

14

STANDING COMMITTEE ON ENERGY

(2005-06)

FOURTEENTH LOK SABHA

MINISTRY OF POWER

THE ELECTRICITY (AMENDMENT) BILL, 2005

FOURTEENTH REPORT



LOK SABHA SECRETARIAT
NEW DELHI

May, 2006/Vaisakha, 1928 (Saka)

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Presented to Lok Sabha on 22.5.2006
Laid in Rajya Sabha on 22.5.2006



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NEW DELHI

May, 2006/Vaisakha, 1928 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2005-06)

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LOK SABHA

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31. Shri Jesudasu Seelam

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------------|
| 1. | Shri P.K. Bhandari | - | Joint Secretary |
| 2. | Shri B.D. Swan | - | Deputy Secretary |
| 3. | Shri Shiv Kumar | - | Under Secretary |
| 4. | Smt. Neena Juneja | - | Senior Executive Assistant |

* Expired on 14th April, 2006

** Ceased to be Member of the Committee w.e.f 2nd April, 2006, consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Fourteenth Report on the Electricity (Amendment) Bill, 2005 relating to the Ministry of Power.

2. The Electricity (Amendment) Bill, 2005 (copy enclosed at Annexure-I) was introduced in Lok Sabha on 23rd December, 2005 and referred to the Standing Committee on Energy for detailed examination and making a report thereon in three months time by the Hon'ble Speaker, Lok Sabha. The Committee sought extension of time by three months for presentation of the Report on the Electricity (Amendment) Bill, 2005 which was granted by Hon'ble Speaker on 22nd March, 2006.

3. In connection with examination of the Bill the Committee held five sittings including a briefing by the Ministry of Power and representatives of eight State Governments. The views of other State Governments/Union Territories on the proposed amendments were sought in writing. Associations like Associated Chamber of Commerce and Industry (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII) were asked to offer their views/suggestions in writing on the proposed amendments to the Bill.

4. The Committee wish to express their thanks to the various State Governments and Associations for expressing their views on the proposed amendments to the Electricity Act, 2003. The Committee would also like to thank the representatives of the Ministry of Power for placing before them detailed information as desired by the Committee and also briefing the Committee on the subject.

5. The Report was considered and adopted by the Committee at their sitting held on 17th May, 2006.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
17 May, 2006
27 Vaisakha, 1928 (Saka)

GURUDAS KAMAT
Chairman,
Standing Committee on Energy

Introductory

The Electricity Act 2003 was brought into effect from 10th June 2003. Drafting of the Electricity Bill involved almost 1-1/2 years consultations with the State Governments, State Power Utilities, Industry Associations, individual experts, Trade Unions, Central Public Sector Undertakings, Employee Associations, before it was introduced in the Lok Sabha in August 2001. After its introduction in Lok Sabha, the Bill was referred to the Parliamentary Standing Committee on Energy for detailed examination. The Standing Committee engaged in further rounds of discussions with the stakeholders, by inviting comments from all the concerned.

2. The Committee submitted their report in December 2002. Most of the recommendations of the Committee were accepted by the Government. The Electricity Bill, including the official amendments proposed on the basis of the recommendations of the Standing Committee, was considered and passed by the Lok Sabha. When the Bill was being considered in the Rajya Sabha, the Minister of Power gave assurance to bring amendments on four issues. Based on this understanding, the Bill was passed. The Act was subsequently amended for fulfilling the assurance given by the Minister in the Rajya Sabha. These amendments came into effect from 27th January 2004.

3. The Electricity (Amendment) Bill, 2005 has been introduced in the Lok Sabha on 23.12.2005 and has been referred by the Speaker to the Standing Committee on Energy for examination and report thereon.

4. Some of the important amendments proposed in the Electricity (Amendment) Bill, 2005 are mentioned in the statement of Objects and Reasons appended to the Bill.

5. The National Electricity Policy states that both the Central Government and State Governments would jointly endeavour to achieve the objective of supply of electricity to all areas at the earliest. The Central Government has launched the 'Rajiv Gandhi Grameen Vidyutikaran Yojana' for supporting States in creating rural electricity

infrastructure and electrification of households with provision of 90% capital subsidy to fulfil the objective of the National Common Minimum Programme (NCMP) of electrification of all households in the next five years. There has, however, been a suggestion that the Act should be amended to reflect that the Central Government will also share the responsibility of rural electrification. Accordingly, it has been decided to bring amendment to Section 6. After reviewing the definition of an electrified village, it is acknowledged that less than 44% of the households in India have been electrified.

6. The Clause 2 proposed to substitute Section 6 of the Principal Act, provides that instead of the words “the Appropriate Government shall endeavour to supply electricity to all areas including villages and hamlets” shall now read that “the concerned State Governments and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households”.

7. Clause 3 to 7 and 10 and 11 of the amendment Bill relates to the question of reduction in cross subsidies. These clauses propose amendment to Sections 38, 39, 40, 42, 61, 178 and 181 of the Act 2003 to delete the words ‘and eliminated/elimination’ of cross-subsidies. The existing tariff policy lays down a timeframe for rationalisation of electricity tariffs and reduction of the cross-subsidies within a band of $\pm 20\%$ by the end of the year 2010-11.

8. Sub-clauses 10 (iii) and 11 (iv) of the Bill propose to amend Sections 178 (2) (r) and 181 (2) (zc). These Sections deal with the powers of Central Electricity Authority and powers of the State Commissions to provide for period within which the cross-subsidies shall be reduced and eliminated. The present Bill proposes to restrict this power of the Authority and the State Commissions as to manner of reduction of cross-subsidies only.

9. Clause 8 of the Bill proposes to amend Section 151 of the Act 2003 so as to expressly provide that the police shall have full powers of investigation as available to

them under the Code of Criminal Procedure 1973 to investigate any offence punishable under this Act. This clause also empowers the special courts constituted under Sections 153 to take cognizance of an offence punishable under Sections 135 to 138 without the accused being committed to it for trial.

10. In connection with detailed examination of the aforesaid amendment Bill, the Committee decided to have the considered views of the State Governments and the Union Territories on the proposed amendments as also of organizations such as Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII) and The Associated Chambers of Commerce and Industry of India (ASSOCHAM). The Ministry of Power also briefed the Committee on the Bill where clarifications were sought on various issues emerging out of the proposed amendments to the Act.

11. The Committee deliberated on various provisions of the Bill in detail in view of the suggestions received from various players i.e. State Governments, Associations as also the Ministry of Power on the proposed amendments to the Electricity Act, 2003 which are discussed in the succeeding paras of the Report. The Committee desire that the Bill may be passed after carrying out changes suggested in the recommendations of the Committee.

REPORT

I. PROPOSED AMENDMENT TO SECTION 6

Clause 2 of the Bill proposes to amend Section 6 of the Act to make rural electrification joint responsibility of the State Governments and Central Government.

Section 6 in the Electricity Act, 2003 read as under:

“6. The Appropriate Government shall endeavour to supply electricity to all areas including villages and hamlets.”

Clause 2 of the Bill provide that the following shall be substituted for Section 6 of the Electricity Act, 2003.

“6. The concerned State Governments and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.”

2. The Ministry of Power in a note stated that there was a need to bring about the change as the National Electricity Policy states that both the Central Government and State Government would jointly endeavour to achieve the objective of supply of electricity to all areas at the earliest. The Central Government has launched the ‘Rajiv Gandhi Grameen Vidyutikaran Yojana’ for supporting States in creating rural electricity infrastructure and electrification of households with provision of 90% capital subsidy to fulfil the objective of the National Common Minimum Programme (NCMP) of electrification of all households in next five years.

3. It was further stated that there has, however, been a suggestion that the legal provision should be amended to reflect that the Central Government would also share the responsibility of rural electrification. Most of the States had desired that the responsibility of providing electricity should be shared by the Central Government. Keeping this in mind, the proposed amendment has been brought about.

4. During the course of evidence, expressing their views over the proposed amendment to Section 6 of the Electricity Act, 2003 wherein, it is proposed that the concerned State Government and Central Government shall jointly endeavour to provide electricity to all areas including villages and hamlets, the representative of the State Government of Assam stated that considering the low level of rural electrification in the State, a large amount of funds were required for rural electrification and hence they expected that the same would be provided by the Central Government for North-Eastern Region.

5. In this regard, the representative of the State Government of Haryana – which had a heavy industrial load apart from the fact that in the State the rural electrification had already achieved more than 80% level – stated before the Committee:

“The proposed amendment to Section 6 is stated to enable the Union Government to treat rural electrification as its joint responsibility alongwith States to allocate and spend resources for the purpose. It needs to be stated, though neither the 1948 Act nor 2003 Act in its present form indicate such joint responsibility. There has never been a statutory bottleneck to Government of India allocating and spending resources on rural electrification or any other area in the power sector. The APDRP scheme provided substantial funding for distribution efficiency while we need not object the proposed amendment, we may highlight the fact that the proposed amendment should not enable the Union Government unilaterally to appoint agencies for rural electrification without specific concurrence of the State Governments, nor it should be used to introduce structural change in rural electricity distribution on its own.”

6. The State Government of Gujarat, which had already achieved good results in the rural electrification programme was in agreement with the proposed amendment to Section 6. It was submitted before the Committee:

“The proposed participation of the Central Government in the programme of Rural Electrification shall help the State Government in providing qualitative power in the rural areas by investing some more funds in the renovation and updation of the electricity infrastructure at present available in the rural area. However, while doing so, it may be ensured that the Central Government channelised all resources through the State Government only and no direct operations are undertaken.”

7. The State Government of Punjab deliberating over the issue of rural electrification stated that Punjab had already achieved 100% electrification of villages. There was a need to bring about an improvement in the existing old infrastructure for strengthening the network backbone such as over loaded Power Transmission, up gradation of sub transmission system, bifurcation of over loaded/over regulated distribution feeders etc., for which financial help is needed from the Central Government. The State Government also had, however, no objection to the proposed amendment, as electrification of households would require support from the Central Government.

