastern Region	1. Bihar	Na	Na	Na	Na	Na	Na	Na
	2. Orissa	Na	Na	Na	Na	Na	Na	Na
	3. Sikkim	Na	Na	Na	Na	Na	Na	Na
	4. West Bengal	99.26	9249	11,948	306.50	Nil	639	Pending in Court
North-East Region	5. A & N Isls.	Na	Na	Na	Na	Na	Na	Na
	1. Assam	Na	Na	Na	Na	Na	Na	Na
	2. Manipur	Na	Na	Na	Na	Na	Na	Na
	3. Meghalaya	451	163	0.172	4.16	1.35	Nil	Nil
	4. Nagaland	Na	Na	Na	Na	Na	Na	Na
	5. Tripura	Na	Na	Na	Na	Na	Na	Na
	6. Arunachal Pradesh	Na	Na	Na	Na	Na	Na	Na
North-East Region	7. Mizoram	11903	1293	8,917	80.25	Nil	43	Nil

INFORMATION REGARDING PILFERAGE OF
ENERGY DURING THE YEAR 1993-94

STATION	STATE / UNION TERRITORY	NUMBER OF INSTALLA- TIONS CHECKED	NUMBER OF CASES OF PILFERAGE DETECTED	TOTAL ENERGY EST MATED AS PILFERED (MWH)	REVENUE ASSESSED FOR THE PILFERED ENERGY (Rs. LAKHS)	AMOUNT COLLECTED AS FINE (Rs. LAKHS)	NO. OF PRO- SECUTIONS LAUN- CHED AGAINST PERSONS INVOLV- ED IN PILFERAGE	NO. OF OFFENDERS CONVICTED
NORTHERN REGION	1. HARYANA	NA	NA	NA	NA	NA	NA	NA
	2. HIMACHAL PRADESH	54022	148	0.130	2.67	-	-	-
	3. JAMMU & KASHMIR	NA	NA	NA	NA	NA	NA	NA
	4. PUNJAB	1257833	8945	245,410	2364.20	284.15	-	-
	5. RAJASTHAN	NA	NA	NA	NA	NA	NA	NA
	6. UTTAR PRADESH	NA	NA	NA	NA	NA	NA	NA
	7. DANDOIBAHHI	NA	NA	NA	NA	NA	NA	NA
	B.D.E.S.U	10756	2617	NIL	NIL	NIL	1124	NIL
WESTERN REGION	1. GUJARAT	372009	7191	44,870	2243.42	536.60	73	NIL
	2. HARYANA PRADESH	631745	117721	77,624	1916.78	3.25	463	8
	3. KARNATAKA	19477	6705	63,500	822.65	397.98	51	-
	4. D & N HAVELI	1	1	0.085	3.48	0.54	NIL	NIL
	5. GOA	4766	1	1010	15.00	NIL	1	NIL
	6. DAMAN & DIU	NA	NA	NA	NA	NA	NA	NA
SOUTHERN REGION	1. ANDHRA PRADESH	NA	NA	NA	NA	NA	NA	NA
	2. KARNATAKA	25134	2442	21,440	613.55	155.13	77	1
	3. JHARKHAND	5101	2058	17,000	219.00	70.00	NIL	NIL
	4. TAMIL NADU	NA	NA	NA	NA	NA	NA	NA
	5. LAKSHMIKANTAPURAM	4483	NIL	NIL	NIL	NIL	NIL	NIL
	6. PONDICHERRY	NA	NA	NA	NA	NA	NA	NA
EASTERN REGION	1. BIHAR	NA	NA	NA	NA	NA	NA	NA
	2. ORISSA	2824	1941	NIL	NIL	2.52	1941	1482
	3. SIKKIM	NA	NA	NA	NA	NA	NA	NA
	4. WEST BENGAL	6590	4243	17,192	324.68	NIL	371	NIL
	5. A & N ISLS	14100	-	-	-	-	-	-
NORTH- EASTERN REGION	1. ASSAM	NA	NA	NA	NA	NA	NA	NA
	2. MANIPUR	NA	NA	NA	NA	NA	NA	NA
	3. NEPALAYA	NA	NA	NA	NA	NA	NA	NA
	4. NAGALAND	NA	NA	NA	NA	NA	NA	NA
	5. TRIPURA	NA	NA	NA	NA	NA	NA	NA
	6. JHARKHAND	NA	NA	NA	NA	NA	NA	NA
	7. NIZORAM	NA	NA	NA	NA	NA	NA	NA

