TWENTIETH REPORT

STANDING COMMITTEE ON ENERGY (1995-96)

TENTH LOK SABHA

MINISTRY OF POWER

DEMANDS FOR GRANTS (1995-96)

Presented to Lok Sabha on 3 MAY 1995

Laid in Rajya Sabha on.....

LOK SABHA SECRETARIAT
NEW DELHI

April, 1995/Vaisakha, 1917 (Saka)

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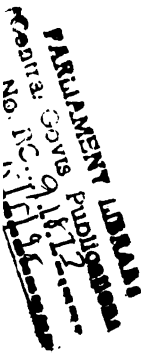

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(1995-96)

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4. Shri A. Louis Martin — *Under Secretary*

INTRODUCTION

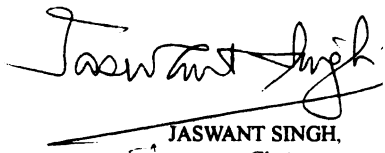
I, the Chairman of the Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report on the Demands for Grants (1995-96) relating to the Ministry of Power.

2. The Committee considered and adopted the Report at their sitting held on 18th April, 1995 and also held discussion with the officials of the Ministry of Power on the same day.

3. The replies furnished by the Ministry of Power on the points contained in this report and also on the points raised by the Committee during their discussion with the representatives of the Ministry of Power on 18th April, 1995 have been appended to the Report.

4. A copy of verbatim proceedings of the discussion held by the Committee with the officials of the Ministry of Power on 18th April, 1995 is also laid in the House along with the Report.

5. 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.



JASWANT SINGH,
Chairman,
Standing Committee on Energy.

NEW DELHI;
24 April, 1995
4 Vaisakha, 1917 (Saka)

REPORT

ANALYSIS OF DEMANDS FOR GRANTS AND PLAN BUDGET OF THE MINISTRY OF POWER (1995-96)

1. The Ministry of Power have presented Demands for Grants of Rs. 3394.36 crores for the year 1995-96 as against Rs. 3650.68 crores (BE) and Rs. 3328.48 crores (RE) in 1994-95 and Rs. 3365.38 crores (Actual) in 1993-94. The headwise details of the Demands for Grants of Ministry of Power are shown in Appendix- I.

Reduction in Budgetary Support

2. Sector-wise distribution of the Budgetary Support of the Ministry for 1994-95 and 1995-96 is as follows :

(Rs. in crores)

Sector	1994-95	1995-96		
		Non-Plan	Plan	Total
(a) Central Sector				
1. Secretariat Economic Services	3.06	3.50	-	3.50
2. C. E. A.	37.05	13.75	28.31	42.06
3. Generation				
(a) Thermal	1705.84	430.00	719.45	1149.45
(b) Hydro	909.59	-	817.85	817.85
4. Trans. and Distribution	345.00	-	318.64	318.64
5. Power Finance Corporation	175. 00	-	300.00	300.00
6. Renovation and Modernisation of TPS (Phase II)	40. 00	-	-	-
7. System Improvement (OECF Loan)	50. 00	-	300.00	300.00
8. Misc. Schemes	69.14	2.50	112.36	114.86
Total (a)	3334.68	449.75	2596.61	3046.36
(b) State Sector Rural Electrification	316.00	-	348.00	348.00
Total (a+b)	3650.68	449.75	2944.61	3394.36

3. A glance at the above figures will reveal that there is a steep reduction in budgetary support in the area of thermal power generation from Rs. 1706 crores in 1994-95 to Rs. 1109 crores in 1995-96. There is also considerable reduction in budgatary support in the case of hydro power and in the area of Transmission and Distribution. Considering the huge shortfall in achieving capacity addition programme in the last year as brought out in a subsequent paragraph, the Committee hold that what is expected of the Government is to enhance and not to lower the budgetary support for power sector. The policy to encourage private investments in the power sector is aimed at bringing additionality of resources. In other words, the private sector investment is to supplement and not to substitute the public sector investment. Keeping this in view, the Committee stress that efforts should be made to sustain the level of budgetary support for investment in public sector.

Capacity Addition

4. During 1994-95, the actual capactiy addition against the target was as under :—

(In Maga Watts)

Type	Programme for 1994-95				Achievement during 1994-95 (Upto February, 1995)			
	Central Sector	State Sector	Private Sector	Total	Central Sector	State Sector	Private Sector	Total
Hydro	115.00	358.25	0.00	473.25	115.00	94.00	-	209.00
Thermal	1118.00	2447.50	560.00	4125.50	664.50	1883.00	310.00	2857.50
Nuclear	220.00	0.00	0.00	220.00	220.00	-	-	220.00
Total	1453.00	2805.75	560.00	4818.75	999.50	1977.00	310.00	3286.50

5. A look at the above table will bring but that there is steep shortfall in realising the programme of capacity addition during 1994-95 in the Central and State sector as well as private sector. The overall achievement of capacity addition (upto Feb., 1995) was just 68.2% of the target. The Committee view this phenomenon with considerable concern and dismay. The Committee fail to understand why budget estimates of demands for grants were revised downwards by Rs. 256 crores for 1994-95 and to what extent was this responsible for the setback in capacity addition programme in the Central sector.

6. It is disappointing to find that the private sector could add only 310 MW capacity as against the target of 560 MW during 1994-95 thereby registering an achievement of just 55%. The Committee cannot but express their unhappiness that while the Government is pruning its budgetary support for whatever the reason, the private sector has not measured up to expectation during 1994-95 in creating the capacity base. The Ministry may also enlighten the Committee about the procedural delays after the approvals are granted from

the foreign investment angle or Indian investment angle. This should include delays by authorities under the Central Government like CEA and the Environment Ministry as also by State Governments and the steps taken to avoid such delays. The Committee are anxious to know what would be the impact of shortfall of capacity addition programme on the energy availability and the power situation in the country.

7. The programme of additions to Generating capacity during 1995-96 is stated to be as given below:

(In Mega Watts)

	Central	State	Private	Total
Hydro	-	404	-	404
Thermal	920	797	-	1717
Nuclear	-	-	-	-
All India	920	1201	-	2121

8. It can be observed that capacity addition target for 1995-96 was 2121 MW which is not only sharply lower then the previous years target of 4819 MW but also lesser than the actuals. The Committee feel that considering the set back in achievements in 1994-95, the targets for the current year should have been sufficiently raised and backed up with adequate resources to off set the previous year's shortfall. Regrettably, this is not happening. What is more disturbing is that the private sector is not expected to contribute any capacity addition during 1995-96; not even materialisation of the previous years shortfall in target achievement. The Committee would urge that appropriate remedial measure should be initiated to ensure that power situation in the country does not move from bad to worse.

Non- utilisation of external assistance

9. The Committee observe from the Economic Survey 1994-95 that the total undisbursed balance of external assistance in the power sector by the end of March 1994 stood at Rs. 18,316 crores. By the end of November 1994, cancellations of IBRD loans to various power projects have reportedly been estimated to be Rs. 165 crores. It is a matter of grave concern that in the context of paucity of resources with Central/State public sector undertakings and SEBs, the funds available from external sources are allowed to go unutilised. This laxity cannot but be deplored.

Plan allocation in the 8th Plan

10. The approved 8th plan outlay for Ministry of Power is Rs. 25920 crores. An analysis of the utilisation during the first four years of the 8th plan (on the basis of the actuals of the first two years of the 8th plan i.e. 1992-93 and

1993-94, provisional actuals for 1994-95 and butgetary outlay for 1995-96) reveals that the anticipated utilisation for the first four years is around Rs. 21512 crores. This leaves a balance of Rs. 4408 crores for the terminal year of the 8th plan. The Committee observe that going by the past trend an increased allocation of around Rs. 2000 to Rs. 2500 crores may be required in the last year of the 8th plan. The Committee trust that the plan allocation for the Ministry will be sufficiently raised keeping in view the additional requirement for the terminal year of the 8th plan.

Shortfall in utilisation

11. The shortfall in urtilisation of funds during 1994-95 *vis-a-vis* budget estimates for the year with respect to National Thermal Power Corporation Ltd. was Rs. 590 crores (provisional). The main reason for under-utilisation is stated to be the delay experienced by it in getting the requisite clearance for Vindhyachal stage-II STPS as well as for Unchahar TPS. The Committee would like to be apprised of the details regarding delay referred to above such as the extent of delay, by whom and for what reason. The Committee expect that the Ministry should ensure that no programme of utilisation of funds is held up due to reasons which are avoidable.

Internal and Extra-Budgetary Resources (IEBR)

12. The budgetary support for central PSUs under the Ministry of Power as compared to the approved plan outlay has come down from 52% in 1985-86 to about 9% in 1994-95. Because of the decline in budgetary support from year to year, the Central PSUs have to mobilise resources through internal and extra budgetary resources (IEBR). During 1993-94, the PSUs were able to mobilise resources amounting to Rs. 2787 crores as against the approved allocation of Rs. 4061 crores under IEBR. During 1994-95, the Central PSUs were required to mobilise Rs. 4276 crores through IEBR, against which the actual realisation has been of the order of Rs. 2902 crores. In the Budget estimate for 1995-96, on IEBR of Rs. 4326.90 crores has been envisaged.

13. Expressing concern over the shortfall in IEBR during 1992-93, the Committee in their 6th report had wondered whether it would be really possible to mobilise as much as Rs. 4276 crores through IEBR during 1994-95. In its reply, the Ministry of Power however expressed the hope of meeting the target. It is however observed that the Ministry could actually realise only Rs. 2902 crores under IEBR during 1994-95. The target fixed for the current year also look ambitious. Considering the inability of the Central PSUs to mobilise required resources and non-availability of budgetary support to the desired extent, for Committee would like to know what Govt. has thought of to meet the financial requirements of PSUs and to make them dynamic.

Inter-state/Inter-regional Transmission Lines

14. Inter-state and Inter-regional transmission lines were planned to facilitate the integral operation of the state system within the region. The Committee observe that as against a provision of Rs. 15 crores in 1994-95 for this programme, the requirement of funds for the year 1995-96 has been estimated at Rs. 3.30. The Committee would like the Ministry to clarify the reasons for sharp decline in requirement of funds during 1995-96. The Committee also find that as against the revised 8th plan outlay of Rs. 52.92 crores, the anticipated utilisation for the first four years will be around Rs. 36 crores leaving Rs. 17 crores for the terminal year of the plan. The Committee would like to be informed how the Ministry proposes to utilise the 8th plan outlay without shortfall.

Power Grid Corporation—Central Transmission Lines Project

15. The Central Transmission Lines Project (CTP-I) was approved in January, 1984 to reduce the Regional imbalance in availability of power. The revised scope of the project was approved in June, 1993. All the lines alongwith associated sub-stations have reportedly been commissioned. The details of the cost of the project and budget provisions in 1994-95 and 1995-96 are as given below :-

(Rs. Crores)

Appd. Cost	Latest Cost	Cum. Exp 3/94	B.E 1994-95	R.E. 1994-95	B.E. 1995-96
516.50	529.17	520.55	6.99	11.44	12.51

16. It is not clear why, even after commissioning of the project, a provision of as much as Rs. 12.51 crores has been made in the Budget for the project. It is observed that the cumulative expenditure on the project including the budgetary provision for 1995-96 will work out to over Rs. 533 crores which will be in excess of the indicated latest cost by Rs. 4 crores. The Committee feel that the position needs to be clarified. It may also be clarified whether sanction has been accorded to the latest revised cost of the project.

Rural Electrification—System Improvement

17. For the year 1994-95, under the head system improvement of rural electrification, a provision was originally made for Rs. 50 crores which was revised to Rs. 10 crores. The Performance Budget does not appear to have given any details about the scheme and its achievements. The Ministry owe an explanation for non-utilisation funds originally provided for under the scheme. The Committee in this connection observe that budgetary provision of Rs. 300 crores has been made for the year 1995-96. The Committee would like to be apprised of the details of the programme.

JASWANT SINGH,
Chairman,
Standing Committee on Energy

NEW DELHI;
24 April, 1995
4 Vaisakha 1917(Saka)

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

Sl. No.	Reference Para No. of the Report	Conclusions/Recommendations			(Rs. in crores)
1	2		3		
	Sector	1994-95	1995-96		
			Non-Plan	Plan	Total
(a)	Central Sector				
1.	Secretariat Economic Services	3.06	3.50	-	3.50
2.	C.E.A.	37.05	13.75	28.31	42.06
3.	Generation				
	a) Thermal	1705.84	430.00	719.45	1149.45
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	Total (a)	3334.68	449.75	2596.61	3046.36
(b)	State Sector Rural Electrification	316.00	-	348.00	348.00
	Total (a+b)	3650.68	449.75	2944.61	3394.36

1. 3. **A glance at the above figures will reveal that there is a steep reduction in budgetary support in the area of thermal power**

1	2	3

generation from Rs. 1706 crores in 1994-95 to Rs. 1109 crores in 1995-96. There is also considerable reduction in budgetary support in the case of hydro power and in the area of Transmission and Distribution. Considering the huge shortfall in achieving capacity addition programme in the last year as brought out in a subsequent paragraph, the Committee hold that what is expected of the Govt. is to enhance and not to lower the budgetary support for power sector. The policy to encourage private investments in the power sector is aimed at bringing additionality of resources. In other words, the private sector investment is to supplement and not to substitute the public sector investment. Keeping this in view, the Committee stress that efforts should be made to sustain in the level of budgetary support for investment in public sector.

Capacity Addition

4. During 1994-95, the actual capacity addition against the target was as under :—

(In Maga Watts)

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Nuclear	220.00	0.00	0.00	220.00	220.00	-	-	220.00
Total	1453.00	2805.75	560.00	4818.75	999.50	1977.00	310.00	3286.50

2. 5. **A look at the above table will bring out that there is steep shortfall in realising the programme of capacity addition during 1994-95 in the Central and State sector as well as private sector. The overall achievement of capacity addition (upto Feb., 1995) was just 68.2% of the target. The Committee view this phenomenon with considerable concern and dismay. The Committee fail to understand why budget estimates of demands for grants were revised downwards by Rs. 256 crores for 1994-95 and to what extent was this responsible for the setback in capacity addition programme in the Central sector.**

3. 6. **It is disappointing to find that the private sector could add only**

1	2	3
		310 MW capacity as against the target of 560 MW during 1994-95 thereby registering an achievement of just 55%. The Committee cannot but express their unhappiness that while the Government is pruning its budgetary support for whatever the reason, the private sector has not measured up to expectation during 1994-95 in creating the capacity base. The Committee are anxious to know what would be the impact of shortfall of capacity addition programme on the energy availability and the power situation in the country.
4.	8.	It can be observed that capacity addition target for 1995-96 was 2121 MW which is not only sharply lower than the previous years target of 4819 MW but also lesser than the actuals. The Committee feel that considering the set back in achievements in 1994-95, the targets for the current year should have been sufficiently raised and backed upto with adequte resources to off set the previous year's shortfall. Regrettably, this is not happening. What is more disturbing is that the private sector is not expected to contribute any capacity addition during 1995-96, not even materialisation of the previous years shortfall in target achievement. The Committee would urge that appropriate remedial measure should be initiated to ensure that power situation in the country does not more from bad to worse.
5.	9.	The Committee observe from the Economic Survey 1994-95 that the total undisbursed balance of external assistance in the Power sector by the end of March 1994 stood at Rs. 18,316 crores. By the end of November 1994, cancellations of IBRD loans to various power projects have reportedly been estimated to be Rs. 165 crores. It is a matter of grave concern that in the context of paucity of resources with Central/State Public sector undertakings and SEBs, the funds available from external sources are allowed to go unutilised. This laxity cannot but be deplored.
6.	10.	The approved 8th plan outlay for Ministry of Power is Rs. 25920 crores. An analysis of the utilisation during the first four years of the 8th plan (on the basis of the actuals of the first two years of the 8th Plan i.e. 1992-93 and 1993-94, provisional actuals for 1994-95 and butgetary outlay for 1995-96) reveals that the anticipated utilisation for the first four years is around Rs. 21512 crores. This leaves a balance of Rs. 4408 crores for the terminal year of the 8th plan. The Committee observe that going by the past trend, an increased allocation of around Rs.