8. During evidence the representatives of the State Government of Punjab stated that they were not in agreement with the ‘franchise system’ under the Rajiv Gandhi Grameen Vidyutikaran Yojana. They clarified their stand as under:

“Electrification of households in any case requires Government of India’s support. We have the Rajiv Gandhi Scheme which is going to help us to do this. There are some parts of the Scheme which we are not very comfortable with. For example, they have insisted that there would be franchises given. We are not very comfortable with it for the simple reason that we already have 99 per cent collection efficiency. That would act as a hurdle. The matter is under discussion with the Government of India that we would like to be excused from this particular portion of the Rajiv Gandhi Yojana. We have no problems about the functions of the Central Transmission Utility.”

9. In a written note, the Government of Punjab further added:

“Under the National Rural Electrification Policy/Rajiv Gandhi Grameen Vidyutikaran Yojana the Government of India has made it mandatory that all utilities must introduce a franchisee system for management of the local distribution system in rural areas. In some states like Punjab and Rajasthan, where the efficiency of revenue collection is already optimal to the tune of 99%, it may not be appropriate to change the present system of collection by introduction of a Franchisee since it would only add to the costs of the utility, which may not be allowed by the Regulators. If at all these costs are allowed it would only result in a burden on the rural consumers by way of increased tariffs. As such the setting up of Franchisees should be left to the discretion of the respective states/utilities.”

10. All the State Governments were in broad agreement with the amendment proposed in Section 6 of the Electricity Act, 2003. However, the State Government of Uttar Pradesh specified in a note:

“There is no requirement for this amendment when the Rural electrification programme is running successfully. In the numerous meetings and deliberations not once has such a measure been broached. The performance of rural electrification has not only never mandated such a measure, but has been on target. With this perspective it is not understood why this amendment was envisaged or required.

Second, the scope of this amendment could be interpreted in various ways and “jointly endeavour” is open to interpretation. This is itself could jeopardize the entire rural electrification programme that is on stream at the moment.

Third, UP is unable to appreciate what measures the Central Government wants to take that it cannot take in this dispensation. Therefore, from this perspective, the Central Government must come out with the measures that are been hindered in the present legal framework

We would request a clarification of the figures stated in the Financial Memorandum. Does this indicate the outlay would be frozen at the existing levels. UP’s funds requirement of Rs.3,381 crore in the first phase is limited to electrification of the main village and one Scheduled Caste majra (or hamlet). In the second phase that has already been planned and communicated to Government of India, a much more intensive plan of electrification of households including those in BPL category has been planned. This will entail an investment of Rs.4,182 crore from the Rajiv Gandhi Grameen Vidyutikaran Yojana and is intrinsic to the programme. The amendment would jeopardize the rural electrification programme, in the State that has the largest number of unelectrified villages, and therefore requires the programme to be on track. Therefore, UP strongly opposes the proposed amendment.”

11. During the course of evidence, the representative of State Government of Uttar Pradesh added in regard to the proposed amendment to Section 6:

“In fact, Uttar Pradesh has set this year a target to cover 7,000 villages and Uttar Pradesh will cover balance 23,000 villages. The Rural Electrification Corporation is the main financier. They have not expressed any feeling

whereas, on the other side, if we take a joint endeavour to mean that the Government of India would be awarding the contracts for districts and villages without consulting the States concerned, we feel problem in that.

In fact, I would like to bring to the notice of the Committee that when the scheme was started, we were pressurized by the Department of Power to accept PGCIL as the main executing agency for eight districts. Informally, it was made clear that if you want to have the scheme, you would have to accept this. PGCIL took the work, floated the tenders and the State was never consulted and they continued to work the way they wanted.”

12. The Committee also took the views of various associations including Federation of Indian Chambers of Commerce and Industry (FICCI). In a note FICCI made the following submission in connection with the proposed amendment to Section 6:

“The proposed amendment has laid the onus of electrification on concerned State governments along with the Central government. These entities have been mandated to jointly endeavor to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.

While the involvement of both State and Central Government could mean access to more financial assistance for expansion of electrification primarily in rural areas. However, there is also an apprehension that involvement of multiple organizations might hamper the timely implementation of projects. Hence, we need a streamlined process whereby single-window clearance for financial and non-financial assistance could be arranged for project developers.”

13. Elaborating their views over Rural Electrification Programme, the Confederation of Indian Industry (CII) submitted that as per the available projections, it was estimated that 55% of rural households in India had no access to electricity. From time-to-time the Central Government had launched various schemes involving capital funding and financial aid for rural electrification. However, the progress on the ground had remained tardy for various reasons and success of the schemes has remained elusive. It was added that CII hoped that this reviewed provision contributes towards success of rural electrification drive. The key to success of rural electrification initiative lied in creating sustainable revenue models. CII proposed that the following suggestions might be kept in mind, while going in for rural electrification through the Central and State agencies:

“Ensuring the success of rural electrification schemes on long-term basis, the Center could assist the State Governments in creating sustainable revenue models based on payment and collection of affordable user charges for the electricity supplied to rural areas.

Ensuring that the States actively involve panchayat institutions, district administration and the villagers in the process from the beginning and seek their cooperation in operation and maintenance and administration of the electricity infrastructure. This model would help in generating employment for local people and creating sense of ownership at the local level, which would become key parameters in long-term sustainability of the projects.

Sharing best practices on rural electrification amongst States.

Awareness programmes on tariff, subsidy and energy conservation.

Promoting the culture of metering, billing and collection of user charges.

Building rural loads would be imperative for sustenance, economic viability and gradual scaling up of the electricity infrastructure besides augmenting prosperity in the rural regions. This objective could be achieved with awareness and outreach programmes intended towards promoting benefits of electrification and assisting rural entrepreneur to set up new commercial enterprises. This would generate employment, improve life standards and augment prosperity which is a win-win proposition for Government, rural society and the country.

Involving lenders and commercial banks to evolve and promote micro-lending schemes in an effort to promote small and medium rural business ventures.”

14. The Associated Chambers of Commerce and Industry of Indian (ASSOCHAM) was of the view that the Rajiv Gandhi Grameen Vidyutikaran Yojana with its subsidy component would help in faster electrification of rural India and provide electricity to all households.

15. The Committee observe that the Electricity Amendment (Bill) 2005 has been introduced within one and a half year since the enforcement of the Electricity Act 2003. The main aim of the Bill is to involve the Central Government in the process of Rural Electrification. For this the Central Government has launched the Rajiv Gandhi Grameen Vidyutikaran Yojana supporting States in creating rural electricity infrastructure and electrification of households with the provision of 90% capital subsidy to fulfil the objective of National Common Minimum Programme (NCMP) of electrification of all households in next five years. The Committee while interacting with the State Governments over the issue observed that most of the States welcomed the involvement of the Central Government in the rural electrification programme and desired that funds for the same should be made available by the Central Government. Some States like Punjab stated during evidence that they had achieved almost 100% rural electrification. The Committee find it difficult to accept the claim as this achievement is based on old definition of village electrification and in fact 100% electrification of rural households has not been achieved so far. The State Governments of Punjab and Haryana expressed their reservations on introduction of the 'Franchisee system' under Rajiv Gandhi Grameen Vidyutikaran Yojana as it involved commitment of the State Government and State Utility to introduce a revenue sustainable franchisee arrangement prior to project completion. It was expressed that through this system collection of tariff would be adversely effected, as it would lead to an increase in the cost of utilities and ultimately of electricity.

16. Although various Associations who were asked to give their views on the proposed amendments welcomed the Central Government resources for rural electrification. Some of them expressed their apprehension that involvement of multiple organizations might hamper the timely implementation of the projects. The Associations were, however, supportive of the involvement of panchayat institutions, district administration and the villagers in the process of rural electrification as this model would help in generating employment for the people.

17. The Committee, no doubt, support the proposed amendment to Section 6 of the Electricity Act, 2003 with regard to the role of Central Government in rural electrification but at the same time caution the Government that the system of distribution of funds to States, not necessarily be same for all the States as the rural electrification needs of different States are widely varied because the well developed and industrialized States may need more funds for infrastructure development rather than purely for rural electrification, at the grass root level i.e., for village/hamlet electrification, while the not so developed States having more of rural background like North-Eastern States need funds to implement the scheme in a totally different perspective. The Committee desire that the Central Government should undertake the rural electrification work in close coordination with the concerned State Governments thus obviating the concerns expressed by some of the States. The Committee also desire that the Government should have a re-look on the requirement of 'Franchise System' under the Rajiv Gandhi Grameen Vidyutikaran Yojana and ensure that appointment of Franchises does not lead to cost escalation as apprehended by some States.

II. PROPOSED AMENDMENTS TO SECTIONS 38, 39, 40, 42, 61, 178, 181

18. Clauses 3 to 6 and clauses 10 to 11 propose amendments to Sections 38, 39, 40, 42, 178 and 181 of the Principal Act which deal with deletion of word ‘elimination’ of cross-subsidies as follows:

- (a) In Section 38 of the principal Act, in sub-section (2), in clause (d), -
 - (i) In the second proviso, the words “and eliminated” shall be omitted;
 - (ii) The third proviso shall be omitted.
- (b) In Section 39 of the principal Act, in sub-section (2), in clause (d), –
 - (i) In the second proviso, the words “and eliminated” shall be omitted;
 - (ii) The third proviso shall be omitted.
- (c) In Section 40 of the principal Act, -
 - (i) In the second proviso, the words “and eliminated” shall be omitted;
 - (ii) The third proviso shall be omitted.
- (d) In Section 42 of the principal Act, in sub-section (2), -
 - (i) In the third proviso, the words “and eliminated” shall be omitted.
- (e) In Section 178 of the principal Act, in sub-section (2), -
 - (i) In clause (k), the words “and elimination” shall be omitted;
 - (ii) In clause (m), the words “and elimination” shall be omitted;
- (f) In Section 181 of the principal Act, in sub-section (2), -
 - (i) In clause (j), the words “and elimination” shall be omitted;
 - (ii) In clause (m), the words “and elimination” shall be omitted;
 - (iii) In clause (p), the words “and elimination” shall be omitted;

19. Clause 6 of the Bill proposes to amend Section 42 of the Principal Act to provide for open access on payment of a surcharge. Clause 7 of the Bill proposes to amend Section 61 of the Principal Act to provide for that the tariff shall reflect cost of supply of electricity and reduce cross-subsidies.

