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STANDING COMMITTEE ON ENERGY
(1998-99)

TWELFTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS
(1999-2000)

NINETEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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Presented to Lok Sabha on 22 April, 1999
Laid in Rajya Sabha on 23 April, 1999

LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

C.E. No. 097

Price : Rs. 38.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by Jainco Art India, 13/10, W.E.A., Saraswati Marg, Karol Bagh, New Delhi-110005.

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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 Nineteenth Report (Twelfth Lok Sabha) on the Demands for Grants (1999-2000) relating to the Ministry of Power.

2. The Committee took evidence of the representatives of Ministry of Power on 6th April, 1999.

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 16th April, 1999.

NEW DELHI;
17 April, 1999
27 Chaitra, 1921 (Saka)

K. KARUNAKARAN,
Chairman,
Standing Committee on Energy.

REPORT

PART I

CHAPTER I

Introductory

1.1 The Ministry of Power is primarily responsible for the development of electrical energy in the country. The Ministry is concerned with perspective planning, policy formulation, processing of projects for investment decision, monitoring of the implementation of power projects, training and manpower development and the administration and enactment of legislation in regard to thermal, hydel power generation, transmission and distribution.

1.2 The Ministry of Power is mainly responsible for evolving general policy in the field of energy. The main items of work dealt with by the Ministry of Power are as below:

(i) General Policy in the Electric Power Sector and issues relating to energy policy. (Details of short, medium and long–term policies in terms of formulation, acceptance, implementation and review of such policies, cutting across sectors, fuels, regions and cross country flows).

(ii) All matters relating to hydro–electric power (except mini micro hydel projects of and below 25 MW capacity and Geo–thermal energy) and thermal power and transmission System Network.

(iii) Research, development and technical assistance relating to hydro–electric and thermal power and transmission system network.

(iv) Administration of the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948)/CERC Act 1998.

(v) All matters relating to Central Electricity authority, Central Electricity Board and Central Electricity Regulatory Commission.

(vi) Rural Electrification, Power schemes in Union Territories and issues relating to power supply in the States and Union Territories.

1.3 In all technical matters, Ministry of Power is assisted by Central Electricity Authority, which is an attached office constituted under Electricity (Supply) Act, 1948. The CEA is responsible for technical coordination and supervision of programme and is also entrusted with a number of statutory functions.

1.4 The All India installed capacity or electric power generating stations under utilities as on 31.1.99 was 91066.18 MW of which thermal power consists of 65789.98 MW and hydel power amounts to 22083.08 MW. Thus thermal hydel ratio in the country at present is 76:24.

1.5 It was envisaged to add 30,538 MW during the Eighth Five Year Plan. However, only 16422.6 MW was added to the installed capacity amounting to slippage of 46% less than the targetted capacity addition and 23.26% less than capacity added during the Seventh Plan period. Ninth Plan envisages a capacity addition of 40245.2 MW.

1.6 The Ministry of Power have presented Demands for Grants of Rs. 4001.81 crore for the year 1999–2000 as against Rs. 3660.98 crore (BE) and Rs. 3703.97 crore (RE) for the year 1998–99 and Rs. 3805.57 crore (Actual) for the year 1997–98. The headwise details of the Demands for Grants are shown in Appendix.

1.7 The observations of the Committee on the basis of the Scrutiny of Demands for Grants of the Ministry for the year 1999–2000 are brought out in the succeeding Chapter.

CHAPTER II

A. Allocation for Power Sector

2.1 Sector–wise distribution of budgetary support of the Ministry of Power since 1994–95 are as follows:

(Rs. in crore)

Sl. No.	Sector	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7	8
(A) Central Sector							
1.	Secretariat Economic Service	3.06	3.50	3.52	3.95	5.40	6.56
2.	C.E.A.	37.05	42.06	29.10	31.25	48.67	50.31
3.	Generation						
	(a) Thermal	1705.84	1149.45	807.49	772.58	844.21	937.84
	(b) Hydro	909.59	817.85	796.43	1125.53	1579.00	1606.39
4.	Transmission & Distribution	345.00	318.64	321.00	303.41	182.97	300.24
5.	Power Finance Corp.	175.00	300.00	550.00	550.00	370.00	300.00
6.	System Improvement (OECF loan)	50.00	300.00	50.00	30.00	75.00	214.00
7.	Misc. Schemes	109.14	114.86	118.30	82.31	250.32	120.97
	Total (A)	3332.68	3046.36	2675.84	2899.03	3355.57	3541.81

1	2	3	4	5	6	7	8
(B)	**State Sector**						
1.	Rural Electrification	316.00	348.00	348.00	348.00	450.00	460.00
	Total (A+B)	3650.68	3394.36	3023.84	3247.03	3805.57	4001.81

2.2 The allocation for each year is made by the Planning Commission taking into account various factors like availability of resources with the Government progress of various projects, capacity of various organisation in raising internal and external resources etc. Fund allocation for Central Sector during Eighth Five Year Plan was Rs. 25920.00 crore. For Ninth Five Year an amount of Rs. 45591.05 crore has been earmarked.

2.3 The proposed budgetary support and IEBR content of the 9th Plan for the Ministry of Power is as follows:—

Gross Budgetary Support	Rs. 14943.05 crore
IEBR	Rs. 30648.00 crore

2.4 The IEBR amount actually raised during the Eighth Plan by the Ministry of Power was Rs. 14968.78 crore. Further during 8th Plan, period, while the PSUs were able to raise their internal resources, they could not succeed in raising bonds/debentures to the extent of approved target.

2.5 Asked whether targets for Internal and Extra Budgetary Resources (IEBR) for the Ninth Five Year Plan were fixed taking into account the actual achievements obtained during Eighth Five Year Plan Ministry of Power mentioned that the higher provisions of IEBR for the 9th Plan is to meet the funds requirement of the ongoing scheme as well as the new schemes. As against the actual capacity addition of 16,423 MW in the Eighth Plan, the capacity addition for the 9th plan has been proposed at 40245.2 MW. Hence the need for an increased outlay and in increased IEBR. The target and actual realisation of IEBR during first two years of Ninth Five Year Plan is as under:

(Rs. in crore)

Year	Target	Achievement
1997–98	4497.31	3688.95
1998–99	6786.00	4980.9 (actual provisional)

2.6 When the Committee inquired as to how the Government propose to ensure that IEBR components are based on realistic and rational basis and have any steps been taken to ensure raising of estimated IEBR the Ministry of Power in a note stated:—

> "The IEBR consists of four components namely Internal Resources, Bonds, ECB/Suppliers' Credit and Others. Internal Resources depends upon generation of surplus funds from operations after meeting depreciation, interest liability and tax liability, if any. By and large, the internal resources target has been met or has been exceeded by the PSUs of the Ministry of Power in the 8th Plan. Hence, during the 9th Plan also, PSUs of the Ministry of Power are also likely to achieve the targets. As regards bonds the same depends upon the prevailing market conditions, both domestic and international, availability of budgetary support in some cases and the progress of the on–going projects. ECB/Suppliers' Credit depends upon time of placement of contracts, availability of Suppliers' Credit etc. This component consists of committed loans from bilateral/multilateral agencies like World Bank, ADB, OECF etc., loans raised from abroad and credit made available by suppliers. In the first two years of the 9th Plan i.e. 1997-98 and 1998-99, as per Budget Estimates Rs. 11.283 crores was to be arranged by the PSUs of the Ministry of Power. As against this, to the end of March, 1999 (provisional) Rs. 8,670 crores (including REC under State Plan) has been arranged. One reason for shortfall was that NHPC was given additional budgetary support during 1997–98 by obtaining a supplementary grant for its ongoing projects. Thus,

NHPC did not raise bonds to the extent of Rs. 521 crores. In the case of NJPC, flash floods in 1997–98 had an adverse impact on the progress of work. In addition, there were delays in finalising major contracts where a part of the financing was through IEBR. Similarly, in the case of NTPC and Powergrid, there were delays in sanctioning some of the projects and hence there was less requirement of funds under IEBR.

IEBR component of funds for PSUs is based on actual needs which, in turn, depends upon the physical targets of ongoing (yet to be commissioned) and new projects. to finance its 9th Plan outlay. NTPC has already tied up over Rs. 7300 crores by way of generation of internal resources and committed loans from World Bank, ADB and OECF. The balance amount of about Rs. 5,200 crores would be raised by obtaining loans from the domestic market and External Commercial Borrowings. Similarly, in the case of Powergrid, Rs. 1,805 crores are committed loans from multilateral/bilateral sources/ECB and Rs. 2,550 crores would be raised from the domestic market. Rs. 4277 crores are expected to be raised from the ECB market and Rs. 2206 crores are the projected internal resources during the 9th Five Year Plan. As regards NJPC, of the projected IEBR of Rs. 989 crores, Rs. 823 crores has been tied up and the balance is also likely to be tied up. NHPC is to arrange IEBR of Rs. 2,587 crores of which Rs. 853 crores have already been tied up as direct foreign loan. The balance amount would be raised from domestic market/term loan and through ECB/Suppliers' Credit. As regards PFC, the Corporation has already raised Rs. 1248 crores against target of Rs. 1156 crores. Similarly, DVC, NEEPCO and THDC are expected to meet their IEBR targets."

2.7 Explaining the resources raised, during first two years of 9th Plan, Secretary, (Power) stated:—

"With reference to the raising of internal resources as also budgetary resources, we have already achieved funds sufficient for two years. We have achieved Rs. 24,858 crore, in the first 3 years, which is more than 50 percent."

2.8 The Annual Plan 1999-2000, for Power Sector is Rs. 10,060 crore, which is nearly 25% higher over the RE for 1998–99. Rs 5,295,44 crore is for on–going projects and Rs. 1,935.75 crore for new project and balance for other schemes.

2.9 Power Sector is one of the biggest recipients of external aid. The total committed bilateral and multilateral aid for the ongoing major schemes in the Power Sector is of the order of US$ 7843 million which is around 30% of the total committed assistance to the country. External assistance forms around 33% of the Central Sector plan and 15% of the State Sector plan.

2.10 So far as impact of sanction on ongoing projects is concerned, Ministry in their reply mentioned that USA has opposed multilateral funding to India. Govt. of Japan has frozen all new Yen loans. Govt. of Sweden is also not accepting any new proposals. The World Bank, the ADB and the OECF have not suggested any freezing on already committed loans. The impact, in the broader sense, is thus seen to be in terms of future projects which are in pipeline or could have been considered for external assistance. The assistance to the State Sector at present by the multilateral agencies is primarily focused on reforms and restructuring of SEBs. The impact of deferment of new loans, however, could be considerable on the envisaged restructuring of SEBs. Certain States such as Rajasthan, Gujarat & M.P. may have to seek alternative sources in case the uncertainties remain on new loans for more than a year. The Ministry of Power do not perceive any freeze/ deferment in regard to committed assistance. Thus ongoing projects are not likely to be affected. However, in case of new loans under negotiation as apprehended, there may be some impact on account of deferment to mobilise resources in the External markets.

2.11 Despite economic sanctions, the PFC and NTPC have borrowed money from the international market to implement the projects/ schemes. PGCIL has also prepared contingencies plan to fund their projects. Recently, the World Bank have cleared a fund of US$ 210 million to Andhra Pradesh for Power Sector Reforms.

2.12 Explaining the impact of sanctions so far, a representative of Ministry of Power, during evidence stated:

> "Andhra Pradesh Restructuring Programme has been approved despite sanctions. This is the positive side. The negative side is that there are some projects like the Western Yamuna Hydro Electric Project, Haryana Transmission Project, Talcher II Power Project, Talcher II Transmission Project and Rihand Sasaram Transmission Project where we are not able to get money because of sanctions and because of some other reasons also. There are

problems, but we are very hopeful to get money after the Bakreshwar project which was sanctioned and after the Andhra Pradesh Restructuring Project which was also sanctioned despite sanctions. So, we are hopeful that even if sanctions continue, perhaps we will get money."

2.13 When asked the dimensions of sanctions, in monetary term, the Ministry in a note informed the Committee, as under:—

"Out of the total external assistance component, year-wise phasing is done for each of the projects depending upon the completion schedule. The effect of sanctions for any particular year would be limited to the amount stipulated for that year according to the completion schedule. Following is the details of project and foreign assistance component.

Name of the Project	Donor Agency	Component of foreign assistance (in Rs. cr.)
Western Yamuna HEP	Japan	58.0
Haryana Transmission	Japan	17.70
Talcher Transmission Line Project	World Bank	1384.0
Rihand Sasaram Transmission Project	World Bank	347.0
Talcher II Power Project	World Bank	2660.0

2.14 The Committee were also informed that since the incremental investments in system improvement and distribution networks are lower, the sanctions present an opportunity to correct the investment imbalance and meaningful distribution reforms can be pushed in the States to give benefits. Inefficiencies in the form of T&D losses and loss of PLF through frequent backing down also needs to be addressed. The setting up of the State Electricity Regulatory Commissions and the consequent tariff rationalisation will help in easing the financial difficulties of the SEBs.

2.15 Asked to furnish the details of projects which have been affected/delayed during 1998-99 due to sanctions, Ministry of Power furnished a list which is as under:

Sl. No.	Name of the Project and Executing Agency	Name of Donor	Remarks
1.	Faridabad Gas Based Project—I Tranche, NTPC	Japan	Funds are being released as per commitment made.
	II Tranche, NTPC		Funds have not been released.
2.	Simhadri Thermal II Tranche, NTPC	Japan	Funds have not been released.
3.	Western Yamuna Hydro-Electric Project, HSEB	Japan	Funds have not been released.
4.	Haryana Transmission Line Project, HSEB	Japan	Funds have not been released.
5.	Talcher II Power Project NTPC	World Bank	Negotiations have taken place with World Bank. Funds have not been released.
6.	Talcher Transmission line Project, PGCIL	World Bank	Negotiations have taken place with World Bank. Funds have not been released.
7.	Rihand Sasaram (North-East) Transmission Project, PGCIL	World Bank	Negotiations have taken place with World Bank. Funds have not been released.

2.16 When the Committee enquired, whether the Government will be able to realise the capacity addition targets inspite of sanction and scaling down of Budgetary support, during Ninth Plan Secretary (Power) deposed as under:

> "We would need extra funds for achieving our targets. Therefore, on the hydro side, we had thought that a cess on power generation would help us in some of the preliminary activities which suffer because of lack of funds. For instance, in hydro projects, geological survey is extremely important because we face a lot of geological surprise. So, surveys and investigations have become a very important aspect. The preparation of a detailed project report for a hydel project is very important. Therefore, for these things and also for taking some other preliminary steps like acquisition of land and compensation, we need extra funds. Therefore, we thought that a cess on power generation would be an important step for raising resources at least for these preliminary activities. This has not been accepted so far. There is resistance to it although two–thirds of the money would go back to the State Governments and we would have kept only a small part of it insofar as the Central sector is concerned. It would be totally dedicated to the hydro sector. The other point is that distribution and transmission and generation are not being treated alike, as a result of which the reforms that should take place on the transmission side and distribution side are likely to get slowed down. Transmission has become costly at the moment. As a result, what we are thinking is to recommend to the State Governments debundling, that is, one integrated State Electricity Board should be broken up into three. As a result of transmission becoming costlier, people would not go by debundling, would not go in for corporatisation, as a result of which the transmission system, where should be spending at the ratio of 1:1 suffers. So, we have sent a proposal to the Ministry of Finance that transmission should be treated in the same manner as we treat generation".