1	2	3
		2000 to Rs. 2500 crores may be required in the last year of the 8th Plan. The Committee trust that the plan allocation for the Ministry will be sufficiently raised keeping in view the additional requirement for the terminal year of the 8th plan.
7.	**11.**	**The shortfall in utilisation of funds during 1994-95 *vis-a-vis* budget estimates for the year with respect to National Thermal Power Corporation Ltd. was Rs. 590 crores (provisional). The main reason for under-utilisation is stated to be the delay experienced by it in getting the requisite clearance for Vindhyachal stage-II STPS as well as for Unchahar TPS. The Committee would like to be apprised of the details regarding delay referred to above such as the extent of delay, by whom and for what reason. The Committee expect that the Ministry should ensure that no programme of utilisation of funds is held up due to reasons which are avoidable.**
8.	**13.**	**Expression concern over the shortfall in IEBR during 1992-93, the Committee in their 6th report had wondered whether it would be really possible to mobilise as much as Rs. 4276 crores through IEBR during 1994-95. In its reply, the Ministry of Power however expressed the hope of meeting the target. It is however observed that the Ministry could actually realised only Rs. 2902 crores under IEBR during 1994-95. The target fixed for the current year also look ambitious. Considering the inability of the Central PSUs to mobilise required resources and non-availability of budgetary support to the desired extent, the Committee would like to know what Govt. has thought of to meet the financial requirements of PSUs and to make them dynamic.**
9.	**14.**	**Inter-state and Inter-regional transmission lines were planned to facilitate the integral operation of the state system within the region. The Committee observe that as against a provision of Rs. 15 crores in 1994-95 for this programme, the requirement of funds for the year 1995-96 has been estimated at Rs. 3.30. The Committee would like the Ministry to clarify the reasons for sharp decline in requirement of funds during 1995-96. The Committee also find that as against the revised 8th plan outlay of Rs. 52.92 crores, the anticipated utilisation for the first four years will be around Rs. 36 crores leaving Rs. 17 crores for the terminal year of the plan. The Committee would like to be informed how the Ministry proposes to utilise the 8th plan outlay without shortfall.**

10. 16. **It is not clear why, even after commissioning of the project, a provision of as much as Rs. 12.51 crores has been made in the Budget for the project. It is observed that the cumulative expenditure on the project including the budgetary provision for 1995-96 will work out to over Rs. 533 crores which will be in excess of the indicated latest cost by Rs. 4 crores. The Committee feel that the position needs to be clarified. It may also be clarified whether sanction has been accorded to the latest revised cost of the project.**

11. 17. **For the year 1994-95, under the head system improvement of rural electrification, a provision was originally made for Rs. 50 crores which was revised to Rs. 10 crores. The Performance Budget does not appear to have given any details about the scheme and its achievements. The Ministry owe an explanation for non-utilisation funds originally provided for under the scheme. The Committee in this connection observe that budgetary provision of Rs. 300 crores has been made for the year 1995-96. The Committee would like to be apprised of the details of the programme.**

APPENDIX I

DEMANDS FOR GRANTS FOR THE MINISTRY OF POWER

(Rs. in thousands)

Sl. No.	Major Head	Actuals 1993-94		Budget Estimates 1994-95		Revised Estimates 1994-95		Budget Estimates 1995-96		Remarks
		Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	
1	2	3	4	5	6	7	8	9	10	11
Demand No. 68										
1.	3451	-	3,20,64	-	3,06,00	-	3,40,00	-	3,50,00	This head comprise of items like salaries etc. of Sectt. Ministry of Power.
2.	2801	63,09,06	307,12,54	73,66,00	444,52,00	57,44,00	445,83,00	120,47,00	446,25,00	This head comprises of items like small Hydro Electric potential, All India Load Survey Scheme, Badarpur, Thermal Power Stations, Rural Electrification

1	2	3	4	5	6	7	8	9	10	11
										Corporation Transmission & Distribution CEA Salaries, OTA etc. Power System Training Institute. R&D, other expenditure like Salary, OTA, etc. Renovations & upraising of Hydel Unit; Study & Training, organisational development Co-generation Cell.
3.	3601	68,31,65	310,33,18	78,66,00	447,58,00	63,30,00	449,23,00	125,47,00	447,00	This head comprises of items like grants in aid to State Govts. Central Plan Schemes & Incentive Payments etc.
4.	4801	1456,20,38	-	1542,85,00	-	1314,40,00	-	993,85,00	-	This head comprises of items like Externally Aided Schemes.

5.	6801	1363,68,00	-	1577,59,00	-	1486,55,00	-	1821,99,00	-	This head comprises of items like State Plan Schemes, Transmission & Distribution Schemes, Externally Aided Schemes.
6.	7601	166,85,00	-	4,00,00	-	15,00,00	-	3,30,00	-	This head comprises of exp. under the charged Head like Loans & Advances to State Govt. centrally Sponsored Plan Scheme etc.
Total		3035,05,03	310,33,18	3203,10,00	447,58,00	287925,00	449,23,00	2944,61,00	449,75,00	

APPENDIX II

OPENING STATEMENT BY THE POWER SECRETARY DURING DISCUSSION HELD BY THE COMMITTEE

I consider it both a privilege and honour to be given this opportunity to make a statement before this august Committee of Parliament. We in the Ministry of Power have benefited immensely from the discussions during the evidence rendered earlier before this Committee and from its very valuable recommendations which have become a guiding light for the Ministry to follow while evolving the policy and programmes for the Power Sector in the country. We are looking forward, Chairman, Sir, to your continued guidance and indulgence during the current year and on behalf of the Ministry of Power, I would like to assure you, Chairman, Sir, and the distinguished Members of the Committee that all of us in the Power Sector would strive to achieve the goals and objectives laid down for us by this Committee and the Parliament.

2. We have completed three years of the 8th Five Year Plan and with your permission I wish to briefly outline where we stand "today" as a bridge between "yesterday" and "tomorrow".

3. We had started the Plan in April '92 with an annual generation of 286.7 Billion Units during the preceding year. The figures of generation in each of the three years since then have been 301 Billion Units in 1992-93, 323 Billion Units in 1993-94 and 351 Billion Units in the financial year just ended. The annual average increase has been of the order of about 7.5%. We hope to be able to take this figure by the end of Plan period to 410 Billion Units as compared to 286 Billion Units in the beginning of the Plan.

4. The increase in generation has been combined with a very significant step up in the plant load factor of the thermal stations which account for almost 70% of the electricity generated in the country. Starting from a figure of 55.3% in 1991-92, we could step up the PLF to 61% within a span of two years. The increase was all around though much more in the Central Sector Units. The State Owned Thermal Units which had a PLF in 1991-92 of 50.6% recorded in 1993-94, a PLF of 56.6% while the PLF of NTPC which contributes about one-fifth of the total electricity generated in the country touched almost 78%. This, the hon'ble Members will agree with me is an achievement comparable with the norms of developed countries. The hydro based generation has also gone up substantially during this period. In fact in the year 1994-95, the hydro stations in the country generated 82.5 billion units of electricity as against the planned 69 BUs and thus achieved a

performance of 120% of the target. No doubt good monsoon is a *sine-quo-non* for improved hydro generation but better plant availability has been equally important.

5. Realising that almost 70% of installed capacity in the country, both thermal and hydel is in the State sector and almost the entire transmission and distribution is with the SEBs, the thrust area of our attention has been the improvement of physical and financial performance of SEBs. When we started the 8th Five Year Plan, the combined average rate of return of SEBs taking into account the subsidy due to them was —0.77%. By March '93, this rate of return had become a little over 2% which while being lower than the minimum ROR prescribed in the Electricity Act of 3% was nevertheless a significant improvement over the prevailing state of affairs. In 1993-94, 12 of the 17 SEBs had a positive rate of return and as many as 9 out of them had a ROR of over 3%. Only 5 SEBs had a negative ROR in that year.

6. While we are encouraging States to undertake an exhaustive review of the set up of SEBs and the power industry in general and are associating international consultants and international funding agencies in this exercise, we continue to be faced with the situation that the single most contributory factor for the poor financial performance of SEBs is the low agricultural tariff being charged by them. Over a dozen States have no doubt agreed to fix the minimum agricultural tariff at 50 paise per kwh, but quite a few States, both in the North and the South, are not heeding to this advice of ours. Also in the States, where such a minimum tariff rate has been fixed, the supply continues to be unmetered and the tariffs are charged according to the horse power of the motor.

7. The capacity addition programme for the 8th Five Year Plan was of the order of 30,537.7 MW. For a variety of reasons including lack of resources during the terminal years of the 7th Plan and the two intervening years between the 7th & 8th Plans, the capacity addition likely to be achieved in the 8th Plan would be 20500 MW *i.e.* there would be a shortfall of 10000 MW. We are deeply concerned about it. In the 3 years, we have added 12674.52 MW as against the target of 13716.02 MW which by itself does not depict a deficit of the order which is likely to be experienced in the next two years. While we are exploring whether any of the projects to be commissioned in the 9th Plan in the public sector could be advanced to the 8th Plan, it appears that the extent of shortfall would continue to be significant. A number of private power projects are under various stages of consideration, the benefit of almost all of them, is not likely to be available till the 9th Plan. Therefore, the overall position at the end of 8th Plan may not, despite the increase in capacity and productivity be really better than at its beginning.

8. During the year 1994-95, we added 4598.50 MW of new capacity. Though it was less than the target of 4818.75 MW fixed for the year, it was the highest capacity addition achieved in any single financial year ever since the planning process began in the country and was 1.1% higher than the 1993-94 capacity addition of 4538.75 MW. In the Central sector, capacity addition was achieved in all the three

segments, *i.e.* hydel, thermal and nuclear and as against the planned target of 1453 MW the achievement was 1531.50 MW. The private sector also attained its target of 710 MW. The generation during the year was fairly satisfactory being 351 billion units *i.e.* 99.7% of the target of 352 billion units. An assessment made by CEA indicates that the loss in generation due to short supply and poor quality of coal was responsible for reduction in generation by 2.8 billion units and if this had been attained, the performance would have been 354 billion units against the target of 352 billion units. The energy shortage in the year was 7.1% and peak time shortage was 16.5%.

9. The 8th Plan had envisaged an expenditure of Rs. 25,920 cr. of this at the end of the first three years of the current Plan, we have already spent an amount of Rs. 14588.67 cr. which is a little less then 60% of the allocation. To that extent, our plan expenditure had been commensurate with the time span. Our PSUs have been generating considerable internal resources and as against the 8th Plan outlay of Rs. 3110 cr., they have already generated Rs. 2432.88 cr. in the first three years of the 8th Plan and most of them have during the year paid a dividend to the Govt. which they expect to step up significantly in the years to come. As regards external assistance provided through budget the entire allocated figure has been more or less fully utilised in the first three years itself. The net budgetary support envisaged for the entire 5 year period is Rs. 2500 cr. Our utilisation in the last three years has been around Rs. 1675 cr. which leaves only about Rs. 825 cr. for the next two years. The Planning Commission had supported our request for increasing this by another Rs. 800 cr. To that extent whatever has been the shortfall in utilisation of net budgetary support & the overall budgetary estimates of outlay in the first three years is a sort of blessing in disguise as it would leave some outlay/resources for the 4th & 5th year of the Plan also. For next year which is the terminal year of the Plan, only Rs. 4408 crores of outlay has been left whereas our requirement is of a much higher order. Looking at the expenditure/allocation in the first four years, we would need an additional allocation of Rs. 2000 to Rs. 2500 crores.

10. The under utilisation of the budget resources in the year 1994-95 by around Rs. 1700 cr. compared to the budgetary figure and around Rs. 700 cr. in comparison to the revised estimate figure is largely due to NTPC and NHPC having experienced certain operational difficulties, with respect to Vindhyachal-II, Unchahar-II and Rihand-II, clearances for the projects from environmental and forest angle and the subsequent investment approvals were delayed. NHPC could not resume work on the Dulhasti Project because of the delay in obtaining the approval of the French Govt. to resumption of work though an MOU to that effect had been signed in June '94 and Govt. of India had accorded its approval in Oct. '94. There were shortfalls in expenditure by the Tehri Corporation on account of the Uttrakhand agitation and by the Nathpa Jhakri Corporation on account of serious rock slides which hampered the work for several months. We are hoping that during the current years these Corporation would be able to make up for the lost leeway.

11. Our emphasis during the past year and in the current year as reflected in the Budget, is to support hydro generation *vis-a-vis* thermal generation and to emphasise expenditure on transmission & generation. We are fully aware that our hydro thermal mix continues to be adverse and hence a significant portion (almost three-fourths) of the net budget in 1995-96 is for supporting NHPC, THDC, NJPC and NEEPCO in expediting their hydro schemes. A significant portion of the external assistance through the budget and more particularly outside it, is being devoted to strengthening of transmission arrangements through the Powergrid and the State Electricity Boards. Simultaneously, with augmenting generation and improving transmission & Distribution, we are devoting greater resources to demand side management, energy efficiency and overall R&D in the electric power sector. Finally, I wish to categorically state before the Committee that the effort being made to involve the private sector in the development of the power industry is not at the expense of the public sector which would in the near foreseeable future, continue to receive high allocations and attention of the Govt. both at the Centre and in the States.

12. While on this subject I must record our sense of gratitude to the Honourable Chairman and Members of the Sub-Committee of this Committee which interacted with us in depth over the private power policy initiative. As I have said, this is an uncharted area where there are no roads and roads are made by walking. We are indeed happy that the Sub-Committee has shared this walk with us.

Thank You

APPENDIX III

REPLIES OF THE MINISTRY OF POWER TO THE POINTS CONTAINED IN THE COMMITTEE'S REPORT

Analysis of Demands for Grants and Plan Budget of the Ministry of Power.

Para 1. The Ministry of Power have presented Demands for Grants of Rs. 3394.36 crores for the year 1995-96 as against Rs. 3650.68 crores (BE) and Rs. 3328.48 crores (RE) in 1994-95) and Rs. 3365.38 crores (Actual) in 1993-94. The headwise details of the Demands for Grants of Ministry of Power are shown in Appendix-I.