20. In a brief note on the Electricity (Amendment) Bill, 2005, the Ministry of Power expressed the following views in regard to the issue of cross-subsidies:

“There has been a concern regarding those provisions of the Act which provide for reduction and ‘elimination’ of cross subsidies. It has been urged that given India’s state of development, elimination of cross subsidies is presently not feasible. Further, differential pricing is a well accepted international practice. In the National Electricity Policy it has been provided that the existing cross subsidies would need to be reduced progressively and gradually. Though this issue has been addressed in the National Electricity Policy, there was insistence from some stakeholders and also from certain State Governments that the provision of the Act for ‘elimination’ of cross subsidies be deleted as elimination is neither envisaged nor feasible.”

21. On the issue of reduction of cross-subsidies, the Ministry of Power further elaborated as follows:

“The Tariff Policy lays down a timeframe for rationalization of electricity tariffs and reduction of the cross-subsidies within a band of $\pm 20\%$ by the end of year 2010-11.”

22. The various State Governments expressed their views both in writing as well as during briefing sessions before the Committee. Most of the State Governments were in cohesion with the amendment proposed to the effect and were also in favour of continuation of cross-subsidies. The State Governments also expressed the views that the proportion of reduction of cross-subsidies and time frame for the same should be left to the State Regulatory Commissions to decide upon.

23. The State Government of Assam in this connection, held the following views:

“The inter-category reduction of cross-subsidy, as per Electricity Act, 2003 is acceptable within reasonable limits but total elimination of cross-subsidy is not acceptable as this shall put heavy burden on the Domestic Consumers of the state due to the consumer profile and energy consumption pattern. As such, the proposal to amend the Electricity Act, 2003 to the extent that total elimination of cross-subsidies is to be done away is a step towards the right direction. The Tariff Policy notified by the Government of India dated 6th January, 2006 envisages that the tariff progressively reflects the cost of supply of electricity with a road map to

reduce the inter-category cross-subsidies within (\pm) 20% of the average cost of supply by the year 2010-2011. As already stated, the reduction of cross-subsidies is acceptable but the condition that the same is to be within (\pm) 20% of the average cost of supply shall impose heavy burden on the Domestic category of consumers of the state. Considering the vast diversities in the consumer profile amongst various states, there should not be any benchmark like (\pm) 20% but the reduction of cross-subsidies and time frame should be best left to the State Regulatory Commissions to decide upon, as the SERCs can take appropriate decision in this respect considering the consumer profile and energy consumption pattern of the particular State.”

24. The representative of State Government of Haryana during discussions with the Committee elaborated about the proposed amendment in regard to the cross-subsidies as follows:

“On the next bunch of amendments which all deal with open access and cross-subsidies, the elimination word is to be removed. We think that it is the step in the right direction. The only thing we want to submit is that the reduction of cross-subsidy is desirable, but as was stated by my colleague from Assam, the reduction of cross-subsidy should be left to the State Regulatory Commission concerned because they will have to keep in mind the consumer profile of the individual State. All States have different kinds of consumer profiles and the reduction road map will have to follow the consumer profile of that particular State. He further added it is true that the consumer profile of Assam and Haryana is quite different. Simultaneously, it is also true that in Haryana, the section which is subsidized is perhaps much larger than in Assam. Our primary focus in Haryana has always been on agriculture.”

25. The State Government desired certain clarifications about the elimination of cross-subsidies:

“It needs to be clarified that the elimination of cross subsidy including the treatment of subsidies in distribution tariff and surcharge in case of open access need to be defined in a more clear manner so as to provide competent regulatory commissions which could gradually reduce cross subsidies and surcharges without altogether eliminating the stated cross-subsidy and surcharge.”

26. The State Government of Gujarat desired that the proposed amendment would favour open access system, explaining the same they stated:

“The existing provision of the Electricity Act, 2003 provides for elimination of cross-subsidy. In view of the present scenario of the electricity industry perhaps it may not be feasible for the present totally to eliminate cross-subsidy because it may demotivate the providers of the Open Access because they may perhaps not be encouraged in developing their existing network suitably to accommodate more and more accesses which may be required for the future. Therefore, the State Government are of the view that certain level of cross-subsidy would enable the owners of the transmission and distribution network to expand their existing network capacity to accommodate future demand.”

27. In regard to the proposed amendments to this effect, the State Government of West Bengal stated in a written note:

“The second issue is pertinent to the need of a large number of consumers who have a low payment capacity due to imbalances in regional economic development in the country. In order to provide them an affordable power tariff, a minimum support through an initial subsidy in respect of power tariff, is necessary. State Government is however, not in a position to provide this subsidy from the exchequer while this may be provisioned through a higher tariff levied on customers with a higher payment capacity. A phased reduction of this subsidy is envisaged with accretions to the payment capacity of this target group of consumers, with gradual increases in their income levels. The National Electricity Policy has also recognized that a minimum level of support may be required to make electricity affordable for consumers having a low payment capacity. This policy also requires that consumers using upto 30 units per month may be considered eligible for such support. This stand thus, requires statutory support for proper implementation. Therefore, the Government of West Bengal supports the proposed amendment in this respect.”

28. The representative of West Bengal further added during the course of evidence:

“The State Government feel that the cross subsidy has to continue for some time and so, it is a very welcome proposal which has been placed before Parliament for enactment, to drop the provision of ultimate elimination of cross-subsidies because we feel that certain segments of the society especially, the people living below poverty line and even those slightly above poverty line, to lower middle class people do need subsidies. We support this.”

29. The State of Punjab has a mixed set of consumers of electricity which include both from industrial and agricultural sectors. They were also in total agreement with the deletion of the word 'elimination'. They elaborated:

“Regarding Section 38, 39, 40, 42, 61, 178, 181 of the Act the State Electricity Regulatory Commission has been following the mandate of the Act in its tariff orders to reduce the levels of cross subsidy. The State has almost achieved the targets for reduction of cross subsidy (i.e. plus minus 20%) envisaged at the National level to be reached by the year 2010-11. However, the Punjab Government are of the view that the complete elimination of cross subsidy may not be in the overall interest of the people of the State. Majority of population in the State is dependent on agriculture sector. Most of the farmers are just able to sustain themselves from the returns from this sector. Therefore, elimination of cross subsidy for the Agriculture sector will badly hurt the farming community. Similarly the rural and urban poor households also need to be given domestic supply at reduced rates. Therefore, the proposed amendments in sections 38, 39, 40, 42, 61, 178 & 181 are welcome.”

30. Similarly the State Governments of Uttar Pradesh, Rajasthan and Bihar were in agreement with the removal of the word 'elimination' from the aforesaid Sections. The State Government of Bihar also added in a note that with the proposed amendment the provision of removal of Central surcharge is being deleted. Since surcharge has to be used for cross-subsidy this amendment will be beneficial for the institutions engaged into transmission and distribution of power.

Views of associations on the proposed amendments in regard to cross-subsidies

31. The various associations when consulted by the Committee on the proposed amendment as regard to 'elimination' of cross-subsidies were not in favour of continuation of cross-subsidies in the power sector for a long duration of time as this might slow down the process of reforms and Indian industry, which is already paying the highest power tariffs in the world, will continue to suffer.

32. On the issue when the views were solicited by the Committee, FICCI in a note suggested:

“----- that there should be a specific time frame for reduction of cross subsidies. The appropriate Regulatory Commission should set year-wise targets for reduction of cross-subsidies and ensure effective implementation of these targets as well. Also, if any state government desires to provide subsidies to any section of consumers, the amount should be directly allowed from the state exchequer and the utilities should not be burdened with this.”

33. The Confederation of Indian Industry (CII) also in a written note submitted to the Committee expressed the following views in regard to elimination of cross-subsidies:

“The proposed amendment in the clauses of the EA 2003 has favored continuation of the cross-subsidy in the electricity tariff across the country.

The constituents of CII have for long advocated that the cross subsidization should be gradually eliminated from the system and Government should support only the economically weak section of the society through direct subsidy support to the distribution licensee.

CII does not find favor with current provisions on cross subsidy in the recently launched National Tariff Policy. As per tariff policy, the Government has proposed only reduction of the cross subsidy and even six years down the line there would be 20% of current cross subsidy charge which the Industry would need to pay in their tariff to subsidize the other consuming segments.

In the era of global competition, the Indian Industry has for long suffered the in-competitiveness due to the high cross subsidy element in the electricity tariff which constitutes a significant input cost to the industry. Across the world, the electricity cost is lowest for the industry but in India this does not hold true. Besides this disadvantage industry also has to face several other constraints including unreliable and power quality of the power, which affects the industrial processes.

Over the years, the industrial consumption of electricity has come down for the aforesaid and several other reasons and continuation of cross-subsidies might lead to further reduction of industrial consumers from the grid.

Thus CII would strongly urge for time bound plan for elimination of cross subsidy from the electricity tariffs.”

34. The Associated Chambers of Commerce and Industry of India (ASSOCHAM) were of the view that the Electricity Bill, 2003 provided for reduction and ultimately 'elimination' of cross-subsidies between the different categories of consumers (viz Industrial/Commercial and Agriculture/Domestic). The ASSOCHAM agreed with the amendment, however, maintaining that the cross-subsidy should not be more than $\pm 20\%$.

35. The Committee note that the proposed amendments to Sections 38 (2), 39 (2), 42 (2), 61, 178 (2) and 181 (2) refer to the subject of cross-subsidies in distribution tariff and the treatment thereof. The stated objective behind these amendments is to provide for a statutory direction for bringing down the cross-subsidy but not to eliminate it altogether, whereas in the statement of Objects and Reasons appended to the Electricity Bill, 2001 it was clearly stated that the Bill proposed to gradually phase out the current level of subsidy. The Committee note that due to imbalances in the regional economic development in the country, a large number of consumers have a low payment capacity in a number of States. In order to provide them power at an affordable tariff, a minimum support through an initial subsidy in respect of the power tariff is necessary. Most of the State Governments are unable to provide this subsidy from their exchequer - while this may be provisioned through a higher tariff levied on customers with a higher payment capacity, especially the consumers in the urbanized and industrial sector.