2.17 Asked about the steps taken in this regard, Ministry stated:

> "The scheme has not been finalised so far...... As regards to outstandings of CPSUs of Ministry of Power, as on 31.12.98, these were Rs. 18,401 crore, (including surcharge). As regards

steps taken by Government, recoveries are being made from the Central Plan Assistance of States for outstanding dues of SEBs upto 31/12/96. Recovery from the Central Plan Assistance (CPA) is, however, limited to 15% of CPA payable to the concerned State Governments."

2.18 The Committee have been apprised that the Planning Commission has approved an allocation of Rs. 1,24,526 crore for power sector during Ninth Plan comprising of Rs. 4,559.05 crore in Central Sector and rest Rs. 78,935 crore in the state sector. The Committee, are, however perturbed to note that the overall outlay of the 9th plan for Power Sector, has been drastically reduced to 14.5% from 18.3% during 8th plan. The Committee are of the view that when the country is facing 5.3% energy shortage and 11.1% peaking shortage on macro level, and impact of economic sanctions, looming large, the reduction in plan outlay for Power Sector is neither desirable nor justified. The Committee recommend that Government/ Planning Commission should increase allocation for Power Sector and it should be more than the level of 8th Plan i.e. 18.3% of overall outlay, so that the on-going and future project could be completed within the scheduled time frame.

2.19 The Committee note that for 9th Five year plan Rs. 45591.05 crore have been proposed for Central Power Sector. Out of this, Internal and Extra Budgetary Resources (IEBR) amounts to Rs. 30648.00 crore. The Ministry's have informed that higher provision of IEBR for the 9th plan has been envisaged to meet the funds requirement of the ongoing scheme as well as the new schemes. As the mobilisation of resources under internal accrual depends largely on the market conditions the Committee are in serious doubt whether the IEBR amount earmarked for 9th plan can be realised considering their dismal performance during 8th Five year plan. The Committee have also found that in the first two years of Ninth Plan against a target of Rs. 11283.31 crore, Rs. 8668.85 crore have been realised from IEBR. The contention of the Government that the targetted amount could not be realised during first two years of Ninth Plan due to inability of Central PSUs is hardly convincing. In the view of the Committee the dependency on IEBR may jeopardise the progress of projects due to uncertain IEBR position. Even organisation like NTPC have not been able to raise resources through bonds and debentures in the first two years of Ninth Five year plan. The Committee while recommending that realistic and achievable IEBR

targets should be fixed also desire that Government must take measures to encourage investment in the power sector.

2.20 The Committee have noted that about Rs. 19,000 crore is still outstanding against SEBs. The non–realisation of the dues are affecting the operating performance of CPSUs in the Power Sector, to a large extent. The Committee have noted that the scheme announced by the Government during Budget (1998—99) on the floor of the House regarding guarantee scheme to cover outstanding dues for SEBs on the basis of which they can raise resources either by securitisation or directly entering in the market for raising resources, has not been finalised. The Committee are of the opinion that the scheme announced on the floor of the House and specially during Budget are sacrosanct and should be operationalised with maximum dispatch. However, in the present case, it has been bogged down in the inter ministerial skirmish. The Committee expect that Government should now, at least act with alacrity and take immediate steps to resolve all the issues, delaying the implementation of the scheme and inform the Committee within 3 months of presentation of this report. The Committee have also observed that deduction from CPA due to State Governments are inadequate and it will take many years to liquidate the arrears, since only 15% of CPA is allowed to be appropriated. The Committee therefore recommend that this percentage should be increased so that the much needed resources are made available for the on going & future projects.

B. Capacity Addition

2.21 During Eighth Five Year Plan, as against a target of 30538 MW of additional capacity creation, the actual achievement was 16,423 MW. By the end of Eighth Five Year Plan, the country had achieved an installed generation capacity of 85,742 MW. The capacity now stands at 93,392 MW as on 31.3.99. The shortfall in additional capacity during Eighth Five Year Plan was partially compensated by an increase in Plant Load Factor by over 9% for thermal plants. The generation during this period increased at an average rate of 6.4%. At the beginning of Eighth Five Year Plan, the peaking shortage was 20.5% and energy shortfall 7.8%. By the end of Eighth Five Year Plan, the peaking shortage came down 18.00% while energy shortage went up to 11.5%. In 1998–99, the peaking shortage was 11.3% while the energy shortage came down to 5.6%.

2.22 During Eighth five Year Plan, the share of thermal hydel and nuclear power was 72.7%, 24% and 2.4%, respectively. The balance is accounted by Wind Energy. It is expected that during Ninth Five Year Plan a total of 40,245 MW is expected to be added. This consists of 29,545 MW thermal power, 9,819 MW hydel power and 880 MW nuclear power. It is proposed to add 11,909 MW in the Central Public Sector, 10,748 MW in State Sector and 17,589 MW in Private Sector including liquid fuel sector (6000 MW).

2.23 In case, the proposed 40,000 MW of power is realised during the Ninth Five Year Plan, even then there would be a shortage of 17,000 MW. Thus, the peaking shortage by the end of Ninth Five Year Plan will be 17%. But the energy deficiency would be just above 1.5%.

2.24 The sector-wise and region-wise capacity addition break-up as proposed for Ninth Five Year Plan is mentioned below:—

Sector--wise benefits (MW)

Sector	Hydro	Thermal	Nuclear	Total
Central	3455.00	7574.0	880.0	11909.0
State	5814.7	4933.0	—	10747.7
Private	550.0	17038.5	—	17588.5
Total	9819.7	29545.5	880.0	40245.2

Region-wise benefits (MW)

Region	Hydro	Thermal	Nuclear	Total
1	2	3	4	5
Northern	4177.0	3360.0	440.0	7977.0
Western	2212.5	8361.7	—	10574.2

1	2	3	4	5
Southern	1824.5	7684.3	440.0	9948.8
Eastern	918.5	3890.0	—	4808.0
N.E. Region	682.0	229.5	—	911.5
A&N Island	5.2	20.0	—	25.2
Total	9819.7	23545.0	880.0	34245.2
Liquid Fuel		6000.0		6000.0
All India	9819.7	29545.5	880.0	40245.2

2.25 It can be observed from the above table that more than 25% of capacity addition proposed during Ninth Five Year Plan is expected from the State Sector whose resources are inadequate. Projects based on liquid fuel amounting to 6000 MW are yet to be identified.

2.26 The Draft Ninth Five Year Plan document has observed the following, on the shortfall in capacity addition during Eighth Five Year Plan:—

> "The main reasons for the shortfall in capacity addition are inadequate funding of the State as well as the Central Sector projects, procedural delays mainly in land acquisition and environmental clearances, unresolved issues in fuel linkages, contractual failures, suspension of World Bank support and problems/delays in entrusting the projects to the executing agencies etc."

2.27 Asked about strategies for realisation of the targeted capacity during Ninth Plan, the Committee was informed that the following measures *inter-alia* have been proposed to ensure that the targets for the 9th Plan are met:—

(i) Monitoring mechanism in Central Electricity Authority and Ministry of Power has been streamlined and strengthened to oversee the progress of works and for identifying critical bottlenecks and suggest remedial measures.

(ii) An empowered Committee has been set up under the Chairmanship of Secretary (P) to monitor the projects. Four meetings of this Committee have already been held so far.

(iii) Higher funding has been provided for projects being implemented by the Central Public Sector Undertakings to enable faster completion of projects.

(iv) In so far as projects costing 100 crore or more are concerned, the projects are being very closely reviewed as directed by the Prime Minister's Office. In particular, the projects facing law and order problems in the North East and J&K were reviewed on 26.8.98 in a meeting with the representatives of the State Governments and the Ministry of Home Affairs.

(v) A scheme has also been introduced for providing concessional finances through Power Finance Corporation for accelerating the commissioning of on–going projects in State.

(vi) Periodic meetings are held in the Ministry with the officials of the Central Public Sector Undertakings to identify the bottlenecks and find solutions to the various problems."

2.28 The details of Sector-wise of capacity addition in the year 1997-98, 1998-99 and proposed for 1999-2000 sector-wise are as under:—

Year	Target		Achievement		Ninth Plan (proposed)	
	Hydro	Thermal	Hydro	Thermal	Hydro	Thermal
1997-98	516	2725	223	3050.3	9819.7	29545.5
1998-99 (upto 31/12/98)	544.50	2754.80	192	1134.20	—	—
1999-2000	1421	2502.4	—	—	—	—

2.29 In this connection Ministry further added that for the 9th Plan, 6251.5 MW of thermal capacity and 614.5 MW of hydel capacity has already been achieved. It is also expected that about 3867.2 MW of thermal capacity is likely to be achieved from out side the 9th Plan programme.

2.30 Commenting on the performance in capacity realisation during the first two years of the 9th Plan and proposed action for 1999-2000, Secretary (Power) during evidence stated:—

"We took a number of initiatives during 1998-99 to improve capacity addition, new projects start generation etc. With these efforts, capacity addition exceeded the target of 3,299 MW by recording 4,367 MW generation capacity addition during the year thereby registering 33 per cent growth rate as compared to that recorded during 1997–98. The NTPC exceeded its programmed capacity addition target of 115.3 MW by adding 940 MW during 1998-99. Despite the surplus in the Eastern Region which resulted in backing down of its units in the region, NTPC's average plant availability factor has increased from 85.03 per cent to 89.5 per cent while PLF as gone up from 75.2 per cent to 76.6 per cent. The Power Grid recorded 34.5 per cent growth rate in linelength addition during the year by adding 2,825 ckm. The transmission system availability of Power Grid lines was maintained at 98.66 per cent.

Generation performance recorded 6.5 per cent growth rate during the year with energy shortages coming down to 5.6 per cent as against 8.1 per cent recorded in the previous year. The NHPC increased its generation output to 9,917 MUs during the year, recording growth rate of 12 per cent. Its plant availability also reached 88.41 per cent as against 82.79 per cent recorded during 1997-98. Fresh starts in the Central sector during the year were 9,035 MW as against 2,480 MW achieved during the years 1994-95 to 1997-98. The private sector has also achieved fresh starts of 2,685 MW as against 2,892 MW achieved in the preceding three years together *i.e.* 1994-95 to 1997-98."

2.31 He further stated:—

"During 1999-2000, we expect to add 4,363 MW and hope to generate 469 billion units, some of the major thermal projects in the Central sector which are likely to be commissioned in 1999-2000 are NTPC's Faridabad Gas Based Project (286 MW), Unchahar (210 MW), Vindhyachal (500 MW) and Kayamkulam (119 MW). As regards the hydel sector, some of the major central sector projects are NHPC's Rangit (40 MW) and NEEPCO's Doyang (50 MW). As regards transmission in the Central sector, the Unchahar-Kanpur-II, Vindhyachal-II project ATs and Korba-Bodhipodar transmission schemes are like to be commissioned in 1999-2000."

2.32 He also informed that 7000 MW of power has been added by the end of March 1999 by preponing some of the projects completion schedule.

2.33 In a Post-evidence reply, the Ministry of Power furnished details of projects completed ahead of schedule. Their details are as under:—

Projects which have been targeted for capacity addition during 1998-99 and were completed ahead of schedule are:—

S.No.	Project	Schedule	Date of Commissioning
1.	Kayamkulam GT (115.3 MW)	3/99	02.11.98
2.	Basin Bridge DG Sets (U-3&4) (2x50 MW)	2/99	31.12.98
3.	Banaskandi (5 MW)	7/99	23.06.98

The following projects were to be commissioned in 1999-2000 but have been commissioned ahead of schedule in 1998-99 itself.

1.	Unchahar III	(210 MW)
2.	Vindhyachal VII	(500 MW)
3.	Kayamkulam GT II	(115.3 MW)
4.	Raichur V	(210 MW)
5.	Birsingpur III	(210 MW)
6.	Koyna IV	(210 MW)

The projects targeted for capacity addition during 1998-99 which could not be completed in the year 1998-99 are:—

1. Laimakhong DG Unit 1 to 6 (6x6 MW)
2. Karaikal ST (9.6 MW)
3. Surat Lignite U-1 (125 MW) - Unit rolled on 31.3.99 but not yet synchronised.
4. Doyang U-1 (25 MW)
5. Upper Sindh II U-1 (35 MW)
6. Sewa III U-1 to 3 (3x3 MW)
7. Chennai III U-1 to 3 (3x3 MW)
8. Rangit Sagar U-4 (150 MW)
9. Dudhganga (12 MW)
10. Singur U-1 (7.5 MW)
11. Potteru Ph. I U-1 (3 MW)
12. Potteru Ph. II U-2 (3 MW)
13. Torrangallu GTU 2 (130 MW)

2.34 During evidence Secretary, Power mentioned that these projects have started generation. Further emphasising this point one of the witness mentioned as under:-

> "It is not as if these projects are doing badly. In fact, they are doing very well."

2.35 Asked to furnish the actual generation from these projects. Ministry in their Post Evidence Reply (PER) stated as under:—

Details of projects which were due for commissioning after 01.04.1999 but were commissioned in 1998-99.

(a) Thermal:

Details of Thermal Units are as under:—

Sl.No.	Name of the Project	State/Orgn.	Capacity (MW)	Commissioning Schedule As envisaged at the beginning of the year	Actual	Energy output (Mus)
1.	Unchahar-3	UP/NTPC	210	01/2000	27.01.1999	Nil
2.	Raichur-5	Karnataka/KPCL	210	05/1999	31.01.1999	92
3.	Birsingpur-3 (Sanjay Gandhi TPP)	MP/MPEB	210	06/1999	28.02.1999	Nil
4.	Kayamkulam GT-2	Kerala/NTPC	115.3	05/1999	28.02.1999	19
5.	Vindhyachal-7	MP/NTPC	500	02/2000	03.03.1999	Nil
		Total	1245.3			

(b) Hydel:

As regards Hydel Projects, one unit of Koyna Stage-IV (250 MW) in Maharashtra has been rolled on 31.03.1999. This unit has been advanced from the programme of 1999-2000. However, there was no generation benefit from this project during 1998-99.

2.36 When the Committee inquired the perception of realising the target of 40,000 MW, by the end of 9th Plan, Secretary (P) deposed:—

> "61 hydro projects of 15,900 MWs are under construction; on the thermal side, 9,500 MWs of projects are under construction and if we taken these two together, then about 25,000 MWs are under construction. We have already achieved in the first two years over 7,000 MWs in capacity; in the third year, we plan to add 4,363 MWs. That is the target for 1999-2000. So, I think, we come very close to 40,000 MWs."

2.37 One of the projects *i.e.* Tehri Hydro Power project scheduled for completion during the Ninth Five Year Plan is much delayed. The plan outlay for THDC was Rs. 319 crore for the year 1998-99 out of which only Rs. 200 crore were utilised (as shown in RE 98-99). Asked to furnish the reasons for non-utilisations of funds Ministry of Power in their reply mentioned as under:

(i) On account of the fast undertaken by Shri Bahuguna, and the consequent embargo on the blasting operation and movement of heavy vehicles in the Dam area from Nov. '97 to Feb. 98', construction activities related to stripping of Main Dam and other works were adversely affected.