Reduction in Budgetary Support

Para 2. Sector-wise distribution of the Budgetary Support of the Ministry for 1994-95 and 1995-96 is as follows :—

(Rs. in crores)

SL. No.	SECTOR	1994-95	1995-96		
			NON-PLAN	PLAN	TOTAL
(a)	CENTRAL SECTOR				
1.	Secretariat Economic Services	3.06	3.50	--	3.50
2.	C.E.A.	37.05	13.75	28.31	42.06
3.	Generation				
	(i) Thermal	1705.84	430.00	719.45	1149.45
	(ii) Hydro	909.59	--	817.85	817.85
4.	Trans. & Distribution	345.00	--	318.64	318.64
5.	Power Finance Corpn.	175.00	--	300.00	300.00
6.	R&M of TPS (Phase II)	40.00	--	--	--
7.	System Improvement (OECF loan)	50.00	--	300.00	300.00
8.	Misc. Schemes	69.14	2.50	112.36	114.86
	Total	3334.68	449.75	2596.61	3046.36
	(b) STATE SECTOR				
1.	Rural Electrification	316.00	--	348.00	348.00
	TOTAL (a+b)	3650.68	449.75	2944.61	3394.36

Comments of Ministry of Power

Paras 1 & 2. No comments as factual position has been given.

Para 3. A glance at the above figures will reveal that there is a steep reduction in budgetary support in the area of thermal power generation from Rs. 1706 crores in 1994-95 to Rs. 1149 crores in 1995-96. There is also considerable reduction in budgetary support in the case of hydro power and in the area of Transmission and Distribution. Considering the huge shortfall in achieving capacity addition programme in the last year as brought out in a subsequent paragraph, the Committee hold that what is expected of the Government is to enhance and not to lower the budgetary support for power sector. The policy to encourage private investments in the power sector is aimed at bringing additionality of resources. In other words, the private sector investment is to supplement and not to substitute the public sector investment. Keeping this in view, the Committee stress the efforts should be made to sustain the level of budgetary support for investment in public sector.

Comments of Ministry of Power

1. Ministry of Power agree, in principle, with the view of the Committee that private sector investment is to supplement and not to substitute the public sector investment and that all-out efforts should be made to sustain the level of budgetary support for investment in public sector.

2. The plan allocation for the Central Sector in the 8th Five Year Plan is Rs. 25,920 crores. This is in comparison with Rs. 8842 crores in the 7th Five Year Plan. This higher level of provision was made despite the Government announcing in November, 1991 its policy to invite private participation in the power sector *i.e.* before the beginning of the 8th Five Year Plan in April, 1992. Taking an overall position *i.e.* allocation for both the Central and State Sector, it is noticed that the allocation for the power sector in the country as a whole has been increased to Rs. 79,589.32 crores in the 8th Five Year Plan in comparison to Rs. 34,273.46 crores in the previous plan.

3. The financing of the 8th Five Year Plan is based on the premise that viable activities including in the infrastructure sector should be financed as far as possible through Internal

and Extra Budgetary Resources (IEBR), in view of the pressure on budgetary resources from social sectors like education, public health etc. and other pressing developmental needs. In the case of the Central Power Sector Undertakings, the IEBR portion as envisaged in the 8th Plan constitutes about 70% of the Plan allocation.

4. The CPSUs of the Ministry of Power have been able to raise substantial resources by way of internal accruals, bonds and debentures as well as through obtaining direct foreign assistance particularly by way of suppliers' credit from overseas. The CPSUs managed to generate Rs. 2433 crores from Internal Resources during the first three years of the Plan, Rs. 1530.56 crores through bonds & debentures and Rs. 1874.82 crores through external assistance outside the budget. Their domestic borrowings at Rs. 1751.53 crores were also significantly higher than in the previous plans. It needs to be recognised that in the first year of the Plan *i.e.* 1992-93, all CPSUs had faced difficulties in raising money in the domestic capital market.

5. For the year 1994-95 the Plan allocation for the year was Rs. 7163.26 crores for the Central Sector. This included Rs. 640.10 crores of Net Budgetary Support, Rs. 2247.00 crores of External Assistance through Budget and Rs. 4276.16 crores of IEBR. The actual (provisional) expenditure, however, has been Rs. 5431.16 crores. The plan outlay for 1995-96 is Rs. 6923.51 crores. There is a reduction in the Gross Budgetary Support (GSB) (i.e. Net Budgetary Support + External Assistance through the Budget) for Thermal, Hydel and Transmission Sector in 1995-96 as compared to 1994-95. In the Thermal sector, the Budgetary support has come down from Rs. 1705.83 crores to Rs. 1149.45 crores and in the Hydel sector it has come down from Rs. 909.59 crores to Rs. 817.85 crores. The reduction for T&D is marginal, being only Rs. 26.36 crores. However, with the IEBR portion going up by Rs. 171.36 crores in the Hydel sector and Rs. 431.45 crores in the T&D sector, this shortfall has been adequately compensated for these two segments.

6. The reduction in Budgetary support in 1995-96 *vis-a-vis* 1994-95 is primarily attributable to the practice introduced now by the Ministry of Finance to let CPSUs avail of Foreign Assistance directly rather than receive it through the Budget. The Time slice loan from World Bank of $400m which

become effective recently is being availed of by NTPC directly and consequently the disbursements during the year are reflected in the IEBR as the Direct Foreign Assistance (DFA) component instead of the earlier practice of it figuring as External Assistance through Budget (EAB) which is a component of the Gross Budgetary Support (GBS). Similar is the position with respect to the Powergrid which would be receiving the Powergrid System Development Project loan of $350m directly from World Bank. Further Power grid would be receiving loans in various currencies for the Chandrapur HVDC Back to Back project directly from various donor/commercial agencies. Similarly with the Uri project of the NHPC reaching an advanced stage of completion, there is a greater flow of commercial external finance to NHPC in 1995-96 compared to 1994-95, instead of external assistance comming largely through the budget as in the earlier years. In fact with the ongoing projects in the power sector getting completed, this practice would in years to come result in the IEBR portion becoming larger in comparison to G.B.S. as E.A.B. keeps dwindling.

7. The overall plan allocation in 1995-96 for Thermal generation, however, is less than for 1994-95 and there is a reduction in both GBS and IEBR. This is largely because of investment approvals not having been sought or accorded in the earlier years of the 8th Plan as well as the two years between the 7th and the 8th Plan. NTPC was then facing an acute resource crunch and could not raise adequate resources in the capital market, either at home or abroad. The financial position of NTPC has now, however, improved. Investment approval have also been recently accorded for Vindhyachal-II (2x500 MW), Unchahar-II (2x210 MW) and Talcher (460 MW) and the process for investment approval has been set in motion for Kayamkulam (400 MW) and Faridabad gas based power station (400 MW). NTPC has also been able to get a $ 400m time Slice loan from World Bank as well as tie up funding for Faridabad Gas based power station from OECF of Japan. ADB has also, in principle, agreed to funding of Unchahar-II. With the anticipated completion of the second unit of Mejia (210 MW) of DVC in the first quarter itself of 1995-96, the overall outlay for 1995-96 for DVC has also come down from Rs. 506 crores in 1994-95 to Rs. 329 crores in 1995-96. There has also been a marginal reduction by Rs. 24 crores in case of provisions for NEEPCO. However a third Unit of 210 MW at Mejia is

scheduled for commissioning in December 1996, and Agartala Gas based (84 MW) in the second half of 1996-97 and the remaining units of Kathalguri (191 MW) in 1995-96, the allocation and expenditure on thermal units would pick up. It can, thus, be reasonably expected that the outlay for the Thermal sector would increase substantially with the implementation of the above projects from 1996-97 onwards.

8. It would thus be evident that continuous efforts are being made to increase the overall allocation for the various segments of the power sector. Attracting private sector investment is not with a view to substituting investments in the public sector. The need for investment in the power sector is very large and growing and it is not possible to find public resources of the requisite order and hence private sector investments are being solicited to supplement the public sector investments.

Capacity Addition

Para 4. During 1994-95, the actual capacity addition against the target was as under :—

(In Mega Watts)

Type	Programme for 1994-95			
	Central Sector	State Sector	Private Sector	Total
Hydro	115.00	358.25	0.00	473.25
Thermal	1118.00	2447.50	560.00	4125.50
Nuclear	220.00	0.00	0.00	220.00
Total	1453.00	2805.75	560.00	4818.75

(In Mega Watts)

Type	Achievement during 1994-95 (Upto February, 1995)			
	Central Sector	State Sector	Private Sector	Total
Hydro	115.00	94.00	--	209.00
Thermal	664.50	1883.00	310.00	2857.50
Nuclear	220.00	--	--	220.00
Total	999.50	1977.00	310.00	3286.50

Comments of the Ministry of Power

The capacity addition programme of 1994-95 resulted in an addition of 4598.50 MW which was 95.43% of the target of 4818.75 MW for the year. The achievement under the Hydro Sector was 450 MW as against 473.25 MW, in the Thermal Sector it was 3928.50 MW as against planned 4125.50 MW and 220 MW of nuclear power capacity was added as planned. The achievement during 1994-95 is an all time high since the planning process began and is 1.1% higher than the 1993-94 capacity addition of 4538.75 MW.

Para 5. A look at the above table will bring out that there is steep shortfall in realising the programme of capacity addition during 1994-95 in the Central and State Sector as well as Private Sector. The overall achievement of capacity addition (Upto Feb. 1995) was just 68.2% of the target. The Committee view this phenomenon with considerable concern and dismay. The Committee fail to understand why budget estimates of demands for grants were revised downwards by Rs. 256 crores for 1994-95 and to what extent was this responsible for the setback in capacity addition programme in the Central Sector.

Comments of the Ministry of Power

1. The overall capacity addition during 1994-95 was above 95% of the target and was the highest capacity ever achieved in a financial year. While recognising that it was below the planned capacity addition programme, it is submitted that shortfall compared to the target, has been only marginal. In the Central Sector, capacity additon was achieved in all the three segments i.e. Hydel, Thermal as well as Nuclear and a against the planned target of 1453 MW, the achievement was 1531.50 MW. The Private Sector also attained its target of 710 MW. In the State Sector, however, there was a shortage in both Hydel and notable in thermal. The table given below indicates the overall position :—

(In Mega Watts)

Type	Planned Programme for 1994-95			
	Central Sector	State Sector	Private Sector	Total
Hydro	115.00	208.25	150.00	473.25
Thermal	1118.00	2447.50	560.00	4125.50
Nuclear	220.00	0.00	0.00	220.00
Total	1453.00	2655.75	710.00	4818.75

(In Mega Watts)

Type	Achievement during 1994-95			
	Central Sector	State Sector	Private Sector	Total
Hydro	115.00	185.00	150.00	450.00
Thermal	1196.50	2172.00	560.00	3928.50
Nuclear	220.00	--	--	220.00
Total	1531.50	2357.00	710.00	4598.50

2. Reduction in Central Sector Plan outlay was, therefore, not a contributory factor for the less capacity addition achieved during the year. Amongst the major State Sector Projects not commissioned during the year was the IB Valley-II (210 MW) in Orissa of OSEB DVC's Mejia also did not get commissioned during the year but this shortfall in the Central Sector was made good by advancing other projects.

Para 6. It is disappointing to find that the private sector could add only 310 MW capacity as against the target of 560 MW during 1994-95 thereby registering an achievement of just 55%. The Committee cannot but express their unhappiness that while the Government is pruning its budgetary support for whatever the reason, the private sector has not measured up to expectation during 1994-95 in creating the capacity base. The Ministry may also enlighten the Committee about the procedural delays after the approvals are granted from the foreign investment angle or Indian investment angle. This should included delays by authorities under the Central Govt. like CEA and the Environment Ministry as also by State Govt. and the steps taken to avoid such delays. The Committee are anxious to know what would be the impact of shortfall of capacity addition programme on the energy availability and the power situation in the country.

Comments of the Ministry of Power

1. The Private sector has added the envisaged 710 MW during the year. The overall shortfall in capacity addition during the year has been very marginal and as submitted above is on account of about 300 MW not being added in the state sector. The generation during 1994-95 was fairly satisfactory being 351 billion units i.e. 99.7% of the target

of 352 billion units. An assessment made by CEA indicates that the loss in generation due to short supply and poor quality of coal was responsible for reduction in generation by 2.8 billion units. If this had been attained, then the generation would have been almost 353 billion units as against the target of 352 billion units. Thus, the impact of shortfall in the capacity addition programme during 1994-95 on energy availability was not very significant. As the units delayed in 1994-95 are expected to be commissioned in the next few months. they would be yielding benefits of generation for a major part of 1995-96 and would thus be contributing to the higher availability of power during 1995-96.

2. CEA has estimated the energy requirement in 1995-96 at 366 B.U. whereas the net availability would be 340 B.U. Thus there would be a shortage of 26 B.U. or 7.1%. The deficit in peak demand would be 20%. The corresponding position during 1994-95 was 7.1% and 16.5% respectively.

3. As regards delay in accoring approvals for private power projects, the general feeling that projects are delayed by CEA and other approval according authorities is not entirely correct. It has been observed that many a times the promoters submit proposals to CEA which are not accompained by the requisite clearance/permissions e.g. environmental & forest clearances, water availability certificate etc. CEA finds it difficult to accord approvals to such incomplete proposals and has to refer them back to the promoters. Furthermore only after the reasonableness of cost and the tentative financial packages have been examined by CEA, it is in a position to issue techno-economic clearance.

It has also been noticed that in view of the conflicting interest of the parties the finalisation of power purchase agreement and fuel supply agreement which are normally insisted upon as pre-requsites for processing applications for financial assistance by the term lending institutions takes considerable time. The developer seeks the clearance of the Finance Ministry for external commercial borrowings after the above basic clearances/agreements have been reached.

It would thus be seen that before reaching the stage of financial closure, a particular process consisting of several stages has to be gone through by private project promoter, particularly when he has to raise resources from outside the country.

Para 7. The programme of additions to generating capacity during 1995-96 is stated to be as given below :-

(in Mega Watts)

	Central	State	Private	Total
Hydro	--	404	--	404
Thermal	920	797	-	1717
Nuclear	--	--	--	--
All India	920	1201	--	2121

Comments of the Ministry of Power

No comments as factual position has been given.

Para 8. It can be observed that capacity addition target for 1995-96 was 2121 MW which is not only sharply lower than the previous years target of 4819 MW but also lesser than the actuals. The Committee feel that considering that set back in achievements in 1994-95, the target fot the current year should have been sufficiently raised and backed up with adequate resources to off-set the previous year's shortfall. Regretably, this is not happening. What is more disturbing is that the private sector is not expected to contribute any capacity addition during 1995-96; not even materialisation of the previous years shortfall in target achievement. The Committee would urge that appropriate remedial measure should be initiated to ensure that power situation in the country does not move from bad to worse.

Comments of the Ministry of Power

1. The shortfall in capacity addition in 1994-95 has been only marignal. The private sector has infact achieved the planned capacity addition target *i. e.* 710 MW. Also the overall generation during the 1994-95 at 99.7% of the programme has been quite satisfactory and was 8.5% higher than in the previous year.