36. Many stakeholders and Associations like FICCI and CII have opined that deleting the term elimination might slow down the process of reforms as industry has to bear the burden of cross-subsidies. Moreover, it has been stated by these organisations that the industry was not in favour of the proposals in the tariff policy wherein the Government have proposed only reduction in the cross-subsidy and even six years down the line there would be $\pm 20\%$ cross-subsidy charge which the industry would need to pay in their tariff to subsidize other consumer segments, making it uncompetitive. The Committee desire that the percentage should not be more than $\pm 10\%$ by the year 2010-11. If need be, this percentage should be fixed in consultation with Central Regulatory Commission.

37. The Committee, therefore, recommend that although subsidy in tariff is required for those set of consumers who are living below the poverty line/those living in tribal areas or hamlets or small farmers but giving the same subsidy benefit to large commercial farmers, who have a substantial income, does not appear to be

logical. The Committee desire that a strict control should be maintained by the State Governments to ensure that only the targeted sections of society are given subsidies on the power tariff. Moreover, the State Regulatory Commissions should frame cross-subsidy rules as per the consumer profile of the State so that the burden of cross-subsidies does not come down heavily on the industrial sector. The Committee further desire that the appropriate Regulatory Commission should not only set year-wise targets for reduction of cross-subsidies but should ensure effective implementation of these targets as well.

III. Proposed amendment to Section 151

38. Clause 8 of the Bill provides that the following Section shall substitute Section 151 of the Principal Act:

“151 (1) No prosecution shall be instituted against any person for any offence punishable under this Act except at the instance of the Appropriate Government or Appropriate Commission or any of their officer authorized by them or a Chief Electrical Inspector or an Electrical Inspector or licensee or the generating company, as the case may be.

(2) For the purposes of investigation of any offence punishable under this Act, the police shall have powers as available under the Code of Criminal Procedure, 1973.

(3) The cognizance of the offence under this Act shall not in any way prejudice any action under the provisions of the Indian Penal Code:

Provided that the court may also take cognizance of an offence punishable under this Act upon a complaint in writing made by the Appropriate Government or Appropriate Commission or any of their officer authorized by them or a Chief Electrical Inspector or an electrical Inspector or licensee or the generating company, as the case may be.

Provided further that a special court constituted under Section 153 shall be competent to take cognizance of an offence under Section 135 to Section 138 (both inclusive) without the accused being committed to it for trial.”

39. The original Section 151 in the Electricity Act, 2003 read as follows:

“151. No court shall take cognizance of an offence punishable under this Act except upon a complaint in writing made by Appropriate Government or Appropriate Commission or any of their officer authorized by them or a Chief Electrical Inspector or an Electrical Inspector or licensee or the generating company, as the case may be, for this purpose.”

40. The statement of Objects and Reasons appended to this Bill state, regarding amendment of Section 151, that the offences relating to theft of electricity, electric lines and interference with meters are cognizable offences. Concerns have, however, been expressed that the present formulation of Section 151 stands as a barrier to investigation of

these offences by the Police. It is, therefore, proposed to amend this Section to clarify the position that the police would be able to investigate the cognizable offences under the Act.

Similarly to expedite the trial before the special courts, it is proposed to provide that a special court shall be competent to take cognizance of an offence without the accused being committed to it for trial.

41. Giving the details of cognizable offences under the Act, the Ministry of Power explained that as per existing provisions of the Act, the offences related to theft of electricity, electric lines, interference with meters (section 135 to 138) were the cognizable offences. Further, Rule 12 of the Electricity Rules, 2005 prescribed the procedure for investigation of these offences by the police. Concerns have however, been expressed that the present formulation of section 151 of the Act makes all offences under the Act non-cognizable, to be taken cognizance of by any court only on written complaint made by the appropriate Government, appropriate Commission, authorized persons. Accordingly, it has been decided by the Government to bring an amendment to section 151 so as to expressly provide that the police would be able to investigate the cognizable offences under the Act and that no prosecution shall be instituted for any offence under the Act except at the instance of the appropriate Government or appropriate Commission or authorized persons. Further, the Special Courts constituted under section 153 would be competent to take cognizance of offences under sections 135 to 138 without the accused being committed to it for trial.

42. Most of the State Governments examined in connection with the proposed amendment were of the view that the amendment to this Section would clarify the position that police would be able to investigate the cognizable offences whereas the earlier formulation of the Act stood as a barrier to investigate these cognizable offences by the police.

43. Commenting on the formulation of Section 151 of the Act, the representative of the State Government of Karnataka explained before the Committee that Special Courts

constituted for trying offence under Electricity Act 2003 started taking a view that the word “complaint” referred to under Section 151 has to be read with Section 2 of the Code of Criminal Procedure and therefore the complaint had to be made to the Special Court to take further action and not to the Vigilance Police and the Vigilance Police were not empowered to register the complaints directly by themselves. Keeping this interpretation in mind the State of Karnataka introduced an amendment which read as under and was passed by both the Houses of State legislature:

“151. Institution of prosecution - No prosecution shall be instituted against any person for any offence under this Act or any rule, regulation, licence or order made or issued thereunder, except at the instance of the State Government or a licensee or a generating company under the Act or an Officer authorized in this behalf by the State Government or a licensee or a generating company or by any person affected by the act alleged to constitute the offence”

44. The amendment was sent to the Government of India for consideration and assent of the President of India. The Ministry of Power vide its letter dated 7th July 2005 had conveyed its view to the Ministry of Home Affairs stating that the difficulties being faced by the Government of Karnataka stand addressed by Rule 11 and 12 of Electricity Rules 2005 (published on 8th June 2005) and therefore the amendment proposed by GoK is no longer necessary. When this was communicated to KPTCL on 26th August 2005, KPTCL had informed the State Government that the Rule framed in 2005 by the Ministry of Power run counter to the substantial provision of Section 151 of Electricity Act 2003 and therefore might not stand the test of law as no delegated legislation could run counter to substantial provision of the Statute.

45. The representative of the Government of Karnataka, however, further submitted:

“----- it is our submission that the amendment proposed in the Amendment Bill 2005 especially 151 needs to be carried through immediately as Section 151 as existing in the Electricity Act 2003 is giving scope for unscrupulous elements to escape after committing theft of electricity on technical grounds. Besides, what is proposed for in Amendment Bill it is felt necessary that the offences under Section 135 to 141 shall be declared as cognizable so as to enable the Police to arrest the persons who are indulging in theft of electricity immediately to avoid tampering of evidences by the accused persons.”

46. While examining the provisions of the amendments, the Committee were apprised of a provision of law already enacted by the State Assembly of West Bengal in connection with theft of electricity. The State Government stated that in the repealed laws, the provisions were inadequate to contain the theft of electricity at a reasonable level. In this context, the Government of West Bengal amended the Indian Electricity Act 1910 (since repealed) to include stringent provisions that made the theft of electricity a cognizable offence.

47. State Government's experience in implementing this statutory provision was stated to be favourable in containing the theft of power, at a reasonable level. Accordingly, State Government recognized the necessity of enforcing similar stringent provisions in line with the previous amendment to contain the theft of electricity and thus, AT & C losses. The representative of the State Government informed the Committee that the State Assembly has passed a new Bill that reckons theft of electricity to be a cognizable offence. This Electricity (West Bengal Amendment) Bill, 2005 was stated to be awaiting President's assent. The Government of West Bengal, therefore, support the proposed amendment in this respect.

48. The State Government of Tamil Nadu in their suggestions to the Committee during the briefing desired the following change to be considered in the amendment:

“In regard to Clause 8 of the said Electricity (Amendment) Bill 2005, it may be stated that the proposed section 151 provides for institution of prosecution against any person for any offence punishable under the Electricity Act, 2003 at the instance of the Appropriate Government or Appropriate Commission or any of the officer authorized by them or a Chief Electrical Inspector or Electrical Inspector or licensee or the Generating company, as the case may be.

But the Electricity Act, 2003 provides for generation and distribution of electricity by the Franchisee, Captive Power Plant owner, as the case may be, or by a person in a Rural Area notified by the State Government without obtaining a license.

Therefore, such Franchisee, Captive Power Plant owner or such person in a Rural Area notified by the State Government may also become aggrieved by commission of any offence under the said Act by any person.

Hence, it is suggested that the said section 151 and the first proviso there under may be suitably modified to include such franchisee, Captive Power Plant owner or such person in a rural Area notified by the State Government for the purpose in question, so as to enable such persons also to institute prosecution or to give complaint in a court. The State Government were, however, in agreement with the other amendments proposed in the Bill.”

49. The State Government of Uttar Pradesh while supporting the amendment to Section 151 stated that the proposed amendment was similar to the Uttar Pradesh State specific insertion of Section 49 B in the IE Act.

50. The State Government of Rajasthan in a written note stated that Section 151 of the Act was creating lot of difficulties in the field. According to the existing Section no Court shall take cognizance of an offence except upon a complaint in writing made by the appropriate Government or appropriate commission or any of their officer authorized by them or a Chief Electrical Inspector or an Electrical Inspector or Licensee or the Generating Company, as the case may be. The word “Complaint” had not been defined anywhere in the Act. The Complaint had been defined under Section 2 (d) of The Code of Criminal Procedure, 1973 and according to this, it did not include a police report and, therefore, without the amendment of Section 151 of the Electricity Act, 2003 it was not safe to lodge FIR because ultimately the Courts might not entertain the police report under the provisions of existing Section 151.

51. The State Government further stated that although the Central Government had issued the electricity Rules, 2005 and Clause 12 of the said rules provided for taking cognizance of the offences by the police as well, but without amendment to Section 151 of the Act to this effect, the rules might come under challenge.