(ii) The process of rehabilitation had practically came to standstill because of reluctance of the population to accept the earlier package in anticipation of additional benefits in HRC recommendations. The report of HRC was submitted on 11.11.97 and the decision of Government has been announced on 09.12.98 which would now be implemented by THDC. Secondly land available in Haridwar could not be acquired to due to reluctance on the part of rehabilitees to accept that land. The rehabilitees wish to settle in Dehradun District.

2.38 Asked how Government of India proposed to deal with a situation arising as a result of non-release of funds by Government of U.P., Ministry stated that U.P. Government is taking necessary steps to avail partial funding assistance under the "Acclerated irrigation benefit programme". The Government of India and the Government of Uttar Pradesh will jointly make an effort to seek a loan from financial institutions like Power Finance Corporation for enabling Uttar Pradesh to meet its financial commitments in respect of the power component.

2.39 Large chunk of capacity addition in the 9th Plan has been proposed through private sector which is 17588.5 MW out of total of 40245.2 MW.

2.40 The performance budget (1998-99) revealed that 125 private power projects were being monitored by the Union Government. However, in this years performance budget (1999-2000), it has been mentioned that only 92 private power projects amounting to 50,800 MW are being monitored. Asked to furnish the details of such projects and the reasons for deleting some of the projects from monitoring list, Ministry of Power mentioned as under:

> "Some of the projects indicated last year have been deleted from the list of projects being monitored and some new projects were added also."

2.41 The reasons for additions/deletions as furnish by the Ministry are as given below:

(i) "Some coal based IPPs on the MoU route were deleted from the list of projects being monitored because they could not meet the dead line of March 31, 1998 for submission of detailed projects reports (DPRs) to CEA for techno-economic clearance.

(ii) Similarly, in the case of the liquid-fuel based power projects on the MoU route, complete DPRs were required to be furnished to CEA by December 31,1997. The projects which did not submit the completed DPR to CE by this date were deleted from our list.

(iii) Some other projects were deleted from the list because the concerned State Governments subsequently decided to implement them in the State Sector."

2.42 Power Finance Corporation (PFC) is expected to provide special concession assistance of the order of Rs. 4000/ crore for projects anticipated to be commissioned/completed by the end of March 2000. The investment made under the programme is likely to result in a capacity addition of 3,000 MW. from ongoing thermal and hydro generating plants.

2.43 Out of 40,000 MW targetted to be realised, 18,000 MW is to be generated by the private sector, during Ninth Plan. When asked how Government propose to facilitate more investment, Secretary (P) stated:

> "We have taken a number of steps to facilitate more investments in the private sector. Recently, counter guarantees for three fast

track projects were given. We have also streamlined the procedures for obtaining relevant clearances for private sector projects. A Crisis Resolution Group consisting of representatives of Ministries of Power, Finance, Coal and Environment, Financial Institutions and State Electricity Boards has been set up to resolve the last minute problems faced by IPPs".

2.44 The Committee note that the Government have fixed a target of 40,245 MW for the Ninth Plan. During the first two years of the plan there has been a capacity addition of only about 7000 MW. The target for the third year (i.e. 1999-2000) has been fixed at 3923.4 MW. Presuming that this target is realised in full, even then there will be a gap of 29322 MW to be realised in the last two years of the plan. This target of 29,322 MW realising in next two years the Committee feel, is next to impossible to achieve. The Committee have based its conclusion on the dismal performance of the Government during 8th Plan when against the target of 30,000 MW only 16,423 of could be achieved. The Committee therefore recommend that Ministry of Power should reassess the targets and apprise them of the realistic targets which can be achieved during the Ninth Plan, within three month of presentations of this Report.

2.45 Moreover, the capacity addition programme from different sectors placed before the Committee also raised doubt about achievability of the targets. Out of 40,245.2 MW target in the Ninth Plan period, a capacity of 6000 MW liquid fuel based projects are yet to be identified. The projects under private sector are not showing encouraging results. The Eighth plan failed due to its too much reliance on private sector. The Ninth plan is likely to fail due to resource crunch & fixing of unrealistic targets. The Committee would have liked the Ministry to set a realistic target and matching support for its achievements. The Committee desire that projects prioritised for capacity addition during Ninth Five Year like Bakreswar and Faridabad and others should not be left affected due to economic sanctions. The Committee recommend that a contingent plan should be drawn to mobilise, adequate resources for these projects for their earlier completion. Projects like THDC are suffering due to Ministry's complacency be also completed expeditiously.

2.46 The Committee are sad to note the casual approach in handling the Hanumantha Rao Committee Report on the R&R of Tehri oustees. The HRC report was submitted to the Ministry on 11.11.97 and Ministry took more than one year to take a decision on the report and the issue has not been settled so far. The Committee desire that as Government of UP is unable to meet its financial commitment, with respect to irrigation component, efforts should be made in getting adequate funds from PFC etc. and other FIs, Union Government should also consider reduction in free quota of power, which a beneficiary State is entitled to pending fulfillment of financial commitments, on the part of Government of Uttar Pradesh.

2.47 During evidence on the Demands for Grants (1999-2000), the Ministry of Power officials informed the Committee that six projects, which were earlier scheduled for commission after the year 1998-99, had been commissioned during the year 1998-99 itself and thus the capacity addition targets of the year had been exceeded and that these units were doing very well. But in a P.E.R. (Post Evidence Reply) on the subject, the Ministry have shown that these five units commissioned during the last two months had generated 111 MUs only in which four plants had not generated any electricity during the period. This clearly shows that the attempt of the Ministry was to mislead the Committee. The Committee take a serious note of it and desire that the matter should be examined in detail and facts be placed before the Committee.

2.48 The Committee are also astonished to note that the number of private projects monitored by the Ministry is gradually decreasing due to failure on the part of parties in submitting detailed DPR timely, and State Governments deciding to take up projects from private parties. The Committee desire that Ministry should firm up the number of projects proposals at the earliest. As Committee are aware of the fact that one of the reasons for shortfall in Eighth Five Year plan was state sector projects transferred to private parties for implementation, the Committee require the details of the projects which have been shifted/proposed to be shifted from private entrepreneurs to State Authorities.

2.49. The Committee note that external assistance forms around 33% of the Central sector and 15% of the State Sector Plan. Due to recent economic sanctions USA has opposed multilateral funding to India, Government of Japan has frozen all new Yen loans and

Government of Sweden is also not accepting any new proposals. The Government have also stated that with committed assistance going unaltered, the ongoing projects are not likely to be affected. However, the impact on the future projects will be most profound and some SEBs who have taken up restructuring programme may be the first casualty. The Committee have, noted that many projects in Central Sector have been delayed considerably due to resource crunch. The preparedness of Government in meeting the challenges by approching international market, to partly finance the future projects, lacks conviction. The Committee feel that in a bid to face the challenge there is an urgent need to mobilise more resources, internally. The Committee, therefore recommend that tax concessions should be extended to power sector and Provident Funds and other available source should be tapped. The decision to impose cess on hydel power generation kept in abeyance should be revived and cess levied. The Committee also emphasize use of available power prudently and the Ministry should encourage SEBs to take up system improvement scheme, to off-set the impact of sanctions.

2.50 The Committee note that amount earmarked for Power Finance Corporation for the year 1999-2000 is Rs. 560.81 crore which is higher than last year's allocation. As majority of failure in raising resources under IEBR is due to lack of investment in PSUs, Bonds and Debentures and PFC is involved in helping SEBs system improvement etc. the Committee emphasise the need for increasing the allocation for the Power Finance Corporation.

C. Transmission and Distribution

2.51 The Rajadyaksha Committee had recommended in 1980 that investment on transmission and distribution should not be less than the investment on power generation. In practice, however, the investment on T&D has been considerably lower as compared to generation, thus affecting the system's efficiency. In this connection one of the representatives of Ministry of Power during oral evidence mentioned:

> "In the Central Sector, we only spend on generation and transmission whereas in the State sector, we spend on generation, transmission, distribution and rural electrification. Now if we look at the figures, we have consistently under invested in transmission and distribution. There are various reasons, but permit me to give some idea. In most of the Plan period, I will

start from the Fourth Plan, we were very good. We invested 100 in generation and 92 in transmission and distribution; in the Fifth Plan, this number came down to 100 : 66, in the Sixth Plan, it came down to 100 : 52; in the Seventh Plan it came down to 100 : 51."

2.52 The representative further added:

"So, consistently, there has been under investment in T&D. Now, in the Ninth Plan, both in the State as well as in the Central Sector, the investment in generation will be of the order of Rs. 64,000 crore and the investment in transmission and distribution will be of the order of Rs. 50,000 crore. But, then, this is also not a very happy number because we must remember that Ninth Plan is the first Plan where you have a substantial generation capacity which is outside the Plan, that is the IPPs. It is a substantial capacity, but even then there is an attempt to increase the investment in transmission and distribution."

2.53 Asked to furnish the details of expenditure incurred on power generation and T&D and Rural Electrification in 8th and 9th plan, Ministry replied as under:

Details of Investment in Power Sector

(Rs. crores)

Sl. No.	Plan Period	Expenditure	Incurred on	Ratio Generation T&D+RE
		Generation	T&D & RE	
1.	8th Plan (1992–97)*	49424	26281	1 : 0.53
2.	9th Plan (1997–2002)@	194000	134400	1 : 0.69

* The figures for these periods are the outlays.

@ As per working group report for 9th Plan power development.

Generation

	94–95	95–96	96–97	97–98	98–99	99–2000
(a) Thermal	1705.84	1149.45	807.49	772.58	844.21	937.84
(b) Hydro	909.59	817.85	796.43	1125.53	1579.00	1606.39
Trans–mission & Distribution	345.00	318.64	321.00	303.41	182.97	300.24

2.54 Ministry further informed that Inter-State Transmission and distribution is the responsibility of the State Electricity Boards/ Electricity Departments. The CEA and Ministry of Power can only make recommendations and issue guidelines. It is for the States to implement the suggestions.

2.55 Highlighting one of the constraints in T&D lines expansion, CMD, Power Grid mentioned that today the situation is that once the generation project comes, only then the transmission lines come. It is really becoming a bottleneck.

2.56 When the Committee inquired as to the financial allocation made for transmission sector, during 8th & 9th Plan period, the Ministry of Power in a note stated:-

> "Powergrid is entrusted with the responsibility of establishment, operation and maintenance of the transmission system under Central Sector. 8th Plan allocation for transmission under central sector was Rs. 4,539 crores against which POWERGRID invested Rs. 5,200 crores. The Plan allocation for transmission during 9th Plan is proposed to be enhanced to the level of about Rs. 13,000 crores and steps have already been taken up by POWERGRID to implement such programme. Therefore, it may be seen that as far as central Sector transmission is concerned, allocation of funds has been substantially increased during the 9th Plan period."

2.57 For the financial year 1998-99 Powergrid was sanctioned, a plan outlay of Rs. 2592.35 crore and a budgetary support of Rs. 181.27

crore. The revised plan investment for 1998-99 was Rs. 1578.20 crore with loan component of Rs. 176.27 crores. Asked to explain the lower utilisation of funds, the Ministry of Power mentioned that the plan allocation for the year 1998-99 had to be revised from Rs. 2,592 crores to Rs. 1,600 crores mainly on account of large IPPs/mega transmission projects like CEPA transmission system could not take off as envisaged. This has resulted in a reduction of budget allocation of Rs. 526 crores. Another important factor for down sizing the allocation relate to Talcher -II transmission system for which a budget provision of Rs. 500 crores was kept, but the project is yet to be approved. World Bank/OECF funding for this project has been on hold on account of economic sanctions.

2.58 When asked about details of transmission projects, affected on account of economic sanctions, the Ministry of Power in a note stated as under:

> "The funding of Sasaram HVDC back-to-back project is included under second World Bank loan of US $ 450 Million. The loan was negotiated in April, 1998. However, it could not become effective on account of economic sanctions imposed in May 1998. This project has already been accorded investment approval in September 1998. The procurement actions for the project were initiated and POWERGRID was ready for placement of award for AC portion by December 1998. The orders, however, could not be placed in December '98 due to uncertainty about lifting of the sanctions. For HVDC back to back portion, the bids are under evaluation. However, POWERGRID is awaiting for formal notification to be issued by MoF for custom duty exemption. In addition, POWERGRID has also sought deemed export status to be accorded to the project in case the World Bank loan does not materialise and POWERGRID has to arrange funds from domestic or international markets. Response of the Ministry of Finance is awaited. The project, therefore, as on date is delayed by atleast 6 months. On account of delay in approval of the generation project, there has been some delay in taking up implementation of the Talcher-II Transmission Project.
>
> The investment approval for the transmission system project is awaited. However, POWERGRID is ready for placement of award for HVDC and AC lines and the award can be placed only after Government approval of the project. In order to minimise delay

in procurement of the HVDC terminal, which was proposed to be funded by OECF, bids have been invited under various funding options like OECF/ECB/Suppliers Credit/World Bank funding is envisaged for AC Portion. On account of sanctions, and uncertainty of World Bank/OECF funding, POWERGRID has sought permission from the Government for grant of the same dispensation that has been granted to NTPC for Talcher-II Generation Project. The matter has already been taken up by the Ministry of Power with the Ministry of Finance.

The Eastern and the Western Load Dispatch Projects are also covered under World Bank financing. While the Eastern Region Load dispatch Project has been approved by the Government, the Western Region Project is being processed for approval and being discussed in parallel with the beneficiary SEBs for their concurrence. The procurement activities have also been taken up.

The World Bank has allowed POWERGRID to proceed with advance procurement actions and indicated that retroactive funding of the same would be available as permissible.

The transmission systems for gas based projects namely Kawas-II; Gandhar-II, Anta-II & Auraiya-II are covered under second ADB loan of US $ 250 million which is ready for negotiation. All these projects are under investment approval and POWERGRID has already invited tenders as an advance action. POWERGRID is making efforts to seek early finalisation of loan."

2.59 The Committee are further informed that to cope with short term impact of economic sanctions. POWERGRID has adopted the following contingency plan:-

"The contingency plan for 1998-99 was as follows:

The Budget Estimate for 1998-99 envisaged fresh multilateral funding of Rs. 492 crores and domestic funding of Rs. 600 crores. Owing to economic sanctions, ADB, World Bank and J-EXIM loans did not materialise. POWERGRID has shifted a number of packages from multilateral funding to domestic funding. To meet this challenge the domestic loans and bonds were increased from Rs. 600 crores to Rs. 850 crores.

For 1999-2000, POWERGRID is in a relatively comfortable position. Even without fresh multilateral funding, it has already planned to meet the annual plan outlay to Rs. 2200 crores as under:-

Already committed multi-lateral for ongoing projects	Rs. 250 crores
Committed ECB (Bank of India loan US $ 100 Million)	Rs. 430 crores
Suppliers credit in Sasaram Talcher Project	Rs. 150 crores
Domestic Bonds	Rs. 658 crores

The remaining funds will be obtained through External Assistance routed through Budget, and internal resources of POWERGRID. The contingency plan will ensure that there is minimum slow down of projects in case economic sanctions continue.

In case the sanctions are not lifted during the remaining two years of the 9th Plan, the new projects will be prioritised and the founding position will be tuned to the then prevailing market conditions and all the ongoing projects can be completed without dependence on multilateral funds.

Ministry of Finance has been requested to reduce customs duty on transmission project import at par with generation and distribution projects to keep the project costs low so that relatively lesser resources are mobilised, and the burden on SEBs/ utilities is minimised.