PART—II

MINUTES OF FOURTH SITTING OF STANDING COMMITTEE ON ENERGY (1996-97) HELD ON WEDNESDAY, THE 14TH AUGUST, 1996.

The Committee sat from 1100 hours to 1330 hours.

PRESENT

Shri Jagmohan - Chairman

MEMBERS

1. Prof. (Smt.) Rita Verma
2. Prof. Om Pal Singh Nidar
3. Shri Muni Lal
4. Shri Manoj Kumar Sinha
5. Shri Sriballav Panigrahi
6. Shri G. Venkataswamy
7. Shri Tariq Anwar
8. Shri Parasram Bhardwaj
9. Shri Prithviraj D. Chavan
10. Shri Iswar Prasanna Hazarika
11. Shri Sandipan Thorat
12. Shri Haradhan Roy
13. Shri P.R.S. Venkatesan
14. Shri V. Ganesan
15. Shri Prem Singh Chandumajra
16. Shri Ramendra Kumar
17. Shri Madhavsinh Solanki
19. Shri M. Rajasekar Murthy
20. Shri S.M. Krishna
21. Shri Ramjilal
22. Shri Vedprakash Goyal
23. Shri Lakhiram Agarwal
24. Shri Prem Chand Gupta
25. Shri Dipankar Mukherjee
26. Shri Gaya Singh
27. Shri V.P. Duraisamy

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri G.R. Juneja — *Deputy Secretary*
3. Shri A.S. Chera — *Under Secretary*

WITNESSES*Ministry of Power*

1. Shri P. Abraham, Secretary
2. Shri N. Bagchee, Special Secretary
3. Shri Pradeep Bajjal, Additional Secretary
4. Shri Ajay Dua, Joint Secretary (S & EA)
5. Shri S.R. Shivrain, Joint Secretary & FA
6. Shri Sudhakar Rao, Joint Secretary (AH & T)
7. Ms. C.R. Gayathri, Joint Secretary (PC & EM)
8. Shri M.I. Beg, Chairman, Central Electricity Authority
9. Shri Rajendra Singh, Member (HE)
10. Shri D.P. Sinha, Member (GO)
11. Shri R. N. Srivastva, Member (Th)
12. Shri G. Venkata Rao, Member (Plg.)
13. Shri G.S. Rajamani, Member (E & C)
14. Shri K. Ramanathan, Member (P.S.)

Public Sector Undertakings (PSUs)

1. Shri Rajendra Singh, CMD, National Thermal Power Corporation.

2. Shri Arun Gupta, CMD, Power Grid Corporation of India Limited & Nathpa Jhakri Power Corporation.
3. Shri S.R. Narsimhan, CMD, National Hydro Electric Power Corporation.
4. Shri M.L. Gupta, CMD, Tehri Hydro Development Corporation.
5. Shri M. Gopalakrishna, CMD, Rural Electrification Corporation.
6. Dr. Uddesh Kohli, CMD, Power Finance Corporation.
7. Dr. P.K. Kotoky, CMD, North Eastern Electric Power Corporation.
8. Shri Badal Sengupta, Chairman, Damodar Valley Corporation.

The Committee took oral evidence of the representatives of Ministry of Power in connection with the Examination of Demands for Grants (1996-97) of the Ministry of Power.

2. The important points discussed by the Committee are as follows:

- (i) Target/Achievement of capacity addition to generation in the Eighth Five Year Plan.
- (ii) Non-Utilisation of External Assistance.
- (iii) Transmission and distribution Losses.
- (iv) Rural Electrification Corporation.
- (v) Decline in the ratio hydro-thermal mix.