52. Looking to these difficulties and position of law, the proposed amendment in Section 151 of the Act was also strongly supported by Government of Rajasthan, because

direct cognizance by the Special Courts would save the time and money. However, they requested the following also for consideration: -

“In Section 153 (1) Special Courts can try the offences under Section 135 to 139. Similarly, in Section 154 (1) even offence punishable under Section 135 to 139 is triable only by Special Courts. The proposed amendment of Section 151 in the second proviso states that “provided further that a Special Court constituted under Section 153 shall be competent to take cognizance for an offence under Section 135 to 138 (both inclusive) without the accused being committed to it for trial.” We do not find any reason to delete Section 139 in this proviso and it is also noted that the amendments in all other sections of the Act where the words “Sections 135 to 139” are appearing have not been amended. We feel that in the proposed amendment of Section 151 instead of the words “Section 135 to 138”, the words “Sections 135 to Section 139” should be used to maintain the consistency in the Act.

It is also to submit that the authorized officers of the licensee or the generating company have not been covered to initiate the prosecution or filing the complaint. The licensees and the generating companies are artificial juridical persons in the eyes of law as they are State owned companies. They have to appear before the Court through some natural person who are their officers. It will be in fitness of things that the officers authorized by the licenses or the generating companies are also incorporated in the proposed amendment of the Act. This will be in line with the powers given to the State Government or the Appropriate Commission who can file complaint or initiate prosecution through any of their authorized officers as well.”

53. Further the State Government submitted that the proposed amendment should read as follows:

“151 (1) No prosecution shall be instituted against any person for any offence punishable under this Act except at the instance of the Appropriate Government or Appropriate Commission or licensee or the generating company or any of their officer authorized by them or a Chief Electrical Inspector or an Electrical Inspector, as the case may be.

First proviso – Provided that the Court may also take cognizance of an offence punishable under this Act upon a complaint in writing made by the Appropriate Government or Appropriate Commission or licensee or the generating company or any of their officer authorized by them or a Chief Electrical Inspector or an Electrical Inspector, as the case may be.

Second proviso – Provided further that a Special Court constituted under Section 153 shall be competent to take cognizance of an offence under Section 135 to Section 139 (both inclusive) without the accused being committed to it for trial.”

54. The other State Governments, i.e., Maharashtra, Uttaranchal, Orissa, Meghalaya, Kerala, Madhya Pradesh were in broad agreement with the proposed Amendments to the Electricity Act 2003. The Government of National Capital Territory (NCT), Delhi desired the following two changes:

“The heading for Section 151 can be changed from ‘Cognizance of offences’ to ‘Cognizance and investigation of offences’ and offences u/s 135, 136 and 137 of the Electricity Act are of special nature and it should be clarified in the Act itself that they are cognizable and non-bailable offences.”

55. Of the various associations who were asked to give their views on the proposed amendments, all of them were in agreement with the changes in Section 151 as it would allow investigation of any offence punishable under this Act and the police shall have powers as available under the code of the criminal procedure.

56. The Confederation of Indian Industry (CII) stated that the changes in Section 151 would help in the following ways:

“Strengthen the hands of the distribution licensees by giving the powers of search and seizure to the local police and allowing the special courts to take cognizance of the offence.

The reviewed provision in legislation would strengthen the hands of the State Governments and State Utilities to actively plug the leakage in the system and work as a catalyst in restoring the utilities from bankruptcy to bankability.

The changes would facilitate the States to bring down the commercial losses, which have over the years deteriorated the financial viability of the States electricity utilities.

The theft of electricity has been a deep-rooted evil, which has tremendously impeded the growth and development of the power sector.”

57. The Standing Committee on Energy themselves in their 31st Report, 13th Lok Sabha on the Electricity Bill, 2001 while deliberating on clause 151 had noted that there was no provision for institution of prosecution at the instance of an aggrieved person in the Electricity Bill, 2001 which needed to be added in the provisions.

58. The Committee note with satisfaction that the substitution of Section 151 by Clause 8 of the Bill will enable police to investigate the cognizable offences whereas the present Section of the Act is stated to be a barrier to investigate these offences by the police. The amendment would also enable the special courts to take cognizance of an offence without the accused being committed to it for trial. The State Legislatures of Karnataka and West Bengal have passed Bills for controlling the theft of electricity which are pending for the Presidential assent. The Committee are in agreement with the view that a Central Legislation to this effect was required to clarify an ambiguous position in Section 151 of the Act 2003.

59. The Committee note that the State Government of Tamil Nadu has desired that franchisee, captive power plant owner or such person in rural area notified by the State Government for the purpose in question may be included in the category of persons eligible to make a complaint. At the same time, the State Government of Rajasthan desired that the provisions of Section 139 of the Electricity Act, 2003 whereby negligently causing electricity to be wasted or diverted or negligent breaks, injuries, throw down or damages of any material connected with the supply of electricity shall be punishable with fine which may extend to Rs. 10, 000 may also be added to the proposed amended Section 151 (1) as applicable to Sections 135 to 138 which are already proposed in the amendment Bill. The State Government of Delhi desire that the heading for Section 151 can be changed from ‘Cognizance of offences’ to ‘Cognizance and investigation of offences’ and offences u/s 135, 136 and 137 of the Electricity Act being of special nature and as such it should be clarified in the Act itself that they are cognizable and non-bailable offences. The Committee desire that the feasibility of carrying out the minor changes as suggested by State Governments of Rajasthan, Tamil Nadu and Delhi should also be examined while amending the Act.

NEW DELHI;
17 May, 2006
27 Vaisakha, 1928 (Saka)

GURUDAS KAMAT,
Chairman,
Standing Committee on Energy

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

Sl. No.	Reference Para No. of the Report	Conclusions/Recommendations
1.	15	<p>The Committee observe that the Electricity Amendment (Bill) 2005 has been introduced within one and a half year since the enforcement of the Electricity Act 2003. The main aim of the Bill is to involve the Central Government in the process of Rural Electrification. For this the Central Government has launched the Rajiv Gandhi Grameen Vidyutikaran Yojana supporting States in creating rural electricity infrastructure and electrification of households with the provision of 90% capital subsidy to fulfil the objective of National Common Minimum Programme (NCMP) of electrification of all households in next five years. The Committee while interacting with the State Governments over the issue observed that most of the States welcomed the involvement of the Central Government in the rural electrification programme and desired that funds for the same should be made available by the Central Government. Some States like Punjab stated during evidence that they had achieved almost 100% rural electrification. The Committee find it difficult to accept the claim as this achievement is based on old definition of village electrification and in fact 100% electrification of rural households has not been achieved so far. The State Governments of Punjab and Haryana expressed their reservations on introduction of the 'Franchisee system' under Rajiv Gandhi Grameen Vidyutikaran Yojana as it involved commitment of the State Government and State Utility to introduce a revenue sustainable franchisee arrangement prior to project completion. It was expressed that through this system collection of tariff would be adversely effected, as it would lead to an increase in the cost of utilities and ultimately of electricity.</p>
2.	16	<p>Although various Associations who were asked to give their views on the proposed amendments welcomed the Central Government resources for rural electrification. Some of them expressed their apprehension that involvement of multiple organizations might hamper the timely implementation of the projects. The Associations were,</p>

however, supportive of the involvement of panchayat institutions, district administration and the villagers in the process of rural electrification as this model would help in generating employment for the people.

3. 17. The Committee, no doubt, support the proposed amendment to Section 6 of the Electricity Act, 2003 with regard to the role of Central Government in rural electrification but at the same time caution the Government that the system of distribution of funds to States, not necessarily be same for all the States as the rural electrification needs of different States are widely varied because the well developed and industrialized States may need more funds for infrastructure development rather than purely for rural electrification, at the grass root level i.e., for village/hamlet electrification, while the not so developed States having more of rural background like North-Eastern States need funds to implement the scheme in a totally different perspective. The Committee desire that the Central Government should undertake the rural electrification work in close coordination with the concerned State Governments thus obviating the concerns expressed by some of the States. The Committee also desire that the Government should have a re-look on the requirement of 'Franchise System' under the Rajiv Gandhi Grameen Vidyutikaran Yojana and ensure that appointment of Franchises does not lead to cost escalation as apprehended by some States.
4. 35 The Committee note that the proposed amendments to Sections 38 (2), 39 (2), 42 (2), 61, 178 (2) and 181 (2) refer to the subject of cross-subsidies in distribution tariff and the treatment thereof. The stated objective behind these amendments is to provide for a statutory direction for bringing down the cross-subsidy but not to eliminate it altogether, whereas in the statement of Objects and Reasons appended to the Electricity Bill, 2001 it was clearly stated that the Bill proposed to gradually phase out the current level of subsidy. The Committee note that due to imbalances in the regional economic development in the country, a large number of consumers have a low payment capacity in a number of States. In order to provide them power at an affordable tariff, a minimum support through an initial subsidy in respect of the power tariff is necessary. Most of the State Governments are unable to provide this subsidy from their exchequer - while this may be provisioned through a higher tariff levied on customers with a higher

payment capacity, especially the consumers in the urbanized and industrial sector.

5. 36 Many stakeholders and Associations like FICCI and CII have opined that deleting the term elimination might slow down the process of reforms as industry has to bear the burden of cross-subsidies. Moreover, it has been stated by these organisations that the industry was not in favour of the proposals in the tariff policy wherein the Government have proposed only reduction in the cross-subsidy and even six years down the line there would be $\pm 20\%$ cross-subsidy charge which the industry would need to pay in their tariff to subsidize other consumer segments, making it uncompetitive. The Committee desire that the percentage should not be more than $\pm 10\%$ by the year 2010-11. If need be, this percentage should be fixed in consultation with Central Regulatory Commission.
6. 37 The Committee, therefore, recommend that although subsidy in tariff is required for those set of consumers who are living below the poverty line/those living in tribal areas or hamlets or small farmers but giving the same subsidy benefit to large commercial farmers, who have a substantial income, does not appear to be logical. The Committee desire that a strict control should be maintained by the State Governments to ensure that only the targeted sections of society are given subsidies on the power tariff. Moreover, the State Regulatory Commissions should frame cross-subsidy rules as per the consumer profile of the State so that the burden of cross-subsidies does not come down heavily on the industrial sector. The Committee further desire that the appropriate Regulatory Commission should not only set year-wise targets for reduction of cross-subsidies but should ensure effective implementation of these targets as well.
7. 58 The Committee note with satisfaction that the substitution of Section 151 by Clause 8 of the Bill will enable police to investigate the cognizable offences whereas the present Section of the Act is stated to be a barrier to investigate these offences by the police. The amendment would also enable the special courts to take cognizance of an offence without the accused being committed to it for trial. The State Legislatures of Karnataka and West Bengal have passed Bills for controlling the theft of electricity which are pending for the Presidential assent. The Committee are in agreement with the view that a Central Legislation to this

effect was required to clarify an ambiguous position in Section 151 of the Act 2003.

