

37

STANDING COMMITTEE ON ENERGY

(2017-18)

SIXTEENTH LOK SABHA

MINISTRY OF POWER

**Stressed /Non-performing Assets in Electricity Sector**

THIRTY-SEVENTH REPORT



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 2018/Phalgun, 1939 (Saka)*

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*Presented to Lok Sabha on 07.03.2018*

*Laid in Rajya Sabha on 07.03.2018*



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NEW DELHI

*March, 2018/Phalgun, 1939 (Saka)*

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## **COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2017-18)**

### **Lok Sabha**

#### **Dr. Kambhampati Haribabu- Chairperson**

2. Shri Devendra Singh Bhole
3. Shri Om Birla
4. Shri M. Chandrakasi
5. Shri Harish Dwivedi
6. Shri Deepender Singh Hooda
7. Shri Bhagat Singh Koshyari
8. Dr. Arun Kumar
9. Kunwar Sarvesh Kumar
10. Shri Malyadri Sriram
11. Shri R.P. Marutharajaa
12. Dr. Pritam Gopinath Munde
13. Shri Jagdambika Pal
14. Shri Ravindra Kumar Pandey
15. Shri M.B. Rajesh
16. Shri Vinayak Bhauraao Raut
17. Shri Gutha Sukhender Reddy
18. Shri ConradKongkal Sangma
19. Shri Bhanu Pratap Singh Verma
20. Shri Kotha Prabhakar Reddy
21. Shri Nagendra Kumar Pradhan

### **Rajya Sabha**

22. Shri T.K.S. Elangovan
23. Shri Oscar Fernandes
24. Shri Manish Gupta
25. Shri Ram Jethmalani
26. Dr. Prabhakar Kore

27. Shri Shamsher Singh Manhas
28. Shri S.Muthukaruppan
29. Shri Surendra Singh Nagar
30. Dr. Anil Kumar Sahani
31. Smt. Viplove Thakur

**SECRETARIAT**

1. Shri A.K. Singh	Additional Secretary
2. Shri N.K. Pandey	Director
3 Shri Manish Kumar	Senior Executive Assistant

## **INTRODUCTION**

I, the Chairperson, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this Thirty-Seventh Report on 'Stressed/Non-performing Assets in Electricity Sector' pertaining to the Ministry of Power.

2. The Committee had a briefing on the subject by the representatives of the Ministry of Power on 23<sup>rd</sup> October, 2017. After the briefing, the Committee felt the need to have further discussion on the subject with all the Ministries and the Stakeholders. The Committee, therefore, had series of in-depth meetings on the subject on 02<sup>nd</sup> November, 2017, 13<sup>th</sup> November, 2017, 11<sup>th</sup> December, 2017, 19<sup>th</sup> December, 2017 with the Ministry of Power, the Ministry of Finance, The Ministry of Coal, the Ministry of Railways, the Reserve Bank of India, lending Banks and developers/promoters of the stressed power projects. During these meetings, the Committee got incongruous views in regard to some specific issues; therefore, a plenary meeting involving the representatives of all the above mentioned Ministries/agencies was called on 23.01.2018 to get the clarity.

3. The Committee wish to express their thanks to the representatives of the Ministry of Power, the Ministry of Finance, the Ministry of Coal, the Ministry of Railways, the Reserve Bank of India, Lending Banks and the Developers/Promoters of the stressed power projects, for appearing before the Committee and furnishing the desired information on the issues relating to the subject.

4. The Report was considered and adopted by the Committee at their sitting held on 15<sup>th</sup> February, 2018.

5. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.
6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

**NEW DELHI**  
**23<sup>rd</sup> February, 2018**  
**Phalguna 4, 1939 (Saka)**

**Dr. Kambhampati Haribabu**  
**Chairperson,**  
**Standing Committee on Energy**

## **REPORT**

### **PART-I**

#### **NARRATION ANALYSIS**

##### **I. INTRODUCTORY**

1.1 The economic survey 2016-17 highlighted the twin balance sheet challenge. Briefly it was stated that the companies are not earning enough to pay interest on loans from Banks. These loans become NPAs necessitating banks to make substantial provisions. As a consequence the companies are reluctant to invest in new capacities and bad loan encumbered banks are reluctant to lend. Power sector, thermal in particular, is one of the sectors that has contributed the most to the NPAs. Considering the gravity of the issue and its potential to harm not only the Banking Sector but to hinder further investment in Power Sector which has grown at tremendous pace in the recent years, the Committee took up this subject for detailed examination.

1.2 During the course of examination of the subject, the Committee tried to have views of all concerned. The Committee had meeting with the Ministries of Power, Finance, Coal and Railways. The Committee also heard the views of the Reserve Bank of India, and lending Banks/Institutions. The Committee also gave audience to the promoters of the stressed power plants. The Committee found that the list of stressed power project is not limited to thermal power plants. Since, the majority of the cases belonged to thermal power plants, the Committee with a view to have a focused approach, restricted its examination to stressed thermal power plants.

1.3 The Committee was informed that there were 34 coal based thermal power plants which have been categorised as financially 'stressed'. Though there is no single reason which can be assigned as a cause for making all these power plants stressed, but some major issues have been identified and categorised as Non-availability of regular fuel supply arrangements, Lack of Power Purchase Agreement (PPA), Inability of the Promoter to infuse the equity & working capital, Regulatory and Contractual issues.

1.4 There is no sector specific definition of stressed assets/NPA for power plant projects. The definition for stressed assets are sector agnostic and apply to all sectors. The stressed assets are those accounts where there has been delay in payment of interest/principal by a stipulated date, as against the repayment schedule, on account of financial difficulty faced by the borrower. Accordingly, such accounts are undertaken for correction action plan (CAP) by the banks under any of three corrective action measurement i.e. rectification, restructuring and recovery.

1.5 Section 35A of Banking Regulation Act, 1949 empowers RBI to issue directions to banking companies regarding conduct of their affairs. It is under this power that RBI issues Master Circulars/Guidelines from time to time prescribing definitions/norms to be followed by banking companies. RBI revises its Master Circulars/guidelines periodically keeping in view the prevailing macro-economic situation, systemic risk and an assessment of the health of the banking system.

1.6 As per Reserve Bank of India, a Non Performing Assets (NPA) is a loan or an advance where interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of term loan. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

## **II. POWER SECTOR SCENARIO**

2.1 Setting up of a power plant is a de-licensed activity. As per Section 7 of the Electricity Act, 2003, any generating company may establish, operate and maintain a generating station without obtaining a license/permission if it complies with the technical standards relating to connectivity with the grid. Decision to set up a power plant is taken by concerned developer based on his assessment of market conditions, demand of power in future, finance options, viability of the project etc. Developer has to arrange all the inputs required to produce power i.e. land, water & fuel & necessary clearances. Sale of power under the Power Purchase Agreement is also arranged by the developer.

2.2 The present power generation capacity in the country as on September, 2017:

Sector	Thermal				Nuclear	Hydro	RES	Grant Total
	Coal	Gas	Diesel	Total				
<b>State</b>	63780.50	7113.95	363.93	71258.38	0.00	29798.00	1976.90	103033.27
<b>Private</b>	74496.00	10580.60	473.70	85550.30	0.00	3286.00	56326.45	145162.75
<b>Central</b>	55150.00	7490.83	0.00	62640.83	6780.00	11681.42	0.00	81102.25
<b>All India</b>	193426.50	25185.38	837.63	219449.51	6780.00	44765.42	58303.35	329298.27

2.3 The details of installed generation capacity since independence are given as under:

As on / during financial year ending with	Installed Capacity (MW)
31.12.1947	1362
31.12.1950	1713
31.03.1956( End of the 1st Plan)	2886
31.03.1961( End of the 2nd Plan)	4653
31.03.1966 ( End of the 3rd Plan)	9027
31.03.1969( End of the 3 Annual Plans)	12957
31.03.1974( End of the 4th Plan)	16664
31.03.1979( End of the 5th Plan)	26680
31.03.1980( End of the 2 Annual Plans)	28448

<b>As on / during financial year ending with</b>	<b>Installed Capacity (MW)</b>
31.03.1985( End of the 6th Plan)	42585
31.03.1990( End of the 7th Plan)	63636
31.03.1992( End of the 2 Annual Plans)	69065
31.03.1997( End of the 8th Plan)	85795
31.03.2002( End of the 9th Plan)	105046
31.03.2007 (End of 10th Plan )	132329
31.03.2012 (End of 11th Plan )	199877
31.03.2017 (End of 12th Plan)	326848
<b>30.09.2017</b>	<b>3,29,298</b>

2.4 Power sector has seen tremendous growth in terms of capacity addition during last few years. During Twelfth Plan period, cumulative capacity addition of 99,209.5 MW was achieved against target of 88,537 MW. The details are as under:

<b>Type</b>	<b>Sector</b>	<b>Central</b>	<b>State</b>	<b>Private</b>	<b>Total</b>
<b>Thermal</b>	Target	14878	13922	43540	<b>72340</b>
	Achievement	15868.6	22201.35	53660.5	<b>91730.45</b>
	(%)	106.66%	159.47%	123.24%	<b>126.80%</b>
<b>Hydro</b>	Target	6004	1608	3285	<b>10897</b>
	Achievement	2584.01	2276	619	<b>5479.01</b>
	(%)	43.04%	141.54%	18.84%	<b>50.28%</b>
<b>Nuclear</b>	Target	5300	0	0	<b>5300</b>
	Achievement	2000	0	0	<b>2000</b>
	(%)	37.74%	0.00%	0.00%	<b>37.74%</b>
<b>Total</b>	Target	<b>26182</b>	<b>15530</b>	<b>46825</b>	<b>88537</b>
	Achievement	<b>20452.61</b>	<b>24477.35</b>	<b>54279.5</b>	<b>99209.46</b>
	(%)	<b>78.12%</b>	<b>157.61%</b>	<b>115.92%</b>	<b>112.05%</b>

2.5 The Electricity Act 2003 created a conducive environment to promote private sector participation and competition in the sector by providing a level playing field. This has led to significant investment in generation, transmission and distribution areas. The share of private sector in overall installed capacity has grown from 13% in March, 2007 to 44% in March, 2017. During the last ten years, the public sector (both Central and State combined) contributed 73,402 MW while private sector alone contributed 77,891 MW capacity addition.

### **Growth in power demand**

2.6 The Ministry of Power have stated that Power Generation growth (CAGR) was 6.1% from 2004-14 and 6.8% from 2014-2017. With robust growth in Generation Capacity, Energy shortage has reduced from 42,428 MU (4.2%) in 2014 to 7,459 MU in 2017 (0.7%). Peak demand shortage has reduced from 6,103 MW (4.5%) in 2014 to 2,608 MW (1.6%) in 2017. India has turned around from a net importer of electricity to net exporter of electricity exporting around 5,798 Million Units to Nepal, Bangladesh and Myanmar in 2017.