In the event of sanctions not being lifted, Ministry of Finance has been requested to grant deemed export status to various tenders floated under multilateral funding. If this is not done, then tenders will have to be called afresh which will involve both time and cost overrun".

2.60 When the Committee observed that some transmission lines of Powergrid were not fully utilised due to delay in completion of generation projects whereas in some cases generation units are being asked to back down due to lack of transmission and distribution lines. To this the Ministry of Power informed that the transmission system associated with from the project for evacuation of power and other lines required for strengthening of the grid for utilisations power. Though the lines emanating directly from the generation project can be utilised only after commissioning of the project, the other lines could be put to gainful use in the interim period to meet the system requirements.

2.61 The following transmission projects were completed ahead of generation projects.

Nathpa-Jhakri HEP

Hissar-Jaipur 400 KV S/C line and Bawana-Bhiwani 400 KV D/C line were envisaged as a part of the transmission system associated with Nathpa Jhakri HEP. The transmission line have already been commissioned by POWERGRID though commissioning of Nathpa Jhakri HEP is now scheduled for the year 2000. The line is presently being utilised to transfer power from Northern part of the Northern Grid during high hydro conditions to rest of the Region and *vice-versa* during high thermal conditions.

Chamera-II HEP

Chamera-Kishenpur 400 KV S/C line was envisaged for evacuation of power from Chamera Stage-I & II HEP. The transmission line has already been commissioned by POWERGRID through the generation at Chamera Stage-II is expected by the end of 9th Plan period. However, presently line is being utilised for evacuation of surplus power from Hydro projects in J&K and to meet the load demand of valley during winter season when the generation in the Valley is low.

The early commissioning of these 400 KV transmission lines has strengthened the transmission network in Northern grid and has facilitated in reducing the overloading on existing transmission lines, improving voltage profile and reducing transmission losses.

Dulhasit HEP

400/220 KV, 2x315 MVA ICT at Kishenpur has been approved as a part of Dulhasti transmission system. Even though commissioning of Dulhasti HEP has been delayed due to insurgency problem in J&K, the ICT at Kishenpur has already been commissioned by POWERGRID.

This ICT is presently being utilised for evacuation of power from the valley (during high hydro condition) to the rest of the Northern Grid and to meet the demand of valley during winter season.

Mismatch in co-ordinated completion of transmission projects

2.62 400 KV Kishenpur-Wagoora D/C line was envisaged as a part of Dulhasti evacuation system. However, due to delay in commissioning of Dulhasti HEP, the work on the line could not be started. This line was also to evacuate the power from Uri HEP and other generating projects in Kashmir valley during summer season to the rest of the Northern Region and also meet the load demand of the valley during winter conditions. Due to non-commissioning of this line, generation at Uri has to be backed down some times during low hydro conditions (Summer). To mitigate this problem, provision of series compensation on existing 220 KV Pampore-Kishenpur D/C line has been planned and presently under implementation. This would enhance the power transfer capability of 220 KV Pampore-Kishenpur D/C line and reduce the backing down at Uri HEP.

2.63 Besides, NJPC, transmission line, the implementation of transmission system associated with Tehri hydro project, has been also slowed down and rescheduled for commissioning with the generation project in year 2002-2003. POWERGRID goes not envisage any revenue loss in Tehri Transmission System.

2.64 Asked to specify the loss incurred to Power Grid the Ministry mentioned that the delay in commissioning of the transmission system matching with generation project *i.e.* by December 2001 would increase the transmission project cost by about Rs. 320 crores.

Transmission facilities on North-Eastern Region

2.65 There was a proposal of granting one time subsidy of Rs. 790 crore for transmission charges to North Eastern States. Explaining their present status, Ministry of Power in a note mentioned as under:

> "North Eastern States are paying transmission charge of 35 paisa per unit under UCPTT *i.e.* Uniform Common Pool Transmission Tariff against POWERGRID's cost of more than 60 paisa per unit (calculated as per tariff notification of December, 1997).

North Eastern States in the NEREB forum as well as during the North-Eastern States Power Ministers' Conference held in May, 1998 have been insistent that they cannot pay more than 35 paisa per unit and the tentative computed UCPTT w.e.f. 1.4.98 would be 35 paisa only. Unless POWERGRID is compensated, it would be incurring a revenue deficit of over Rs. 593 crores during the 9th Plan itself on this account. POWERGRID's problem was appreciated at the power Ministers' Conference and it was decided that matter would be taken up with Planning Commission etc. so that the high burden of wheeling charges can be compensated by Government of India to POWERGRID. Accordingly, the issue of release of one time grant of Rs. 790 crore to POWERGRID from non lapsable funds was taken up by Ministry of Power with the Planning Commission and the issue is under active consideration of the Government of India. In order to facilitate payment of POWERGRID, a token provision of Re. one crore was made in the budget for 1998-2000."

2.66 In the absence of adequate transmission link power generated in some of N.E. Region has not been evacuated. For instance, Assam Gas Based Combined Cycle Power Project (291 MW) generate 577.27 MU of power against the target of 950 MU. Agartala Gas Turbine Power Project too generated only 167.342 MU during the year 1998-99 (upto January '99) against the target of 250 MU. Asked to furnish the reasons Ministry in a note furnished to the Committee, stated:

"For evacuating power from Agartala Project, grid connection is not available due to non-completion of Agartala Kumarghat (132 KV) transmission line. Due to this, the entire generation has to be consumed in Tripura itself, which has adversely affected the utilization of installed capacity.

As regards Kathalguri Gas Based Power Station, the entire transmission line of 1200 Km is completed except the stretch of 100 Km at Rowta-Bongaigaon section, where work is hampered due to militancy. The ratio of peak demand to off-peak demand being high in this region, the entire capacity from the project cannot be utilized till the transmission line is fully commissioned. The commissioning of transmission line will enable evacuation of surplus power to other parts of the country, thereby improving the generation capacity of the project."

2.67 The Committee have found that rational allocation for Generation and Transmission and Distribution should be in the ratio of 1 : 1. However, since Fourth Five Year plan, the allocation in transmission Sector has gone down gradually. It was 100 : 92 in Fourth plan 100 : 66 in Fifth 100 : 52 in Sixth and 100 : 51 in Seventh Five Year Plan. During Eighth Five Year Plan the allocation ratio between Generation and Transmission Distribution was 1 : 0.53 whereas this has slightly hiked favourably in the Ninth Plan Period which stands at 1 : 0.69. The Committee are at loss to understand the inequality in allocation between generation and T&D, inspite of recommendations, to provide matching allocation for transmission sector, by the Committee on a number of occasions.

2.68 The Committee are constrained to note that transmission is still a neglected area. The Committee are of the opinion that for the development of power sector, transmission is as important as Generation and Distribution are. Besides recommending that matching allocation be made for transmission sector, the Committee also desire that Government should extend infrastructure status to transmission activities also. The differential rates of Custom and Excise Duties levied on Generation equipments and transmission equipments are a matter of concern. The Committee recommend that generation and transmission should be subjected to similar rates of custom and excise duties.

2.69 Due to faulty planning by the Ministry, the Committee are distressed to find that some transmission projects are underutilised, thus increasing the cost of flow of power and on the other hand enormous power is being wasted in the Eastern Region due to non-availability of evacuation facilities in the region. Projects like Agartala GBPP and Kathalguri GBPP in North-East are not able to generate their fullest capacity due to lack of transmission facility. The Committee find that imprudent allocations were made for transmission projects like CEPA transmission system and Talcher-II transmission system since the Generation projects, could not take off. Powergrid thus failed to utilise about Rs. 900 crore in the year 1998-99. The Committee are also perturbed over delay in commissioning of Nathpa Jhakri Hydro Project Power Grid has already suffered a loss of Rs. 320 crore on account of delay in commissioning of hydel project. The Committee stress the need for optimum utilisation of the existing transmission system. In this context, the Committee recommend that a National Grid should be created at the earliest, so that the regional imbalances in the generation and transmission of power can be corrected.

D. Surplus Power in Eastern Region

2.70 Eastern region has a surplus power of about 1500 MW during peak hours and 3500 MW during the off-peak hours. This huge amount of power go waste due to lack of transmission system to off-take power to other regions of the country and due to lack of growth of demand within the region as expected. Despite availability of more than 85% NTPC projects are generating, only 45% of their capacity. Asked to furnish the details of the steps taken Ministry in their reply mentioned as under:

> "A number of technical, commercial and administrative steps (like strengthening of existing inter-state lines, rationalising the tariff for inter-regional exchange of power and allocation of Eastern region surplus power to deficit states of other regions) have been taken to export power from Eastern region to other regions."

2.71 As a result of above steps taken up to 700 MW is being transferred from Eastern to adjoining regions by utilising the following existing inter-estate links:

(i)	Budhipadar - Korba 220KV D/C	exporting upto about 300 MW to Western region, part of which is being exported to Southern region through Chandrapur back to back link.
(ii)	Balimela-Upper Sileru 200 KV S/c	exporting about 200 MW to Southern region (AP).
(iii)	Birpara-Salakarti 200 KV D/C	exporting about 100 MW to North-Eastern region
(iv)	Dehri-Sahaupuri 200 KV S/C	exporting about 100 MW to Northern region/Southern region *via* Western region.

2.72 Four more Transmission schemes are under construction by POWERGRID to enhance power transfer from Eastern Region to deficit-region. This will help in exporting about 1300 MW of power by June, 1999. Their details are us under:-

(i) 500 MW HVDC back to back at Gazuwaka connecting Eastern Region with Southern Region-50 MW transfer would commence during March 1999 and would be fully commissioned by May 1999 to transfer 500 MW to Southern region.

(ii) Delhi-Karamnasa 132 KV S/C line; would be commissioned by end of March 1999 and would be enable transfer of additional about 100 MW to Northern region.

(iii) Budhipadar-Korba 220 KV S/C line; expected to be commissioned by June 1999 and would be enable transfer of additional 150 MW to Western region from where, if required, can be transferred to Southern region through Chandrapur HVDC link.

(iv) Bongaigaon-Malda 400 KV D/C line; expected to be commissioned by end March, 1999. This line has capacity to export 700 MW, but only additional about 100 MW could be transferred due to limited demand of North-Eastern region.

Besides, additional schemes have been planned by POWERGRID to export surplus power. These are as follows:-

* 500 MW HVDC back to back at Sasaram between Eastern and Northern region has been planned to export 500 MW to Northern region. It was scheduled for commissioning in 39 months from the date of Government approval *i.e.* by December, 2001. However, the project implementation is being affected on account of economic sanctions.

* Raipur-Rourkela KV D/C line to inter-connect Eastern region with Western region. It would enable export of about 800 MW1 and is scheduled for commissioning by end of 2003.

* Purnea-Muzaffarpur-Gorakhpur-Lucknow 400 KV D/C (Quad conductor); is being planned to match commissioning of 1020 MW Tala HEP in Bhutan. This will also evacuate about 1000 MW surplus power from Eastern region to Northern region.

2.73 Tracing the genesis of surplus power in Eastern Region, a representative of Ministry of Power stated:—

"Till 1998, most of the regions were independent of each other. There was no interconnection between regions. From 1989 when Power Grid came in, we started having the concept of a National Grid. Now, today, we have more than 90,000 MWs of power connected to the Grid and we have about 20,000 MWs of capitve power also connected to the Grid. So, we have about 1,00,000 MWs connected to the Grid. But the interconnection between regions is only 2,000 to 3,000 MWs because National Grid or the Power Grid is at a formative stage. So, it will take some time before these interconnections are completed. A number of interconnections are under construction. From the Eastern Region, at the end of this year, we have said that the capacity for transfer, which will be ready, is about 11,00 MWs, but that is not enough. You must have capacity, you must have agreements, you must have power surrendered by the constituents of Eastern Region which can be transferred to the other constituents in the long run. So, a number of steps have been taken. Today we are transferring 600 to 700 MWs against the total capacity of 1100 MWs. The capacity is increasing and more power should be available for transfer and it shall be moved."

2.74 Supplementing further, CMD, Powergrid during evidence stated as under:—

"As on date, from the eastern region, 870 MW power is effectively being transferred to other regions. Though we have the capacity of 1,000 MW, the North-Eastern region does not have the capability to absorb surplus power of the eastern region. Hence, the capacity is 700 MW. The other lines which we have commissioned are as follows:—

(1) Delhi-Karunasa line, linking the eastern region and the northern region in 11 months time. We have commissioned it in

March this year. So, an additional 70 MW power can flow. But commercial and administrative arrangements are to be made between the generator and the consumer, that is, the Northern Region Electricity Board.

(2) Korba-Budhipadar line, which is about to be commissioned. Serious forest problem had come. So, I met the hon. Minister of forests and he has given the clearance. So, this line, is delayed by about one month because of the forest clearance. We will complete it this month definitely. So, 150 MW additional power will flow by the end of April.

(3) Jeypore-Gajuwaka HVDC Back to Back line, linking eastern region and southern region. This is already commissioned. But while we commission it, it takes about three to four months to stablise, so, as per our commitment, we have commissioned it in March, but it will take four months to stablise and to bring it to 500 MW level. There is no technical snag and no problem on this. So, we are on the right path and an additional 500 MW will flow by the end of June of maximum by 15th July. The matching transmission line from Vijayawada to Hyderabad is being commissioned by the Government of Andhra Pradesh and hopefully it will be done by April and or by middle of May, 1999. By May-June about 620 MW additional power can flow from eastern region to other regions.

So, in the next three to four years we will be adding an additional capacity of 3,500 MW for evacuating power from eastern region to other regions. Hence there will be a lot of flexibility to consume the eastern region power in other regions."

2.75 When the Committee inquired as to when National Grid will start functioning, he further opined.

"In reality, we have a small National Grid which is functioning. With some criss-cross arrangements, 2000 MW power can be flown from one end to another. In fact, at regular pace, 1,000 MW power is flowing in various regions. A very effective National Grid carrying about 30,000 MW power can be ready only by the middle of the Eleventh Plan or by the end of the

Eleventh Plan because it requires a lot of money. It requires about Rs. 20,000 crore to Rs. 30,000 crore and we have to de-link transmission planning from generation planning. Today, the situation is that once the generation project comes, then only the transmission line comes. It is really becoming a bottleneck and the result is this surplus which we have in the eastern region. Therefore, we have to create certain highways, certain grids and people have to come and link on these grids. We are debating on how the transmission line should be independent of the generation line."

2.76 In this connection, Chairman, CEA informed the Committee, as under:-

"One of the main problems for surplus of power in Eastern Region is the sufficiency of power supply within the region. This was the concept, based on which the electricity regions were developed and the central sector came in supplementing the efforts of the State by establishing the regional power plants. In the eastern region, what has happened is that the surplus power is there and we may be able to transfer it to other regions technically. But then the takers of this power which are located in other regions, want a commitment on a firm basis. That is, the constituent States within the eastern region should be able to surrender their power on a permanent basis. It should not happen that today they are in surplus and they surrender the power, and tomorrow they need the power, so they withdraw the power. We have a proposal under consideration whereby we have suggested to the constituent States in the eastern region that they should, within the region, come to some kind of a conclusion whereby they agree to surrender a part of their share in the Central sector on a firm basis to other constituents in other regions".