3. A copy of the verbatim proceedings of the Committee has been kept on record.

The Committee then adjourned.

MINUTES OF THE SEVENTH SITTING OF STANDING COMMITTEE
ON ENERGY HELD ON 22ND AUGUST, 1996 IN COMMITTEE
ROOM '62, PARLIAMENT HOUSE, NEW DELHI.

The Committee sat from 1100 house to 1430 hours.

PRESENT

Shri Jagmohan - *Chairman*

MEMBERS

2. Shri Karia Munda
3. Prof. (Smt.) Rita Verma
4. Prof. Om Pal Singh Nidar
5. Shri Ravindra Kumar Pandey
6. Shri Muni Lal
7. Shri Shri Ram Chauhan
8. Shri Sriballav Panigrahi
9. Shri G. Venkateswamy
10. Shri Tariq Anwar
11. Shri Prithviraj D. Chavan
12. Shri Iswar Prasanna Hazarika
13. Shri Sandipan Thorat
14. Shri Anil Basu
15. Shri Haradhan Roy
16. Shri P.R.S. Venkatesan
17. Shri N. Ramakrishna Reddy
18. Gawali Pundlikrao Ramji
19. Shri Chitta Basu
20. Shri Ramendra Kumar
21. Shri M. Rajasekara Murthy
22. Shri Ramjilal

23. Shri Vedprakash Goyal
24. Shri Lakhiram Agarwal
25. Shri Prem Chand Gupta
26. Shri Dipankar Mukherjee

SECRETARIAT

1. Smt. Roli Srivastava	— <i>Joint Secretary</i>
2. Shri G.R. Juneja	— <i>Deputy Secretary</i>
2. Shri A.S. Chera	— <i>Under Secretary</i>

The Committee first took up for consideration the Draft Report on Demands for Grants (1996-97) of Ministry of Power. The Committee, after discussion adopted the Draft Report with the modifications indicated in Annexure-I.

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3. The Committee authorised the Chairman to finalise the reports adopted by the Committee and present them to Parliament.

The Committee then adjourned

ANNEXURE I TO THE MINUTES

AMENDMENTS/MODIFICATIONS IN THE FOURTH REPORT ON DEMANDS FOR GRANTS (1996-97) OF MINISTRY OF POWER.

Page	Para	Line	Amendments/Modifications
1.	1	2	Delete (5.5 crores charged and Rs. 3018.34 crores voted)
2.	4 (Deleted)		<p>Modified paragraph is as under :</p> <p>The Committee note that as per budgetary plan allocation 1996-97 the amount is Rs. 2572.81 crores. The budgetary plan support has increased from 1992-93 to 1994-95 but in the subsequent years 1995-96 and 1996-97 the budgetary support has decreased. The Committee are, therefore, not convinced by the contention of the Ministry that budgetary plan support has gradually been increasing on the whole.</p>
3.	6 (Deleted)		<p>Modified Paragraph is as under :</p> <p>The Committee observe that in the case of generation of thermal and hydel sectors and in the case of system improvement the budgetary support has been reduced. The Committee are deeply concerned about the current power crisis and its impact on all the sectors of economy. In the year 1995-96 also the achievement fell far short of the target and the Ministry should have tried to make up the shortfall in the year 1996-97. The budgetary support ought to have been increased substantially. The Committee are constrained to note that the budget outlay in crucial areas has been reduced without considering the aforesaid factors.</p>

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5. 8 At the end of para add following lines :

These figures showed that total capacity addition was only 14799 MW upto the end of the year 1995-96 as against the approved capacity addition of 30537.7 MW for the plan period.

9. 16 & 17 (Deleted) Revised paragraphs 16,17 & 18 are as under:

16. The Committee are concerned about the failure to achieve the approved target of capacity addition during the Eighth Five Year Plan period. The achievement in the last four years of plan period was only 14799 MW and the total achievement is expected to be below 18000 MW. This is only about 58 percent of the Eighth Five Year Plan target of 30537.7 MW. The Ministry attributed this failure to the resource crunch and to the attitude of most of the State Governments who, thinking that investment in this sector would be forth coming from the private sector, did not allocate sufficient funds of their own for generation of electricity, But the high expectations from the private sector did not materialise and the plan programme was adversely affected.

