

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:340  
ANSWERED ON:20.11.2009  
COST OF POWER GENERATION  
Hassan Dr. Monazir ;Sharma Shri Jagdish

**Will the Minister of POWER be pleased to state:**

- (a) whether generation cost of thermal power is on the rise, since Oct. 2009;
- (b) if so, the reasons therefor; and
- (c) the measures taken by the Government to contain the generation cost of lower?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF POWER ( SHRI BHARATSINH SOLANKI )

(a) & (b) : The tariff for supply of electricity from a thermal generating station comprises two parts, namely, capacity charge for recovery of fixed cost and energy charge for recovery of fuel cost. Coal India Limited has vide their notification dated 15.10.2009 enhanced the prices of coal to be supplied by their coal companies and the revised prices have become effective from 00 hrs. of 16.10.2009. The cost of thermal generation has also increased due to import of coal.

(c) The steps taken by the Government for reducing the cost of power generation are given below:

- i) The Electricity Act, 2003 creates a competitive framework for generation which should exert a downward pressure on costs.
- ii) The National Electricity Policy lays maximum emphasis on full development of feasible hydro potential. The cost of power generation from hydro projects reduces significantly; in the long term.
- iii) In respect of thermal power, the policy states that the economies of generation and supply of electricity should be the basis for choice of fuel from among the options available.
- iv) The Tariff Policy, notified on 6th January, 2006 provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled / owned company as an identified developer. For Public Sector projects also, the tariff of all new generation and transmission projects is to be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.
- v) The Mega Power Policy provides for zero customs duty for import of capital equipment and deemed export benefits for domestic suppliers for generation projects fulfilling eligibility conditions of this policy.