2.7 In regard to falling Plant Load Factors (PLF) of thermal power plants, the Ministry have stated that large capacity addition in capacity has led to lowering of overall PLF of thermal units from 78.8% in 2006-07 to 60.01% in 2016-17. The resultant scenario of moderate power off take has affected the IPPs capacities planned without tie up of necessary PPAs with distribution companies.

2.8 It has been further stated that during era of shortages, the power plants were running at full capacity even during off peak hours and during peak hours there were energy shortages. Currently, we are able to meet the peak demand of the country and hence plant loading during off peak hours shall be lesser. This is leading to lower overall PLF which is an indicator of sufficient capacity to meet the peak demands. Huge growth in capacity addition in 12<sup>th</sup> Plan resulted in moderate utilization of available capacity. However, efforts are being made by the Government to enhance the electricity demand through various initiatives.

### **III. NON-PERFORMING ASSETS IN POWER SECTOR**

3.1 The position of NPAs in electricity sector is given below. As per RBI, segment-wise data on stressed assets in electricity sector:

Items	Mar-17			Jun-17		
	Gross Loans and Advances	GNPAs at the end of the period	Restructured Std. Advances	Gross Loans and Advances	GNPAs at the end of the period	Restructured Std. Advances
Electricity (Generation)	4,71,334	31,194	53,066	4,82,965	34,244	55,557
Electricity (Transmission)	25,358	2,102	3,574	24,299	2,617	433
Electricity (Distribution)	51,386	1,008	4,369	51,761	1,080	4,868
Total	5,48,078	34,304	61,009	5,59,025	37941	60,858

(Data of domestic operations of Scheduled Commercial Banks, Rs.In Crores)

3.2 The Committee were provided the list of 34 stressed coal based thermal power plants, which as under:

S. No	Developer	Project	Unit	State	Funds (Rs. In Crs.)		Total Investment/ Exp. (Rs. In Crores)
					Debt (Out Standing)	Equity	
1	Adani	Korba West	1	Chhattisgarh	3099	1830	4929
2	Adhunik Power & Natural Resources Limited	Mahadev Prasad TPP Ph-I	1 & 2	Jharkhand	2473.63	903.05	3377
3	East Coast Energy	Bhavanpada	1 & 2	AP	2834.09	836.3	3670.39
4	Athena Chhattisgarh Power (P) Limited	Singhitarai	1 & 2	Chhattisgarh	5256	968	6224
5	Avantha Power (Jhabua)	Seoni Jhabua	1	MP	3488	1348	4806
6	Essar Power (Mahaan) Limited	Mahan	1 & 2	MP	5951	2266	7173

7	Essar Power (Jharkand) Limited	Tori	1 & 2	Jharkhand	3112	1719	4831
8	GMR Energy (P) Limited	EMCO Warora	1 & 2	Maharashtra	2905	1063	4250
9	GMR Chhattisgarh Energy Limited	Raikheda	1 & 2	Chhattisgarh	8173.9	3367.54	11542
10	GMR Kamlanga Energy Limited	Kamalnga	1 to 3	Odisha	4100	2250	6519
11	GVK Industries Limited (Goindwal Saheb)	(Goindwal Saheb)	1 & 2	Punjab	3523	1250	4773
12	Ind Bharath Energy (Utkal) Ltd	Utkal	1 & 2	Odisha	3046.22	1172.44	4360 (up to 09/17)
13	Jaypee Power Ventures Pvt Limited (Bara)	Bara	1 to 3	U.P	11493.5	4043.5	15537
14	Jaypee Power Ventures Pvt Limited (Nigrie)	Nigrie	1 & 2	M.P	6211	3812	10023
15	Jaypee Power Ventures Pvt Limited (Bina)	Bina	1 & 2	M.P	2253.85	1264.15	3518
16	Jindal India Thermal Power Limited	Derang	1 & 2	Odisha	5381	1494	6875
17	KSK Mahanadi Power Company Ltd	Akaltara	1 to 6	Chhattisgarh	17194	3234	20428
18	KVK Nilachal Power (P)	Nilachal	1 to 3	Odisha	1071.85	1116.2	1339.11 (up 7/16)

	Limited						
19	Lanco	Lanco Amarkantak Power Limited	3 & 4	Chhattisgarh	8782	1533	10315
20	Lanco	Lanco Anpara C	1 & 2	U.P	3071	969.2	4845
21	Lanco	Lanco Vidarbha Thermal Power Limited	1 & 2	Maharashtra	4762	1079	5841 (upto 09/17)
22	Lanco	Lanco Babandh Power Limited	1 & 2	Odisha	6976	1123	8275 ( up to 9/17)
23	Madhucon	Simhapuri Energy Ltd (Phase I & II)	1 to 4	A.P	2206.38	1035.24	3510.05
24	Monnet Power Company Limited	Malibrahmani	1 & 2	Odisha	5300	1273	6700
25	RattanIndia Nasik Power Limited Ph-1	Nasik TPP Ph I	1 to 5	Maharashtra	7107.6	2454.58	9302.88 ( up to 08/17)
26	RKM Powergen Private Limited	Uchpinda TPP	1 to 4	Chhattisgarh	9145.51	2586.49	11219
27	SKS Power Generation (Chhattisgarh) Ltd	Binjkote TPP	1 to 4	Chhattisgarh	4801	862	5663
28	Vandana Vidyut Limited	Salora TPP	1 & 2	Chhattisgarh	1488.67	541	1949 (except interest cost after restructuring)
29	Visa Power Limited	Deveri TPP	1 & 2	Chhattisgarh	1481.15	427	2046.55 (up to 03/17)
30	Damodar Valley Corporation	Raghunat hpur TPP	1 & 2	W.B	2317.84	2626	
31	Kanti Bijlee Utpadan Nigam Ltd	Muzzaffarpur TPP	3 & 4	Bihar	2506.28	1277.25	3783.53

32	Adani Power Maharashtra Limited	Tirora TPP Ph I & II	1 to 5	Maharashtra	11765	4947	19788
33	Coastal Energen Private Limited	Mutiara TPP	1 & 2	T.N	6132	1574	
34	DB Power Limited	Baradhra	1 & 2	Chhattisgarh	6721	2244	8965

3.3 The capacity wise details of 34 stressed power projects are given as under:

<b>Total Number of Projects</b>	<b>34</b>
Commissioned Capacity	24,405 MW
Under Construction Capacity	15,725 MW
Total Stressed Capacity	40,130 MW
Total Outstanding Debt	1,74.468 crores

3.4 In regard to difference between stressed and Non-Performing Assets, it has been stated that NPAs form a component of stressed assets. In addition stressed assets also include those assets which may be vulnerable to slippage into NPA category for various reasons. In other words stressed assets include Non Performing Assets (NPAs) as well as those which have potential to become NPAs.

3.5 As per RBI, generally, before a loan account turns into a NPA, banks are required to identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given below:

- (a) *SMA-0*: Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
- (b) *SMA-1*: Principal or interest payment overdue between 31-60 days
- (c) *SMA-2*: Principal or interest payment overdue between 61-90 days

3.6 The Committee has been apprised that once an account becomes SMA-2, Banks should mandatorily form a committee to be called Joint Lenders' Forum (JLF) if the aggregate exposure of lenders in that account is Rs 10 cr. and above.

Lenders also have the option of forming a JLF even when the aggregate exposure in an account is less than Rs. 10 Cr. and/ or when the account is report as SMA-0 or SMA-1. The JLF framework ensures time-bound detection and resolution of stress. In addition, Banks are also required to monitor accounts for any fraudulent activity. A system of early warning system and red flagged accounts has been prescribed by RBI to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to RBI and the investigative agencies and timely initiation of the staff accountability proceedings, etc.

**Provisioning Norms**

3.7 As prescribed by RBI, a bank is to make higher provisioning for stressed assets (which includes NPAs, Restructured Standard). This increases the capital requirement for the bank as it has a direct bearing on its ability to lend further. The stress in power sector had a severe impact on the financial health of the banking sector as whole and at a macro level on overall credit growth. The relevant extract (concerning provisioning norms) of Master Circular dated July 1, 2015 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances is reproduced below:-

3.8 The followings are the Provisions on restructured advances:

- (i) Banks will hold provision against the restructured advances as per the extant provisioning norms.
- (ii) Restructured accounts classified as standard advances will attract a higher provision (as prescribed from time to time) in the first two years from the date of restructuring. In cases of moratorium on payment of interest/principal after restructuring, such advances will attract the prescribed higher provision for the period covering moratorium and two years thereafter.

(iii) Restructured accounts classified as non-performing assets, when upgraded to standard category will attract a higher provision (as prescribed from time to time) in the first year from the date of upgradation.

(iv) The above-mentioned higher provision on restructured standard advances (2.75 per cent as prescribed vide circular dated November 26, 2012) would increase to 5 per cent in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and increase in a phased manner for the stock of restructured standard accounts as on May 31, 2013 as under :

- 3.50 per cent - with effect from March 31, 2014 (spread over the four quarters of 2013-14)
- 4.25 per cent - with effect from March 31, 2015 (spread over the four quarters of 2014-15)
- 5.00 per cent - - with effect from March 31, 2016 (spread over the four quarters of 2015-16)'

3.9 The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the bank managements and the statutory auditors. The assessment made by the inspecting officer of the RBI is furnished to the bank to assist the bank management and the statutory auditors in taking a decision in regard to making adequate and necessary provisions in terms of prudential guidelines.

3.10 In conformity with the prudential norms, provisions should be made on the non performing assets on the basis of classification of assets into prescribed 22 DBOD-MC on IRAC Norms - 2015 categories as detailed in paragraphs 4 supra. Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the bank, the banks should make provision against substandard assets, doubtful assets and loss assets as below:

#### **a.Loss assets**

Loss assets should be written off. If loss assets are permitted to remain in the books for any reason, 100 percent of the outstanding should be provided for.

**b. Doubtful assets**

- i. 100 percent of the extent to which the advance is not covered by the realisable value of the security to which the bank has a valid recourse and the realisable value is estimated on a realistic basis.
- ii. In regard to the secured portion, provision may be made on the following basis, at the rates ranging from 25 percent to 100 percent of the secured portion depending upon the period for which the asset has remained doubtful:

<b>Period for which the advance has remained in 'doubtful' category</b>	<b>Provision requirement (%)</b>
Up to one year	25
One to three years	40
More than three years	100

**c. Substandard assets**

- i. A general provision of 15 percent on total outstanding should be made without making any allowance for ECGC guarantee cover and securities available.
- ii. The 'unsecured exposures' which are identified as 'substandard' would attract additional provision of 10 per cent, i.e., a total of 25 per cent on the outstanding balance. However, in view of certain safeguards such as escrow accounts available in respect of 23 DBOD-MC on IRAC Norms - 2015 infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20 per cent instead of the aforesaid prescription of 25 per cent. To avail of this benefit of lower provisioning, the banks should have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on these cash flows. The provisioning requirement for unsecured 'doubtful' assets is 100 per cent.'