2. With a view to ensuring a higher availability of electricity during 1995-96, a target of generation of 377 billion units and a PLF target for thermal power station at 62.3% has been fixed. It is, however, correct to infer that the new capacity addition would be around 2161 MW during 1995-96 and this

would be much less than in the first three years of the Plan. Efforts are, however, being made to ensure that the new capacity addition during 1996-97 is of a much higher order (between 4500 to 4800 MW) and also the PLF of thermal power stations and the plant availability of hydel station is further improved in the remaining two years of the 8th Five Year Plan.

3. It is true that in the year 1995-96, the private sector is not expected to commission any new units. However 500 MW is expected to come up in 1996-97. The capacity addition from private sector during the 8th Plan would be 1348 MW as against the expected 1622 MW from the licensees and 1188 MW from independent private producers (2810 MW). No project of independent power producers (private generation companies) is likely to materialise during the 8th Plan and the entire increase of 1348 MW would be from the existing licensees. The result of the change in the policy allowing private sector participation in the power sector are now expected in the 9th Plan and onwards as the financial arrangements are not yet finalised in most of the cases. Preparatory infrastructural works involved in power projects are numerous and time consuming and may take two to three years before the actual work on projects can be started.

Para 9. The Committee observe from the Economic Survey 1994-95 that the total undisbursed balance of external assistance in the Power Sector by the end of March, 1994 stood at Rs. 18,316 crores. By the end of November 1994, cancellations of IBRD loans to various power projects have reportedly been estimated to be Rs. 165 crores. It is a matter of grave concern that in the context of paucity of resources with Central/State Public Sector undertakings and SEBs, the funds available from external sources are allowed to go unutilised. This laxity cannot but be deplored.

Comments of the Ministry of Power

1. The undisbursed balance of external assistance in the power sector at end of March, 1994 was Rs. 18,316 crores. However, a closer look at the portfolio would show that a substantial portion of this amount (almost 50%) is accounted for by loans sanctioned very recently and their terms of utilisation is till 1999-2000, e.g. the new World Bank and ADB loan for NTPC & POWER GRID are valid till 1999-2000 AD. OECF of Japan has also sanctioned

significant loans recently for the Faridabad Generation and transmission Project (400MW), OECF loan for Purulia pumped Storage Scheme (900 MW) and Bakreshwar TPS (2x210 MW) in West Bengal and these are to be availed of till 1999-2000.

2. In fact, the utilisation of External Assistance for the Central Sector Projects during 1992-93 was 107% which went up to 125.6% during 1993-94. The position during the year just ended has been also satisfactory. The actual utilisation in 1993-94 both for Central and State Sectors was Rs. 2970.11 crores as against the estimate of Rs. 3001.75 crores 98.8% of the targetted amount.

3. In the State Sector there have been certain operational problems in the utilisation of External Assistance arising largely on account of inadequate budget provisions. The Planning Commission has, however, now agreed to earmark the requisite funds for these projects while approving the plan outlays for the States and also the new external loans are being directly sanctioned and released to the implementing agencies, both in the Central and the State sectors so as to ensure their flow of funds to them. Problems connected with relief and rehabilitation, *e.g.* (Sardar Sarovar) delays in procurement of machinery *e.g.* (North Madras TPS) as well as lack of law and order in certain States (Uri and Dulhasti in J & K) have also contributed to the slow pace of utilisation of External Assistance.

Plan allocation in the 8th Plan

Para 10. The approved 8th plan outlay for Ministry of Power is Rs. 25920 crores. An analysis of the utilisation during the first four years of the 8th Plan (on the basis of the actuals of the first two years of the 8th Plan *i.e.* 1992-93 and 1993-94, provisional actuals for 1994-95 and budgetary outlay for 1995-96) reveals that the anticipated utilisation for the first four years is around Rs. 21512 crores. This leaves a balance of Rs. 4408 crores for the terminal years of the 8th Plan. The Committee observe that going by the past trend, an increased allocation of around Rs. 2000 to 2500 crores may be required in the last year of the 8th Plan. The Committee trust that the plan allocation for the Ministry will be sufficiently raised keeping in view the additional requirement for the terminal year of the 8th Plan.

Comments of the Ministry of Power

The Assessment of the Committee that there is need to augment the plan allocation for the power sector during the 8th Five Year Plan is based on facts and is correct. This has become essential as already about 60% of the 8th Five Year Plan allocation has been utilised in the first 3 years i.e. Rs. 14,589 crores out of Rs. 25,920 crores. The External Assistance provided through Budget has been more or less fully utilised in the first 3 years itself and of the NBS of Rs. 2500 crores envisaged in the 8th Plan, only Rs. 825 crores are left for the next two years. If the project implementation is to continue apace and the requisite investments made for project expected to yield benefits in the 9th Plan, it is essential that the plan allocation is raised significantly. Only Rs. 4408 crores would outherwise be left for the terminal year as against the provision of Rs. 6923 crores for the year 1995-96 and provisional actuals of Rs. 5432 crores in 1994-95, actuals expenditure of Rs. 5556 crores in 1993-94 and Rs. 3601 crores in 1992-93. Ministry of Power would accordingly be moving the Planning Commission and other authorities of Central Government for effecting an increase in the plan allocation by Rs. 2000-2500 crores for 1996-97.

Shortfall in utilisation

Para 11. The shortfall in utilisation of funds during 1994-95 *vis-a-vis* Budget Estimates for the year with respect to National Thermal Power Corporation Ltd. was Rs. 590 crores (provisional). The main reason for under-utilisation is stated to be the delay experienced by it in getting the requisite clearance for Vindhyachal Stage II STPS as well as for Unchahar TPS. The Committee would like to be apprised of the details regarding delay referred to above such as the extent of delay, by whom and for what reason. The Committee expect that the Ministry should ensure that no programme of utilisation of funds is held up due to reasons which are avoidable.

Comments of the Ministry of Power

1. It is correct that there was delay in implementation of the Vindhyachal Stage-II STPS as well as Unchahar TPS of NTPC. Vindhyachal Stage-II was accorded environmental clearance by the Ministry of Environment & Forests in

August, 1994 as the issue regarding Flue Gas Desulpharisation plant (FGD) took time to be resolved. Ministry of Environment & Forests Clearance for Unchahar has been received in January 1995 as the issue of FGD had to be resolved for this project also. Investment approval could be accorded by the Government only subsequently, *viz.* Vindhyachal Project in February, 1995 and for the Unchahar TPS in March, 1995. (It may be recalled that the investment approvals are given at the level of CCEA after the PIB clearance has been accorded).

2. NTPC has made the estimates (and the budgetary allocation of Rs. 370 crores) for the Vindhyachal-II project based on obtaining Govt. approval in the first quarter of 1994 while it was actually received in February, 1995. The expenditure during the year was only Rs. 75 crores.

3. Similarly for Unchahar-II, a budgetary allocation of Rs. 200 crores had been made basing itself on getting Govt. approval early in the year whereas it was accorded investment approval by CCEA only on 28th March, 1995. The expenditure on the project during 1994-95 was therefore nil.

4. NTPC had also got made an allocation of Rs. 200 crores for Rihand-II project in anticipation of resolving certain convenants entered with the World Bank requiring that investment in States defaulting in payments should be postponed. Since UPSEB owes NTPC around Rs. 825.56 crores (as on 31.3.95), NTPC has had to defer the implementation of this project. It could not therefore incur any expenditure on this project.

5. The Ministry would endeavour to ensure that no programme of utilisation of fund is held up due to avoidable reasons. The overall utilisation of fund is likely to pick up during the year as several new project of NTPC, NHPC and Powergrid are now poised to take off e.g. Vindhyachal-II, Unchahar-II, Faridabad Gas based project, Kayamkulam of NTPC, Dulhasti HEP of NHPC, Jeypore-Gazuwaka HVDC link up, Southern Region RLDC, Vindhyachal-II transmission line, RAPP transmisson line, Unchahar-II transmission line.

Internal and Extra-Budgetary Resources (IEBR)

Para 12. The budgetary support for Central PSUs under the Ministry of Power as compared to the approved plan outlay has come

down from 52% in 1985-86 to about 9% in 1994-95. Because of the decline in budgetary support from year to year, the Central PSUs have to mobilise resources through internal and extra-budgetary resources (IEBR). During 1993-94, the PSUs were able to mobilise resources amounting to Rs. 2787 crores as against the approved allocation of Rs. 4061 crores under IEBR. During 1994-95, the Central PSUs were required to mobilise Rs. 4276 crores through IEBR, against which the actual realisation has been of the order of Rs. 2902 crores. In the Budget estimate for 1995-96, on IEBR of Rs. 4326.90 crores has been envisaged.

Para 13. Expressing concern over the shortfall in IEBR during 1992-93, the Committee in their 6th Report had wondered whether it would be really possible to mobilise as much as Rs. 4276 crores through IEBR during 1994-95. In its reply, the Ministry of Power however expressed the hope of meeting the target. It is however observed that the Ministry could actually realise only Rs. 2902 crores under IEBR during 1994-95. The target fixed for the current year also look ambitious. Considering the inability of the Central PSUs to mobilise required resources and non-availability of budgetary support to the desired extent, for Committee would like to know what Government has thought of to meet the financial requirements of PSUs and to make them dynamic.

Comments of the Ministry of Power

Point Nos. 12 & 13: It is true that against the IEBR allocation of Rs. 4276 crores, the realisation in 1994-95 was Rs. 2902 crores. The implementing authorities did not raise the requisite IEBR in view of the difficulties faced in project implementation particularly by NTPC and NHPC. As pointed out earlier, the implementation of Vindhyachal II STPS and Unchahar II TPS by NTPC was delayed on account of difficulties experienced in obtaining the requisite clearances while NHPC did not raise and spend the requisite allocation because of the delay in securing the approval of the Government of France for resumption of work on Dulhasti HE Project (3x130 MW). The IEBR in 1994-95 of Rs. 2902 crores, though not as per the allocation was still the highest achieved by the CPSUs in any of the previous three years. In 1992-93 it was only Rs. 1900 crores and in 1993-94 it was Rs. 2787 crores while in 1994-95 it was about Rs. 2902 crores. During 1995-96 the IEBR portion has been kept at Rs. 4327 crores which the

CPSUs of the Ministry of Power are quite hopeful of achieving looking at their stage of project implementation. It may however be noted that about 40% of the IEBR is expected to be raised through bonds and debentures (Rs. 1642.50 crores out of Rs. 4327 crores) which, as the Committee is aware, was not favourable during the first year of the Plan and to a large extent depends upon the capital market conditions.

Inter-state/Inter-regional Transmission Lines

Para 14. Inter-state and Inter-regional transmission lines were planned to facilitate the intergal operation of the State system within the region. The Committee observe that as against a provision of Rs. 15 crores in 1994-95 for this programme, the requirement of funds for the year 1995-96 has been estimated at Rs. 3.30 crores. The Committee would like the Ministry to clarify the reasons for sharp decline in requirement of funds during 1995-96. The Committee also find that as against the revised 8th plan outlay of Rs. 52.92 crores, the anticipated utilisation for the first four years will be around Rs. 36 crores leaving Rs. 17 crores for the terminal year of the plan. The Committee would like to be informed how the Ministry proposes to utilise the 8th plan outlay without shortfall.

Comments of the Ministry of Power

1. To facilitate the construction of Inter-State/Inter-Regional Transmission Lines, loans are given under a Centrally Sponsored Programme to State Governments to fully cover the expenditure on the lines and sub-stations on a reimbursement basis. For the financial year 1995-96, CEA has recommended the following 3 Schemes :—

(i) Mariani-Mokokchung 132 KV S/C

(ii) Umiam Utru Stage IV 132 KV S/C

(iii) Rengali Kolaghat 400 KV S/C

2. CEA assesses the work done by the State Governments and recommends the reimbursement of funds to them as per the sanction already accorded. When the exercise for the budget for 1995-96 was initiated, it was estimated by CEA that the reimbursement required to be made during the year would be Rs. 3.30 crores. However, since then, CEA has accorded

approval to revised cost estimates for these 3 schemes and it is following up with the State Governments to implement these schemes expeditiously. Consequently, it also hopes to expedite reimbursements to the State Governments during the 1995-96 so as to obviate the need to make large reimbursements in the terminal year of the Plan.

Power Grid Corporation—Central Transmission Lines Project

Para 15. The Central Transmission Lines Project (CTP-I) was approved in January, 1984 to reduce the Regional imbalance in availability of power. The revised scope of the project was approved in June, 1993. All the lines along with associated sub-stations have reportedly been commissioned. The details of the cost of the project and budget provisions in 1994-95 and 1995-96 are as given below :—

(Rs. in Crores)

Appd. Cost	Latest Cost	Cum. Exp 3/94	B.E 94-95	R.E. 94-95	B.E. 95-96
516.50	529.17	520.55	6.99	11.44	12.51

Para 16. It is not clear why, even after commissioning of the project, a provision of as much as Rs. 12.51 crores has been made in the Budget for the project. It is observed that the cumulative expenditure on the project including the budgetary provision for 1995-96 will work out to over Rs. 533 crores which will be in excess of the indicated latest cost by Rs. 4 crores. The Committee feel that the position needs to be clarified. It may also be clarified whether sanction has been accorded to the latest revised cost of the project.

Comments of the Ministry of Power

Para Nos. 15 & 16 An inference that the cumulative expenditure works out to Rs. 533 crores for the Central Transmission Lines Project (CTP-I) and is in excess of the approved cost of Rs. 516.50 crores is *prima-facie* correct. However, it is submitted that the cumulative expenditure upto March, 1995 of Rs. 531.99 crores (Rs. 520.55 crores upto March, 1994 and Rs. 11.44 crores during 1994-95) consists of an expenditure of Rs. 516.50 crores on the project and Rs. 15.49 crores spent on building up of a buffer-stock conductors and steel. This buffer-stock is used for various other ongoing and approved

transmission projects and is chargeable to those projects. As and when inventory of such buffer-stock is diverted to other projects, the corresponding cost is debited to the new project and a corresponding credit passed on to the Central Transmission Line Project. The provision of Rs. 12.51 crores in 1995-96 is to create an additional buffer-stock which would make a total buffer-stock worth Rs. 28 crores available for use in other projects and it would be debitable to them. In view of this, there is no need for seeking a revised cost approval for the project as the expenditure on it has been kept within the approved cost.

Rural Electrification—System Improvement

Para 17. For the year 1994-95, under the head system improvement of rural electrification, a provision was originally made for Rs. 50 crores which was revised to Rs. 10 crores. The Performance Budget does not appear to have given any details about the scheme and its achievements. The Ministry owe an explanation for non-utilisation of funds originally provided for under the scheme. The Committee in this connection observe that budgetary provision of Rs. 300 crores has been made for the year 1995-96. The Committee would like to be apprised of the details of the programme.

Comments of the Ministry of Power

1. The provision for system improvement of rural electrification was reduced from Rs. 50 crores to Rs. 10 crores during 1994-95 at the RE stage in view of the status of implementation of the project by SEBs.