17. The Committee are of the opinion that the Ministry, instead of keeping the situation under review and taking corrective measures particularly at the time of mid-term appraisal of Eighth Five Year Plan, and persuading the State Governments and the Planning Commission to provide adequate funds, continued to pin its hope on the private sector during the four years of the Eighth Five Year Plan. Obviously, this hope was misplaced.

18. The position in the last four years was that capacity-addition in the Central Sector was 7334 MW against the target of 12858 MW and in the State sector 6287 MW against the target of 14869.7 MW. The Committee, therefore, expect the Ministry to ensure financing of Public Sector Under-takings by Budgetary support as well as external assistance so that the public sector undertakings, like NTPC, NHPC etc. are able to realise the targets set out in the Plan. The Committee further desire that in order to assess the actual achievement in capacity addition, the Performance Budget should also indicate the number and full particulars of projects that have been declared commercially open.

13. 23 9 Add "and later on furnished a revised statement". After the word projects Delete last sentence and replace it with the following :

"The Committee expects the Ministry to be more careful in the preparation of the Performance Budget which is presented to the Parliament."

18. 30 (Deleted) Revised paragraphs 31, 32, 33 & 34 in place of para 30 are as under :

31. The policy of private sector participation in Power Sector was launched in 1991. The Committee note that while the number of proposals received from private entrepreneurs has been considerable, their materialisation and implementation has not been so. Some of them have been called for re-examination with the change in the Government.

32. During the Eighth Five Year Plan, the Ministry have set a target of 2830 MW for

capacity addition and in the first four years of plan 1257.5 MW has been added to the generating capacity by the private sector. Another 799.5 MW is expected to be added in the year 1996-97. Thus, a capacity of 2057 MW will be added in the private sector against a target of 2830 MW. A gap of about 773 MW will thus remain at the end of the Eighth Five Year Plan.

33. Regarding the progress of the eight fast track projects, the Committee observe that though the Ministry is taking action to Clear the pending five fast track projects there is as yet substantial shortfall in the Eighth Five Year Plan target for the private sector. The fast track power projects have not made the expected headway. The Committee stress the need for expeditious action and for formulation of a sound, integrated and transparent policy which can inspire public confidence and also tackle effectively the various difficulties that arise from time to time.

34. The Committee also noted that policy launched in 1991 has failed to sort out the problems relating to legally, enforceable fuel supply/ transport agreements. In the Twenty Sixth Report (Tenth Lok Sabha) also, the Committee had recommended that the comprehensive fuel policy should be drawn up and at the time of finalisation of the project fuel supply/transport agreements should be taken into consideration. The Committee would again draw Ministry's attention to this recommendation.

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23.	-	38(Deleted)	<p>The Committee note that for decades the share of hydel power has been going down. The required hydro-thermal mix for providing peak support and preventing sub-optimal level operation of thermal plants is 40:60 whereas the present ratio is 26:74. The Committee note that due to lack of funds in the State sector, the centre has created a large number of hydel corporations like NHPC and NEEPCO to implement Hydel projects, but some of them like NHPC are facing severe resource crunch. The Government should therefore, ensure allocation of adequate funds and uninterrupted cash flow to prime public sector undertakings like NHPC, NEEPCO etc.</p>
	44		<p>The Committee would also like the Ministry to take initiative in formulating detailed guidelines for land acquisition and rehabilitation.</p>
	45		<p>Regarding Keol Karo Project, the Government may reappraise/review it and provide adequate resource. It should also evolve a mechanism for speedy environmental and forest clearance and thus prioritise the hydel projects for execution by both the public and private Sector.</p>
27.	48		<p>Add the following lines after para 53.</p> <p>54. On a query raised regarding the interest charged upon the amount given to the States as loan for rural electrification, the Chairman, Rural Electrification Corporation stated as under :</p> <p>"The rate of interest which the OECF charges to the Government of India is 2.5 per cent. The Government of India in turn charges REC at the rate of 12 per cent. REC in turn charges at the rate of 16 per cent."</p>