#### **IV. REASONS FOR STRESSED/NON-PERFORMING ASSETS IN POWER SECTOR**

4.1 During the discussions with the various Ministries/Banking Institutions/Stakeholders, the following issues were identified which are responsible for financial stress in the said thermal power projects:

- Non-availability of Fuel:
  - Cancellation of coal block.
  - Projects set up without Linkage.
- Lack of enough PPA by states
- Inability of the Promoter to infuse the equity and working capital
- Contractual/Tariff related disputes
- Issues related to Banks/Financial Institutions (FIs).
- Delay in project implementations leading to cost overrun.
- Aggressive bidding by developers in PPA.

##### **Non-availability of Fuel**

4.2 One of the major reasons for stress was cited by the Promoters of the stressed was the lack of adequate amount of Fuel Supply Agreement. The Committee, therefore, had discussions with the Ministry of coal and tried to have the true picture of availability coal in the country especially for the power sector.

4.3 Details of the stressed projects and their coal linkages as furnished by the Ministry of Power are as under:

<b>Total Stressed Capacity :40,130 MW</b>			
Commissioned Capacity 24,405 MW		Not yet Commissioned capacity: 15,725 MW	
PPA	16,129 MW	Linkage Available	11,050 MW
Non- PPA	8,276 MW	Block allotted but under dispute	3,830 MW
		Imported Coal	1,800 MW
		Linkage required	7,725 MW
		Linkage allotted/ in process under SHAKTI	6,150 MW

4.4 The representative of the Ministry of Power in regards to power projects that are affected due to linkage of coal, stated before the Committee as under:

“The total 34 projects of 40,000 MW capacity, 17 projects are affected because of coal linkage -- may be partial or full non-availability of coal linkage. The total capacity of 17 projects was around 15,200 MW out of which the auction that has taken place so far the coal linkage has been allowed to 7 projects of 7,250 MW. Since the other day when the Ministry of Power appeared for oral evidence and discussion almost 8 projects are out of stress now. So, out of the list of 34 projects almost 8 projects are out of stress now.”

4.5 The Ministry of Coal informed the Committee that the present updated geological coal resource of the country is 315 Billion Tonnes(BT) as on 01.04.2017 for coal seams of 0.90 m and above in thickness and up to 1200 m depth from surface. The updated “Measured” resource of the country is 143 BT, while that of “indicated and “Inferred” Categories are 139 BT and 33 BT respectively within 1200 m depths.

4.6 When the Committee desired to know whether any assessment made as to how long the total coal reserves will last, considering the trend of coal excavation, its consumption and future growth, the Ministry of Coal has stated that as per Integrated Energy Policy 2006 of Government of India, at a growth rate of 5 % in domestic coal production, currently extractable coal resource will be exhausted in about 45 years. However, only about 45% of the potential coal bearing area has currently been covered by regional surveys. Covering all coal bearing areas with comprehensive regional and detailed drilling could make a significant difference to the estimated life of Indian Coal Reserve.

4.7 The details of subsidiary-wise target and production of raw coal of Coal

India Limited during the last five years is given below:

(Figures in Million Tonne)

Co	2016-17			2015-16			2014-15			2013-14			2012-13		
	Target	Actual	% Ach												
ECL	46.94	40.52	86.3	42.13	40.21	95.4	38.00	40.01	105.3	34.50	36.05	104.5	33.00	33.91	102.8
BCCL	37.00	37.04	100.1	35.85	35.86	100.0	34.00	34.51	101.5	32.50	32.61	100.4	31.00	31.21	100.7
CCL	67.00	67.05	100.1	60.60	61.32	101.2	55.00	55.65	101.2	53.50	50.02	93.5	55.00	48.06	87.4
NCL	82.00	84.10	102.6	78.10	80.22	102.7	77.00	72.48	94.1	72.20	68.64	95.1	70.00	70.02	100.0
WCL	48.00	45.63	95.1	45.10	44.82	99.4	44.00	41.15	93.5	44.00	39.73	90.3	45.00	42.29	94.0
SECL	149.67	140.00	93.5	137.00	137.93	100.7	131.00	128.28	97.9	124.30	124.26	100.0	117.00	118.22	101.0
MCL	167.00	139.21	83.4	150.00	137.90	91.9	127.00	121.38	95.6	120.00	110.44	92.0	112.00	107.89	96.3
NEC	1.00	0.60	60.0	1.22	0.49	39.8	1.00	0.78	77.9	1.00	0.66	66.4	1.10	0.61	55.0
<b>CIL</b>	<b>598.61</b>	<b>554.14</b>	<b>92.6</b>	<b>550.00</b>	<b>538.75</b>	<b>98.0</b>	<b>507.00</b>	<b>494.24</b>	<b>97.5</b>	<b>482.00</b>	<b>462.42</b>	<b>95.9</b>	<b>464.10</b>	<b>452.21</b>	<b>97.4</b>

4.8 The reasons for shortfall in supply of coal has been assigned by the Ministry of Coal to the followings:

- (i) Delay in environment and forestry clearance in some mines of CIL,
- (ii) Land acquisition and R&R problem in some mines of CIL,
- (iii) Law and order problem mainly in MCL, CCL &BCCL, and
- (iv) Evacuation problem.

4.9 The position of year-wise Contracted Quantity of Coal for supply from CIL to Power Sector, supply planned to Power Sector as per Annual Action Plan of CIL and the actual despatch from CIL during the last five years, as furnished by the Ministry of Coal, is given below:

Year	Contracted Quantity (MT)	AAP for supply to Power Sector from CIL (MT)	Actual Supply from CIL (MT)		
			Against FSA / MoU	Special Forward E-Auction	Total

2012-13	374.47	342.31	345.43	-	345.43
2013-14	415.18	376.18	353.83	-	353.83
2014-15	458.81	404.38	385.40	-	385.40
2015-16	474.28	430.68	408.75	4.36	413.11
2016-17	487.85	450.99	425.40	28.96	425.11

4.10 In regard to shortfall in supplies coal to power sector, the Ministry of Coal has stated that it was due to various reasons such as less filing of rail programmes and less payments from the Power Utilities, inability of the Power Utilities to lift coal offered by road mode etc. They have further stated that CIL had adequate availability of coal and coal stock to meet the requirement of Power Sector.

*4.11 When the Committee desired to know the efforts being made to augment the coal excavation capacities in the country to fully meet the coal demands of the country and by what time these efforts will make the country self reliant as far as supply of coal is concerned, the Ministry of Coal in their written reply have stated as under:*

“The coal production targets are allocated by the Government based on the existing demands and overall scenario in the country. Our Country does not have sufficient reserves of coking coal and have to depend on imports for fulfilling the domestic needs. However, efforts are being made to augment the production capacities of non-coking/thermal coal. Coal India Limited has been mandated by the Government of India to produce 1 BT of coal by the year 2019-20. In order to enhance production to the levels of 1 BT a well chalked out plan has been laid down which includes the following important aspects

Approval of identified Projects: 65 projects were identified out of which 21 major projects have been approved till date since Jan-2015. Balance Project Reports (PRs) are under various stages of approval

- a. Grant of environmental clearances under special dispensation: Projects have been identified and proposals have been initiated for obtaining enhanced EC under the special dispensation of EIA Notification.
- b. Commissioning of coal evacuation infrastructure: At present three major rail lines are under construction in the States of

Jharkhand, Odisha & Chhattisgarh. The progress of these major lines is being monitored at every level including the PMO.

- c. Planning for high capacity mines: CIL and its subsidiary have stressed on planning high capacity mines. The 22 projects that have been approved from the list of future project have an ultimate capacity of about 140 MTPA.

*4.12 When the Committee asked the Ministry of Coal to compare the quality, calorific value and price of indigenous and the imported coal, they have furnished the following information:*

“Indigenous coal is generally containing high percentage of ash ranging from 10-45% and imported coal ash content is low varying from about 8–20%. However, indigenous coal sulphur content is less varying from 0.2 to 0.5 % whereas imported coal sulphur content varies from 0.7 to 0.9 %

**Calorific value**

Calorific value of indigenous non-coking coal varies from 2200 K Cal / Kg to 7000 K Cal / Kg. Based on calorific value indigenous coals are graded into seventeen categories from G1 to G17 with a uniform calorific value range of 300 K Cal/Kg in each grades. Whereas imported coal calorific value varies from 5800 to 6500 K Cal/kg.

**Price**

Indigenous coal pricing is on FOR basis. The present price varies from Rs.470 to Rs. 3450 per Tonne for regulated sector and from Rs.570 to Rs. 3450 for non- regulated sector from G17 to G1 grade. As imported coal pricing is based on landed price the same is not directly comparable with indigenous coal price which is on FOR basis.”

*4.13 When the Committee desire to know the efforts that are being made to improve the coal quality of indigenous coal, the Ministry of Coal have stated as under:*

“Efforts being made to improve coal quality of indigenous coal are as below –

- i. Selective Mining by introduction of surface miner wherever feasible.
- ii. About 50% production during 2016-17 was through surface

miner.

iii Adopting suitable blasting pattern to avoid fragmentation of thick shale/stone into small pieces so that only pickable stone/shale pieces are generated. These pieces are then picked at various stages from loading of coal into the transportation system.

iv. Modern technologies are also being adopted as for example continuous miners, high wall mining, long wall mining etc. for selective mining in order to avoid contamination.

v. Proper positioning of OB/ Coal benches are maintained to avoid contamination of coal with extraneous materials.

vi. Coal faces are cleaned before blasting or cutting.

vi. Selective mining by resorting to proper and scientific blasting pattern suitable to coal seam composition.

vi. Precautionary measures against the fire due to spontaneous heating in coal face is taken to avoid deterioration of quality due to burning of coal in seam.

ix. Third Party Sampling to keep check on coal quality.

x. Mine wise-seam wise reassessment has been conducted to affirm the declared grades.

xi. Coal India Limited has also planned to set up coking coal washeries of capacity 30.35MTY and non-coking coal washeries of capacities 70.5MTY.”

*4.14 When the Committee pointed out that absence of 'Fuel Supply Agreements' has been cited as one of the major reasons for having stressed/non-performing assets in power sector, The Ministry of Coal have commented as under:*

“As per the list provided by Department of Financial Service to Ministry of Power for stressed Power Plants, there are 34 Power Plants which are categorised as stressed. This list was provided to Ministry of Coal by Ministry of Power in the Coal subgroup review meeting for stressed power plants. The different categories of stressed power plants are asunder:

(a). Power plants having Power Purchase Agreement (PPAs) and requiring coal linkage – There were 8 such plants of 12,630 MW capacity out of which linkages were required for 9,150 MW capacity. These power plants, having PPA but no linkage, have been covered under SHAKTI and are in the process of getting linkage from CIL, except for 2 plants of EssarTori and DB Power. CEA informed that PPA of EssarTori is disputed and also the project is stalled, whereas for DB Power, the PPA is disputed as a result of which the plant is moved to the category of Thermal Power Plants (TPPs) not having PPA and not having coal linkage.