2. REC is implementing a system improvement and small hydro project for which an agreement with OECF of Japan had been signed in January, 1991. REC had planned to award contracts for 21 System Improvement Sub-projects and one small hydro project during the year 1994-95 so that these awards could be completed by May, 1995. During the year 1994-95 contracts for only 11 system improvement sub-projects could be awarded by SEBs. Karnataka Power Corporation Ltd. has not been able to award contracts for the hydel project. Consequently only Rs. 10 crores was released by the Ministry of Power for this project.

3. For the year 1995-96 REC had projected an estimate of Rs. 300 crores. Its estimate was based on its anticipation to

spend Rs. 67 crores on the ongoing sub-projects and Rs. 240 crores on new sub-projects (according to REC's projections 15% of the total contract value was to be spent in 1994-95, 40% during 1995-96 and the remaining in 1996-97 on the additional sub-projects). The first batch of ongoing 22 sub-projects are estimated to cost Rs. 140 crores while the new sub-projects would cost about Rs. 600 crores.

4. REC had been pursuing the matter of getting the new projects approved with OECF which had agreed to depute a Mission for Special Assistance for Project Implementation (SAPI) to scrutinise the additional 42 sub-projects (38 for System Improvements and 4 for Small Hydro). It is now anticipated that such a Mission would be fielded in May-June, 1995. Without the additional sub-projects getting sanctioned, the expenditure on the projects would also come down to Rs. 67 crores as against the original estimate of Rs. 300 crores.

APPENDIX IV

REPLIES TO THE POINTS RAISED BY THE COMMITTEE DURING THE DISCUSSION HELD WITH THE REPRESENTATIVES OF MINISTRY OF POWER ON 18.4.1995

ITEM NO. 1

Note on private sector participation in power development, *inter alia,* covering following the issues :

(i) Reasons for shortfall and achievements likely to be made in Private Sector. (ii) Criteria for selection of eight 'fast track projects' (iii) Rationale for taking 68.5% PLF of as a base for incentive purposes. (iv) Rationale for having similar norms of PLF for both coal based and gas based stations. (v) Safeguards available in Fuel Purchase Agreements to prevent arbitrary pricing of fuel by private promoters. (vi) Basis for arriving at capital cost of private power projects and reasons for variation between cost of various private projects. (vii) Provision of evacuation of power in the case of private power projects.

Comments of Ministry of Power

1.1 Reasons for shortfall and achievements likely to be made in Private Sector.

1.1 *(a) Achievement so far*

The 8th Plan document had envisaged a capacity of 2810 MW to be added in the private sector during the 8th five year plan. The progress so far has been :

	Target (MW)	Achievement (MW)	Remarks
1992-93	18	18	Shivpur HEP
1993-94	100	120	Trombay (U-1)
1994-95	710	710	Dahanu (2x 250 MW) Bhira PSS (150 MW) Trombay (60 MW/U-2)
Total	828	848	

Thus, the target for private sector capacity addition has been exceeded in the first three years of the plan. In addition, the project of Budge-Budge/CESC (2x250 MW) under construction is scheduled to be on line in the 8th Plan period (1996-97). Thus the total capacity addition would be 1348 MW as against the target of 2810 MW.

1.1 *(b) The main reasons for likely shortfall*

Amongst the reason for the slow pace of development of power projects are:

a) Private power policy being a new initiative in our country, the process and procedure for facilitating it is coming into place gradually. This applies to private power promoters themselves, authorities required to accord clearance as well as financial institutions.

b) Award of projects is to be done primarily by State Governments who have hitherto adopted more than one procedure to award projects. Now competitive bidding has been made compulsory and procedures for tendering and evaluating are being finalised by the various State Governments who have been given broad guidelines on the subject by the Ministry of Power.

c) Negotiations for taking up private power projects are required to be done at various levels *viz.* State Electricity Boards, State Governments, fuel suppliers and thereafter clearances obtained from competent authorities at the State level as well as in the Union Government including from the Central Electricity Authority. Where external financing is required, clearance from the Ministry of Finance is also required to be obtained. This process at least initially is taking sometime to comply with.

d) In the absence of standard legally enforceable fuel supply and fuel transport agreements negotiations with fuel suppliers, transporters tend to become protracted.

e) Change in political leadership in few States has resulted in denovo examination of existing proposals/approved projects.

f) Delays by the private promoters in achieving financial closure due to volatile nature of the international capital market.

1.1 *(c) Likely commissioning in near future*

Though there may have been a shortage in the capacity addition in the private sector in the 8th plan, it is expected that about 10 power projects as indicated below are likely to be commissioned in 9th Plan :-

1.	Dabhol CCGT/DPC	695 MW -	June, '98
2.	Jegurupadu CCGT/GVK	235 MW -	30 months from Financial Cl.
3.	Godavari CCGT/Spectruco	208 MW -	26 months from Financial Cl.

4.	Ib Valley TPS/AES	420 MW -	41 months from Fin. Cl.
5.	Neyveli Zero Unit	250 MW -	38 months from Fin. Cl.
6.	Paguthan CCGT/Guj.	655 MW -	36 months from Fin. Cl.
7.	Balagarh TPS/CESC	500 MW -	38 & 42 months from Fin. Cl. for U-1 & 2 respectively.
8.	Bhadravati TPS/Ispat	1072 MW -	42 & 48 months from Fin. Cl. for U- 1 & 2 respectively.
9.	Maheswar HEP/S Kumars	400 MW -	6 years from start of constr.
10.	Baspa HEP/JIL	300 MW -	5 years from start of constr.
	Total	4734 MW	

1.1 *(d) Steps being taken by MOP to accelerate capacity addition under the private sector*

(1) Modifying the existing policy to make it more flexible for attracting more investment— for example the hydro tariff has been considerably liberalised.

(2) Policy on alternatives to counter guarantee is under finalisation.

(3) Issue of higher ECB allocation and higher foreign debt to equity ratio taken up with Ministry of Finance.

(4) Encouraging private sector to invest in R&M of existing power plants which would add capacity at lower costs and in a shorter span of time.

(5) Encouraging private sector to take up co-generation projects/captive power plants, which would require lesser time to be completed.

(6) Encouraging private sector to enter the distribution area. Hopefully this would improve the IPPs response for capacity addition as well.

(7) Streamlining the procedural aspects especially in the CEA.

(8) Dissemination of information worldwide through power conferences and visits of high level delegation. This has been seen to have marked impact on investor interest.

1.ii *Criteria for selection of eight 'fast-track projects'.*

The initial batch of projects cleared from the foreign investment angle have been termed fast-track projects. These projects (except Paguthan) have been approved in principle for obtaining counter guarantee of Government of India, although the counter guarantee has so far been accorded in only two projects.

1.iii *Rationale for taking 68.5% PLF of as a base for incentive purposes.*

Looking at the prevailing average PLF in the Central Sector and Privately owned thermal utilities in India, as also the scope for stepping up the PLF conveniently, 68.5% PLF was taken as the base level at which the fixed charges were sought to be covered. Incentive is allowed for performance beyond this level of PLF in the form of additional return on equity.

1.iv *Rationale for having similar norms of PLF for both coal based and gas based stations.*

Although the basis for the norms of PLF would differ, based on the requirements of plant maintenance periods, differences in the auxiliary support levels, etc. which are system specific, actual PLF obtainable is also influenced in practice by the external factors such as the nature of the load demand the type of mix in the system and the factors governing the permit order operation. In practice, the gas based power stations are more or less working similar to coal based units, because of the peculiar system conditions such as two peaks in a day obtainable in the Indian context. The experiences abroad would differ from the Indian context. To some extent the above factors and also the requirement for attracting private investment through gas turbine installation as a means to obtain quicker capacity addition, similar PLF norms for gas turbines was considered. However these norms are subject to modifications based on experience.

1.v *Safeguards available in Fuel Purchase Agreements to prevent arbitrary pricing of fuel by private promoters.*

The tariff norms allow the fuel costs as a pass through to the tariff. It is expected that the concerned SEBs would ensure inclusion of adequate safeguards in the power purchase agreement (PPA) regarding the fuel costs and the necessary clauses in the fuel supply agreements.

1.vi *Basis for arriving at capital cost of private power projects and reasons for variation between cost of various private projects.*

The capital cost on the power projects (costing more than Rs. 100 crores) are scrutinised by the CEA during their techno-economic clearance. CEA examines the pricing of the equipment etc. based on the data available with them on the projects world-wide as well as other projects coming up in the country.

It may be emphasised that the cost of the power projects vary depending upon the type of the project. In the case thermal power plant the cost varies from plant to plant depending upon size of the unit, number of units, type of fuel, parameters of major plant and equipments, infrastructure, source of equipment, source of funding etc. In the case of hydro electric projects, the cost varies

depending upon the type of the project (ROR, PSS, Dam type etc.), civil works involved, load factor of operation, site, source of equipments, source of funding etc.

1.vii *Provision of evacuation of power in the case of private power projects.*

The present policy allows private sector participation in transmission and distribution. However, in the first phase of privatisation, emphasis has been on capacity addition but the IPPs are now showing interest in investing in the distribution area as well. IPPs interest in distribution is also being looked at as one of the ways of guaranting revenue realisation thus obviating the need for counter guarantees. The Ministry of Power has already *vide* letter dated 28.03.1995 emphasised to the State Governments the need to encourage more and more private sector participation in power distribution. Some of the State Governments like UP/West Bengal/Andhra Pradesh/Orissa have initiated steps in this regard.

ITEM NO. 2

Details of undisbursed amount of Externally Aided Power Project excluding those which have been recently sanctioned (1992-93 and thereafter) and those having terminal year of disbursement of 1999-2000 and beyond).

Comments of Ministry of Power

2.1 The total undisbursed amount of external assistance for all power projects as on 31/3/94 was Rs. 18316 crores. The updated figure as on 28/2/95 is Rs. 20062. 55 crores.

2.2 Details of the undisbursed amount for externally aided power projects excluding those which have been recently sanctioned (1992-93 and thereafter) and those having terminal year of disbursement of 1999-2000 and beyond amounting to Rs. 10693.70 crores are given below :—

S.No.	Name of Project	Sanction Date	Amount (D.C)	Terminal Date	Undrawn Balance (Rs. in crores)
WORLD BANK (US $)					
1.	Upper Indravati	08/06/83	170.00	31/12/94	60.48
2.	Indra Sarovar	24/09/85	13.20	30/06/94	17.25
3.	Farakka	29/06/84	278.80	30/04/94	102.36
4.	Indra Sarovar	01/03/85	9.07	30/06/93	0.00
5.	Chandrapur	16/09/85	280.00	31/03/94	252.04
6.	Kerala Power	05/12/85	156.00	31/12/94	216.68
7.	C.C. Power Project	27/10/86	485.00	31/12/93	0.01
8.	N.C.P.P.	21/12/87	373.00	10/06/95	238.67
9.	K. Power Project	21/12/87	69.63	31/12/95	0.00
10.	Talchar T.P. Project	21/12/87	367.00	31/03/96	494.00
11.	K. Power Project	27/07/88	220.00	31/12/96	612.89
12.	N.J.P. Project	10/05/89	485.00	31/12/97	1169.61
13.	Maharasthra P.P.	11/09/89	354.00	31/12/96	722.81
14.	N.R. Transmission	03/10/90	485.00	30/09/98	1369.02

S.No.	Name of Project	Sanction Date	Amount (D.C)	Terminal Date	Undrawn Balance (Rs. in crores)
OPEC					
(US $)					
15.	Ramagundam Project	21/05/82	30.00	31/12/87	2.92
ADB					
(US $)					
16.	North Madras P.P.	21/01/87	150.00	31/12/94	126.80
17.	Unchahar T.P.P.	01/12/88	160.00	30/09/95	500.32
18.	Royalseem T.P.P	14/03/90	190.00	31/12/94	144.44
19.	IInd North Madras	06/12/90	200.00	31/12/95	328.64
CANADA					
(Canadian Dollar)					
20.	Idukki H.E.P.	05/05/87	22.22	30/06/93	47.57
21.	Chamera P.P.	05/05/87	171.85	31/12/92	238.71
FRANCE					
(French Franc)					
22.	N.H.P.C. Loan	12/09/89	987.00	31/03/93	84.72
23.	Talcher P.P.	24/06/88	536.34	31/12/92	85.28
24.	Yelahanka P.P.	27/12/89	304.74	01/01/01	1.28
JAPAN					
(Japanese Yen)					
25.	Eastern Gandak C.	26/12/84	1630. 00	31/12/94	0.36
26.	Ujjani H.E.P.	25/11/85	1500. 00	25/05/94	6. 05
27.	Teesta Canal H.E.P.	18/01/86	8025. 00	18/12/93	66.05
28.	Assam G.T.P.	18/03/87	30000. 00	18/03/97	331.96
29.	Srisailam L.B.P.P.	10/02/88	26101. 00	30/06/95	365.37
30.	Assam G.P. Station	10/02/88	13552. 00	10/02/94	39.38
31.	Raichur T.P.P.	15/12/88	23142. 00	20/01/94	173.66
32.	Ghargar P.S.S.	13/12/88	11414. 00	20/01/97	367.42
33.	Basin Bridge G.T.	27/03/90	11450. 00	25/05/95	157.11
34.	Gandhar Gas Based	27/03/90	13046. 00	27/03/95	65.79
35.	Teesta Canal H.E.	10/01/91	6222. 00	05/02/96	121.61

S.No.	Name of Project	Sanction Date	Amount (D.C)	Terminal Date	Undrawn Balance (Rs. in crores)
36.	Power System Imp.	23/01/91	24379.00	05/02/97	784.64
37.	Anpara P. Trans.	13/06/91	19318.00	30/07/96	573.96
38.	Gandhar G.C.C.	09/01/92	42599.00	30/03/95	139.95
KUWAIT FUND					
(Kuwati Dinar)					
39,	Kalinadi H.E.P.	12/02/86	7.00	31/12/91	46.57
SAUDI FUND					
(Saudi Riyal)					
40.	Ramagundam T.P.P.	14/05/85	172.00	31/12/91	89.84
U.K.					
(U. K. Pound Sterling)					
41.	Power Sector P.	23/02/83	30.00	31/03/90	23.02
42.	Nagarjun Sagar P.P.	16/09/87	12.93	31/03/95	1.88
43.	Uri H.E.P.	02/11/88	17.16	30/06/95	0.96
44.	Energy effi. grant	21/11/90	81.10	30/09/95	312.96
GERMANY					
(Deutsche Mark)					
45.	Ramagundam NTPC	28/09/84	129.54	31/12/91	8.27
46.	Farakka T.P.	30/03/88	50.58	31/12/93	49.95
47.	Dardri P.P. (NTPC)	30/08/90	484.90	31/12/94	182.22
48.	Uran C.C.	22/11/90	310.00	30/09/94	94.15
JAPAN (WORLD BANK)					
(Japanese Yen)					
49.	N. Region Trans.	08/11/90	148.50	00/00/00	0.73
			TOTAL		10693.70

ITEM NO. 3

A note on transmission and distribution, *inter-alia*, covering (i) high T&D losses (ii) strengthening of T&D system in the State Sector (iii) Provision in the Electricity (Supply) Act for theft of power (iv) Plan for evacation of power from the new generation projects (v) Multilateral and bilateral funding with regard to transmission& distribution (vi) Feasibility of district basis generating plants to ensure easy transmission and distribution.