"The main thing is that the transmission line has to be constructed to enable the power flows to be established. That is why, the permanent surrender is necessary. This is one constraint we are facing right now which will hopefully be resolved. Secondly, as regards the national power grid, the Central Electrificity Authority is working out the main transmission corridors spread all over the country which will carry huge bulk of power from one region to the other. Now the question is that the plan would be ready and our estimate is that if these corridors of transmission of power from one region to another are to be established, it has to be properly funded. Funding would be the main issue. For instance, once States may or may not join, one concept would be that there would be the need to have a national funding of these huge transmission corridors which will be made use of in national power grid. Our estimate is that by the middle of the Eleventh Plan, or if the efforts are made right now, may be by the end of Tenth Plan or somewhere in -between, with this national grid we would be able to handle large quantities of power all over the country, that is, the demand anywhere in the country. We would be able to meet it by power station located anywhere else in the country. That should be possible. The plans are underway, but the main thing would be the funding of these national corridors of transmission sectors".

2.77 Commenting on another reason for surplus power in Eastern region Ministry of Power mentioned that inadequate distribution system is one of the reasons for non-development of load in Eastern region resulting in availability of significant surplus power. As regards to the solution of this problem Ministry stated as under:—

"The SEBs are being helped in receiving funds from PFC for development of distribution systems. Further, restructuring and reforms are being introduced in various SEBs, which would extend help in improving their performance in different fronts."

2.78 Due to lack of demands and weak distribution system SEBs in Eastern Region are unable to draw power from NTPC projects. As per existing two part tariff formula in case of SEBs do not utilise the full available capacity, resulting in lower generation and energy sales, the effective rate from these station increase. Thus SEBs, who do not utilise the full share of power and consequently draw less, pay less, however, the cost/per kwh is the same for all SEBs of the region for that month.

2.79 Ministry have informed that in order to sort out the problem the Government is considering the introduction of availability based tariff starting with Eastern Region shortly and in other regions within next 6-8 months. Under the revised availability based tariff the fixed charges of Central Sector Power Stations will have to be paid in proportion the capacity allocation irrespective of the actual drawal of power. Under this arrangement, SEBs, who do not utilise their share of power, will have to pay their share of fixed charges regardless of actual utilisation. There will thus, be incentive for States to utilise their full share of Central Sector capacity in order to reduce their average cost of power purchased.

2.80 Government of India has allowed NTPC to raise the return on equity from 12% to 16% with effect from November, 1998. Asked to furnish the details of the decision taken in this regard and the reasons for the same. Ministry of Power replied as under:

> "The Government of India have raised the return on equity from 12% to 16% for the existing Power Stations of NTPC w.e.f. 1st November, 1998. This decision was taken by the Ministry due to the following reasons:
>
> (i) Observation of the Disinvestment Commission on NTPC about low tariff structure.
>
> (ii) Huge shortfall in the capacity addition in the 8th plan consequent to IPPs failure to come-up to the expectations to bridge the demand-supply gap and to ensure better performance regarding capacity addition in the 9th plan than the previous plan. It was felt that the Central Sector Utilities needed to play an enlarged role in the capacity addition so as to make up for the shortfall during the last plan period. This requires higher resource mobilisation by the Central utilities.
>
> (iii) Optimising the utilisation of capabilities of NTPC in a much bigger way for capacity addition in coming years by ensuring adequate/additional returns in view of targets fixed in the 9th plan.
>
> (iv) The rate of return of 16% on equity is the rate applicable for private investment in the power sector.

(v) The tariff of existing power stations is based on average capital investments of Rs. 1.5 cr/MW as compared to Rs. 4 cr/MW for current capacity additions. The existing tariff was considered very low for the new stations.

(vi) No net budgetary support from Govt. to NTPC and Powergrid.

2.81 The impact of increase in return on account of increase in rate of return on equity from 12% to 16% at 70% PLF for the 3 power stations shall be 5.79 paise/kwh for Farakka; 7.36 paise/kwh for Kahalgaon and 10.14 paise/kwh for Talcher STPS. The overall impact of increase of return on NTPC tariff for sale of energy in other regions is only 3 to 4 paise/kwh. However, month to month impact on SEBs shall vary depending upon their drawal from each of the above power station. The impact of hike on the concerned SEBs, however, would depend on the PLF and the energy drawal by the individual State Electricity Boards.

2.82 Asked whether Ministry of Power have received the objections from SEBs/State Governments of Eastern region Ministry furnished the following:

"This Ministry has received objections from Grid Corporation of Orissa and West Bengal State Electricity Board as well respective State Governments regarding increase in return on equity from 12% to 16% in respect of NTPC stations w.e.f. 1.11.98.

2.83 Details of objections are as under:-

1. Notification of enhancement of fixed charges of three number of Central Sector Power Stations in Eastern Region were issued on 1.11.98 circumventing the procedure of reference of CERC, thus denying them the chance of furnishing their views regarding enhancement of ROE.

2. This increase in ROE does not conform to any of the norm/guidelines of Central Government.

3. GRIDCO while pointing out high cost of central sector power and for curbing high frequency had *inter-alia*, put forth proposal of operating Orissa system on islanding mode.

4. WBSEB's main concern is of abrupt normal increase in fixed charges with retrospective effect, hike in ROE to 16% and their inability to bear such liability which cannot be pass on to the ultimate consumers.

5. WBSEB further expressed their inability to continue drawal of power at such high rates.

The Government reaction

2.84 The matter has since been clarified and reasons for increase in RoE from 12 to 16% elaborated to the GRIDCO and State Government of Orissa as well WBSEB.

The Central Electricity Regulatory Commission could consider such proposals only after regulations for fixation of tariff are notified by it. Till then, the Government of India continues to determine the tariff of Central Generating Companies under Section 43A(2) of the Electricity (Supply) Act, 1948.

2.85 GRIDCO and WBSEB have been requested not to isolate their system from the Eastern grid as these stations have been set up with the agreement of Eastern States and also such separation would not be in their interest. Further they have been requested to make payments to NTPC based on tariff notified by Government of India and not to resort to any action which results in fragmentation from the Eastern Region Grid or hamper the smooth operation of Eastern Grid.

2.86 The Committee would now delve upon a serious problem which reflect the result of mearge allocation and unscientific planning relating to Transmission & Distribution Sector. At present, Eastern region has a surplus power of 1500 MW at the peak load and 3500 MW during the off-peak period. This huge amount of power is being wasted due to lack of transmission system to evacuate power to other regions and also due to lack of distribution lines and inadequate demand within the region. The NTPC projects in the Eastern Region, inspite of 85% availability are running at the capacity of 45% only. The Committee are concerned to note that it will take another 3-4 years, if all the transmission Links identified are commissioned in time. The Committee emphasize the need for completing the proposed transmission lines ahead of schedule so

that surplus power can be consumed and systemic frequency in the Eastern region be balanced.

2.87 The Committee also recommend the Ministry to step up their assistance to SEBs in the region for strengthening the distribution lines and the system in general. The Committee desire that transmission lines in Eastern Region should be completed urgently and sufficient funds be provided for the purpose, so as to enable the surplus power transferred to the other regions.

2.88 The Committee observe that the state utilities of Eastern Region have reacted sharply to hike in the tariff rate by NTPC. Now they have to take the more costly power and as the increase in tariff is effective retrospectively the same cannot be passed on to the consumers. The Committee realise the seriousness of the problem due to threat by GRIDCO even to isolate their grid from the Eastern Region Grid. The Committee desire that the issue raised by the State Utilities should be settled urgently. Now that Central Regulatory Authority has been constituted, the hike in tariff by NTC should be referred to the Authority for proper disposal.

E. Mega Power Plants

2.89 In the Performance Budget (1998-99) it was mentioned that a number of proposals were received from various Countries/organisations for development of show case power generation projects *i.e.* large capacity, low tariff, multi-State projects through direct negotiation with developers/Countries. If there are specific economic advantages likely to accrue by making a departure from the approved procedure of competitive bidding, such projects could be negotiated quickly to enable the country to add capacity within the next few years, provided there is a transparent mechanism that can be established for the purpose.

2.90 To facilitate setting up of large sized power plants in the country and in order to derive the economies of scale, the Ministry has issued the guidelines for setting up mega power projects. Accordingly, power projects having a capacity of 1000 MW or above and supplying power to more than one State were defined as a Mega project. After considering the experience of this policy, the policy has been revised in November, 1998.

2.91 Asked to furnish the reasons for changing the Mega Power Policy, Ministry of Power in their reply mentioned:

> "Government had tried to structure inter-state projects earlier based on mega power policy for large projects, namely the CEPA (Orissa) and Nabinagar (Bihar) projects. While negotiating these projects, we faced a number of difficulties. Nabinagar project didn't proceed due to poor response of developers and CEPA had long drawn negotiations with State. Main difficulties faced in these projects were as follows:
>
> (I) Developers look for a single entity with whom it can sign the PPA instead of having to deal with several SEBs.
>
> (ii) High risk perception of the developers in dealing with financially weak SEBs and hence demand for high comfort levels resulting in delays and difficulties in working out the security packages.
>
> (iii) Absence of an acceptable Fuel Supply Transportation Agreement (FSTA) with Coal Companies/Oil Companies.
>
> (iv) Multi-level scrutiny.
>
> To overcome these difficulties Government of India has come up with a revised mega power policy in Nov. '98 in which some projects, both in private and public sector are identified as mega power projects. As in the case of earlier policy, in the revised policy for the selection of promoters for private sector mega projects, as far as possible, competitive bidding route would be followed. The Public Sector Project will follow their normal procedures".

2.92 Asked to specify the benefits of Mega Power Plants the Ministry stated as under:

> "The specific advantages for the country to go in for mega projects for generation of power are as under:
>
> 1. The fuel for the thermal power plants *i.e.* coal, is basically located in Eastern and Central India and the hydel power potential is concentrated in the North East and North whereas a higher demand for power exists in South and the

West. It is more economical to transport power through high voltage lines than to transport high ash coal over long distances.

2. It makes economic sense for the country to develop mega sources of power-utilising economies of scale at strategic locations near the fuel sources and transmit the power to the load centres.

3. The paraphernalia on project development and the time taken is quite independent of the size of the project and therefore with the same effort, a mega project provides much more capacity than a string of medium and small projects.

4. With the above and various concessions given, the country would be able to generate power at the lowest possible tariff which can be supplied to more than one State. The attractive tariffs will also act as an incentive to the states to speed up reforms and restructuring.

2.93 Most of sites were selected out of 20 mega power plant sites involving total capacity of 27,000 MW, which were identified by the Site Selection Committee under the Chairmanship of Member (Thermal), Central Electricity Authority (CEA) and members from Ministry of Environment & Forests, Ministry of Coal, NTPC and several other Central Ministries and some representative SEBs. Most of the identified mega projects are new projects with some exceptions such as expansion of projects of NTPC, Hirma TPP and some of NHPC projects.

2.94 A total of 20 projects both in the public as well as private sector have been identified under the revised mega power policy. Apart from this, 2 or 3 more projects based on LNG would be identified on the Western Coast. It is expected to add around 2,600 MW during the 9th Plan and remaining during the 10th plan and 11th plan.

2.95 Asked about the progress of Nabinagar Project Ministry mentioned that Nabinagar was identified in February, 1996 for development as first Mega Power Project under the Government of India Mega Power Policy announced in November 1995. But inspite of the best efforts, the project could not make much headway. Clarifying the position, the Ministry of Power in a note stated:-

"Based on the earlier experience, Government has recast its policy on the development of such mega power projects in

November, 1998. Certain sites, both in the public as well as the private sector, have been identified for development of mega projects in which the Nabinagar project has not been included. Keeping in view the experience gained from the earlier efforts made to develop this project. Ministry of Power is not contemplating developing it under the revised mega policy, for the time being".

2.96 Asked about the capability of PSUs like NTPC, NHPC in implementing these projects, Ministry of Power mentioned that under the revised mega power policy, a total capacity addition of 15000-20000 MW is expected. Out of these, about 16000 MW is expected from public sector projects like NTPC, NHPC and DVC and remaining would come through private sector. NTPC and NHPC are technically competent and financially strong enough to carry out allocated capacity addition to the extent of around 16,000 MW. However, as a measure to bring additionality of the resources, the participation of private sector is envisaged.

2.97 To facilitate the development of mega power projects, the Government propose to set up a Power Trading Company (PTC) with majority equity participation by Power Grid Corporation of India Ltd. (PGCIL), along with NTPC. Power Finance Corporation (PFC) and other financial institutions. The PTC would purchase power from the identified private projects and sell it to the identified State Electricity Boards. Security to the PTC would be provided by means of a Letter of Credit and recourse to the State's share of Central Plan Allocations and other devolutions. However, PTC may also, if feasible, supply power directly to a 'cluster', like licensees and industrial establishments.

2.98 Asked whether appropriation of the State, Central Plan allocation will be sufficient to meet SEBs financial obligations to such mega power projects Ministry stated that so far, the States which would receive power from the mega projects are still to be finalised. It is possible that for some of the States, appropriation of the Central Plan allocation etc., may not be sufficient, in the present day scenario, to meet their payment obligations to the Power Trading Corporation.

2.99 There are some concessions accorded to mega projects to substantially reduce the tariff, which are as follows:

(1) The import of capital equipment would be free of customs duty for these projects.

(2) In order to ensure that domestic bidders are not adversely affected, price preference of 15% would be given for the projects under public sector, while deemed export benefits as per the EXIM policy would be given to domestic bidders for projects both under public and private sector.

(3) The income-tax holiday regime would be continued with the provision that the tax holiday period of 10 years can be claimed by a promoter in any block of 10 years, within the first 15 years.

(4) The State Governments would be requested to exempt supplies made to mega power plants from sales tax and local levies.

2.100 All such measures and the economies of scale in mega projects would substantially bring down tariffs from such identified mega projects to provide much needed relief to State Electricity Boards from rising tariffs from generating stations, both in public and private sector. The policy would also enable implementation of a policy where large projects are set up at viable pit head sites, coastal locations and hydel sources, thus eliminating the unnecessary movement of fuel by rail and encouraging the setting up of national transmission grid. There are some pre-conditions to avail the concessions such as that the beneficiary States should have constituted their Regulatory Commissions with full power to fix tariffs as envisaged in the Central Act and they would also have to privatise distribution in the cities having a population of more than one million. Thus the revised mega power policy would also act as a catalyst in the process of reforms and restructuring in the power sector.

2.101 Asked to justify the appointment of technical and legal consultant for Mega Power Projects as reported in press while the CEA is capable to carry out the work, the Ministry in a written reply mentioned that the mega power projects are being set up under a global tendering process and it is expected that a lot of parties joining in the tendering process will be foreign based. It is believed that the existing international norms in tendering, evaluating process will be taken into consideration. Since we did not have experience in handling such large scale global tenders involving complex inter-connected issues like PTC, IPPS and SEBs; and the methodology adopted for evaluation & selection of such projects, it was thought appropriate to get the benefit of experienced international consultants. The opinion of Consultants are not binding on the Government and their opinion is to be discussed in the Standing Independent Group, where the Chairman, CEA is also one of the Members.

2.102 As per performance Budget (1998-99) the GOI had constituted a Standing Independent Group (SIG) under the Chairmanship of Justice P.N. Bhagawati to establish modalities and parameter for negotiation of Power Projects proposed by foreign agencies/companies.