(b). Power Plants having neither coal linkage nor PPA - There

were 3 such plants of 1,530 MW capacity requiring linkage as well as PPA. As per the information provided by CEA, two more plants, EssarTori and DB Power of 2400 MW capacity have also been moved to this category. The linkage requirements of these plants shall be met after CIL conducts auction of linkages for such plants under SHAKTI para1(B)(iii).

(c). Problem with coal block won in auction (*sub judice*) - There are 3 plants of 3,620MW capacity which are stressed due to issues related to Coal Blocks.

(d). 22,350 MW capacity of 23 TPPs is stressed on account of reasons other than coal linkage/block issues.”

4.15 It has been further stated that the requirement of coal to the coal based thermal power plants (TPPs) is met by domestic (CIL, SCCL, Captive and e-Auction) and imported coal. There is no interruption in supply of coal to the TPPs except some minor interruption due to rain and infrastructural constraints. The TPPs also maintain stock at their plants for use in case of increase in demand. The consumption of coal by the coal based thermal power plants in the country during the last three years and current year is as under:

Year	Coal Consumption (Million Tonnes)
2014-15	530.4
2015-16	545.9
2016-17	574.8
2017-18 (upto Sept.,2017)	299.4

4.16 The Domestic coal consumption (excluding imported coal) by the coal based thermal power plants in the country during the last three years and current year is as under:

Year	Domestic Coal Consumption (Million Tonnes)

2014-15	439.20
2015-16	465.30
2016-17	508.81
2017-18 (upto Sept.,2017)	271.11

4.17 The Ministry of Coal has stated that it can be seen from above that there has been considerable improvement in the domestic coal supply situation during the past few years.

*4.18 When the Committee asked whether any assessment has been made as to the impact the de-allocation/cancellation of coal blocks had in the electricity sector, and how the Government proposes to offset the damage, if any, done to the sector in a time bound manner, the Ministry of Coal have replied as under:*

“Upon cancellation of 204 coal blocks by the Hon’ble Supreme Court vide its order dated 24.09.2014, it was considered expedient in public interest by the Central Government to take immediate actions as to ensure energy security of the country. Accordingly, the Coal Mines (Special Provisions) Act, 2015 was notified w.e.f. 30th March, 2015. The Coal Mines (Special Provisions) Rules, 2014 were notified on 11-12-2014. Under the provisions of the said Act, 84 coal mines have so far been successfully allocated. Of these 84 coal mines, 31 have been allocated through e-auction and 53 have been allotted to Government Companies. Out of these 84 coal mines, 50 coal mines have been allocated to the regulated sector i.e. power, 26 coal mines to the non-regulated sector i.e. iron & steel, cement and captive power as well as 8 coal mines for sale of coal.

Soon after the cancellation of coal blocks by Hon’ble Supreme Court judgment/order, a preliminary Contingency Plan to deal with the then emerging situation was prepared by Ministry of Coal in consultation with all the other stake- holder Ministries, viz. Ministry of Power, Ministry of Steel, Department of Industrial Policy & Promotion, Department of Financial Services, etc. besides holding consultation with Ministry of Law & Justice / Ld. Attorney General of India.

In a number of cases, End-Use Plants (EUP) linked with the captive coal blocks were either complete or were nearing completion. Central Electricity Authority (CEA) was consulted with regard to the

total capacity of power EUPs linked with captive coal blocks as well as capacity already commissioned etc. CEA had provided details of power EUPs in respect of 78 coal blocks which were monitored by them. As per the CEA's report, total capacity of power EUPs linked with 78 coal blocks worked out to 94,390 MW, out of which 23,020 MW capacity had already commissioned and 8,755 MW capacity was likely to be commissioned by March, 2015. The total capacity of EUPs linked with 20 producing power blocks (excluding 2 producing blocks for UMPP) worked out to 13,523 MW out of which 11,923 MW capacity had been commissioned.

In order to ensure that there is no disruption in the power generation arrangements for coal block allottees, it was decided that coal may be supplied to such plants.

Through a separate MoU route till 31.03.2016 as many of the plants were already commissioned or to be commissioned in 2015-16 and had long-term PPAs. The position was reviewed on expiry of the term i.e. 31.03.2016 and it was decided that these plants may take the coal being made available through the process of special forward e-auction of coal for power sector. In order to ensure that there is no disruption in coal availability to these plants, the term of MoU with these plants which expired on 31.03.2016, was extended till 30.06.2016 so as to facilitate smooth transition to the special forward e-auction system of CIL.”

*4.19 When the Committee desired to know whether auctioning/e-auctioning of the coal blocks has benefitted the respective beneficiaries or allottees and the people also and is it comparatively better than the old practices of coal block allocation, the Ministry of Coal have in their written reply have stated as under:*

“Out of the 84 coal mines allocated so far under the Coal Mines (Special Provisions) Act, 2015, production has been started in 12 coal mines and has produced 34.935 million tones upto September'17. The auction and allotment proceeds from coal mines allocated so far have been estimated at more than Rs 3.94 lakh crore over the life of the mine/lease period, which shall be devolving entirely to the coal bearing States. Coal mines utilizes both skilled as well as unskilled workforce for carrying out various mining operations. In addition, it gives impetus for allied activities in the coal mining area. Generally, unskilled and semi-skilled employment is generated at the local level and the skilled and management category employment is made on pan India basis. In addition, it will generate many times more indirect employment in the country.

4.20 In regard to the details of the average cost of coal excavation and the average cost of coal sold to various beneficiaries and the scope for reduction of profit margin of Coal India to reduce and rationalize the prices of coal, electricity and other essentials, the Ministry of Coal has stated as under:

“(a) Average cost per tonne of production of CIL is Rs.1251/- as per accounts of 2016-17

(b) Average sales per tonne of offtake by CIL is Rs.1391/- as per accounts of 2016-17

Coal India Limited is already operating at selling price which is much below the international Coal prices. Lower grades coal are further cheaper when compared with international prices.

Further, cost of coal excavation will increase with increase in stripping ratio over the years. Profit margins has been dwindling due to increase in cost which also includes diesel prices. The EBITDA margin is hovering around 14% only which is used to be around 30%. CIL is having high operating leverage due to substantial part of its cost being fixed and more than 50% of the total cost being Salary & Wages. Reduction in profit adversely effects its long term sustenance and CAPEX & other diversification investments which are essentials. Above all, investment in future projects, fulfilling the norms of 12% IRR at 85% capacity, will not be possible without absorbing the increased cost of production in sales price.”

#### **Shakti Scheme**

4.21 In regards to Shakti Scheme the Committee was apprised that it has come very recently in May 2017. Since then, there has been only one round of auction and only those power plants which had PPAs and had no coal linkage or coal block or who had lost the coal block were allowed to bid. That is about 7000 megawatt taken care of. But overall, Shakti has helped in about 18,000 megawatt, as explained by the Joint Secretary Earlier. So, impact of Shakti is basically to address the future Government plants and ones who had the PPAs but lost on coal blocks. So, it is expected that Shakti will definitely help in the coming days to cater to additional requirement of upcoming power plants. PPA has become a major requirement. Some of the plants which are without PPAs will remain an issue for some more time. Banking agencies are

4.22 The Secretary, Ministry of Coal while describing coal supply scenario, deposed before the Committee as under:

“the current extractable resources are 143 billion tonnes. Our current level of production is about 662 million tonnes per annum. Out of which, it is targeted to supply about 600 million tonnes this financial year. Coal India Limited is the main supplier. So, at this rate we have enough coal to last for decades, if not centuries. Something you have to keep in mind. So, the consumption by the power plants, which are installed or which are likely to be installed now, will continue. We assure as Ministry of Coal that we will continue to supply sufficient coal. Coal is, perhaps, surplus. Coal is adequate. Despite whatever is coming in the news, I am on record having said that even today we have about 29 million tonnes of stock at the pitheads. So, there is no shortage of coal. Coal is adequate and we will be able to supply coal.”

4.23 The Secretary, Ministry of Coal, in regards to future of coal, further deposed before the Committee as under:

Sir, you referred to the Paris Climate Deal and global climate change problem. We have looked at that and our statement is that by the year 2020, the production of Coal India Limited is likely to touch about one billion tonnes because our assessment of demand at that point of time in the year 2014 was that it will hit about one billion tonne. The Paris Climate Deal came in the year 2015. So I am telling you from an insider's knowledge because I was the chief negotiator in that deal. So, the overall fossil fuel consumption scenario changed after the Paris Climate Deal. And, there was tremendous pressure on developing countries, especially on China and India to reduce coal consumption.

But for the near future and medium term, coal will still be the mainstay of our energy supply. So, the long-term scenario is that, maybe, after 2050, our requirement may decline; our emissions may declaim but as per our modeling studies, till 2050 we do not perceive the emissions to peak. That essentially means that our consumption may not increase at that rate at which it has been growing in the past or it is growing now but it will continue to rise.”

#### **Coal Linkage Status**

4.24 When the Committee raised the issue that the several power projects are under financial stress due to absence of coal supply and coal linkages, the Secretary, Ministry of Coal deposed before the Committee as under:

“Now whatever stress that we got to know of is a list which is given by the Ministry of Power and they had received it, I think, from the Department of Financial Services. It is a list of 34 power plants. Part of it was shown as stressed because of lack of coal, lack of linkage. So, we had formulated a scheme called, SHAKTI and that takes care of coal allocation for all present and future power plants. But the short point is that, as of now there is no power plant in the Government sector, either with the Centre or with the States, which does not have a linkage. We have given linkage to all. Second, as of now there is no power plant which has Power Purchase Agreement (PPA) but does not have linkage. Under the SHAKTI scheme, the linkage has been done. The auction has been done. All the power plants which have PPAs, they have been able to secure coal linkages.”

4.25 In regards to status of coal linkages availability to 34 stressed power plants, the representative of the Ministry of Coal describe the situation as under:

“जैसा कि सचिव महोदय ने पहले बताया है कि इसमें 34 पावर प्लांट्स हैं और इनकी टोटल कैपेसिटी लगभग 40,130 मेगावाट है। लिस्ट के मुताबिक, इस कैपेसिटी में कोल की लिंकेज न होने की वजह से जो स्ट्रेस में हैं, वे दो कैटेगरी में हैं। एक, जिनके पास पीपीए है लेकिन लिंकेज नहीं है। That is about 9030 megawatt capacity, which is less than 1/4<sup>th</sup> of the total capacity. The second category is, power plants which do not have linkage or PPA. उनके पास पीपीए भी नहीं है और उनके पास कोल का लिंकेज भी नहीं है, ऐसे पावर प्लांट की कैपेसिटी करीब 5,600 मेगावाट बतायी थी। तीसरी कैटेगरी भी बतायी थी कि जिनको कोल लिंकेज की जरूरत नहीं है, वे स्ट्रेस में इस वजह से हैं कि जब कोल ब्लॉक के ऑक्सन वर्ष 2015 या वर्ष 2016 में हुए थे तो they had successfully bid for coal blocks. But they subsequently went into the litigation; they went to court. For last two years, they have been on litigation.”