Comments of the Ministry of Power

The various issues with regard to Transmission and Distribution have been discussed as under :—

3.i *High T & D loss*

Since the distribution of eletricity is handled by the SEBs, it is primarily the responsibility of the concerned States/SEBs to take requisite measures for reduction in T&D losses. However, in order to reduce the T&D losses, comprehensive guidelines have been issued to the power utilities. These include conducting of energy audits for identifying the system elements responsible for excessive losses, installing capacitors to improve the voltage profile, preparation of system improvent schemes for strengthening and improvement of their transmission and distribution systems, installing tamper proof meter boxes to check theft of energy and setting up of vigilance squads to detect cases of theft of energy. An Incentive Scheme has been introduced by the Govrnment of India, among State Electricity Boards, for bringing about reduction in Transmission and Distribution losses.

3.ii *Strengthening of T&D System in the State Sector*

The State Government has to arrange its own resources for augmentation/ improvement of the T&D system. However Central Government is already providing assistance to the State for development of inter-State transmission lines. Also, the PFC has prepared guidelines for formulation of schemes by power utilities to conduct energy audit and load survey. PFC accords priority in sanction of loan to power utilities for schemes pertaining to system improvement. These involve installation of high accuracy meters, replacement of defective meters/low accuracy conventional meters with high accuracy electronic meters which help reducing theft due to tampering of meters.

3.iii *Provision in the Electricity (Supply) Act for theft of Power*

In order to further help SEBs in their efforts to curb the T&D losses, Section 39 of Indian Electricity Act, 1910 has already been amended and theft of energy has been made a cognizable offence.

3.iv *Plan for Evacuation of Power from the New Generation Projects*

Transmission schemes for evacuation of power for all new generation projects are evolved based on detailed power system studies and keeping in view security, reliability and cost aspects. Th evacuation system associated with all the generation projects yielding benefits during the 8th Plan have been approved.

Further, Powergrid is in the process of establishing a National Grid to enable transmission of energy from surplus region to deficit region.

An inter-regional connection already exists between Northern and Western Region. There is also an inter-regional 220 KV connection between Eastern and North-Eastern Regions and the same is being augmented further at 400 KV level to handle 500 MW of power. In addition to these existing links, inter-regional links between Southern & Western Regions and Southern & Eastern Regions are under implementation. Similarly Eastern and Northern Regions and Eastern & Western Regions are also planned to be interconnected.

3.v *Multilateral and bilateral funding with regard to transmission & distribution under Powergrid are mainly the following:—*

(a) FF 172. 26 million FF 159. 12 million FF 64 million, FF 59. 69 million for Chandrapur HVDC Back to Back Project from various donor/commercial agencies.

(b) FF 350 million from IBRD for Powergrid System Development projects.

(c) $ 31. 42 million for Talcher Transmission Line Project from IBRD.

(d) $ 82. 29 million for Farakka Transmission Line Project from IBRD.

(e) $ 476. 15 million from IBRD for Northern Region Transmission System.

(f) Yen 13552 million from OECF for Kathalguri Transmission Line Project.

(g) Yen 7115 million from OECF for Gandhar Transmission Line Project.

(h) CHF 217 million from SKANDINAVISKA ENSKILDA BANKEN, Sweden for Rihand HVDC Project.

(i) $ 45.4 million from KKANDINAVISKA ENSKILDA BANKEN, Sweden for Vindhyachal HVDC Project.

(j) $ 16. 09 million from EXPORT DEVELOPMENT CORPORATION Canada for Chemera Moga Transmission System.

(k) ELU 55 million from European Investment Bank for Southern Region Load Despatch and Communication System.

3.vi *Feasibility of district based generating plants to ensure easy transmission and distribution.*

By putting up small generating stations in various districts, the advantage of economy of size in larger size generating stations will not be available. It is true that the requirement for transmission and distribution will be somewhat reduced but the cost of gereration of electricity including transport of fuel etc. will create additional burden.

ITEM NO. 4

Action Plan on funding of projects being implemented by the Central Public Sector Undertakings to introduce greater dynamism.

Comments of the Ministry of Power

41. Power projects being highly capital intensive in nature and having long gestation periods, require substantial funding with longer maturity periods. Adequate amount of such funds were not availale either from International agencies such as World Bank due to their increasingly stringent covenants on commercial matters; or from domestic capital markets because of extremely tight money market conditions, especially in the post scam period. The disintegration of USSR also contributed substantially to the funding problem since a number of power projects such as Vindhyachal-II, Kayamkulam and Tehri Hydro-electric Projects etc. were originally tied up for Soviet Assistance.

4.2 The situation has gradually improved and the PSUs are in a far better position now to arrange funding of projects through both domestic capital market as well as bilateral and multilateral agencies. The Government of India has also changed its policy and PSUs have been permitted to borrow directly from multilateral funding agencies like World Bank and ADB.

4.3 NTPC has developed a dyanamic model for financial strategy for long term capacity addition with the help of a Consultant and based on their preliminary reports it has been concluded that NTPC has a potential in terms of financial strength as well as technical capabilities to add 10,000 MW in next 8 years, It has also been concluded in their analysis that the entire programme of capacity addition is possible by raising the resources as under :—

i) The present debt equity ratio of NTPC is 1:1 and based on the capital structure of private power projects, NTPC can also go for a debt equity ratio of 70 :30 and has enough leverage for borrowing from the market. The present internal accruals from year to year are expected to be of the order of Rs. 800 to Rs. 1000 crores in view of their better realisation levels from SEBs (around 95% of average billing).

ii) NTPC has already got World Bank time slice loan of US $ 400 million which can go upto US $ 1200 million in tranches, NTPC has also got a loan of US $ 160 million from Asian Development Bank and a loan of Japanese Yen 20 billion from OECF, Japan.

iii) NTPC can borrow Rs. 800 to Rs. 1000 crores per year from domestic capital market against Power Bonds.

iv) NTPC can also raise resources from the foreign bond market like Yankee/ Samurai/ Euro-bonds.

v) NTPC can also borrow from the international commercial bank by way of syndication of loans depending upon the requirement of funds.

4.4 The other major PSU in the Power Sector *viz.* POWERGRID Corporation of India Limited also has ambitions plan of implementing various transmission systems for evcuation of Central generating power to States/Regions. Further, it is planning to implement Inter-regional links which will facilitate the formation of a National Grid so that the power can be made availiable to the deficit region for the surplus region.

POWERGRID is also implementing modern Load Despatch and Communication Facility for improving the grid operation for optimising operation of the grids with reliability and security and, on commercial principles. POWERGRID has drawn up an ambitions plan of new schemes with proposed investments of around Rs. 15,000 crores on various project/schemes to achieve these objectives for the next 8 years.

Like NTPC, POWERGRID is today in a better position to gererate resources through internal acctuals. As against mere Rs. 7.65 crores generated through Internal Resources during 1992-93 POWERGRID would be genertaing more than Rs. 400 crores in 1996-97. Internal Resource generation by POWERGRID is expected to increase progressively.

POWERGRID has also been able to mobilise external assistance from various bilateral, multilateral and commercial agencies, brief details of which are as under :—

(i) World Bank assistance of US $ 825 million (Rs. 2, 600 crores) and OECF Assistance for Japanese Yen 32, 754 million (Rs. 975 crores) has also been tied up for POWERGRID'S schemes.

(ii) Other International Funding Agencies such as ADB have also shown interest to fund POWERGRID's projects. ADB loan of US $ 300 million for North-Eastern Region Vindhyachal Stage-II transmission system Unchahar-II Transmission System, Load Despatch & Communication project in North-Eastern Region is expected to materialise after an *Aide Memoire* submitted by ADB in February 1995 is confirmed by the Ministry of Finance, Government of India..

(iii) OECF assistance of the order of Japanese Yen 1700 Million may be able to cover balance eligible costs of Faridabad Transmission Project under subsequent tranches.

(iv) further the World Bank is also considering additional assistance of about US $ 400 million for other new projects of POWERGRID. Its appraisal is expected to take place towards the year and subject to Government Approval.

(v) Japan Export-Import Bank (J-EXIM) has already appraised Northern Region Transmission Project (NRTP) to co-finance the scheme alongwith the World Bank to bridge the funding gap to the tune of US $ 400 million. J-EXIM is also co-financing to the tune of US $ 200 million for the projects under PSDP-I with World Bank to reduce the funding gap. Ministry of Finance is also considering POWERGRID's proposal to execute Tehri Transmission System seeking financial assistance from the bidders under Supplier's credit. Approximate value of assistance required is Rs. 400 crores.

(vi) POWERGRID expects to mobilise additional resources through domestic borrowing, higher fund mobilisation through "Power Bond" POWERGRID has also initiated steps to understand the International Money Markets and proposes to undertake a small international debt issue towards the end of the current year, subject to GOI approval.

4.5 Even though NTPC and POWERGRID have potential to raise resources against power bond but still the future borrowing will largely depend upon the overall credit policy of the Government and response of the capital market towards pure debt instruments as the present investors still have a preference for equity investment as compared to Bonds/ Debentures.

4.6 As far as the Hydel Sector is concerned , PSUs such as NHPC, NJPC and THDC have been provided substantial portion of Government Budgetary Support. In 1995-96 also nearly 75% of the Net Budgetary Support has been provided for the Hydel Projects under the Central PSUs. However there still remains a resource gap which would have to be bridged through other sources.

4.7 The major corporation in the Central Hydel Power Sector *i.e.* NHPC is today mainly raising its resources and funds through Extra Budgetary Resources and the NBS being provided to them constitutes only around 7 to 8% of its total annual outlay. NHPC has already tied up funding for its major projects, e. g. Dulhasti and Uri NHPC is also in a position to raise funds through the capital marjket and other domestic borrowings.

4.8 NJPC, has a major World Bank loan of US $ 437 million for its project. It has also arranged suppliers' credit of its electro-mechanical equipment from European Bankers/ Financial Institutions.

ITEM NO. 5

A note on implementation of NTPC's projects : Vindhyachal-II, Unchahar-II, Rihand-II and Kayamkulam.

Comments of the Ministry of Power

As regards implementation of NTPC's project of Vindhyachal-II, Rihand- II and Kayamkulam the position is brought out as under :—

5.1 *Vindhychal-II*

The investment approval for Vindhyachal-II was delayed due to the time taken in resolution of issue regarding Flue Gas Desulphurisation (FGD) plant and the final environment clearance by Ministry of Environment and Forests which was accorded only in August, 1994. The investment approval of CCEA for the project was accorded in February, 1995. Thereafter, NTPC has finalised and placed orders for the main plant equipment. The implementation of the project has since started and project is expecteed to be completed within the stipulated time schedule.

5.2 *Unchahar-II*

The final environmental clearance from MOEF after resolution of FGD' issue was received only in January, 1995. Subsequently, the project has been considered by CCEA and approval accorded in March 1995. In the meanwhile, NTPC has already taken advance action for finalising the award for the main plant equipment for the project and the award is likely to be placed immediately after receipt of investment approval.

5.3 *Rihand-II*

Rihand Stage-II was idenitified as one of the projects for implementation under World Bank time slice loan of US $ 400 million. However one of the conditionalities of the World Bank loan was that NTPC should not put up projects in a state which is commercially non-responsive. The dues of UPSEB presently are Rs. 825 crores including surcharge which is much higher than the covenant of World Bank. NTPC had therefore, to defer this project and accordingly in the RE 1994-95 the Budget provision was reduced to 'nil'. A revised proposal has been put up to CEA envisaging Rihand project with evacuation of power to other States who are responsive and where the outstanding dues are within the prescribed limits. The proposal is presently under the consideration of CEA. NTPC proposes to take up this project immediately after requisite clearances/approvals are available.

5.4 *Kayamkulam*

Kayamkulam project (2x210 MW) was originally identified as a coal based project to be taken up by NTPC with financial assistance from erstwhile USSR. The implementation was however held up due to break up of erstwhile USSR. Subsequently during the past 2-3 years, the conditions in capital market were not very favourable resulting in non-availability of funds to NTPC for new projects. With the improved situation NTPC and CEA reviewed the project and it was decided in Oct. 94 to process the project as a combined cycle power project based on Naptha as primary fuel. Various inputs and clearances for the project have been tied up and PIB has cleared this project in Jan. 95. The proposal is being processed for CEA approval. The project has been parallely posed to the World Bank for funding NTPC. is, however, fully committed to take up this project and in case the World Bank financing does not fructify, the project will be implemented with internal resources/market borrowings by NTPC.

ITEM NO. 6

A note on steps being taken to improve the All India PLF level.

Comments of the Ministry of Power

6.1 Consequent to the implementation various efficiency improvement schemes and adoption of modern operation and maintenance techniques, substantial improvement in the achievement of PLF of thermal power stations has been made over the past few years. The PLF which was 53.8% in the year 1990-91 has shown a steady increase from 55.8% in 1991-92 to above 60% by 1994-95 In this context it may kindly be appreciated the Plant Load Factor (PLF) of thermal power stations besides good performance also depends on system load characteristics. With the existing State/Regional Systems the load patterns available in the various State/Regions and based on the operational requirement in the country as a whole, the theoretical maximum achieavable PLF of thermal power stations during the year 1995-96 could be about 63% Against this a target of 62.3% has been fixed. Further, it may also be appreciated that PLF depends upon the vintage and size of the units, hydro-thermal mix in the system.

6.2 Government has attached highest importance in this regard and an action plan has been evolved in the Power Minister's Conference. Several Measures are under way in order to achieve improved performance of thermal power stations. These are as under :—

(i) Phase-I of Renovation and Modernisation Programe of 34 old thermmal stations comprising 163 generating units aggregating to 13555.5 MW is in advanced stage of completion to improve the generation from the existing old thermal stations, Since encouraging results were received from a number of power stations because of phase-I of R&M programme, Government have undertaken phase-II of the R&M programme under which 47 nos. of stations involving 213 nos. of units with aggregate capacity of 21711 MW are covered.

(ii) Efforts are being made to achieve early stabilisation of newly commissioned units.

(iii) CEA has been continously inter-acting with power Station authorities, BHEL and other concerned agencies for sorting out operation and maintenance problems and monitoring of the performance of units.

(iv) Training efforts are monitored through on-going inspection of training centres to ensure improvement in operation and maintenance practices of the power plants.

(v) The incentive scheme of Ministry of Power productivity Award to the Public Sector Thermal Stations is being continued. Also a new scheme has been started for awarding thermal stations for economic and efficient performance.

(vi) CEA is implementing a scheme for energy audit on selected thermal power stations in the country based on the test already conducted at Obra TPS of UPSEB with the hold of British Experts. Implementation of the programme is expected to improve the heat rate and reduce the auxiliary power consumption and secondary fuel oil consumption at the stations.

(vii) CEA is maintaining a constant inter-action with Department of Coal, Railways and Cabinet Secretariat for ensuring adequate supplies of coal for thermal stations in the country.

ITEM NO. 7

Impact of the Quality and grade of coal and PLF of Thermal Power Station with specific reference to Vindhyachal and Kota.