2.103 The implementation of revised mega power policy is being overseen by Standing Independent Group (SIG). The composition of SIG was broadened with inclusion of Secretary (Power) and Chairman, CEA to facilitate better coordination while interfacing with different departments of the Central Government, as well as with State Governments. It was decided that the recommendations of the SIG would be processed by MoP and wherever necessary, and changes made in the existing statutory framework. Since CEA's Chairman is a member of the SIG, CEA's expertise would be used in evaluating tariff offers which would generally be through the tariff based competitive bidding process. As such, a separate CEA scrutiny of cost would not be necessary and CEA's concurrence of these projects is proposed to be dispensed with.

2.104 The expenditure on the consultants will be borne by PTC/ Powergrid and is expected to be financed out of World Bank loan. The time schedule of the contract is under negotiation by Powergrid with the consultant.

2.105 Consultants will assist and advise Powergrid/PTC, in the selection process of final bidder which, *inter alia*, includes finalisation of evaluation criteria/methodology, preparation of multi-state PPA between the PTC and the beneficiary states, finalisation of the PPA between selected developer and PTC, finalisation of the tripartite agreement between the PTC, State Government and the RBI etc.. The consultants will also assist PTC/Powergrid in the negotiation of tariff of the Hirma project with M/s. CEPA.

• 2.106 SIG is the apex body to oversee the implementation of the identified mega projects in the private sector. The SIG will also submit a scheme for the selection of the private developer through the bidding process, to be CERC for approval. SIG will also oversee the negotiation with the CEPA project. The expenditure on the SIG will be met by the Central Government.

2.107 The Committee observe that on receiving suggestions from various countries/orgainsations for development of show-case power generation projects the Ministry of Power issued guidelines for setting up mega power projects. The "Mega Power Project" have been defined as projects having a capacity of 1000 MW or above and supplying power to more than one State. The Committee find that due to procedural shortcomings in framing agreement with different financially weak SEBs, lack of fuel supply transport Agreement with Coal/Oil Companies and multi-level scrutiny the policy had to be changed in November, 1998. Under the revised policy as far as possible promoters for private sector Mega projects, were to follow competitive bidding route. The public sector Power utility were however, required to follow the normal procedure. The Committee, also find that Government had expected some benefits from these projects due to the size of the projects. The Committee, however, note that these projects are supported with custom free equipment import, income tax holiday for ten years and sales tax and local levies exemption on supplies to mega projects by State Governments. The Committee expect that after extending such incentives the tariff rate can naturally be brought down. The Committee are of strong view that tariff rate is proposed to be brought down after doling out a number of concessions at the cost of public exchequer.

2.108 The Committee observe that one of the disadvantages of Mega power project is that the indigenous expertise for handling global tenders are not available and the services of foreign consultants are being requisitioned. They will be paid by Power Grid Corporation through World Bank loan. The Committee desire that the Ministry share with it the details of payment made to consultants. The Committee also find that another body "Standing

Independent Group has been created unnecessarily to oversee the implementation of Mega Power Projects. In the opinion of the Committee, the composition of SIG is more of administrative in nature, rather then technical. The Committee apprehend that SIG may not gain the confidence of the private investor. The Committee have observed that role of CEA, which assist Government in all technical and economic matters, pertaining to power sector, has been diluted to a large extent. The Committee while seeking an explanation from the Ministry in this regard, recommend that responsibilities assigned to 'SIG' should be overseen by CEA. Whatever procedure is followed in case of other projects, it should be followed in case of Mega projects also. The Committee also desire that the role of CEA should not be diluted.

2.109 The Committee are sad to note that the first project under Mega Power Policy "Nabinagar project" was identified in February, 1996. Inspite of showering all sorts of benefits, the project could not progress beyond RFQ stage. The Committee are anguished over the fact that the mega power policy failed to implement the very first project taken up under this programme. The Committee seek an explanation from the Ministry regarding the dropping of the project and details of funds spent so far on the project.

2.110 The Committee do not find any reason for extending such benefit exclusively to Mega Projects. The Committee also apprehend that such inconsistent policy of Government may create dissensions in the mind of the private sector entrepreneurs. The Committee recommend that such concessions and benefits should be extended to other IPP also.

2.111 the Committee are also in doubt as to how the creation of Power Trading Corporation will help, when it will take power from private parties and sell it to SEBs. Further P.T.C. would be paying for purchase of power from Mega projects to IPPs but they may not be able to recover the amount from SEBs to whom they sell the power. Hence the entire financial burden will come on the Union Government P.T.C. will be forced to purchase the power from Mega projects because of Power Purchase agreements and sell it to SEBs whether they get money for it or not. The Committee do feel that creation of another intermediary organisation in the form of PTC may also increase the tariff for SEBs. The Committee deprecate the attitude of the Ministry, which close it's eyes to the real issue of

strengthening financial status of SEBs and go on creating avoidable organisations. The Committee fails to understand the rationale of PGCIL, NTPC, PFC and other FIs in subscribing to the equity in the proposed PTC, when none of them has a mandate to trade in power. The Committee cannot but desire that the decision to set up PTC, may be reviewed afresh.

F. Energy Conservation

2.112 Conservation and efficient use of energy is one of the important ways to bridge the gap between the demand and availability of various forms of energy. Highlighting the importance of energy conservation, draft 9th Plan document have mentioned as under:-

> "At the beginning of the Eighth Plan, the energy deficit was 7.8% and peak deficit of 18.8 percent. With the targeted capacity addition of 30538 MW the anticipated power supply position assessed by the Central Electricity Authority (CEA) indicated a peaking deficit of 20.7 percent and energy deficit of 9 percent. However, at the end of the Eighth Plan period, with the actual capacity addition of 16442 MW, the peak deficit was restricted to 18.0 percent and energy deficit to 11.5 percent mainly due to a marked improvement in Plant Load Factor (PLF) of the thermal plants."

2.113 Measures to promote conservation of energy are taken both on the supply side and the demand side. These include awareness and training programmes, energy audit, demonstration-cum-pilot projects.

2.114 The targets of electricity saving equivalent to an additional capacity of 5000 MW in the Power Sector by the terminal year of Eighth Plan was set under the National Energy Efficiency Programme. The Central Electricity Authority has reported a saving of 2900 MW.

2.115 The Ministry of Power implement various demand side saving measures through several programmes carried out by the Energy Management Centre. The EMC coordinate a large number of training programmes, awareness campaigns projects and studies, demonstration projects data base on energy efficient processes and technologies and implementation of multilateral and bilateral energy efficient projects etc. EMC also helps information of policy and designing of programme on energy conservation.

2.116 The budget allocation for Energy Conservation during 1998-99 was Rs. 13.5 crore. However only Rs. 4.94 crore was utilised. Asked to specify the reasons of shortfall in the utilisation, Ministry of Power in their reply mentioned that implementation projects depend on initiatives and response from State Government and their utilities. They require some degree of preparedness and awareness, which is gradually emerging in the States through the power reform process.

2.117 Secondly, according to Ministry of Power Energy Audit of Distribution system has not been as widespread and has taken longer time to establish and complete than contemplated.

2.118 Thirdly, Energy management Centre, with it's skeleton staff and due to uncertain nature of continuance could not prepare projects related to rural lighting demonstration, metering agricultural consumers and DSM in utilities. These projects were provided for in the budget. During the year 1998-99, it was proposed to close down the Energy Management Centre and restructure it in accordance with the proposed legislation on Energy Conservation. The legislation was reviewed through the appointment of an Expert Committee. It is now in a final stage of formulation. It is now proposed to merge the Energy Management Centre with the proposed Bureau of Energy Efficiency.

2.119 The Committee learnt that a large quantum of Power goes waste owing to energy inefficient electric equipments and appliances (*vide* Reply to SQ 83 answered as 1.3.99 in Lok Sabha). The Government is formulating a legal framework for establishing an apex level central body for laying down standards and norms of energy consumption for equipments and applications, energy labeling, and for energy audit to promote efficient use of energy. Violation of prescribed norms and standards could invite penalties.

2.120 Elaborating further on the proposed body, Ministry also mentioned that this body proposed (Bureau of Energy Efficiency) will administer the provision of the proposed legislation.

2.121. The Bureau is expected to be set up without any substantial creation of new posts. The existing Energy Management Centre under the Ministry of Power, headed by an officer of the level of Joint Secretary, Ministry of Power would merge with the Bureau of Energy Efficiency with suitable restructuring and reorientations to undertake the functions of the Bureau, and would be lean in strength.

2.122 The affairs of the Bureau shall be managed, administered, directed and controlled by the Governing Council of the Bureau. The Governing Council shall consist of not less than 10 and not more than 14 members. The Secretary, Power shall be the Chairman of the Council. The Secretaries of the Departments of Petroleum and Natural Gas, Coal, Non-Conventional energy Sources, and Consumer Affairs shall be *ex-officio* members. The council shall also include representatives of Industry, equipment/appliance manufacturers, architecture, and consumers.

2.123 On query regarding present set up for ensuring manufacturing and use of energy efficient equipments the Ministry of Power mentioned that at present there is no separate organisation responsible for ensuring energy efficient electrical equipment. Bureau of Indian Standards (BIS) formulates standards for equipment including electrical equipment. Compliance to the stipulated energy requirements specified in the Indian Standards is voluntary. At present, BIS Certification Mark is not mandatory for ensuring energy efficiency for electrical equipment. BIS develop standards for equipment taking into consideration a host of parameters including energy consumption. There is no specific focus on energy efficiency.

2.124 The Ministry of power also proposed that in view of the lack of any separate organisation the proposed organisation i.e. Bureau of Energy Efficiency (BEE) should act in tandem with Bureau of Indian Standards for development and notification of standards and norms and the enforcement of the provision through the concerned State Governments/Union Territories.

2.125 The Standing Committee on Energy in their Third Report and 13th Reports (10th Lok Sabha) have recommended to constitute one autonomous non-governmental body, with representatives from industry, consumers and interest groups. The Committee had also desired to make Energy Management Centre an autonomous body.

2.126 The Committee acknowledge that conservation and efficient use of energy is one of the important ways to bridge the gap between the demand and availability of various forms of energy. The Committee observed that this point has been categorically empahsized in the draft Ninth Five Year Plan. The Committee are however sad to note that the emphasis given by the Government on Energy conservation is very casual as the electricity saving targets for the Eighth Plan could not be achieved. The Committee are aware that implementation of energy conservation projects depend on initiatives and responses from State Governments and their utilities. The Ministry of Power have restricted themselves in funding some insignificant incentive schemes which rarely encourage State Governments and their funds starved utilities to take up energy conservation measures in the right earnest. Moreover, the only organisation Energy Management Centre which is under Ministry of Power has been kept in uncertain position for a long period, thus blocking the functions like various training programmes, awareness capaigns etc. The Committee take a serious view of the incoherent policy pursued by the Ministry. The Committee, recommend that EMC should be strengthened and the functions proposed to be handed by Bureau of Energy Efficiency, be handled by it so that the Work relating to energy conservation can be taken up in the right earnest.

2.127 The Committee are sad to note that at present there is no separate organisation for ensuring energy efficient electrical equipment. The Committee desire that the existing scope and functions of the Energy Management Centre should be widened so that electrical equipments can be standardized in tandem with Bureau of Indian Standards. Standards and norms of energy consumption for equipments and for various application should also be laid down.

G. Rural Electrification Programme

2.128 REC under its Annual plan 1998-99 has made a provision of Rs. 50 crore under Tribal Sub-plan (T&P) and Rs. 76 crore under Special Component Plan (SCP) for taking up electrification of 500 Tribal Villages and 1720 Dalit Bastis. However, it has been mentioned in the Performance Budget (1999-2000) that upto the end of September, 1998 only some SEBs/Power Departments have reported that only 42 Tribal Villages and 574 Dalit Bastis have been electrified. Asked to furnish the reasons for shortfall Ministry stated as under:

> "In the Performance Budget (1999-2000) the achievement reported were upto the end of September, 1998. Implementation of rural electrification programmes including electrification of Tribal villages and Dalit Bastis generally picks up from the third quarter of the financial year *i.e.* after the rainy season. According to the progress reported by the State Electricity Boards, the annual target (1998-99) of electrification of Dalit Bastis (1720) has already been exceeded and 2365 Dalit Bastis have been electrified upto the end of February, 1999. The number of tribal villages electrified by the State Electricity Boards reported by the end of February, 1999 is 205. Efforts are being made to achieve the annual targets (500) of electrification of tribal villages also in full by the year ending March, 1999. Thus, funds earmarked for these two programmes are expected to be utilised fully. The basic work of electrification is done by the SEBs/States Governments, for which REC provides financial assistance. REC's effort throughout is to ensure full and proper implementation of these programmes, but the actual pace of implementation depends on the concerned SEBs/State Governments".

2.129 The Ministry also informed that interest subsidy scheme for electrification of Dalit Bastis and tribal villages is under Government's consideration.

2.130 In case of village electrification, 2000 villages were targeted in the year 1998-99. However, as mentioned in the Performance Budget only 237 villages have been electrified upto September, 1998. Again in case of pumpset energisation only 850 pumpsets have been energised against a target of 2.5 lakh pumpsets.

2.131 Furnishing the reasons for shortfall, Ministry mentioned that as against the target of electrification of 2000 villages and energisation of 2.5 lakh pumpsets under REC programme during the year 1998-99, the achievement reported by the SEBs upto the end of February, 1999 is 1494 villages and 2.29 lakh pumpsets. The annual targets under REC programme for village electrification and pumpsets energisation are expected to be achieved fully by the close of the financial year.

2.132 The Committee are distressed to note that programmes covered under Rural Electrification Programme like Tribal sub-plan, Special Component Plan (SCP), village electrification and pumpset energisation programme are not progressing as per the target made for each of the programme. Upto September, 1998 only 42 Tribal Villages were electrified against the target of 500 and 574 Dalit Bastis were electrified against the target of 1720 Dalit Bastis. So far as village electrification and pumpset energistation is concerned the programmes have also failed to achieve the targets as only 1494 villages were electrified out of a target of 2000 villages and only 2.29 lakh pumpsets electrified against a target of 2.5 lakh. The contention of the Ministry that these programmes pick up from the third quarter of the financial year is not convincing. The Committee desire that the reasons for slow progress of these schemes may be gone into and corrective actions taken in the matter may be placed before the Committee. They also desire that a time bound programme be made to achieve the cent percent targets in case of these programme to ensure that the work progress is evenly spread over the financial year.

H. Rehabilitation & Resettlement Policy

2.133 One of the problems, in power project implementation, is rehabilitation and resettlement of project affected people. Many developmental projects have been affected leading to time and cost overruns due to this problem. In the Ninth plan document it has been mentioned that the setting up of large hydel and thermal plants often necessitates clearing of large tracts of land, affecting the lives of people, flora & fauna. Since the displacement of people becomes unavoidable, Government of India has already evolved certain compensation packages which are required to be implemented in a proper manner. These are (a) providing early financial compensation and settlement in land requirement; (b) resettlement of people including construction of dwellings in new areas; (c) providing subsidy for farming in the new areas; (d) starting of special training programmes in the areas of poultry, breeding, handicraft and cottage industries; (e) employment avenues in the project; and (f) provision of education, medical and drinking water facilities.