#### **Delinking of clearances of PP and Mines**

4.26 In regards to delinking of power plants and mines it was stated by the Ministry of Coal that coalmine should be getting environmental clearance on standalone basis and the power plant should also be getting the clearance on standalone basis. Earlier, clearance for the power plants were held back saying that you first get the clearance of the coalmine; then only you will be given clearance. Both sides have gestation period of its own. If I wait for one clearance and then second clearance will be applied, then my construction will be delayed. Regarding coalmines, it is not that without clearance we are going to set up any of the things, neither the plant nor the mine. Both will be given but there was a link earlier which has now been separated. It was leading to delays in implementation of the project. They have to have the licence.

4.27 During the discussion on the subject the Committee got indications that though coal is available in sufficient quantity, but due to inadequate rail transportation capacity it is not reaching to the beneficiary. The Committee, therefore, examined the Ministry of Power to be apprised of the situation.

#### **Ministry of Railways**

4.28 The Ministry of Railways informed that the carrying capacity of Indian Railways over various sections is a function of line capacity, maintenance blocks, number of coaching trains and deployment of freight wagons and locomotives. Carrying capacity of Indian Railways has also been augmented over the years by induction of freight wagons and locomotives. During the last two years, 29,100 freight wagons and 1201 locomotive have been inducted on Indian Railways. At times, external factors also impact the carrying capacity of Indian Railway. For example, during the winter months dense foggy weather in northern part of the country severely curtails the carrying capacity of Indian Railways in these corridors.

4.29 The Committee was further apprised that the actual traffic carried on different sections is also dependent upon the traffic offering by various sectors. The actual freight traffic carried on Indian Railways during the last 5 years has been as under:

Year	Loading (in MT)
2012-13	1009.89
2013-14	1053.56
2014-15	1097.58
2015-16	1104.17
2016-17	1108.79

The growth of freight traffic during 2014-15 and 2016-17 has been impacted due to tepid growth in the core sectors and less demand for transportation from the main sectors served by Indian Railways. Indian Railways was geared up to handle much higher level of traffic during this period.

4.30 When the Committee asked for the details of the demand of rakes for transportation of coal for power stations during the last five years and the shortfalls, the Ministry of Railways in their written reply stated as under:-

“Bulk of the coal transported by Indian Railways is sourced from CIL companies. The demand for rakes are placed by the concerned coal companies with the Zonal Railways based on their coal production, capacity to transport coal into the sidings, contractual obligations with the consumers including payments, etc. The consumers of coal, including power plants, do not place demands directly with Railways as is the case with other commodities. It has been observed that at most of the times, the loading capability of the coal company is less than the total demand projected by the coal company which results in loading being less than the projected demand. The details of rakes loaded for power sectors during the last 5 years, including imported coal, are as under:

Year	Loading (Avg. rakes per day)
2012-13	244.33
2013-14	243.72
2014-15	263.82
2015-16	272.18
2016-17	253.20*

\*The marked decrease in the year 2016-17 is primarily on account of less demand by the power sector.

4.31 When the Committee enquired about the shortfall/congestion that is being felt in any specific route(s), it was informed by the Ministry of Railways as under:-

“The pace of capacity augmentation on Indian Railways in the last few decades has not kept pace with the traffic demands and this has resulted in network congestion in most of the major freight corridors of Indian Railways. Out of total number of 1245 sections on Indian Railways, 473 sections are having more than 100 % capacity utilization. On the high density network,

out of 265 sections, 185 sections are having more than 100% capacity utilization.

In order to address the issue of network congestion, focused investments at unprecedented scales are being undertaken to improve the network capacity. Investment to the tune of Rs 8.5 lakh crores has been planned during 2015-16 to 2019-20 to address the issue of congestion on the network. Out of this, Rs 2 lakh crores is planned for network de-congestion, Rs 1 lakh crores for station development and logistics parks and Rs 1 lakh crores for induction of rolling stock. The plan expenditure of Indian Railways has increased from a level of Rs 58,000 crores in 2014-15 to 94,000 crores in 2015-16 and Rs 1,11,660 crores in 2016-17. Plan expenditure of Rs. 1,31,000 crores is being targeted in 2017-18. During the last two years, 1766 Kms of new lines, 1849 Kms of doubling, 3743 Kms of electrification and 2062 Kms of gauge conversion has been completed. During 2017-18 new lines of 800 Kms, doubling of 1600 kms and gauge conversion of 1100 kms is targeted. Further, 29,100 freight wagons and 1,201 locomotives have been added in the last two years.”

4.32 In regards to priority given to transportation of coal for power station the Ministry of Railways have stated as under:-

“Given the critical importance of power sector for the economy of the country, coal for power houses is given the highest priority in allocation and movement of rakes. In case of capacity constraints in a corridor, regulation of other traffic is generally planned to facilitate movement of coal rakes for power houses.

Investments for increasing the carrying capacity of various sections are undertaken on the basis of projected coal traffic required to move through these sections. Wagon procurement is also undertaken keeping in view the projected requirement of coal traffic and wagons used for coal are given priority in procurement.”

4.33 When the Committee desired to know that by what time it is expected that the rail rakes will be made available as per demands, the Ministry of Railways in their written replies have stated as under:.

“Indian Railways is geared up to meet the demand of coal transportation for the power sector. Further, network augmentation and rolling stock inductions are being undertaken to meet the projected demand of coal transportation for power sector in the coming years.

The transportation capacity of Indian Railways in some sector gets adversely impacted for a few months due to external reasons like foggy weather in northern India, heavy monsoon in eastern sector etc. With the commissioning of Eastern Dedicated Freight corridor (which is parallel to the existing highly congested Mughalsarai-Allahabad-Ghaziabad corridor) by March 2020, the constraint of coal transportation to north India during winter months would also get removed."

4.34 The Committee wants to know about absence of 'Adequate Rail Rakes' has been cited as one of the major reasons for having stressed/non-performing assets in power sector. The Ministry of Railways may comment.

"Availability of railway rakes, even in the present scenario of network congestion on major freight corridors, is certainly not a factor for having "stress/non-performing assets" in power sector. While there may be temporary mis-match between the demand-supply position for a particular power station, the coal being made available by the coal companies for the power stations is generally being transported by Indian Railways within a reasonable time of period.

The coal stocks in a particular power plant, apart from the availability of coal in the linked coal mine, are also dependent upon the level of acceptance of coal rakes by the power house during the lean demand period. It has been observed that a large number of power plants regulated coal supplies during 2016-17 and first few months of 2017-18 (when adequate transportation capacity were available) and this has resulted in depletion of coal stocks with these plants during the peak demand period."

#### **Power Purchase Agreement (PPA)**

4.35 Another major problem that Promoters cited as the reason for making their projects stressed was lack of Power Purchase Agreements (PPA). They stated that Discoms are either reluctant to enter into new PPA or not honouring the PPA done in the past, due to various reasons.

4.36 The details of the 34 stressed power projects and Power Purchase Agreement (PPA) as furnished by the Ministry of Power are as under:

Commissioned Capacity 24405 MW		Not yet Commissioned capacity: 15725 MW		Total Stressed Capacity :40130 MW
PPA	16129 MW	PPA	1579 MW	Total PPA 17708 MW
Non- PPA	8276 MW	Non-PPA	8896 MW	Total Non PPA 22422 MW

*4.37 When the Committee raised that issue of partial withdrawal/ withdrawal from Power Purchase Agreement (PPA) by Discoms leading to loss of revenue to generators, the Ministry of Power have commented as under:*

“The PPAs are in the nature of bilateral contract between the procurers (Discoms) and the Developers (suppliers). Each of the PPA has specific terms and conditions setting out the rights and obligations of the suppliers and the procurers including the mutually agreed conditions for the termination of PPA. The procurers and suppliers are legally bound by the terms and conditions of the agreements and not entitled to unilaterally terminate the PPAs except in accordance with the provision contained in the PPA. Recently, Hon. Supreme court in its judgement dated 12.04 2017 in the case of "Energy Watchdog vs CERC" has upheld the supremacy of the PPA, i.e., the parties to the PPA, the procurer and the supplier, are bound by the terms of conditions of the PPAs. It has been observed that the contracting parties are obliged to adhere the terms and conditions of the PPA even if it becomes onerous to one of the parties to perform the contract due to change in market or other parameters subsequent to the signing of the PPA if such change is not covered by the provisions of the PPA. Disputes, if any, regarding PPAs are adjudicated by appropriate Regulatory Commission, APTEL etc.”

#### **Aggressive Competitive Bidding**

4.38 The Ministry of Power have stated that the provision of tariff based competitive bidding in the Electricity Act, 2003 is aimed at achieving lower tariffs based on technical, operational and financial efficiencies brought about through competition. It is expected that bidders would estimate their costs and efficiencies and will act rationally while quoting tariffs so as to have a fair competition. However, some of the bidders might have bid irrationally or overestimated their efficiencies or under estimated their costs and might have quoted lower tariff. Such selected bidder would obviously incur loss for every unit of electricity generated and would face difficulty in repaying the loans.

### **Systemic Problems/Regulatory Problems**

4.39 The Ministry of Power has stated that as setting up of a power plant is a de-licensed activity, decision to set up a power plant is taken by concerned developer based on his own assessment. Developer has to arrange all the inputs like Land, water, fuel, necessary clearances, sale of power under the Power Purchase Agreement. They have further stated that profit or loss in a business depends upon many factors such as decisions taken by the owners demand projections, location of the project, economic scenario of the country, market dynamics etc. In case of power sector, over projection of demand of electricity accompanied with the aggressive bidding decisions were made by the owners/developers and hence some of them are running in profit and few are in loss.

4.40 When the Committee desired to know the link between regulatory assets and NPAs in power sector, the Ministry of Power have stated that creation of regulatory assets is a means adopted by some of the State Commissions to limit tariff impact in a particular year. If carrying cost of such regulatory assets are built into the tariff, it should not cause financial stress to the Discom. Nevertheless, para 8.2.2 of the Tariff Policy notified in January 2006, stipulates that this tool can be used as a very rare exception in case of natural calamities or force majeure conditions. It further stipulates that cost of outstanding regulatory assets along with carrying cost of the same should be recovered in a period not exceeding 7 years.