Comments of Ministry of Power

7.1 Although all the boilers of new design in 210/500 NW capacity groups are designed to handle high ash coal, if designed grade and sized coal, free from extraneous material is available the break-down rate will reduce and PLF will also increase significantly. Coal of grades higher than the designed ones would not necessarily be required for better performance. Oversize coal and boulders cause jamming of frizzley feeders below the wagon tipplers and hamper quick unloading of coal. High ash coal causes increased abrasive action and results in premature failure of equipments. Better quality coal means only design grade coal of proper size free from boulders (extraneous materials) available consistently for power stations.

7.2 As regards Vindhyachal Thermal Power Station of NTPC and Kota Thermal Power Station of RSEB, the position is as under:—

(a) **Vindhyachal:** This power station designed for C grade coal is linked to NCL Singrauli coal fields. C&D Grade coal is available in these mines which is of high cal. value and low ash. Moreover, Vindhyachal gets its total supplies through MGR system being a pit-head station and has no dependence on Railways. Hence, better quality of coal in adequate quantity has contributed a lot to the better performance of Vindhyachal TPS.

(b) **Kota:** This station is designed for C&D grade coal and is linked to NCL Singrauli (1.40,000 T/M) SECL Korea Rewa (1,30,000 T/M) BCCL Jharia average 'E' grade coal. Of course, their performance is also very good. The power station has been unloading the coal very effectively. Hence, Kota gets almost as much Coal as is required by the plant in a steady manner.

ITEM NO. 8

A Note on REC with specific reference to REC's system improvement project, need for a relook at the definition of 'village electrification' and REC's village electrification programme for 1994-95.

Comments of the Ministry of Power

8.1 REC is a developmental financial institutional providing assistance to the State Electricity Boards (SEBs) for implementing rural electrification programmes in their respective areas of operation. The SEBs carry out the construction works and maintain them for supply of power to their consumers. However, REC has not limited its operation to mere loaning activities. It has taken up programmes like standardisation, technical research, energy conservation, diversification. project formulation, appraisal and monitoring so as to provide guidance to the SEBs in carrying their power distribution programmes more economically efficiently and effectively. These efforts of REC have borne fruits in bringing standardisation in the materials and practices used by the various SEBs. The area-based system improvement programme initiated by the Corporation has been instrumental in giving a methodology to the SEBs for improving their quality of supply and reducing technical losses.

8.2 *Village electrification during 1994-95*

While referring to page 24 of the Annual Report of the Ministry of Power, 1994-95 it has been indicated that the target for village electrification in many States and Union Territories have not been achieved during 1994-95 which include the States of Assam, Bihar, Orissa, Rajasthan, Uttar Pradesh, West Bengal and North-eastern States.

It is submitted that the progress brought out at page-24 of the Annual Report of the Ministry of Power relates to the achievements made upto November 1994 only. The State-wise details with regard to targets and anticipated achievements of village electrification during 1994-95 under REC programme are given below:—

VILLAGE ELECTRIFICATION DURING 1994-95
UNDER REC PROGRAMMES

S. No.	States	Target	Achv.*	%age
1	2	3	4	5
1.	Arunachal Pradesh	50	300	600
2.	Assam	60	130	217
3.	Bihar	150	20	13
4.	Jammu & Kashmir	5	36	720
5.	Madhya Pradesh	250	1000	400

1	2	3	4	5
6.	Manipur	95	66	69
7.	Meghalaya	100	0	0
8.	Mizoram	50	51	102
9.	Orissa	220	220	100
10.	Rajasthan	650	750	115
11.	Tripura	210	150	71
12.	Uttar Pradesh	300	400	133
13.	West Bengal	414	230	56
	Total	2554	3353	131

*Provisional figures based on information received from field.

It may be seen that the performance in most of the States mentioned above has improved considerably by March 1995. This has been the result of constant persuasion and close monitoring. The States of Assam, Orissa, Rajasthan, UP which were lagging behind the targets till November 1994 have completed their planned targets. Barring the States of Bihar, Manipur, Meghalaya, Tripura and West Bengal, other States have achieved their respective Annual Plan targets. Difficult financial position of SEBs in the States of Bihar, Meghalya and West Bengal, disturbed law and order condition and shortage of materials in Manipur and Tripura have been the major reasons for the shortfall.

8.3 *System Improvement Programme*

A massive programme of rural electrification taken up during the last two and a half decades has enabled the country to achieve a total eletrification of nearly 4.97 lakh villages and energisation of about 107 lakh pumpsets. The expenditure on back up of Sub-transmission network has not, however, been commensurate and considerable strain on the rural power distribution network has been witnessed. The distribution network in the rural areas is, at present, substantially overstretched and overloaded resulting in problems of higher power losses, low voltage, frequent interruption in power supply etc. To tackle the problem of high line losses from energy conservation point of view as also to improve the quality and reliability of power supply in the rural areas, the Corporation has been giving special thrust on financing of system Improvement Programme.

To the end of March, 1995, the Corporation has sanctioned financial assistance of Rs. 1162 crores to various SEBs of which Rs. 758 crores (Prov.) have since been disbursed.

The acute deficiency in the T & D systems call for enhanced allocation of funds for execution of system improvement works. REC has been exploring external assistance from various international funding agencies to supplement its resources and has successfully negotiated with the Overseas Economic Cooperation Fund (OECF), Japan for a loan package of 24.4 billion Yen (Rs. 868 crores at current exchange rate) for implementation of System Improvement and small hydro projects. Currently, 21 SI sub-projects and one small hydro sub-project are being implemented on turn key basis in the States of Andhra Pradesh, Haryana, Karnataka and West Bengal. Under the current loan REC has also plans to implement additional SI and small Hydro Sub-projects in the States of Andhra Pradesh, Haryana, Karnataka, Kerala, Orissa, Tamil Nadu and West Bengal. The proposal has recently been agreed to in principle by OECF and they are deputing anappraisal mission to facilitate sanction of additional 38 SI and 4 small hydro sub-projects.

8.4 *Net Cash flow to SEBs*

The recovery of dues from the SEBs/State Govt. provides the main portion of resources required to fund the annual REC programmes. The budgetary support provided by the Government is just about enough for making repayment to the Government for the loans taken by the Corporation in the earlier years. Similarly, the market borrowing permitted by Government broadly covers the servicing of obligations of REC for bonds raised in the earlier years. This leaves the Corporation in a situation where it has necessarily to recover its dues from the SEBs to support annual REC programmes.

There are broadly two categories of State. Category 'A' includes State, namely, Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Haryana, Himachal Pradesh, Jammu & Kashmir, NE States except Assam and Meghalaya, which are regular and prompt in payment of their dues and REC is encourged to provide fresh loans to them for village electrification, pumpset energisation, load intensification, energy conservation, hamlets and harijan bastis electrification. Category 'B' comprises States of Assam, Bihar, Meghalaya, Orissa, Uttar Pradesh, Madhya Pradesh and West Bengal. These are the States, which are chronically defaulting in payment of REC dues.

Outstanding dues of REC

(Rs. in lakhs)

Name of SEB	DUES AS ON 31ST MARCH				
	1991	1992	1993	1994	1995 (Prov.l)
1	2	3	4	5	6
Major outstanding					
Assam	0	2	1918	4425	4802
Bihar	3542	7819	11722	15972	20385

1	2	3	4	5	6
Madhya Pradesh	797	3299	3295	6627	7671
Meghalaya	253	55	60	690	1535
Orissa	2062	2543	4649	6236	7978
Uttar Pradesh	8301	11224	17629	21936	28799
West Bengal	1341	1515	4282	8252	13477
Sub Total	16296	23557	43555	63938	84647
Other States	508	1285	1327	1502	697
Gross total	16804	24842	44882	65440	85344

As can be seen from the above, out of the total outstanding dues of Rs. 853 crores (Prov.) as on 31st March, 1995, Rs. 847 crores (99. 3%) pertains to these seven States (category B). Incidentally, these are the very States where in major village electrification and pumpset energisation is yet to be carried out.

Rural Electrification Programme is highly unremunerative to State Electricity Boards mainly due to the high cost of infrastructure, low load densities, poor load factors and low tariffs especially for agricultural loads. However the benefits that accrue to the nation in terms of the savings compared to the more expensive alternatives like use of diesel, kerosene etc. and to the concerned States in terms of its economic and social growth more than justify intensified investments in RE programmes. Since, most of the State Governments do not pay any RE cash subsidy to their SEBs for the financial losses incurred in RE programmes, the SEBs find it difficult to carry on RE programmes. Moreover, due to their adverse financial position, the SEBs do not honour their commitments to REC, and therefore, REC, in turn, too, finds itself in difficulty in funding the programme in these States. Though, the REC loans are secured by State Government Guarantees, invoking these guarantees would be counter productive as it would prevent REC from extending further assistance for rural electrification in the very States where such programmes need to be accelerated.

With a view to enhancing the rural electrification activities in these States, and to cultivate better financial discipline, REC has been offering to plough back 1.20- 1.30 times the amount of dues paid by the default in SEBs provided the funds so paid by the Corporation are utilised by the Boards for implementing the RE programmes. This offer has been availed of by the States like Assam, UP, West Bengal and Orissa and has enabled them to improve their performance substantially.The most significant break-through is in case of Assam, where RE programme has been started after several years.

The Corporation on its part has also been making efforts to persuade the States to accelerate the pace of RE. Arunachal Pradesh, Jammu & Kashmir and Mizoram have shown their willingness to achieve 100% electrification during 8th plan provided sufficient funds are made available REC has agreed in

principle to support such venture. During 1994-95, Arunachal Pradesh has electrified 310 villages as against a target of 50 and Jammu & Kashmir programme to electrify 50 villages against the target of five villages.

8.5 *Definition of village electrification*

Central Electricity Authority (CEA) compiles and publishes statistics of village eletrification, based on the progress report received in this regard from the State Electricity Boards/State Governments. The definition of village electrification adopted for the above purpose since the inception of the planning process is that "a village is stated as electrified, if atleast one service connection has been provided within the revenue boundary of the village".

It is clarified that mere erection of poles upto the revenue boundaries of a village does not constitute electrification. The line upto the village must be energised and atleast one service connection has to be provided before the village is declared eletrified.

The possible rationale for the definition may have been to take electric network to the door steps of the village with the load development and intensification taking place over a long period depending upon the load demand. resource availability, consumer response etc. Thus there are two distinct activities, one relating to laying of power infrastructure to the village doorstep and the other of load development and intensification which is a continous process spread over a number of years. The present definition of village electrification covers first activity.

This definition has been in vogue so far. The issue of modifying the existing dfinition was considered in the year 1991 and discussions in this regard were also held during the Annual Plan meeting with the SEBs/State Governments. Divergent views were expressed by the States, and taking all aspects into consideration, it was decided to retain the present definition.

ITEM NO. 9

A note on time and cost over-run in respect of NHPC projects (P. 124-25 of Performance Budget of Ministry of Power 1995-96).

Comments of the Ministry of Power

9.1 The observation of the Committee that it can appreciate the reasons for time and cost escalation in projects undertaken by NHPC in J&K is noted. Besides, the three projects of NHPC being executed in J&K namely Uri, Dulhasti and Salal, at present construction is in full swing on the Rangit Project in Sikkim and work has been recently started in Dhauliganga Project in Uttar Pradesh.

9.2 The cost escalation in J&K projects have affected to a large extent the financial resources available with NHPC for taking up Dhauliganga and Koel Karo Projects even though these schemes were approved in 1991. It is difficult to estimate today, what would be the time and cost over-runs on these two projects, particularly the Koel Karo Project in Bihar on which the work has yet to start. .To assist procurement of financial resources for NHPC for Dhauliganga Project. the Government has approached the OECF for providing assistance to this project the OECF is currently appraising the project.

9.3 Rangit Project in Sikkim which was scheduled for completion in September, 1995 is now scheduled for commissioning in March, 1997. There is time over-run of 18 months attributable largely to contractual problems which have since been resolved. The river has been diverted and progress on other civil structures has picked up and NHPC is confident of meeting the revised date of commissioning. The time over-run of 18 months has led to cost over-run. The approved cost of the project was Rs. 163.49 crores, excluding transmission, at August 1989 prices. The present estimated cost of the project, at January, 1994 prices, is Rs. 287.31 crores. The cost over-run is therefore Rs. 127 crores which is 76% more than the original sanctioned cost. The break up of this is Rs. 51.75 crores on account of price excalation; Rs. 16.78 crores on account of change in scope of the works besides Rs. 37.38 crores is on account of interest during construction and about Rs. 18 crores on account of miscellaneous reasons. The revised cost estimates of this project are currently under examination of CEA.

9.4 The Government approval for projects is based on the cost estimates and on scheduled completion period. However, there are certain factors beyond the control of the project implementing authority which have also led to delays in completion of hydro-electric projects. These are land acquisition problems, adverse geological conditions, law & order problems, natural calamities like floods. Besides fund constraints have been a major reason for delays in most Hydel projects. Another reason which is now causing concern is the dearth of good contractors who are able to complete the scheduled works in the allocated time, since hydro-electric schemes involve substantial civil works and contractors are required to mobilise resources, both material and trained manpower.

ITEM NO. 10

Increase in 1994-95 RE over BE under both plan and non-plan expenditure on account of domestic and foreign travel and OTA.

Comments of the Ministry of Power

10.1 The details of BE 1994-95 and RE 1994-95 provision for domestic travel, foreign travel and OTA are as under :—

(Rs. in Lakhs)

	Actuals 1993-94	BE 1994-95	RE 1994-95	BE 1995-96
1. Secretariat (Proper) (Non-Plan)				
Domestic Travel	20.74	9.80	16.25	12.30
Foreign Travel	34.61	19.00	27.00	25.00
O. T. A.	4. 00	3.75	4.00	3.75
2. Central Electricity Authority				
Domestic Travel				
Plan	23.40	27.75	55.05	35.40
Non-Plan	18.97	17.70	15.95	17.25
Total	42.37	45.45	71.00	52.65
Foreign Travel				
Plan	3.78	6.00	66.00	64.61
Non-plan	-	2.00	2.00	3.00
Total	3.78	8.00	68.00	67.61
O. T. A.				
Plan	3.79	2.70	2.80	3.20
Non-plan	13.23	10.10	13.03	10.99
Total	17.02	12.80	15.83	14.19

10.2 In the case of Secretariat of the Ministry of Power, the increase in RE 1994-95 under "Domestic Travel" is on account of increased expenditure on tours by the officers of the Ministry appointed as central observers in connection with the recent State assembly elections the increase under foreign travel is on account of the fact that the Ministry of Power is implementing a large number of projects which are tied with multilateral/bilateral funding agencies. Further the present initiative in Private Sector Investment with emphasis on foreign participation has also necessitated international travel by the officers of the

Ministry. However, if we compare the RE 1994-95 with the actual expenditure for 1993-94 there is a reduction in expenditure on domestic as well as foreign travel to the tune of Rs. 4.49 lakhs and Rs. 7.61 lakhs respectively.