55. Asked about the terms of repayment of this loan to OECF, the witness added :

"The Government of India takes it with a ten year moratorium and 30 year period for loan repayment. In the case of REC, the Government of India prescribes it as five years moratorium with 15 year repayment schedule. And for the States, REC prescribes two years moratorium and seven to eight year repayment schedule."

28. 49 (Delete)

New Paras 56 & 57 as under:

61. Rural Electrification Corporation is an organisation which is involved in a vital sector of development and has a role to play in every nook and corner of the country. The Committee are however distressed to note that the financial matters pertaining to this corporation are not being managed properly. The Committee observe that the loan agreements between Government of India and OECF, Japan was signed on 23.1.1991. There was a dispute between OECF and Government of India over the appointment of the foreign consultant. The consultant was appointed in December, 1993. The Committee are constrained to note that this disagreement dragged on for over three years before it was settled. The Committee expect the Government/REC to have been aware of the procedure followed by the OECF. All the terms and conditions should have been settled amicably before the acceptance of the loan amount. The Committee are of the opinion that, while expertise was available with SEBs, the loan from OECF was received with a string attached *i.e.* the appointment of a consultant. Keeping in view the availability of expertise in the SEBs, the Ministry should

have found a way out for its utilisation. If foreign consultants had to be appointed, there should not have been such a long delay in doing so.

57. The Committee observes that the present system of giving of loans is unsound and requires to be examined. Short-term loans at high rates of interest cannot answer the need of the situation. They present Rural Electrification Corporation for achieving its goals. The present financial pattern need to be reviewed.

31. 55 (Deleted) New para 63 & 64 added are as under :

63. The Committee note that in the Performance Budget (1995-96) the target was set to electrify 925 Tribal villages and 3400 Harijan Bastis. However, Performance Budget (1996-97) is silent about the achievements in this regard. The Committee are unable to appreciate why the number of Tribal Villages and Harijan Bastis were not given in the Performance Budget. The Committee desire that the Performance Budget should reflect the precise and up-to-date position of the programme.

64. The Committee also regrets to note that there are discrepancies in the figures of targets relating to some States and that these have been furnished without correcting them.

32. 56 After last line add the following "and Ministry stated that commitment charges paid for this amounts to Rs. 97. crores." (Annexure-III)

35. 62 (Delete) New Paras 71 & 72 added are as under :

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71. The Committee have expressed grave concern in their Twentieth Report (Tenth Lok Sabha) regarding the fact that the funds borrowed from external sources remain unutilised. The commitment charges on unutilised funds amount to 97 crores. The Committee are disappointed to note that their earlier recommendations in this regard have not been followed by the Government, and now multilateral agencies are threatening to stop assistance.

72. The Committee are of the opinion that the Government should not draw comfort from the fact that the central sector has utilised the funds received as loan. The Ministry must take the power sector as a whole and monitor all the externally aided projects whether in the Central or State sector. The Committee would like firm advice to be given to all States/SEBs to utilise all the required funds in order to avoid cut in the external assistance.

38. 71 Add the following line after para 71 "Ministry have also furnished the Statewise details of prosecutions launched during the year 1992-93 and 1993-94" (Annexure-IV)

39. 72 (Delete) 82. The Committee are of the view that Transmission and Distribution losses which can be reduced with minimum investment are losses due to non-technical factors like pilferage of energy, defective meters and unmetered supply. These losses can be brought under control by taking strong administrative measures. The financial position

of SEBs will improve with the reduction in the non technical losses. So far as technical losses are concerned the Committee desires the Ministry to identify the system elements responsible for such losses and formulate system improvement schemes for strengthening and improvement of sub-Transmission and Distribution system. These schemes should be implemented expeditiously.