*4.41 In reply to the query of the Committee about the operational constraints, i.e., generation, transmission and distribution that are leading to NPAs in power sector, the Ministry of Power have stated as under:*

“Generally the interstate transmission system is planned and developed based on the long term access (LTA) sought by the generation projects as per the transmission planning criteria and regulations in vogue. The transmission planning is done well in advance and efforts are made to implement the transmission system in the matching time frame of the generation projects. As such, there are no operational constraints related to inter-state transmission which is leading to creation to non-performing assets (Generation projects).”

## **V. ROLE OF RBI/MINISTRY OF FINANCE/BANKS IN FINANCING OF POWER PROJECTS**

### **Reserve Bank of India**

5.1 Section 35A of Banking Regulation Act, 1949 empowers RBI to issue directions to banking companies regarding conduct of their affairs. It is under this power that RBI issues Master Circulars/Guidelines from time to time prescribing definitions/norms to be followed by banking companies. RBI revises its Master Circulars/guidelines periodically keeping in view the prevailing macroeconomic situation, systemic risk and an assessment of the health of the banking system. The guidelines so issued are sector agnostic and is applicable to all sectors including power.

5.2 The Committee was apprised by the RBI that since credit decisions stand deregulated the Banks are required to take credit related decisions based on their internal assessment of the commercial viability of the loan within their Board approved credit/lending policies framed in accordance with commercial considerations and extant regulatory norms and guidelines.

5.3 It was further stated that Department of Banking Supervision (DBS), Reserve Bank of India checks the implementation and enforcement of the guidelines issued by RBI across all banks during the Annual Financial Inspection (AFI) and Risk Based Supervision (RBS). The non-compliances observed by the banks are communicated to the banks and the banks are asked to comply with the guidelines making required provisions, putting in place requisite monitoring and control mechanisms to avoid such non-compliances in future. Further, compliance

to RBI instructions on income recognition, asset classification and provisioning norms are verified by banks' internal audit, concurrent audit and statutory auditors also. Further, the terms and conditions for financing power projects are determined by banks concerned as an operational decision on commercial matters.

5.4 When the Committee desired to know the suggestions of the Reserve Bank of India/the Ministry of Finance in regard to alleviate the existing problem of stressed/non-performing assets in electricity sector, the Department of Financial Services, Ministry of Finance, in their written reply, have stated as under:

“As reported by RBI, it has issued various guidelines from time to time on credit risk management and especially on NPA management to facilitate banks to take corrective measures to address the Asset quality concern. RBI has advised banks to put in place robust mechanism for early detection of signs of distress and to use such early warning signal to put in place an effective preventive Asset quality management framework, including a transparent restructuring mechanism in case of viable accounts for preserving the economic value of such accounts. To address the issue of rising stressed assets in the economy RBI has issued guidelines from time to time as mentioned below:

- a. Framework for Revitalising Distressed Assets in the Economy (i.e. JLF framework) dated Feb 26, 2014
- b. Optimal structuring of credit facilities (i.e. 5/25 scheme) dated July 15, 2014
- c. Ability to change ownership/management (i.e. SDR scheme) dated June 8, 2015
- d. Deep Restructuring of Stressed Assets (i.e. S4A guidelines) dated June 13, 2016
- e. Steps to address delays in project implementation (i.e. DCCO guidelines) July 1, 2015
- f. Speedy Exit from Unviable Accounts (i.e. Improved framework for sale of stressed assets) July 1, 2015

The regulations advised by the RBI for tackling the issue of stressed assets are sector-neutral and are applicable to all the sectors of the economy.

In addition, an Inter Ministerial Group has been formed (as mentioned at point no. 10(i) above) to examine systemic issues affecting viability and repayment capacity in the sector, furnish its analysis and make specific recommendations.

The Banking Regulation Act, 1949 was amended and two new Sections (viz. 35AA and 35AB) were inserted enabling the Union Government to authorize the Reserve Bank of India (RBI) to direct banking companies to resolve specific stressed assets by initiating insolvency resolution process, where required. The RBI has also been empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for stressed asset resolution. Soon after the promulgation of the Ordinance, the Reserve Bank issued a directive bringing the changes to the existing regulations on dealing with stressed assets. This amendment has enabled RBI to intervene in specific cases of resolution of non-performing assets, to bring them to a definite conclusion.

Consequently, RBI constituted an Internal Advisory Committee (IAC). The IAC, is focused on large stressed accounts at this stage and accordingly took up for consideration the accounts which were classified partly or wholly as non-performing from amongst the top 500 exposures in the banking system. The Reserve Bank, based on the recommendations of the IAC, has accordingly issued directions to banks to file for insolvency proceedings under the IBC in respect of the identified 12 accounts. Apart from the above, banks and other financial creditors as well as some operational creditors have initiated insolvency proceedings against several other defaulting borrowers. Also, the RBI in order to strengthen the role of the Overseeing Committee (OC) in exercise of the powers vested under Section 35AB of the ordinance, brought the OC under its aegis with an expanded membership to include three new members in a bid to speed up bad loans resolution. The Committee now consists of five members.”

5.5 The Committee pointed out that stressed asset to the tune of Rs.2 lakh crore has been identified. There are 34 power projects that have been categorized as stressed/NPAs. When the Committee desired to know whether any task force has been constituted by the RBI to study these stressed projects in power sector, the representative of RBI has deposed before the Committee as under:

“It is not so much sector-specific, I must admit, but in general, the large NPAs of every bank are discussed periodically with the banks through face to face meetings. That is also part of the supervisory setup. That is an ongoing process. The stress is in many sectors, not just in energy. It is in so many sectors. We are fighting on many fronts, so to speak.

*5.6 When the Committee asked the representative of the RBI to explain the phenomena of stressed assets in power sector, he stated as under:*

“Certain principal areas which have resulted in stress for example the GENCOs due to a number of factors which are not necessarily linked so much to the finance as to the expectations of certain cash flows which they were to get. There is input cost on the one side, availability of input, changes midway through the project as to from where they are going to source their raw material in the first place; renegotiations in the PPAs for example or the lack of PPAs, poor off take and so on.

There was a lot of delay in the implementation of the project for various reasons. Some of them were Greenfield field projects; the land is not being released and so on. Environmental issues are there. For all these, there was a lot of delay. To accommodate these delays we have brought in regulatory framework under which we will allow such delays to happen without classifying the loan as impaired or a non-performing asset up to four years. For typically we will allow for delay from the time commercial production was to start and a further two years in case a new promoter is found. Even after so much delay they feel that the existing promoter cannot do it and even may be the promoters themselves feel that somebody new has to take up the project, we are giving another two years. So, in total we are giving six years’ time in general to infrastructure projects of which obviously power projects are very part of the infrastructure projects.”

**Provisioning measure**

*5.7 In regards to provisioning measure, he stated as under:*

“Next year we will be moving to an expected loss provisioning framework under the IFRS which will demand a much higher level of provisioning than what is available today. So, we need to plan and we are working on bringing the banks to much higher provisioning levels. It is because when banks have higher provisions, they are in a better position to take hard decisions as to when to cut a project and then restructure it or when perhaps with a haircut pass it on to another promoter. Right now it impairs them because the first thing the bank thinks is that if I do this what will happen to my balance

sheet and profit and loss. So the idea is to build the provisions in time. For this we are looking at the whole gamut of provisioning starting from loans under stress.”

5.8 When the Committee desired to know the sanctity of of 90 days for categorizing assets as NPA, the representative of RBI has responded as under:

“Globally, banks recognize an account as impaired today if it is about 90 days or some are less. But globally, it is a standard that if an account is not servicing, either the principal or the interest beyond the 90 day period, it is to be classified as a non-performing asset. Going forward from next year, it is going to become even most difficult.

Our banks are not islands within the country. Our banks have to deal with international counter-parties. They have to provide letters of credit to other financial players globally for the importers. They interact and enter into financial arrangements across the world and the assessment of the country’s economic strength to a large extent and the major proportion of that is assessed as to what is the strength of its financial system and in particular, the banking system. We could have been very comfortable not having the concept of NPA if we were an island. But we are not. We have evaluated and it costs us money. If the rating of a bank goes down, then the cost of raising of capital goes up. For these reasons, it is extremely important that we follow certain standards where counterparties who deal with us across the globe will understand in respect that we are running our house in a manner that is considered consistent with the standards.

#### **DFS, MoF**

5.9 When the Committee desired to know measures that should be taken by the Ministry or the concerned authorities of the sector to ensure- non occurrence of such problem in future, the Department of Financial Services, Ministry of Finance, in their written reply, have stated as under:

“Recent discussions indicate that adoption of certain measures could go a long way in obviating recurrence of such problem in future. This inter-alia includes:

#### **Pre Sanction**

- A detailed assessment of availability of raw materials and evacuation facility
- Concurrent financing of Project and EPC on ring fenced basis only

- Critical Regulatory clearances/approvals are in place
- Ensuring Promoter's Equity
- Tail Risk to be factored in project cost
- Appraisal for Non fund based facilities at par with Fund based facilities

**During implementation**

- Operationalisation of TRA/Escrow arrangements from disbursement
- Specialized Agencies for Monitoring
- Testing of Financial & Technical covenants during implementation
- Focus on Cash flow financing

**Capacity Building**

- Developing Industry wise Technical expertise

5.10 When the Committee asked whether these terms and conditions/guidelines were adhered to in case of the said 34 stressed power projects and If not, who is to be held responsible for such lapses and that action to be taken to prevent recurrence of such violations, the Department of Financial Services, Ministry of Finance, in their written reply, have stated as under:

“RBI has issued statutory guideline vide Master Circular dated July 01, 2015 (DBR. No. Dir. BC. 10/13.03.00/2015-16) with regard to financing of Infrastructure projects which also includes power projects. The same is applicable to all Scheduled Commercial Banks.

In case of lapses the staff accountability is fixed by lending institutions as per their disciplinary guidelines. In case of accountability of WTDs, the matter is examined and appropriate action is taken by DFS as per extant CVC guidelines.”

5.11 When the Committee enquired as to how the viability of these projects, at the stage of financing, were assessed, the Department of Financial Services, Ministry of Finance, in their written reply, have stated as under:

“As reported by banks, the general procedure followed for assessing the viability of these projects as per their Board approved policy is as follows:

- a. The viability of the power project is assessed based on the Techno Economic Viability (TEV) Study conducted by an independent consultant, who will prepare the Detailed Project Report (DPR) on the power project.
- b. Further based on the DPR, banks / financial institutions like (Rural Electrification Corporation (REC), Power Finance Corporation (PFC)) etc., will appraise the project viability independently.
- c. Generally, the loans are sanctioned to power projects under consortium arrangement. The lead bank will appraise the project based on the DPR / TEV report.
- d. For conducting the appraisal, banks generally have a separate department/team of technical and financial expert staff.
- e. After the appraisal, in case the project is found technically viable and economically feasible and is in conformity with the bank's laid down policy, the lead bank will circulate their appraisal report to other banks who are interested to take exposure in the project.
- f. Individual banks will also appraise / vet the appraisal report of lead lender and DPR / TEV report and thereafter, will take up for sanction.