As regards OTA for the Ministry of Power the increase in RE 1994-95 over BE 1994-95 is only of the order of Rs. 25,000 Moreover, the expenditure on OTA during 1994-95 has been restricted to the level of actual expenditure of the previous year as per directives of the Ministry of Finance in this regard.

10.3 In the case of CEA and its subordinate offices, the provision under domestic travel and foreign travel had been increased from Rs. 45.45 lakhs to Rs. 71 lakhs and from Rs. 8 lakhs to Rs. 68 lakhs respectively in RE 1994-95 to cover the domestic and foreign travel by officers of CEA under the scheme for Updating of Planning Models and training CEA officers under World Bank assistance. However, since these travel plans did not materialise during the year, the actual expenditure was restricted to the BE 1994-95 level.

In the case of OTA under the CEA BE provision of Rs. 12.80 lakhs both under Plan and Non-plan was revised to Rs. 15.93 lakhs in 1994-95. The increase of Rs. 3.13 lakhs was allowed in view of heavy rush of work during Parliament sessions although the actual expenditure was again kept at the level of actuals of 1993-94. As already stated above this is in accordance with the directives of Ministry of Finance to restrict the expenditure on OTA at the level of actual expenditure incurred in the previous year. As regards BE 1995-96 provision, the expenditure on domestic as well as foreign travel will be kept to the minimum possible level.

ITEM NO. 11

A note on the Staff strength in the Secretariat and attached/subordinate offices.

Comments of the Ministry of Power

The position of staff strength of Ministry of Power (Sectt.) and office of the Controller of Accounts is as under :—

	Actuals		Estimated	
	1993	1994	1995	1996
(a) Officers				
(i) Sectt.	75	75	74	74
(ii) Controller of A/C's office	9	11	11	11
(b) Staff				
(i) Sectt.	240	239	242	242
(ii) Controller of A/C's office	35	40	41	41

It may be seen from the above table that staff strength for Ministry of Power (Sectt.) is more or less the same as compared to the actuals for 1993 and 1994. The increase in staff strength in the office of the Controller of Accounts is on account of filling up of existing vacant posts. As regards the increase in the posts of Assistant Accounts Officers (AAO)) and Stenographers the increase is on account of promotion of Junior Accounts Officers and a Senior Accountant.

The details of the staff strength appearing on page 38-39 of the Detailed Demands for Grants (1995-96) of the Ministry of Power relates to the actual strength of CEA and its subordinate offices both for plan and Non-plan schemes as on 31st March, 1993/1994 and the estimated strength for the year 1995 & 1996 are as under :—

	Actuals		Estimated	
	1993	1994	1995	1996
Officers	907	850	941	941
Staff	1611	1511	1661	1661
Total	2518	2361	2602	2602

The figures of staff strength appearing in the document indicates the position in Nov., 1994 and since then there have been some changes in the position due

to abolition/transfer of certain posts consequent to transfer of some of the RLDC's to POWERGRID. It may be mentioned that estimated staff strength indicated for 1995 & 1996 in the table above is only national and also includes vacant posts which are likely to be abolished/transferred and adjusted for accommodating the non-optee officers and staff consequent to transfer of all the RLDC's to POWERGRID after 31st Dec., 1995. Since the actual position of the officers and the staff likely to be absorbed in POWERGRID is still not clear, it was not possible to furnish the exact staff strength of CEA and its subordinate offices for the year 1995 & 1996.

It is also submitted that no new posts were created during 1994 in the CEA and its sub-ordinate offices and hence there will be no increase in the staff strength as compared to the actual position prevailing at the end of 1994.

ITEM NO. 12

A note on budgetary provision made in 1994-95/1995-96 for NTPC projects that have already been completed upto 31.03.1994 and reasons for variation between BE 1994-95 and RE 1994-95 with respect to the completed schemes (Page 154 of Performance Budget of the Ministry of Power 1995-96).

Comments of the Ministry of Power

12.1 As regards schemes completed by 31.3.94 provisions against revised estimate for 1994-95 and budget estimates for 1995-96 have been shown mainly on account of final payments due after performance guarantee tests carried out by the equipment suppliers, for projects such as NCTPP, Kawas, Farakka and Dadri Gas. In addition budgetary provisions have also been made for construction of ash dykes enhancing the balance life of the plants which is undertaken in a phased manner.

12.2 The main reason for increase in provision of Rs. 179 crs. in revised estimates for 1994-95 as compared to budget eststimate for 1994-95 is that payments due against performance and guarantee tests, originally provided for in revised estimates 1993-94 spilled over to 1994-95 and accordingly, additional provisions were sought in the revised estimate for 1994-95.

ITEM NO. 13

A note on increase in latest cost of on-going schemes of NTPC (P.155 of performance Budget of Ministry of Power for 1995-96).

Comments of the Ministry of Power

13.1 The cost estimates for NTPC's projects are approved on the basis of costs prevailing at the time of approval. These are normally subject to price escalation, exchange rate variation and changes in statutory duties and levies.

13.2 Attention has been drawn to NTPC's projects where the latest costs are in excess of the approved costs (pg. 155, item C of Performance Budget 1995-96). In this connection it is stated that there are only 2 projects in this category, *viz.* Kahalgon I & Talcher I.

13.3 The increase in cost in both these cases have been primarily on account of exchange rate variation on equipment portion and on the direct commercial borrowings by NTPC, apart from normal escalations during the project implementation, statutory variations and impact of these changes on Interest During Construction. The Revised Cost Estimates for Kahalgaon and Talcher are already being processed for approval of the sanctioning authority.

13.4 As regards Kahalgaon STPP, the progress of work was affected due to disintegration of erstwhile USSR. NTPC initiated action for procurement of material from indigenous sources for which the Russian party had shown their inability to supply. The deliveries have now been tied up to suit revised project commissioning programme.

13.5 In a case of Talcher STPP-I, progress of work was affected mainly due to poor response of equipment suppliers on account of financial crisis faced by them as a result of Rupee devaluation and withdrawal of cash compensatory support by Govt. on World Bank funded projects. Necessary assistance was provided by NTPC to deserving agencies to expedite supplies/works and the progress is being regularly reviewed with suppliers. The first unit has already been synchronised in March' 95.

ITEM NO. 14

A note on utilisation of funds by SEBs for R&M schemes in 1994-95.

Comments of the Ministry of Power

Comments against Para-5 of Standing Committee's Report

14.1 The encouraging results from R&M-I programme could be made possible as the financial assistance by way of Central Loan Assistance (CLA) of Rs. 500 crores was provided by Government of India for core activities responsible for increasing availability, generation, efficiency and reliability. Of this a total amount of Rs. 431.43 crores was sanctioned to various R&M schemes. The CEA was responsible or disbursement of CLA upto 31.03.1988. After this the responsibility of disbursement of CLA was transferred to PFC. For R&M Phase-I outlay for 1994-95 of Rs. 90.01 crores comprised Rs. 6.05 crores under CLA and Rs. 83.96 crores under State plan (S. P.). Against this outlay, the total annual expenditure/release upto 31.12.1994 consists of Rs. 1.32 crores under CLA and Rs. 6.95 crores under S.P. The progress of activities under CLA is quite satisfactory. The unutilised funds during 1994-95 under CLA is mainly due to delay in final settlement of claims between vendors and SEBs. However, the low utilisation of funds under State Plan during 1994-95 is on account of the fact that State Governments have not been able to make available the allocated funds to the SEBs.

14.2 During R&M Phase-II scheme the financial condition of most of the SEBs further deteriorated and Government of India did not provide any Central Loan Assistance. The allocated funds for R&M-II also could not be passed on to the most of the SEBs fully by the State Government; as a result the physical and financial progress of R&M-II schemes is behind schedule, especially in most of the power stations of Northern and Eastern regions which do not qualify the eligibility criteria laid down by PFC for availing loan for R&M.

14.3 The recommendation of CII also reiterates the importance of R&M of older thermal power stations which have already been implemented to a large extent. However, the ultimate success of all such programmes is mostly dependent on the availability of adequate flow of funds to the SEBs from the State Governments.

ITEM NO. 15

The reasons for low capacity addition of 2161.55 MW during 1995-96 with specific reference to hydro capacity addition.

Comments of the Ministry of Power

15.1 The programme of capacity addition for 1995-96 is 2161.55 MW. This consists of 421.55 MW from the hydro sector and 1740. 00 MW from the thermal sector. This target is lower as compared with targets of earlier years of the plan on account of :-

(i) Some of the units which were programmed for commissioning this year were preponed and commissioned in 1994-95; and

(ii) Non-availability of the required fund had slowed down work, at some of the projects in the past and the present status of works is such that their commissioning cannot be advanced to this year.

15.2 The reason why there is no Central Sector capacity addition of Hydro Projects is that there are no schemes which can be completed during the year. The progress of works on the ongoing projects in the Central Sector except, Dulhasti has since picked up and 3 out of 4 units at Uri and all the units at Rangit and Kopili Projects are expected to be commissioned in 1996-97.

ITEM NO. 16

Standardisation of factors necessary for Environment Clearance.

Comments of the Ministry of Power

16.1 NTPC has prepared a check-list to ensure that all necessary action points required for obtaining environment clearance from the Ministry of Environment and Forests are attended to. These action points are as under :—

(i) Application in prescribed proforma is to be submitted to the Secretary, Ministry of Environment and Forests.

(ii) The application form covers the following major aspects.

a) Name of Project and locaion.

b) Alternate sites examined

c) Objective of the project.

d) Land requirement.

e) Pollution source in a 10 Km. radius.

f) Distance from ecologically sensitive areas.

g) Compensatory afforestation plan and green belt plan.

h) Rehabilitation plan for borrow areas.

i) Air quality.

j) Water Balance and Quality.

k) Soild wastes.

l) Noise.

m) Number of population to be displaced.

n) Risk assesment and Disaster Mangement Plan.

o) EIA Report alongwith Environment Management Plan.

p) Feasibility Report.

(iii) The Environment Impact Assessment Report *inter-alia* covers details on the following major aspects.

a) **Air pollution :**

i) Existing ambient air quality.

ii) Impact on ambient air quality due to release of gasesous and particulate emissions through mathematical modelling.

b) **Water pollution :**

i) Existing ambient air quality.

ii) Water Balance indicating quantity of effluents discharged.

iii) Impact of effluents on receiving water body.

iv) Broad impacts on leachate from ash pond on ground water.

v) Impact of hot water discharge on receiving water body.

c) Nosie pollution :

i) Exisiting ambient levels .

ii) Impact on noise levels due to operation of the plant.

d) Demographic and Socio-economics :

i) Demographic and socio-economic profile of population in a 10 Km radius.

ii) Estimated number of population likely to be displaced due to land acquisition.

e) Land use :

i) Land use pattern in a 10 Km. radius and specially for the area proposed to be acquired.

ii) Impact on land use due to constructioon operation.

f) Ecology (Terrestrial and Acquatic):

i) Exisiting details on ecology.

ii) Impact due to construction and operation.

g) Mitigation and Monitoring :

i) Details of mitigatory measures proposed to be implemented for overcoming adverse impacts.

ii) Post operational monitoring programme convering major disciplines, parameters, frequencies etc.

h) Proposed Ash Utilisation Programme.

APPENDIX V

MINUTES OF THE THIRD SITTING OF STANDING COMMITTEE ON ENERGY HELD ON 18TH APRIL, 1995.

The Committee sat from 11. 00 hrs. to 13. 30 hrs.

PRESENT

Shri Viren J. Shah - *In the Chair*

MEMBERS

2. Smt. Lovely Anand
3. Shri Anil Basu
4 Shri Chitta Basu
5. Shri Parasram Bhardwaj
6. Shri P. C . Chacko
7. Shri Dalbir Singh
8. Shri Murli Deora
9. Shri Khelan Ram Jangde
10. Shri Keshari Lal
11. Shri Shiv Charan Mathur
12. Shri Haradhan Roy
13. Shri Khelsai Singh
14. Shri S. Thota Subha Rao
15. Shri Laxminarain Tripathi
16. Shri Bhawani Lal Verma
17. Prof. Rita Verma
18. Shri Virender Singh
19. Shri Arjun Singh Yadav
20. Shri Vijay Kumar Yadav
21. Shri Parmeshwar Kumar Agarwalla
22. Shri M. M. Hashim
23. Shri Bhubneswar Kalita
24. Shri Dipankar Mukherjee

25. Shri M. Rajasekara Murthy
26. Smt. Ila Panda
27. Shri J. S. Raju
28. Smt. Kamla Sinha

SECRETARIAT

1. Shri G. R. Juneja — *Deputy Secretary*
2. Shri A. Louis Martin — *Under Secretary*

In the absence of Chairman, the Committee selected Sh. Viren J. Shah to act as Chairman for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. First, the Committee took up for consideration the draft report on the Demands for grants of the Ministry of Power (1995-96). After brief discussion, the Committee adopted the report with addition of the following sentences to paragraph six of the draft report :

> "The Ministry may also enlighten the Committee about the procedural delays after the approvals are granted from the foreign investment angle or Indian investment angle. This should include delays by authoriteis under the Central Govt. like CEA and the Environment Ministry as also by State Govts. and the steps taken to avoid such delays."

The Committee also authorised the Chairman to finalise the draft report after discussion with representatives of Ministry of Power.

3. Thereafter, the representatives of the Ministry of Power were called in and the Committee held a discussion with them on the draft report on Demands for grants (1995-96) of the Ministry of Power. A list of representatives of the Ministry of Power who were present during the discussion is given in Annexure-I. A copy of verbatim proceedings of the discussion is kept on record. The officials of the Ministry withdrew from the meeting after the discussion.

** ** **

The Committee then adjourned.

** Para 4 of the Minutes relating to discussion of the Committee with the representatives of MNES is not included.

Anexxure to the Minutes

REPRESENTATIVES OF THE MINISTRY OF POWER

Sl. No.	Name	Desination
1.	Shri R. Vasudeven	- Secretary
2.	Shri P. Abraham	- Special Secretary
3.	Shri Ajay Dua	- Joint Secretary (P&H)
4.	Shri Pradip Baijal	- Joint Secretary (IPC)
5.	Shri S. R. Shivrain	- Joint Secratury & Financial Adviser
6.	Shri A.H.Jung	- Joint Secretary (Thermal)
7.	Ms. Gayathri Ramachandran	- Joint Secretary (AC & EM)
8.	Shri M. I. Beg	- Chairman, Central Electricity Authority (CEA).
9.	Shri Badal Sen Gupta	- Member (GO), CEA.
10.	Shri H. C. Mittal	- Member (Thermal & PS). CEA
11.	Shri S. N., Shande	- Member (E&C), CEA.

PUBLIC SECTOR UNDERTAKINGS (PSUs)

1.	Shri Rajendra Singh	- CMD, NTPC
2.	Shri C. P. Jain	- Director (F), NTPC
3.	Shri R. K. Narayan	- CMD. POWERGRID
4.	Shri R. K Sinha	- CMD, REC
5.	Shri H. C. Bhardwaj	- NJPC
6.	Shri S. R. Narasimhan	- CMD, NHPC
7.	Shri K. L. Zutshi	- CMD. THDC
8.	Shri I. M. Sahay	- CMD, PPC