8. 59

The Committee note that the State Government of Tamil Nadu has desired that franchisee, captive power plant owner or such person in rural area notified by the State Government for the purpose in question may be included in the category of persons eligible to make a complaint. At the same time, the State Government of Rajasthan desired that the provisions of Section 139 of the Electricity Act, 2003 whereby negligently causing electricity to be wasted or diverted or negligent breaks, injuries, throw down or damages of any material connected with the supply of electricity shall be punishable with fine which may extend to Rs. 10, 000 may also be added to the proposed amended Section 151 (1) as applicable to Sections 135 to 138 which are already proposed in the amendment Bill. The State Government of Delhi desire that the heading for Section 151 can be changed from 'Cognizance of offences' to 'Cognizance and investigation of offences' and offences u/s 135, 136 and 137 of the Electricity Act being of special nature and as such it should be clarified in the Act itself that they are cognizable and non-bailable offences. The Committee desire that the feasibility of carrying out the minor changes as suggested by State Governments of Rajasthan, Tamil Nadu and Delhi should also be examined while amending the Act.

AS INTRODUCED IN LOK SABHA

23 DEC 2005

Bill No. 165 of 2005

THE ELECTRICITY (AMENDMENT) BILL, 2005

A

BILL

further to amend the Electricity Act, 2003.

Be it enacted by Parliament in the Fifty-sixth Year of the Republic of India as follows:—

1. (1) This Act may be called the Electricity (Amendment) Act, 2005.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Short title and
commencement.

Substitution of new section for section 6.	2. For section 6 of the Electricity Act, 2003 (hereinafter referred to as the principal Act), the following section shall be substituted, namely:—	26 of 2003
Joint responsibility of State Governments and Central Government in rural electrification.	"6. The concerned State Governments and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households."	3
Amendment of section 38.	3. In section 38 of the principal Act, in sub-section (2), in clause (a),— (i) in the second proviso, the words "and eliminated" shall be omitted; (ii) the third proviso shall be omitted.	
Amendment of section 39.	4. In section 39 of the principal Act, in sub-section (2), in clause (a),— (i) in the second proviso, the words "and eliminated" shall be omitted; (ii) the third proviso shall be omitted.	10
Amendment of section 40.	5. In section 40 of the principal Act,— (i) in the second proviso, the words "and eliminated" shall be omitted; (ii) the third proviso shall be omitted.	15
Amendment of section 42.	6. In section 42 of the principal Act, in sub-section (2),— (i) in the first proviso, for the words "such open access may be allowed before the cross-subsidies are eliminated on payment of a surcharge", the words "such open access shall be allowed on payment of a surcharge" shall be substituted; (ii) in the third proviso, the words "and eliminated" shall be omitted.	20
Amendment of section 61.	7. In section 61 of the principal Act, for clause (g), the following clause shall be substituted, namely:— "(g) that the tariff progressively reflects the cost of supply of electricity and also reduces cross-subsidies in the manner specified by the Appropriate Commission;"	25
Substitution of new section for section 151.	8. For section 151 of the principal Act, the following section shall be substituted, namely:—	
Cognizance of offences	"151. (1) No prosecution shall be instituted against any person for any offence punishable under this Act except at the instance of the Appropriate Government or Appropriate Commission or any of their officer authorised by them or a Chief Electrical Inspector or an Electrical Inspector or licensee or the generating company, as the case may be. (2) For the purposes of investigation of any offence punishable under this Act, the police shall have powers as available under the Code of Criminal Procedure, 1973. (3) The cognizance of the offence under this Act shall not in any way prejudice any action under the provisions of the Indian Penal Code: Provided that the court may also take cognizance of an offence punishable under this Act upon a complaint in writing made by the Appropriate Government or Appropriate Commission or any of their officer authorised by them or a Chief Electrical Inspector or an Electrical Inspector or licensee or the generating company, as the case may be: Provided further that a special court constituted under section 153 shall be competent to take cognizance of an offence under section 135 to section 138 (both inclusive) without the accused being committed to it for trial."	30 2 of 1974 35 45 of 1860 40

9. In section 176 of the principal Act, in clause (2), in clause (b) for the brackets and words "(including the capital adequacy, credit worthiness or code of conduct)", the words "relating to the capital adequacy, credit worthiness or code of conduct" shall be substituted.

Amendment of
section 176.

10. In section 178 of the principal Act, in sub-section (2).—

Amendment of
section 178.

(i) in clause (k), the words "and elimination" shall be omitted;

(ii) in clause (m), the words "and elimination" shall be omitted;

(iii) for clause (r), the following clause shall be substituted, namely:—

"(r) the manner for reduction of cross-subsidies under clause (g) of section 61;"

11. In section 181 of the principal Act, in sub-section (2).—

Amendment of
section 181

(i) in clause (j), the words "and elimination" shall be omitted;

(ii) in clause (m), the words "and elimination" shall be omitted;

(iii) in clause (p), the words "and elimination" shall be omitted;

(iv) for clause (zc), the following clause shall be substituted, namely:—

"(zc) the manner of reduction of cross-subsidies under clause (g) of section 61;"

STATEMENT OF OBJECTS AND REASONS

The law relating to generation, transmission, distribution, trading and use of electricity is contained in the Electricity Act, 2003. The Act has been reviewed by the Government as per the commitment made by it in the National Common Minimum Programme and in view of the concern expressed by a number of States. It is proposed to amend the Act to give effect to certain changes as have been considered necessary.

2. Section 6 of the Act provides that the appropriate Government shall endeavour to supply electricity to all areas including villages and hamlets. There has been a concern that the onus of rural electrification has been put only on the State Governments. It is proposed to amend section 6 so as to provide that the concerned State Governments and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.

3. Sections 38, 39, 40, 42, 61, 178 and 181 of the Act, *inter alia*, provide for reduction and 'elimination' of cross subsidies. There have been a concern that though the cross-subsidies may be reduced but elimination of such subsidies may not be feasible for the present. It is, therefore, proposed to amend the said sections so as to do away with the 'elimination' of cross-subsidies. However, reduction of cross subsidies will continue.

4. As per the provisions contained in section 151 of the Act, the offences relating to theft of electricity, electric lines and interference with meters are cognizable offences. Concerns have been expressed that the present formulation of section 151 stands as a barrier to investigation of these cognizable offences by the police. It is proposed to amend section 151 so as to clarify the position that the police would be able to investigate the cognizable offences under the Act. To expedite the trial before the special courts, it is also proposed to provide that a special court shall be competent to take cognizance of an offence without the accused being committed to it for trial.

5. The Bill seeks to achieve the above objects.

NEW DELHI

PRIYARANJAN DASMUNSI

The 20th December, 2005

FINANCIAL MEMORANDUM

Clause 2 of the Bill seeks to substitute section 6 of the Electricity Act, 2003 relating to obligations of appropriate Government to supply electricity to rural areas. The proposed new section 6 seeks to provide that the concerned State Government and the Central Government shall jointly endeavour to provide access to electricity to all areas including villages and hamlets through rural electricity infrastructure and electrification of households.

2. The Bill, therefore, if enacted and brought into operation would involve expenditure from the Consolidated Fund of India. It has been estimated that the Rajiv Gandhi Grameen Vidyutikaran Yojana (with an outlay of Rs. 16,225 crore) would have a subsidy component of Rs. 14,750 crore to be funded from the Consolidated Fund of India in two phases. Phase-I of this scheme has begun from the financial year 2005-2006 with a sanction of Rs. 5000 crore of subsidy from the Consolidated Fund of India.

3. It is estimated that no other expenditure, both recurring or non-recurring nature from the Consolidated Fund of India, would be involved.

ANNEXURE

EXTRACTS FROM THE ELECTRICITY ACT, 2003

(36 OF 2003)

Obligations
to supply
electricity to
rural areas

6. The Appropriate Government shall endeavour to supply electricity to all areas including villages and hamlets.

Central
Transmission
Utility and
functions.

38. (1) *

(2) The functions of the Central Transmission Utility shall be—

(d) to provide non-discriminatory open access to its transmission system for use by—

(i) any licensee or generating company on payment of the transmission charges; or

(ii) any consumer as and when such open access is provided by the State Commission under sub-section (2) of section 42, on payment of the transmission charges and a surcharge thereon, as may be specified by the Central Commission:

Provided that such surcharge shall be utilised for the purpose of meeting the requirement of current level cross-subsidy:

Provided further that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the Central Commission:

Provided also that such surcharge may be levied till such time the cross subsidies are not eliminated:

Provided also that the manner of payment and utilisation of the surcharge shall be specified by the Central Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

State Transmis-
sion Utility and
functions

39. (1) *

(2) The functions of the State Transmission Utility shall be—

(d) to provide non-discriminatory open access to its transmission system for use by—

(i) any licensee or generating company on payment of the transmission charges; or

(ii) any consumer as and when such open access is provided by the State Commission under sub-section (2) of section 42, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission:

Provided that such surcharge shall be utilised for the purpose of meeting the requirement of current level cross-subsidy:

Provided further that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:

Provided also that such surcharge may be levied till such time the cross subsidies are not eliminated:

Provided also that the manner of payment and utilisation of the surcharge shall be specified by the State Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

40. It shall be the duty of a transmission licensee—

Duties of
transmission
licensees

(a) to build, maintain and operate an efficient, co-ordinated and economical inter-State transmission system or intra-State transmission system, as the case may be;

(b) to comply with the directions of the Regional Load Despatch Centre and the State Load Despatch Centre, as the case may be;

(c) to provide non-discriminatory open access to its transmission system for use by—

(i) any licensee or generating company on payment of the transmission charges; or

(ii) any consumer as and when such open access is provided by the State Commission under sub-section (2) of section 42, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission:

Provided that such surcharge shall be utilised for the purpose of meeting the requirement of current level cross-subsidy:

Provided further that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the Appropriate Commission:

Provided also that such surcharge may be levied till such time the cross subsidies are not eliminated:

Provided also that the manner of payment and utilisation of the surcharge shall be specified by the Appropriate Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

PART VI

DISTRIBUTION OF ELECTRICITY

Provisions with respect to distribution licensees

42. (1) *

Duties of
distribution
licensee and
open access.