Since credit decisions stand deregulated the Banks are required to take credit related decisions based on their internal assessment of the commercial viability of the loan within their Board approved credit/lending policies framed in accordance with commercial considerations and extant regulatory norms and guidelines. Further, the norms issued by CERC-Central Electricity Regulatory Commission regarding capital cost, generation cost and regulation of the power tariff are taken into consideration while assessing the viability of the power projects.

It is submitted that DFS plays no part in the operational credit decisions, and Banks/FIs have complete autonomy in this regard.”

5.12 The Committee desired to know whether financial institutions/lenders consult any institutions /body of power sector in regard to soundness of proposal/economical viability of power projects which is seeking loan, the Department of Financial Services has stated as under:

“As reported by banks, the general procedure followed before sanctioning a proposal is that the viability of the power project is assessed based on the Techno Economic Viability (TEV) Study conducted by an independent sector consultant with expertise in power projects, who will prepare the Detailed Project Report (DPR)

on the power project. Further based on the DPR, banks / financial institutions like (SBI, Rural Electrification Corporation (REC), Power Finance Corporation (PFC)) etc., will appraise the project viability independently. In addition Individual banks will also appraise / vet the appraisal report of lead lender and DPR / TEV report and thereafter, will take up for sanction. In addition to the above, lenders appoint independent engineers (Lenders Independent Engineers) to opine on the technical and economic aspects of the project, who are also involved in continuous monitoring of the project till DCCO.”

5.13 In regards to the provision for SDR (Strategic Debt Restructuring) the Department of Financial Services has stated that as advised in RBI circular “Strategic Debt Restructuring Scheme” dated June 8, 2015, in cases of restructuring of accounts where borrower companies are not able to come out of stress due to operational/ managerial inefficiencies despite substantial sacrifices made by the lending banks, banks may consider change in ownership as one of options. The joint lenders forum (JLF) reviews the account and examine whether the account will be viable by effecting a change in ownership.

5.14 Further, it was also advised that the ‘new promoter’ should not be a person/entity/subsidiary/associate etc. (domestic as well as overseas), from the existing promoter/promoter group and banks should clearly establish that the acquirer does not belong to the existing promoter group.

5.15 When the Committee desired to know the conditions that enable the plants to merit SDR, Department of Financial Services has stated as under:

“As advised in RBI circular “Strategic Debt Restructuring Scheme” dated June 8, 2015, in cases of restructuring of accounts where borrower companies are not able to come out of stress due to operational/managerial inefficiencies despite substantial sacrifices made by the lending banks, banks may consider change in ownership as one of options. The joint lenders forum (JLF) reviews the account and examine whether the account will be viable by effecting a change in ownership. It was also advised that the ‘new promoter’ should not be a person/entity/subsidiary/associate etc. (domestic as well as overseas), from the existing promoter/promoter group and banks should clearly establish that the acquirer does not belong to the existing promoter group. It is observed that in many

cases of restructuring of accounts, borrower companies are not able to come out of stress due to operational/ managerial inefficiencies despite substantial sacrifices made by the lending banks. In such cases, change of ownership will be a preferred option.”

5.16 *On being asked by the Committee about the time line prescribed for such restructuring and in what manner it will help in making the plant/project viable and operational, the Department of Financial Services has stated as under:*

“As per the RBI circular “*Review of Prudential Guidelines - Revitalising Stressed Assets in the Economy*” dated February 25, 2016 Circular, the lenders have 180 days from the ‘reference date’ to convert the debt into equity and a total of 18 months from the ‘reference date’ to divest the converted equity to the new promoters. The date of JLF’s decision to undertake SDR is known as ‘reference date’; which would vary from account to account. If the lenders are unable to abide by these timelines, various provisioning and asset classification benefits, as advised under SDR scheme, are not applicable. In case efforts under the SDR do not yield results, the Bank may refer the case to the NCLT under the IBC.”

5.17 *When the Committee desired to know in what manner this mechanism is better and result oriented than the previous one made for overseeing the progress of the projects prior to their becoming stressed or NPAs, the Department of Financial Services has stated as under:*

“As advised by RBI, SDR should be executed only in cases where change in ownership is likely to improve the economic value of the loan asset and the prospects of recovery of their dues. It also ensures more skin in the game for promoters in reviving stressed accounts and provides lenders with enhanced capabilities to initiate change of ownership in accounts which fail to achieve projected viability milestones.”

5.18 *When on being enquired by the Committee that whether restructuring of plants will inflate the cost of production of plant, it was stated by the Department of Financial Services as under:*

“As clarified by RBI, while restructuring of plants usually entails an increase in cost, all the restructuring guidelines strictly mandate that no restructuring shall be done by the banks unless commercial viability of the projects is established to the satisfaction of the banks. The basic objective of restructuring is to preserve economic value of

units, not ever-greening of problem accounts. Typically, such restructurings also require promoters to bring in additional equity and include a clause for recompense to the lenders after project turns around.”

5.19 On being desirous to know whether the increase in cost and absence of PPA or renegotiation on PPA due to increased cost following restructuring, make the plant un-viable, they were informed by the Department of Financial Services as under:

“The increase in cost in the absence of PPA *prima facie* will make it difficult for the plant to service its debt obligations as operations of the plant may not be accompanied by commensurate revenue generation. The position in case of renegotiation of PPA due to increased cost would also have a similar impact. However, in case there is demand in the market and project is able to sell power directly there is a possibility for plant to service debt.”

5.20 When the Committee asked whether it can be ensured that operation of the restructured plant will definitely go on the expected lines with regard to its tariff and PPA, the Department of Financial Services has stated as under:

“As per Banks, restructuring is considered only after technical and economic viability is established through a TEV study by an independent consultant. Assumptions like confirmed sourcing of fuel at certain rate and selling of generated power at a certain price are considered in the TEV study. Operations of the restructured plant can be on the expected lines subject to compliance of assumptions and other conditions including timely fixation of tariff by the regulator, availability of schedules for drawl of power, adherence to PPA etc.”

5.21 Whether Ministry has taken a view about the situation in its entirety that restructuring would help the power sector in becoming competitive, economic and remain viable during its lifetime, the Department of Financial Services has stated as under:

“In view of the prevailing stress in specific sectors, Govt. has formed an Inter-Ministerial Group (IMG) on Sectoral Stress in Power Sector headed by Add. Sec. (Power) with various line ministries concerned as members. The mandate of IMG is to examine systemic issues affecting viability and repayment capacity in the sector, furnish its

analysis and make specific recommendations. The recommendations of IMG are awaited.”

### **Banks/Lenders**

#### **Working capital issue**

5.22 When the Committee pointed out that many promoters of stressed power projects are complaining about the non availability of adequate working capital, the, CMD, PFC deposed before the Committee as under:

“Because we are a non-banking financial company, we do not have the receivables of the distribution company or the borrower. It is because the revenue of these developers or these companies is coming to their bank accounts. Bank has a charge on that. I am a non-banking financial company. So, we are supposed to give loan for creating assets. We have devised a special loan to help the developers in purchasing coal etc.”

5.23 In regards to grant of working capital, the representative of RBI also explained before the Committee as under:

“On the third question, in a similar way, when it comes to working capital, we have time and again said that simply classifying an account as a non-performing asset is not enough reason to not finance the project. It has been classified as non-performing asset so that some provision is made in case there is a problem. But, if the banker feels that it can be turned around with additional finance, that finance is number one, the additional finance is treated as standard. Even if the account itself is NPA, the additional finance is treated as standard. We have even come out in writing that banks should consider lending fresh to NPAs where they feel that is likely to turn the project around.”

5.24 In regards to providing financing of cost overrun of power projects, the representative of RBI deposed before the Committee as under:

“Coming to the question of cost overrun, the Reserve Bank has never said that you cannot finance more than ‘X’ per cent or ‘Y’ per cent of capital cost or working capital. We have not put any restriction. What we have said is, where there is a project which is under construction, if the cost overrun in the project exceeds 10 per cent of the initial estimated cost, we feel that project might come under stress. It is because, if the costs are going above a certain threshold,

then banks should be careful. Will it be viable, once he comes on stream? We then asked the banks, therefore, to classify the account as, say, restructured and ask for a provision. There is no prohibition on additional finance. Banks will finance as per their prudence, as per their assessment of the viability. There is no restriction from the Reserve Bank of India.”

5.25 In regards to lack of working capital, the CMD, SBI during the sitting of the Committee on the subject, has stated as under:

“I made this submission that we realized that the promoters have run out of their money and they cannot bring what they originally committed, or, whatever they committed, may be they are able to stretch, arrange and increase it by 5 or 10 per cent. As I have said that because it is largely lenders' money, that is, 80 to 85 per cent, for all practical purposes I have become the owner of that plant and it is in my interest and it is in the lenders' interest that even if a promoter is not bringing the money, I support him. That is the only submission that I am making that lenders are supporting. No promoter can say that when they came to the banks, they have not been given a patient hearing and we have not tired to hear their issues.

If anytime there is an opportunity that promoters and we are sitting, I would definitely like to ask as to where the banks have not supported them. But, if it is a project, where 25 per cent project is complete and if the promoter is expecting that I will give 100 per cent, there I will have to say sorry. But if a project is 80 per cent complete, I know that the promoter cannot bring the money, I commit today that I will be ready to give the rest of the 20 per cent fund. So, it is like that.”

5.26 However, CMD, PFC while expressing apprehension regarding taking over of the stressed projects by the banks/lenders stated before the Committee as under:

“But the problem is that whenever you take over a project which is 60, 70, 80 per cent completed, when you try to analyse and later find out so many hidden things like many liabilities because in some projects, we are struggling. We are trying to handover the project because that developer had done so many things which were never brought to your notice. But when you actually go to the site, you come to know all those facts. So, it is not so easy. It is very difficult.”

5.27 The Committee pointed out that on the one hand, Banks are sanctioning working capital and on the other, at the time of disbursement, they are adjusting it against the interest. So, the projects are effectively not getting any extra money. In reply to this the Chairman, SBI deposed before the Committee as under:

“I agree that it will not solve the problem and that working capital should be used for working capital. If they are short of working capital, there will be problem of generation, but again, my humble submission is that if the unit's cost of production is higher than the price they are getting from Discoms and if Discoms are not paying them in time - I will review each and every case and will give them adequate working capital - sooner or later, it will again become inadequate.”

**High rate of interest**

5.28 When the Committee enquired about the high rate of interest for power projects and the possible remedy for the same, the Ministry of Power have in their written reply have responded as under:

“PFC has informed that IDC is generally around 15% for projects facing no/ minor delays. However, IDC component as percentage of project cost can increase to the range of 30-40% of the project cost for projects facing substantial time overruns (delay in completion). The quantum of IDC increase depends on the debt disbursed by lenders, interest rate being charged and overall implementation period.