2.134 Asked about the detail of R&R policy one witness from Ministry of Power mentioned:

> "There is no policy about rehabilitation and resettlement. The National policy on rehabilitation has been under consideration of the Government and it has not yet been finalised. There is no national policy on rehabilitation and resettlement. There are State policies but there is no national policy. It is under very active consideration".

2.135 Asked about the R&R policy pursued by NTPC; CMD, NTPC mentioned as under:

> "In the absence of any policy nationally available, the NTPC had developed its first policy in 1991. But there were some problems. While negotiating loans with the World Bank during 1993-94, we worked out an agreed policy as to what we will do in terms of resettlement. Well we had some problems on some of the projects funded by the World Bank. But now, we are happy to tell you that all issues in the Singrauli region have been resolved with the World Bank and in different monitoring parameters set by the Bank in agreement with the NTPC. All those things are under implementation.
>
> The National Policy which has been mentioned. I, believe, is now under review. We all have given our comments. As soon as that becomes a national policy, everyone, I am sure, will start following the same".

2.136 Asked specifically about the problem of offering employment in Ramagundam Power project of NTPC, CMD mentioned:

> "We took the land against which, may be 1000 people were evacuated. But it is not possible to give employment to all these 1000 people. There are very few jobs that can be really offered to anybody in the highly automated power plant. That is a well established fact. But whatever jobs are there, they are offered to all the land oustees. In Ramagundam, there are 59 odd people involved whose cases are going on. We have had a discussion with them, with their units, with the Labour Commissioner and with the respective Minister over there, and NTPC have agreed to develop income generating schemes for them which will accepted by all. We have also though about giving training to

several people in the areas of their interest. All the schemes have been started, initiated now, and they will be given shape in the agreed time frame without any problem".

2.137 Asked about the policy followed by private power projects, the witness of Ministry of Power stated as under:

"As far as the private sector is concerned, the land acquisition law is equally applicable. There is no difference between the public sector and private sector in regard to land acquisition law. As far as the rehabilitation policy and resettlement policy is concerned, there is no is no rehabilitation policy or the resettlement policy evolved at the national level for the private sector project and even for the public sector projects..... There is a policy which is at the state level on the R&R. And the private power project work according to that policy. The land acquisition etc, is a part of that policy. There are private power projects which have given more than the land acquisition cost. But the land acquisition is mandatory".

2.138 The State Governments are ruthlessly inviting private sector for various projects and acquiring land for such projects thereby displacing a large number of people without caring for their R&R, the guidelines from, Government of India regarding rehabilitation and resettlement thus become more important. Concurring with the view of the Committee one witness stated:

"Yes there is a necessity of this."

2.139 Asked about the R&R policy adopted in regard to private power projects, the witness mentioned as under:-

"In the absence of national policy, it will create all kinds of problems if we attempt a policy when some kind of macro policy is being discussed. These are State stations. Therefore, this issue is left to the State Government."

2.140 The Committee note that in setting up of large hydel and thermal plants, a large number of people, flora and fauna are affected. The Committee are astonished to note that there is no National Policy on Rehabilitation and Resettlement of land oustees. The Committee

find that the policy varies from State to State and project to project. The Committee also find that due to technical and skilled manpower required for such projects, the employment opportunities for the local people are also limited and scarce.

2.141 The Committee were informed that so far as State power projects were concerned, it was the duty of the concerned State to take resettlement and rehabilitation measures in respect of project affected people. But the Committee is unable to accept the plea of the Government that it has no role in rehabilitation of the people affected by the state projects. Now that under liberalised policy, all the State Government are inviting private participation in power projects they are also acquiring private lands in public interest and thus uprooting a large number of people in the process. As there is no uniform R&R policy at national level, these people are left to fend for themselves. IPPs are also not taking any action in the matter. The Committee are pained to learn that the Union Government has washed off its hands by merely stating that it is a state matter and they can not do much in the matter. It is strange that the Union Government has failed to take any cue from the policy followed by the World Bank in this regard where the Bank insist that before any release of funds by it, the resettlement and rehabilitation measures are in place for the project affected people. The Committee desire that following the same guidelines, Central Electricity Authority should not give its sanction to any state project till the State Government has made sufficient provision for R&R of the affected people. The Committee desire that the Government should examine the whole matter within three months and place before the Committee action taken by it in the matter.

NEW DELHI;
17 April, 1999
27 Chaitra, 1921 (Saka)

K. KARUNAKARAN,
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.	2.18	The Committee have been apprised that the Planning Commission has approved an allocation of Rs. 1,24,526 crore for power sector during Ninth Plan comprising of Rs. 4,559.05 crore in Central Sector and rest Rs. 78,935 crore in the state sector. The Committee, are, however perturbed to note that the overall outlay of the 9th plan for Power Sector, has been drastically reduced to 14.5% from 18.3% during 9th plan. The Committee are of the view that when the country is facing 5.3% energy shortage and 11.1% peaking shortage on macro level, and impact of economic sanctions, looming large, the reduction in plan outlay for Power Sector is neither desirable nor justified. The Committee recommend that Government/Planning Commission should increase allocation for Power Sector and it should be more than the level of 8th Plan *i.e.* 18.3% of overall outlay, so that the on-going and future projects could be completed within the scheduled time frame.

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2.	2.19	The Committee note that for 9th Five year plan Rs. 45591.05 crore have been proposed for Central Power Sector. Out of this, Internal and Extra Budgetary Resources (IEBR) amounts to Rs. 30648.00 crore. The Ministry's have informed that higher provision of IEBR for the 9th plan has been envisaged to meet the funds requirement of the ongoing scheme as well as the new schemes. As the mobilisation of resources under internal accrual depends largely on the market conditions the Committee are in serious doubt whether the IEBR amount earmarked for 9th plan can be realised considering their dismal performance during 8th Five year plan. The Committee have also found that in the first two years of Ninth Plan against a target of Rs. 11283.31 crore, Rs. 8668.85 crore have been realised from IEBR. The contention of the Government that the targetted amount could not be realised during first two years of Ninth Plan due to inability of Central PSUs is hardly convincing. In the view of the Committee the dependency on IEBR may jeopardise the progress of projects due to uncertain IEBR position. Even organisation like NTPC have not been able to raise resources through bonds and debentures in the first two years of Ninth Five year plan. The Committee while recommending that realistic and achievable IEBR targets

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		should be fixed also desire that Government must take measures to encourage investment in the power sector.
3.	2.20	The Committee have noted that about Rs. 19,000 crore is still outstanding against SEBs. The non–realisation of the dues are affecting the operating performance of CPSUs in the Power Sector, to a large extent. The Committee have noted that the scheme announced by the Government during Budget (1998-99) on the floor of the House regarding guarantee scheme to cover outstanding dues for SEBs on the basis of which they can raise resources either by securitisation or directly entering in the market for raising resources, has not been finalised. The Committee are of the opinion that the scheme announced on the floor of the House and specially during Budget are sacrosanct and should be operationalised with maximum dispatch. However, in the present case, it has been bogged down in the inter ministerial skirmish. The Committee expect that Government should now, at least act with alacrity and take immediate steps to resolve all the issues, delaying the implementation of the scheme and inform the Committee within 3 months of presentation of this report. The Committee have also

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		observed that deduction from CPA due to State Governments are inadequate and it will take many years to liquidate the arrears, since only 15% of CPA is allowed to be appropriated. The Committee therefore recommend that this percentage should be increased so that the much needed resources are made available for the on going & future projects.
4.	2.44	The Committee note that the Government have fixed a target of 40,245 MW for the Ninth Plan. During the first two years of the plan there has been a capacity addition of only about 7000 MW. The target for the third year (i.e. 1999-2000) has been fixed at 3923.4 MW. Presuming that this target is realised in full, even then there will be a gap of 29322 MW to be realised in the last two years of the plan. This target of 29,322 MW realising in next two years the Committee feel, is next to impossible to achieve. The Committee have based its conclusion on the dismal performance of the Government during 8th Plan when against the target of 30,000 MW only 16,423 of could be achieved. The Committee therefore recommend that Ministry of Power should reasses the targets and apprise them of the realistic targets which can be achieved during the Ninth Plan, within three month of presentations of this Report.

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5.	2.45	Moreover, the capacity addition programme from different sectors placed before the Committee also raised doubt about achievability of the targets. Out of 40,245.2 MW target in the Ninth Plan period, a capacity of 6000 MW liquid fuel based projects are yet to be identified. The projects under private sector are not showing encouraging results. The Eighth Plan failed due to its too much reliance on private sector. The Ninth plan is likely to fail due to resource crunch & fixing of unrealistic targets. The Committee would have liked the Ministry to set a realistic target and matching support for its achievements. The Committee desire that projects prioritised for capacity addition during Ninth Five Year Plan like Bakreswar and Faridabad and others should not be left affected de to economic sanctions. The Committee recommend that a contingent plan should be drawn to mobilise, adequate resources for these projects for their earlier completion. Projects like THDC are suffering due to Ministry's complacency be also completed expeditiously.
6.	2.46	The Committee are sad to note the casual approach in handling the Hanumanatha Rao Committee Report on the R&R of Tehri oustees. The HRC report was submitted to the Ministry on 11.11.97 and Ministry

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		took more than one year to take a decision on the report and the issue has not been settled so far. The Committee desire that as Government of UP is unable to meet its financial commitment, with respect to irrigation component, efforts should be made in getting adequate funds from PFC etc. and other FIs Union Government should also consider reduction in free quota of power, which a beneficiary state is entitled to pending fulfilment of financial commitments, on the part of Government of Uttar Pradesh.
7.	2.47	During evidence on the Demands for Grants (1999-2000), the Ministry of Power officials informed the Committee that six projects, which were earlier scheduled for commission after the year 1998-99, had been commissioned during the year 1998-99 itself and thus the capacity addition targets of the year had been exceeded and that these units were doing very well. But in a P.E.R. (Post Evidence Reply) on the subject, the Ministry have shown that these five units commissioned during the last two months had generated 111 MUs only in which four plants had not generated any electricity during the period. This clearly shows that the attempt of the Ministry was to mislead the Committee. The Committee take a serious note of it and desire that the

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		matter should be examined in detail and facts be placed before the Committee.
8.	2.48	The Committee are also astonished to note that the number of private projects monitored by the Ministry is gradually decreasing due to failure on the part of parties in submitting detailed DPR timely, and State Governments deciding to take up projects from private parties. The Committee desire that Ministry should firm up the number of projects proposals at the earliest. As Committee are aware of the fact that one of the reasons for shortfall in Eighth Five Year plan was state sector projects transferred to private parties for implementation, the Committee require the details of the projects which have been shifted/ proposed to be shifted from private entrepreneurs to State Authorities.
9.	2.49	The Committee note that external assistance forms around 33% of the Central sector and 15% of the State Sector plan. Due to recent economic sanctions USA has opposed multilateral funding to India, Government of Japan has frozen all new yen loans and Government of Sweden is also not accepting any new proposals. The Government have also stated that with committed assistance going unaltered, the ongoing projects are not likely to be affected. However, the impact on the

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		future projects will be most profound and some SEBs who have taken up restructuring programme may be the first casualty. The Committee have, noted that many projects in Central Sector have been delayed considerably due to resource crunch. The preparedness of Government in meeting the challenges by approching international market, to partly finance the future projects, lacks conviction. The Committee feel that in a bid to face the challenge there is an urgent need to mobilise more resources, internally. The Committee, therefore recommend that tax concessions should be extended to power sector and Provident Funds and other available source should be tapped. The decision to impose cess on hydel power generation kept in abeyance should be revived and cess levied. The Committee also emphasize use of available power prudently and the Ministry should encourage SEBs to take up system improvement scheme, to off–set the impact of sanctions.
10.	2.50	The Committee note that amount earmarked for Power Finance Corporation for the year 1999-2000 is Rs. 560.81 crore which is higher than last year's allocation. As majority of failure in raising resources under IEBR is due to lack of investment in PSUs, Bonds and Debentures and PFC is involved in helping SEBs system improvement etc. the

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		Committee emphasise the need for increasing the allocation for the Power Finance Corporation.
11.	2.67	The Committee have found that rational allocation for generation and Transmission and distribution should be in the ratio of 1:1. However, since Fourth Five Year plan, the allocation in transmission Sector has gone down gradually. It was 100 : 92 in Fourth Plan, 100 : 66 in Fifth, 100 : 52 in Sixth and 100 : 51 in Seventh Five Year Plan. During Eighth Five Year Plan the allocation ratio between Generation and transmission distribution was 1 : 0.53 whereas this has slightly hiked favourably in the Ninth Plan Period which stands at 1 : 0.69. The Committee are at loss to understand the inequality in allocation between generation and T&D, inspite of recommendations, to provide matching allocation for Transmission sector, by the Committee on a number of occasions.
12.	2.68	The Committee are constrained to note that transmission is still a neglected area. The Committee are of the opinion that for the development of power sector, transmission is as important as Generation and Distribution are. Besides recommending that matching allocation be made for transmission sector, the Committee also desire that Government should extend

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		infrastructure status to Transmission activities also. The differential rates of Custom and Excise Duties levied on Generation equipments and Transmission equipments are a matter of concern. The Committee recommend that generation and transmission should be subjected to similar rates of custom and excise duties.
13.	2.69	Due to faulty planning by the Ministry, the Committee are distressed to find that some transmission projects are underutilised, thus increasing the cost of flow of power and on the other hand enormous power is being wasted in the Eastern Region due to non-availability of evacuation facilities in the region. Project like Agartala GBPP and Kathalguri GBPP in North-East are not able to generate their fullest capacity due to lack of transmission facility. The Committee find that imprudent allocations were made for transmission projects like CEPA transmission system and Talcher-II transmission system since the Generation projects, could not take off. Powergrid thus failed to utilise about Rs. 900 crore in the year 1998-99. The Committee are also perturbed over delay in commissioning of Nathpa Jhakri Hydro project. Power Grid has already suffered a loss of Rs. 320 crore on account of delay in

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		commissioning of hydel project. The Committee stress the need for optimum utilisation of the existing transmission system. In this context, the Committee recommend that a National Grid should be created at the earliest, so that the regional imbalances in the generation and transmission of Power can be corrected.
14.	2.86	The Committee would now delve upon a serious problem which reflect the result of mearge allocation and unscientific planning relating to Transmission & distribution Sector. At present, Eastern region has a surplus power of 1500 MW at the peak load and 3500 MW during the off-peak period. This huge amount of power is being wasted due to lack of transmission system to evacuate power to other regions and also due to lack of distribution lines and inadequate demand within the region. The NTPC projects in the Easter Region, inspite of 85% availability are running at the capacity of 45% only. The Committee are concerned to note that it will take another 3-4 years, if all the transmission links identified are commissioned in time. The Committee emphasize the need for completing the proposed transmission lines ahead of schedule so that surplus power can be consumed and systemic frequency in the Eastern region be balanced.