(2) The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints:

Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission:

Provided further that such surcharge shall be utilised to meet the requirements of current level of cross-subsidy within the area of supply of the distribution licensee:

Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use:

Provided also that the State Commission shall, not later than five years from the date of commencement of the Electricity (Amendment) Act, 2003, by regulations, provide such open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt. 36 of 2003.

PART VII

TARIFF

Tariff
regulations.

61. The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:—

(g) that the tariff progressively reflects the cost of supply of electricity and also, reduces and eliminates cross subsidies within the period to be specified by the Appropriate Commission;

Cognizance of
offences.

151. No Court shall take cognizance of an offence punishable under this Act except upon a complaint in writing made by Appropriate Government or Appropriate Commission or any of their officer authorised by them or a Chief Electrical Inspector or an Electrical Inspector or licensee or the generating company, as the case may be, for this purpose.

Directions by
State
Government.

176. (1) *

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely: —

(b) the additional requirements (including the capital adequacy, credit worthiness or code of conduct) under sixth proviso to section 14;

Powers of
Authority to
make
regulations.

178. (1) *

(2) In particular and without prejudice to the generality of the power contained in sub-section (1), such regulations may provide for all or any of the following matters, namely: —

(k) reduction and elimination of surcharge and cross subsidies under second proviso to sub-clause (ii) of clause (d) of sub-section (2) of section 38;

(m) reduction and elimination of surcharge and cross subsidies under the second proviso to sub-clause (ii) of clause (c) of section 40;

(r) the period within which the cross subsidies shall be reduced and eliminated under clause (g) of section 61;

181. (1) *

(2) In particular and without prejudice to the generality of the power contained in sub-section (1), such regulations may provide for all or any of the following matters, namely:—

Powers
of Central
Commission
to make
regulations

(j) reduction and elimination of surcharge and cross subsidies under second proviso to sub-clause (ii) of clause (d) of sub-section (2) of section 39;

(m) reduction and elimination of surcharge and cross subsidies under second proviso to sub-clause (ii) of clause (c) of section 40;

(p) reduction and elimination of surcharge and cross subsidies under the third proviso to sub-section (2) of section 42;

(zc) the terms and conditions for the determination of tariff under section 61;

ANNEXURE – II

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE
ON ENERGY (2005-06) HELD ON 16th JANUARY, 2006 IN THE COMMITTEE
ROOM NO. 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1430 hours to 1600 hours.

PRESENT

Shri Gurudas Kamat - **Chairman**

Members

2. Shri Ajoy Chakraborty
3. Shri Nandkumar Singh Chauhan
4. Shri Dharmendra Pradhan
5. Shri E.G. Sugavanam
6. Shri Tarit Baran Topdar
7. Shri G. Venkataswamy
8. Shri Dara Singh Chauhan
9. Dr. (Smt.) Najma A. Heptullah
10. Dr. K. Kasturirangan
11. Shri Matilal Sarkar
12. Shri Motilal Vora
13. Shri Jesudasu Seelam

Secretariat

1. Shri P.K. Bhandari, Joint Secretary
2. Shri Surender Singh, Deputy Secretary
3. Shri Shiv Kumar, Under Secretary

LIST OF WITNESSES

Ministry of Power

Sl No.	Name	Designation
1.	Shri A. K. Kuty	Joint Secretary
2.	Shri Alok Kumar	Director
3.	Shri Sanjay Garg	DGM, PG

2. At the outset, the Chairman, welcomed the Members of the Committee and also the representatives of the Ministry of Power and apprised them of the provisions of Direction 58 of the Directions by the Speaker.

3. The Chairman, then asked the representatives of the Ministry of Power to make a presentation on “The Electricity (Amendment) Bill, 2005”. The representatives of the Ministry of Power thereafter made a presentation with the help of slides on the proposed Amendments to the Electricity Act 2003. During the presentation the following main points were covered:

- (1) The concerns expressed by the states in implementation of Electricity Act 2003.
- (2) Extension of time for reorganization of SEBs granted to the States.
- (3) The State Governments and the Central Government to jointly endeavor to provide access to electricity to all areas including villages and hamlets as proposed in the amendments to the Act.
- (4) Continuation of the provision for reduction of cross subsidies in the Act while an amendment regarding the use of the word ‘elimination’ in the context of cross subsidies in the Act.
- (5) Offences related to theft of electricity, electricity lines, interference with meters etc. to be made cognizable offences.

4. The Members present also raised some queries on other provisions in the Electricity Act, 2003. The Chairman informed the Committee that the subject ‘Electricity Act, 2003 – Implementation Thereof’ has already been selected and would be taken up for detailed examination wherein at that point of time all the relevant points other than the presently proposed amendments by the Central Government in regard to implementation of Electricity Act, 2003-could be taken up.

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

(The Committee then adjourned.)

**MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE
ON ENERGY (2005-06) HELD ON 24th JANUARY, 2006 IN THE MAIN
COMMITTEE ROOM, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1430 hours to 1630 hours.

PRESENT

Shri Gurudas Kamat - **Chairman**

Members

14. Shri Gauri Shankar Chaturbhuji Bisen
15. Shri Ajoy Chakraborty
16. Shri Nandkumar Singh Chauhan
17. Shri Prashanta Pradhan
18. Shri Kiren Rijju
19. Shri Nandkumar Sai
20. Shri M. Shivanna
21. Shri Vijayendra Pal Singh
22. Shri E.G. Sugavanam
23. Shri Tarit Baran Topdar
24. Shri G. Venkataswamy
25. Dr. (Smt.) Najma A. Heptullah
26. Shri Bimal Jalan
27. Shri Matilal Sarkar
28. Shri Motilal Vora
29. Shri Jesudasu Seelam

Secretariat

5. Shri P.K. Bhandari, Joint Secretary
6. Shri Shiv Kumar, Under Secretary

LIST OF WITNESSES

Government of Punjab

Sl No.	Name	<u>Designation</u>
1.	Miss Kusumjit Sidhu	Principal Secretary
2.	Shri Y.S. Ratra	Chairman, Punjab State Electricity Board
3.	Shri Arunjit Singh Miglani	Additional Secretary, Department of Power

Government of Gujarat

Sl No.	Name	Designation
1.	Shri Balwant Singh, IAS	Principal Secretary
2.	Smt. V. L. Joshi, IAS	Chairman & Managing Director

Government of West Bengal

Sl No.	Name	Designation
1.	Shri P. Vanamali	Resident Commissioner
2.	Shri M. K. Dey	Chairman, Electricity Board

2. At the outset, the Chairman, welcomed the Members of the Committee and also the representatives of the State Governments of Punjab, Gujarat and West Bengal to the sitting of the Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker.

3. After the introductory remarks of Chairman and formal introduction of the witnesses, the representatives of the State Government of Punjab, expressed their views on the Electricity (Amendment) Bill, 2005 before the Committee as follows:

- (i) The State Government of Punjab was in agreement with Amendments proposed in the Electricity (Amendment) Bill, 2005.
 - (ii) Punjab had already achieved 100% electrification of the villages.
 - (iii) The State Government was not in agreement with the proposal of appointing 'Franchises' for rural distribution in the Rajiv Gandhi Vidutikaran Yojana.
 - (iv) Metering of consumers was mandatory in The Electricity Act (2003) and extension of time by two years upto 2007 for the purpose has been given. However, the farmers in the State of Punjab were opposed to metering, which was a problem in the State.
4. Members raised some queries which were answered by the representative of the State Government of Punjab.
5. Thereafter, the Chairman invited the representatives of the State Government of Gujarat to express their views on the proposed Amendments in the Bill.
6. The representatives of the State Government of Gujarat made the following submissions before the Committee:
 - i) Electrification of villages had been achieved in Gujarat according to old definition. However, as per new definition, the new targets are yet to be achieved.
 - ii) All funds for electrification should be channelised through the State Governments only.
 - iii) The State Government was in agreement with the removal of the word 'elimination' in the Act and cross subsidies should continue.
 - iv) Collection efficiency of Gujarat was 99%, therefore they were also not in agreement with the appointment of 'Franchises' for rural distribution as mentioned in the Rajiv Gandhi Vidutikaran Yojana.
 - v) There was also a need in the State to educate the farmers to bring about Metering in all the agricultural sectors.
7. Some queries were also raised by Members with the representatives of the State Government of Gujarat.

8. Then the Chairman proceeded to invite the representatives of the State Government of West Bengal to express their views on the proposed Amendments in the Electricity (Amendment) Bill, 2005.

9. The representatives of the State Government of West Bengal expressed the following views before the committee:

- i) The cross subsidy needs to be continued for more time in the State.
- ii) The State Government was also not in agreement of 'Franchises' in Rajiv Gandhi Vidutikaran Yojana.
- iii) 15% of the villages were yet to be electrified in the State.
- iv) The State Government had already introduced a bill in the State Legislature to make theft of electricity a criminal offence.

10. Members also raised some queries which were answered by the representatives of State Government.

(The witness then withdrew)

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

(The Committee then adjourned.)

**MINUTES OF THE THIRTEENTH SITTING OF THE STANDING
COMMITTEE ON ENERGY (2005-06) HELD ON 7th FEBRUARY, 2006 IN THE
COMMITTEE ROOM NO. 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1430 hours to 1630 hours.

PRESENT

Shri Vijayendra Pal Singh - **In the chair**

Members

30. Shri Gauri Shankar Chaturbhuj Bisen
31. Shri Ajoy Chakraborty
32. Shri Prashanta Pradhan
33. Shri Rabindra Kumar Rana
34. Shri M. Shivanna
35. Shri M. K. Subba
36. Shri Tarit Baran Topdar
37. Shri G. Venkataswamy
38. Shri Chandrapal Singh Yadav
39. Shri Sudarshan Akarapu
40. Dr. (Smt.) Najma A. Heptullah
41. Dr. K. Kasturirangan
42. Shri Matilal Sarkar
43. Shri Motilal Vora
44. Shri Jesudasu Seelam

Secretariat

7. Shri P.K. Bhandari, Joint Secretary
8. Shri Shiv Kumar, Under Secretary

LIST OF WITNESSES

Government of Assam

Sl No.	Name	Designation
1.	Shri S. K. Srivastava	Principal Secretary
2.	Shri D. Das	Additional Chief Engineer (Commercial)

Government of Haryana

Sl No.	Name	Designation
1.	Shri R. N. Prasher	Financial Commissioner & Principal Secretary
2.	Shri P.K. Das	Managing Director, Haryana Vidyut Prasar Nigam

Government of Karnataka

Sl No.	Name	Designation
1.	Shri Bharatlal Meena	Managing Director, Karnataka Power Transmission Corporation

2. As the Chairman was not present, the Committee chose another member, Shri Vijendra Pal Singh, M.P. under rule 258 to act as the Chairman for that sitting. The Chairman welcomed the Members of the Committee and also the representatives of the State Governments of Assam, Haryana and Karnataka to the sitting of the Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker.

3. After the introductory remarks of Chairman and formal introduction of the witnesses, the representatives of the State Government of Assam, expressed their views on the Electricity (Amendment) Bill, 2005 before the Committee as follows:

- (i) The State Government of Assam was in agreement with Amendments proposed to the Electricity (Amendment) Bill, 2005. They were of the view

that there should be reduction in the subsidies but not an elimination of the subsidies.

- (ii) The T&D losses in the State were high to the tune of 45% and the major portion of the loss was due to technical reasons.
- (iii) To take care of the theft of electricity, special courts had been set up in the State.

4. Members raised some queries which were replied to by the representatives of the State Government of Assam.

5. The Chairman, then, invited the representatives of the State Government of Haryana to express their views on the proposed Amendments to the Bill.

6. The representatives of the State Government of Haryana made the following submissions before the Committee:

- (i) The State Government of Haryana welcomed the amendment providing that Central and State Governments would jointly endeavor to provide electricity to all but desired that implementation aspect of the same should be left to the State Governments.
- (ii) The State Government was also in favour of the removal of the word 'elimination', although reduction of cross subsidies was more desirable. However, they also maintained that the decisions in regard to this aspect should be left to the concerned State Regulatory Commissions, keeping in mind the consumer profile of the State.
- (iii) Metering of agricultural supply in the State was also low.
- (iv) As per the available data 17% of the rural house hold in the State were stated to be without the electricity.

7. Some queries were also raised by Members with the representatives of the State Government of Haryana which were duly replied to.

8. The Chairman, then, invited the representatives of the State Government of Karnataka to express their views on the proposed Amendments to the Electricity (Amendment) Bill, 2005.

9. The representatives of the State Government of Karnataka expressed the following views before the committee:

- (i) The State Government was in agreement with the amendments proposed to the Electricity (Amendment) Bill 2005.
- (ii) A system had been adopted in the state under which meters had been installed at the transformer center level which read all the installations covered under the transformer and that information went into a computer. Due to adoption of this technique the T&D losses could be controlled in the State to a significant extent.
- (iii) About 80% of the households in the State were electrified. According to the new definition, 400 villages remained yet to be electrified.

10. Members also raised some queries which were replied to by the representatives of State Government.

(The witness then withdrew)

11. A copy of the verbatim proceedings of th/e sitting of the Committee has been kept on record.

(The Committee then adjourned.)

**MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE
ON ENERGY (2005-06) HELD ON 8TH MARCH, 2006 IN THE COMMITTEE
ROOM NO. '139', PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1530 hours to 1600 hours.

PRESENT

Shri Gurudas kamat - **Chairman**

Members

2. Shri Chander Kumar
3. Shri J.M. Aaron Rashid
4. Dr. (Smt.) Najma A. Heptullah
5. Dr. K. Kasturirangan
6. Shri Matilal Sarkar
7. Shri Motilal Vora

SECRETARIAT

1. Shri P.K. Bhandari, Joint Secretary
2. Shri Surender Singh, Deputy Secretary
3. Shri Shiv Kumar, Under Secretary

LIST OF WITNESSES

State Government of Tamil Nadu

1. Shri R. Satapathy, IAS - Secretary, Energy
2. Shri Hans Raj Verma - Chairman / TNEB

2. At the outset, the Chairman, welcomed the Members of the Committee and also the representatives of the Government of Tamil Nadu and apprised them of the provisions of Direction 58 of the Directions by the Speaker.

3. After the introductory remarks of Chairman and formal introduction of the witnesses, the representatives of the State Government of Tamil Nadu, expressed their views on the Electricity (Amendment) Bill, 2005 before the Committee as follows:

- (i) The State Government of Tamil Nadu was in agreement over the proposed amendment regarding rural electrification.
- (ii) The State Government was in favour of providing cross-subsidies to the various sectors and expressed its agreement to the proposed amendment to this effect.
- (iii) Suggested addition of the words “captive generation plant owner” in amendment to Section 151.

4. Members raised some queries which were replied to by the representatives of the State Government of Tamil Nadu.

(The witnesses then withdrew)

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

(The Committee then adjourned.)

**MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE
ON ENERGY (2005-06) HELD ON 9TH MARCH, 2006 IN THE COMMITTEE
ROOM NO. 'G074', PARLIAMENT LIBRARY BUILDING, NEW DELHI**

The Committee met from 1500 hours to 1600 hours.

PRESENT

Shri Gurudas kamat - **Chairman**

Members

2. Shri Gauri Shankar Chaturbhuj Bisen
3. Shri Nandkumar Singh Chauhan
4. Shri Chander Kumar
5. Shri Prashanta Pradhan
6. Shri Rabindra Kumar Rana
7. Shri Vijayendra Pal Singh
8. Shri Chandrapal Singh Yadav
9. Shri Motilal Vora
10. Shri Jesu Dasu Seelam

SECRETARIAT

1. Shri Surender Singh, Deputy Secretary
2. Shri Shiv Kumar, Under Secretary

LIST OF WITNESSES

State Government of Uttar Pradesh

1. Shri Ashok Khurana - Principal Secretary, Energy & Chairman,
UP Power Corporation Ltd.

2. At the outset, the Chairman, welcomed the Members of the Committee and also the representative of the Government of Uttar Pradesh and apprised him of the provisions of Direction 58 of the Directions by the Speaker.

3. After the introductory remarks of Chairman and formal introduction of the witness, the representative of the State Government of Uttar Pradesh, expressed his views on the Electricity (Amendment) Bill, 2005 before the Committee as follows:

- (i) The State Government of Uttar Pradesh was not in agreement regarding the role of the Centre for rural electrification due to problems faced in the past in this regard like uneven progress in various districts regarding rural electrification under the Centrally sponsored scheme.
- (ii) The Government of Uttar Pradesh was in agreement with the substitution of word 'elimination' in case of cross subsidies as also to the proposed amendment in Section 151 regarding theft of electricity.

The following other aspects on the Electricity Act 2003 also came up for discussion with the representative:

- (i) Trading of power and problems relating thereto.
- (ii) Problems relating to open access in the State.
- (iii) Private sector participation in the power sector in Uttar Pradesh.

4. Members raised some queries which were replied to by the representative of the State Government of Uttar Pradesh.

(The Witness then withdrew)

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

(The Committee then adjourned.)

**MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE
ON ENERGY(2005-06) HELD ON 17TH MAY, 2006 IN COMMITTEE ROOM
G-074, PARLIAMENT LIBRARY BUILDING, NEW DELHI**

The Committee met from 1500 hrs. to 1600 hrs.

PRESENT

Shri Gurudas Kamat -*Chairman*

MEMBERS

Lok Sabha

2. Shri Ajoy Chakraborty
3. Shri B. Vinod Kumar
4. Shri Chander Kumar
5. Shri Prashanta Pradhan
6. Shri Rabindra Kumar Rana
7. Shri J.M. Aaron Rashid
8. Shri M. Shivanna
9. Shri Vijayendra Pal Singh
10. Shri M.K. Subba

Rajya Sabha

11. Shri Vedprakash P. Goyal
12. Dr. K. Kasturirangan
13. Shri Jesu Das Seelam

SECRETARIAT

- | | | | |
|----|--------------------|---|------------------|
| 1. | Shri P.K. Bhandari | - | Joint Secretary |
| 3. | Shri B.D. Swan | - | Deputy Secretary |
| 4. | Shri Shiv Kumar | - | Under Secretary |

2. At the outset, the Chairman, Standing Committee on Energy welcomed the Members to the sitting of the Committee.

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

- (i) Draft Report on the Demands for Grants(2006-07) of the Ministry of Power.
- (ii) Draft Report on the Demands for Grants (2006-07) of the Ministry of Non-Conventional Energy Sources.
- (iii) Draft Report on the Electricity (Amendment) Bill, 2005 of the Ministry of Power.

4. The Committee adopted draft Reports with minor additions/deletions/amendments as suggested by the Members of the Committee.

5. The Committee also authorised the Chairman to finalise the above-mentioned Reports after incorporating the changes suggested by the Members of the Committee and also making consequential changes arising out of factual verification, if any, by the concerned Ministries and also to present the same to both the Houses of Parliament.

The Committee then adjourned.