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15.	2.87	The Committee also recommend the Ministry to step up their assistance to SEBs in the region for strengthening the distribution lines and the system in general. The Committee desire that transmission lines in Eastern Region should be completed urgently and sufficient funds be provided for the purpose, so as to enable the surplus power transferred to the other regions.
16.	2.88	The Committee observe that the State utilities of Eastern Region have reacted sharply to hike in the tariff rate by NTPC. Now they have to take the more costly power and as the increase in tariff is effective retrospectively the same cannot be passed on to the consumers. The Committee realise the seriousness of the problem due to threat by Gridco even to isolate their grid from the Eastern Region Grid. The Committee desire that the issue raised by the State utilities should be settled urgently. Now that Central Regulatory Authority has been constituted, the hike in tariff by NTPC should be referred to the Authority for proper disposal.
17.	2.107	The Committee observe that on receiving suggestions from various countries/orgainsations for development of show-case power

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		generation projects the Ministry of Power issued guidelines for setting up mega power projects. The "Mega power project" have been defined as projects having a capacity of 1000 MW or above and supplying power to more than one State. The Committee find that due to procedural shortcomings in framing agreement with different financially weak SEBs, lack of fuel supply, transport agreement with Coal/Oil Companies and multi-level scrutiny the policy had to be changed in November, 1998. Under the revised policy as far as possible promoters for private sector Mega projects, were to follow competitive bidding route. The public sector Power Utility were however, required to follow the normal procedure. The Committee, also find that Government had expected some benefits from these projects due to the size of the projects. The Committee, however, note that these projects are supported with custom free equipment import, income tax holiday for ten years and sales tax and local levies exemption on supplies to Mega projects by States Governments. The Committee expect that after extending such incentives the tariff rate can naturally be brought down. The Committee are of strong view that tariff rate is proposed to be brought down after doling out a number of concessions at the cost of public exchequer.

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18.	2.108	The Committee observe that one of the disadvantages of Mega Power Project is that the indigenous expertise for handling global tenders are not available and the services of foreign consultants are being requisitioned. They will be paid by Power Grid Corporation through World Bank loan. The Committee desire that the Ministry share with it the details of payment made to consultants. The Committee also find that another body "Standing Independent Group" has been created unnecessarily to oversee the implementation of Mega Power Projects. In the opinion of the Committee, the composition of SIG is more of administrative in nature, rather than technical. The Committee apprehend that SIG may not gain the confidence of the private investor. The Committee have observed that role of CEA, which assist Government in all technical and economic matters, pertaining to power sector, has been diluted to a large extent. The Committee while seeking an explanation from the Ministry in this regard, recommend that responsibilities assigned to 'SIG' should be overseen by CEA. Whatever procedure is followed in case of other projects, it should be followed in case of Mega projects also. The Committee also desire that the role of CEA should not be diluted.

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19.	2.109	The Committee are sad to note that the first project under Mega Power Policy "Nabinagar project" was identified in February, 1996. Inspite of showering all sorts of benefits, the projects could not progress beyond RFQ stage. The Committee are anguished over the fact that the mega power policy failed to implement the very first project taken up under this programme. The Committee seek an explanation from the Ministry regarding the dropping of the project and details of funds spent so far on the project.
20.	2.110	The Committee do not find any reason for extending such benefit exclusively to Mega Projects. The Committee also apprehend that such inconsistent policy of Government may create dissensions in the mind of the private sector entrepreneurs. The Committee recommend that such concessions and benefits should be extended to other IPP also.
21.	2.111	The Committee are also in doubt as to how the creation of Power Trading Corporation will help, when it will take power from private parties and sell it to SEBs. Further P.T.C. would be paying for purchase of power from Mega projects to IPPs but they may not be able to recover the amount from SEBs to whom they sell the power. Hence the entire financial burden will come on the Union

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		Government P.T.C. will be forced to purchase the power from Mega projects because of Power Purchase agreements and sell it to SEBs whether they get money for it or not. The Committee do feel that creation of another intermediary organisation in the form of PTC may also increase the tariff for SEBs. The Committee deprecate the attitude of the Ministry, which close it's eyes to the real issue of strengthening financial status of SEBs and go on creating avoidable organisations. The Committee fails to understand the rationale of PGCIL, NTPC, PFC and other FIs in subscribing to the equity in the proposed PTC, when none of them has a mandate to trade in power. The Committee cannot but desire that the decision to set up PTC, may be reviewed afresh.
22.	2.126	The Committee acknowledge that conservation and efficient use of energy is one of the important ways to bridge the gap between the demand and availability of various forms of energy. The Committee observed that this point has been categorically emphasized in the draft Ninth Five Year Plan. The Committee are, however, sad to note that the emphasis given by the Government on Energy conservation is very casual as the electricity saving targets for the Eighth Plan could not be achieved. The Committee are aware

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		that implementation of energy conservation projects depend on initiatives and responses from State Governments and their utilities. The Ministry of Power have restricted themselves in funding some insignificant incentive schemes which rarely encourage State Governments and their funds starved utilities to take up energy conservation measures in the right earnest. Moreover, the only organisation Energy Management Centre which is under Ministry of Power has been kept in uncertain position for a long period, thus blocking the functions like various training programmes, awareness campaigns etc. The Committee take a serious view of the incoherent policy pursued by the Ministry. The Committee, recommend that EMC should be strengthened and the functions proposed to be handed by Bureau of Energy Efficiency, be handled by it so that the work relating to energy conservation can be taken up in the right earnest.
23.	2.127	The Committee are sad to note that at present there is no separate organisation for ensuring energy efficient electrical equipment. The Committee desire that the existing scope and functions of the Energy Management Centre should be widened so that electrical equipments can be standardized in tandem with

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		Bureau of Indian Standards. Standards and norms of energy consumption for equipments and for various application should also be laid down.
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		programme be made to achieve the cent percent targets in case of these programme to ensure that the work progress is evenly spread over the financial year.
25.	2.140	The Committee note that in setting up of large hydel and thermal plants, a large number of people, flora and fauna are affected. The Committee are astonished to note that there is no National Policy on Rehabilitation and Resettlement of land oustees. The Committee find that the policy varies from state to state and project to project. The Committee also find that due to technical and skilled manpower required for such projects, the employment opportunities for the local people are also limited and scarce.
26.	2.141	The Committee were informed that so far as State power projects were concerned, it was the duty of the concerned State to take resettlement and rehabilitation measures in respect of project affected people. But the Committee is unable to accept the plea of the Government that it has no role in rehabilitation of the people affected by the state projects. Now that under liberalised policy, all the State Government are inviting private participation in power projects they are also acquiring private lands in public interest and thus uprooting a large number of people in the

1	2	3
		process. As there is no uniform R&R policy at national level, these people are left to fend for themselves. IPPs are also not taking any action in the matter. The Committee are pained to learn that the Union Government has washed off its hands by merely stating that it is a State matter and they can not do much in the matter. It is strange that the Union Government has failed to take any cue from the policy followed by the World Bank in this regard where the Bank insist that before any release of funds by it, the resettlement and rehabilitation measures are in place for the project affected people. The Committee desire that following the same guidelines, Central Electricity Authority should not give its sanction to any State project till the State Government has made sufficient provision for R&R of the affected people. The Committee desire that the Government should examine the whole matter within three months and place before the Committee action taken by it in the matter.

PART II

APPENDIX

(*vide* Para 1.6 of the Report)

STATEMENT SHOWING THE DETAILED DEMANDS FOR GRANTS (1999—2000) OF THE MINISTRY OF POWER

(Rs. in thousands)

Sl. No.	Major Head	Actuals 1997—98		Budget Estimates 1998—99		Revised Estimates 1999—2000		Budget Estimates 1998—99		Remarks
		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. 69										
1.	3451	—	51132	—	54000	—	59900	5000	60600	This head comprises items like salaries etc. of Sectt. Ministry of Power.
2.	2801	2862311	6333262	4678100	6361700	4163100	5678300	4180300	5957500	This head comprises times like Assessment of Small Hydro Electric potential, all India Load Survey Scheme. Reno-vation &

1	2	3	4	5	6	7	8	9	10	11
										Modernisation of Thermal Power Station, transmission & Distribution of Rural Electrification Corpo-ration. Trnasmission & Distribution, CEA Salaries, OTA etc. Power System Training Institute, R&D, other expenditure like Salary, OTA etc., Study & training, organisational development, R&D Cogneration Cell.
3.	3601	51747	—	42500	—	42500	72500	—	72500	This head comprises items like grants in aid to State Govts. Central Plan Schemes & Incentive Payment, etc.
4.	4801	13503526	—	12568600	—	13216569	—	1245110	—	This head comprises items like Externally Aided Schemes.

1	2	3	4	5	6	7	8	9	10	11
5.	6801	13753100	37722	14333800	—	13862331	—	17273100	—	Loans for Hydel and Thermal Power Projects, Transmission and Distribution of Rural Electrification, Loans to Public Sector and other Undertakings.
6.	7601	17000	—	17000	—	17000	—	18000	—	This head comprises expenditure under the charged Head like Loans & Advances to State Govt. Centrally Sponsored Plan Scheme, etc.
Total	30187684	6422116	31640000	6415700	31301500	5738200	34000000	6018100	40018100	

ANNEXURE I

MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (1998-99) HELD ON 6TH APRIL, 1999 IN COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 15.30 hours to 18.30 hours.

PRESENT

Shri K. Karunakaran - *Chairman*

MEMBERS

2. Shri Basudeb Acharia
3. Shri Bikash Chowdhury
4. Shri Rajbanshi Mahto
5. Shri Vilas Muttemwar
6. Shri Amar Roy Paradhan
7. Shri Naresh Kumar Chunnalal Puglia
8. Shri Kanumuru Bapi Raju
9. Shri Anantha Venkatrami Reddy
10. Shri Francisco Sardinha
11. Shri Chandaramani Tripathi
12. Prof. (Smt.) Rita Verma
13. Shri Sushil Chandra Verma
14. Shri Lakkhiram Agarwal
15. Shri Bangaru Laxman

SECRETARIAT

1.	Dr. A.K. Pandey	-	*Additional Secretary*
2.	Shri P. K. Bhandari	-	*Deputy Secretary*
3.	Shri R. S. Kambo	-	*Under Secretary*

WITNESSES

1.	Shri V. K. Pandit	-	Secretary
2.	Shri Pradip Baijal	-	Spl. Secretary
3.	Shri S. R. Shivrain	-	JS&FA
4.	Shri Baleshwar Rai	-	JS
5.	Shri J. Vasudevan	-	JS (Hydel)
6.	Shri Anil Razdan	-	JS
7.	Ms. C. R. Gayathri	-	JS
8.	Shri P. I. Suvrathan	-	JS
9.	Shri Rajiv Datt	-	Director (Finance)

CENTRAL ELECTRICITY AUTHORITY

10.	Shri R. N. Srivastava	-	Chairman, CEA
11.	Shri K. N. Sinha	-	Member (Plg.), CEA
12.	Shri D. V. Khera	-	Member, (Hydel), CEA
13.	Shri V. K. Sood	-	Member (Th.), CEA

PUBLIC SECTOR UNDERTAKING

14.	Shri Rajendra Singh	-	CMD, NTPC
15.	Shri C. P. Jain	-	Director (Finance) NTPC
16.	Shri R. Natarajan	-	Director, NHPC

17.	Shri R. P. Singh	-	CMD, PGCIL
18.	Dr. V. K. Garg	-	Director (Finance), PGCIL
19.	Shri M. L. Gupta	-	CMD, THDC
20.	Shri P. D. Tuteja	-	Director (Finance), THDC
21.	Dr. Uddesh Kohli	-	CMD, PFC
22.	Shri T. N. Thakur	-	Director (Finance), PFC
23.	Shri Diwakar Dev	-	CMD, REC
24.	Shri H. C. Virmani	-	GM (Finance), REC
25.	Shri V. K. Khanna	-	ED, REC
26.	Shri Arun Gupta	-	CMD, NJPC
27.	Shri O. N. Singh	-	Director (Finance), NJPC
28.	Shri A. K. Mishra	-	Chairman, DVC
29.	Shri T. P. Mandal	-	Director (Finance), DVC
30.	Shri P. K. Kotoky	-	CMD, NEEPCO
31.	Shri R. K. Sharma	-	GM, NEEPCO
32.	Shri D. N. Khanna	-	GM, REC

2. At the outset, the Chairman, Standing Committee on Energy welcomed the representatives of the Ministry of Power to the sitting of the Committee on Energy.

3. The Secretary, Ministry of Power then gave a brief overview of the Power Sector. Some of the highlights of Secretary's observations are as under:

(i) The overall outlay of power sector for Ninth Plan has come down to 14.3% form 18.3% in the 8th Plan period.

(ii) By the end of Eighth Plan peaking shortage was 18% while energy shortage was 11.5%. In 1998-99 the peaking shortage was 11.3% while the energy shortage has come down to 5.6%.

(iii) Out of Rs. 10,060 crores earmarked for Annual Plan (1999-2000), Rs. 5,295 crores are for ongoing projects, Rs. 1935.75 crores for new projects and remaining allocation is for other purposes.

(iv) At the end of March, 1998, outstandings of SEBs to CPSUs were over Rs. 14,000 crore DVB alone owes Rs. 7,000 crores to BTPS.

4. Points discussed with the representatives of the Ministry of Power are as under:-

(i) Capacity addition programme for Ninth Five Year Plan.

(ii) NTPC projects in Eastern region generating 45% of their capacity whereas the plant availability is 85%.

(iii) In the Ninth Five Year Plan Rs. 64,000 crores are earmarked for generation and Rs. 50,000 crores for transmission and distribution.

(iv) By the end of Eleventh Five Year Plan the Hydel Thermal ratio will be brought to the level of 35:65.

(v) Problem of Re-settlement and Rehabilitation of Power Project affected people and absence of a National Policy on this.

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

The Committee then adjourned.

ANNEXURE II

EXTRACTS OF THE MINUTES OF THE NINTEENTH SITTING OF THE STANDING COMMITTEE ON ENERGY (1998-99) HELD ON 16TH APRIL, 1999 IN COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 15.30 hours to 16.30 hours.

PRESENT

Shri K. Karunakaran - *Chairman*

MEMBERS

2. Shri Basudeb Acharia
3. Shri Bikash Chowdhury
4. Shri K.C. Kondaiah
5. Shri Rajbanshi Mahto
6. Smt. Sukhda Mishra
7. Shri Kanumuru Bapi Raju
8. Shri Anantha Venkatrami Reddy
9. Shri Francisco Sardinha
10. Shri N.T. Shanmugam
11. Shri Th. Chaoba Singh
12. Prof. (Smt.) Rita Verma
13. Shri Sushil Chandra Verma
14. Shri Gandhi Azad
15. Shri Ghulam Nabi Azad
16. Shri Brahmakumar Bhatt
17. Shri Bangaru Laxman

SECRETARIAT

1. Shri P.K. Bhandari - *Deputy Secretary*
2. Shri R.S. Kambo - *Under Secretary*

2. The Committee took up for consideration the following draft Reports:

(i) Draft Report on Demands for Grants (1999-2000) relating to the Ministry of Power.

(ii) ** ** **

(iii) ** ** **

(iv) ** ** **

3. The Members suggested certain additions/modifications/ amendments to the draft Reports on Demands for Grants (1999-2000) relating to the Ministries of Power & Coal and desired that those be suitably incorporated in the Reports. These Reports were then adopted. The draft Reports on Demands for Grants (1999-2000) relating to the Ministry of Non-Conventional Energy Sources and the Department of Atomic Energy were adopted by the Committee without any amendments.

4. The Committee authorised the Chairman to finalise the Reports after making consequential changes arising out of factual verification by the concerned Ministry/Department and to present the same to the Parliament/Speaker as the case my be.

The Committee then adjourned.

** Para 2 (ii), (iii) and (iv) relating to consideration and adaptation of three other Reports of the Committee are not included.