It is obvious that with such high IDC, the capital cost increases and resultant tariff makes it difficult to sell the power. Therefore, in order to make these projects viable, their cost needs to be brought down, which basically means that the promoters and lenders will have to make substantial sacrifices.”

5.29 During the meeting on the subject, the Committee pointed out that many of the power projects were sanctioned loans about seven or eight years back at the interest rate of 13 or 14 per cent. Now the interest rates are coming down, unless this advantage is passed on to these stressed projects, their financial viability may

not be improved. When the Committee desired to know whether there is any mechanism to ensure that the benefit of reduction in interest rates is passed on to the existing lenders so that their commitment will come down, the representative of the RBI has stated as under:

“Now, for at least two years, the RBI has been hammering, with apologies to my colleagues in all the banks, to bring down the lending rates in line with the cost of funds. That is why, we have brought in this new system of marginal costing. If my marginal cost of funds comes down because of various reasons, then it must immediately reflect in my lending rate. A grouse has been that the transmission has not been happening. We have set up a committee to see why this transmission is not happening. It will come out with certain recommendations. I think, it is a very valid problem, but I am sure, my colleague from SBI will have something to say.”

5.30 In this matter the Chairman, SBI explained before the Committee as under:

“There are two things about the interest rate. One is that when the projects were assessed and the interest rates finalised, there was a base rate or should I say a reference point / rate, and based on the risk of each individual project this rate was determined. Over a period of time, if all these assets are stressed assets, then in a stress scenario, kindly understand the banker’s dilemma. One is that if it is a stressed asset where I am not sure of recovery, so I cannot charge higher rate of interest. On the other hand, when the account is very good, then because the borrower has all the options, so he does not pay me, that is, in both situations I am hit

But to the specific question of the interest rate being brought down, we will definitely submit to the Committee our written chart that if the base rate has gone down by say two per cent, if the base rate was 10 per cent and today SBI’s MCLR is 8 per cent and if at that point the contracted rate was say two per cent of our base rate and today it is two per cent above MCLR, then definitely that benefit has been passed on to the borrowers.

The second thing is that as we are discussing stress in this sector, we, as bankers, also realise that even if I charge a higher rate of interest, then it is not going to come back. So, definitely when we do restructuring or we look at the viability, we definitely look at this point that what is the affordability factor. As we are keen that the project is revived and the losses to the banks or lenders are minimised, so again the banks have a very flexible approach. Of course, when we reduce the interest rate from the contracted rate we

do some provisioning, which is called NPV loss where suppose the contracted rate was 12 per cent for 15 years and now I reduce it instead of two per cent, then I have to calculate the loss and that loss also we are providing upfront. But because these assets are stressed assets, so even if I charge them notionally 14-15 per cent, then that money is not going to come back to me. We realise this thing and that is why if they can pay back my principal and what we have done is that if they were to pay it in 12 years, then we are saying that you pay me in 25 years. My contracted rate was two per cent above the reference rate, do not pay me that extra premium and I am ready to give you at even one year MCLR or 50 basis point because ultimately it is to be understood that we, the bankers, also know our job. We know that if the cash flow cannot support that kind of rate of interest, then what is the point in putting that kind of rate of interest and then show my account as NPA and run into problem.

5.31 *Adding further in this matter, the representative of the RBI stated before the Committee as under:*

“One of the ways to go forward on this is to try and -- as we have said -- link the rates to some observable benchmarks on which there is no ambiguity where the lender knows it; the borrower knows it; and we will ask the bank to price it of the external benchmark. Right now, what is happening is that the lending is priced of and internally calculated cost of funds number. It used to be average cost of funds and now it has moved to marginal cost of funds, but still that is not a transparent number, which the outside borrower can understand. It is not something that the layman can understand.”

#### Capacity reduction

5.32 *An issue was raised that if a power project was envisaged for 'x' capacity but in case in future it reduces its capacity, then the banks / financial institutions are necessarily required to create provision for it. The institutions are extremely shy of creating provision in their books of account as they do not want to spoil their books of account. The representative of RBI responding to issue, deposed before the Committee as under:*

“As regards capacity reduction, yes, there may be a situation where there were supposed to be six units of that particular GENCO project and then the person finds, after doing three, that there is not going to be enough PPA and it is going to be unviable to go ahead and complete the project and do all the six units as it will doom the project. So, he wants to stop at three. Now, what is to be seen is that

the finance, which he has taken, for whatever reason typically he would have had a timeline for these six. In most cases, our experience says that he has crossed the timeline for the three also. He should have done the three within a certain period, but he could not. But now he says that it is enough and he wants to stop at three, but the burden of borrowing, which is already upon him with the three, the banks will have to very carefully examine as to how we can work with just those three units coming on-stream.

Thus, generating the revenue and how we can adjust and restructure in a manner that the revenues which are diminished, which are not as what was projected, out of six units, but revenues from three units, how they will help service the restructure loan. Necessarily they will have to be a restructuring of the loan, if there is, then, we say, alright, at least for the period when the loan is on probation and when no repayments are coming, there is a moratorium and one more year if everything is satisfactory, then classify the account as substandard after which you cannot break the account, based on satisfactory performance.

5.33 When the Committee pointed out that one of the stressed power project is facing the situation where if it can stop at a particular capacity, it can run profitably. However, due to the extant provision, they have to expand to the initially proposed capacity with the increased probability of its becoming stressed. In response, the representative of RBI clarified the matter as under:

“We do not say where a project should be stopped or where a project should not be stopped. It is a commercial decision. It is a prudent decision. Only thing is, if it involves the bank having to restructure the repayment in a manner which pushes the repayment more into the future, or to make certain sacrifices. We, request for a limited period of time, then, it can be classified. There is no bar.”

#### **Other Banks not following the decision of the Lead Bank**

5.34 The Committee pointed out the issue raised by some promoters that the other members of the consortium are taking more than two years to take a decision to say ‘yes’ or ‘no’ to the decision taken by the consortium leader, leading to redundancy of the same. Responding to this CMD, PFC has deposed before the Committee as under:

“In some projects, there is a consortium of 27 banks. For example, in the case of KSK Energy, we issued disbursement notice six months

back. Still 50 per cent banks have not done it because they need to go to their boards and it takes time.”

#### **Steps taken By Banks**

5.35 When the Committee desired to know steps taken by banks to address the issue of stressed/ NPAs in power sector, the representative of RBI deposed before the Committee as under:

“In June, 2017, the NPA level in the electricity sector, which includes GENCOs as well as transmission and distribution, was Rs. 37,941 crore. However, the restructured standard assets where bankers have actually gone ahead and restructured the assets to provide relief for the borrower where the renegotiation of the payment schedules have taken place are Rs. 60,858 crore. If the bankers had not been proactive as they have been, if they had not taken the steps, then some of these would have been Rs. 99,000 crore which is a huge amount. So, I would submit that the banks have been active in restructuring wherever they have seen the possibility of doing so. More can be done, but they have done.”

#### **Status of projects financed by SBI**

5.36 When the Committee desired to know the status of the stressed power projects finance by SBI, Chairman of SBI informed the Committee as under:

“Out of this 10, two is already resolved. At least in three units we don't foresee a problem. As I said, in the case of one or two units, they may change hands. If they change hands, they would continue to remain viable. But their debt may have to be reduced. To that extent, it will be a loss which will be borne by the bank. So, we have a mechanism to discover what we call the share value of the asset. That is a very transparent process. We run that process; if suppose there is only a single bidder, then we take that bid, and run through what we call a switch challenge method and we tell the potential investors of bidders, that this is the price I am getting, would you like to take it at a price better than this. If that does not happen, then we sell.

Out of 10, one, we consider to be irretrievable because there only the physical progress is only 25-30 per cent. We don't feel that it is worthwhile that bank spends any more money on this and promoters have already raised their hands that they can't do anything.”

### **PFC Stake**

5.37 When the Committee desired to know the details of NPAs that PFC have in power sector, the CMD, PFC deposed as under:

“With RBI impact, it is 12.5 per cent. Just to give a background, because of RBI guidelines, I had to make provision for assets which were already commissioned of State power utilities which were generating. I was getting paid also but they were commissioned after four years. So, it was a technical provisioning. Without that, my gross NPA is 3.01 per cent. Out of that, State Government utilities’ provision, 80 per cent is already reversed this year. My net NPA with RBI and including State power utilities is 10.55 per cent. But, without that, it is 1.80 per cent. My total under-stressed assets and NPA is roughly of Rs. 30,717 crore. Out of which, Rs. 8,136 crore, that is, roughly 27 per cent is NPA. They are all in private sector. And the stressed assets are for Rs. 22,581 crore.”

5.38 On being asked by the Committee about the exposure of PFC in new coal based power plants, the CMD, PFC stated as under:

“We are not getting any coal waste proposals. Nowadays, we are getting renewable projects and our funding is going more into transmission, distribution, up gradation of sub-transmission and distribution of State power utilities. So, hardly any State like Tamil Nadu, Maharashtra or Telangana has conceived only new generation projects. Otherwise, in the country, we have received no private sector project after 2012 for funding.”

### **Coordination system among banks, promoters, Government and other stake holders.**

5.39 On being asked by the Committee about the coordination system among banks, promoters, Government and other stake holders, the Ministry of Power have furnished the following information:

“The Project Monitoring Group (PMG) was set up in 2013 under Cabinet Secretariat. It is an institutional mechanism for resolving a variety of issues including fast tracking the approvals for setting up and expeditious commissioning of large Public, Private and Public-Private Partnership (PPP) Projects. PMG is now functioning under Prime Minister’s Office (PMO). The projects considered by PMG mainly pertain to sectors such as national highways and railways, civil aviation and shipping, petroleum &natural gas, chemicals

&fertilizers, coal, power and mines, cement, construction and steel, etc.

Further, there is a system for coordination among lenders to a particular project in the form of Joint Lenders Forum (JLF), which is formed in accordance with RBI guidelines issued in February 2014.”

5.40 When the Committee desired to know the mechanism to foresee a plant becoming unviable, un-operational leading to NPA, the Ministry of Power, in their written reply have submitted as under:

“DFS has informed that RBI instructions require a detailed credit risk management architecture to ensure better management of credit risk. More specifically, as per RBI guidelines, before a loan account turns into a NPA, banks are required to identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA1) category as given in the table below:

<b>SMA Sub-categories</b>	<b>Basis for classification</b>
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

Banks have been advised that as soon as an account is reported by any of the lenders to CRILC data base of RBI as SMA-2, they should mandatorily form a committee to be called Joint Lenders' Forum (JLF) if the aggregate exposure of lenders in that account is Rs 1000 million and above. Lenders also have the option of forming a JLF even when the AE in an account is less than Rs.1000 million and/or when the account is reported as SMA-0 or SMA-1. The JLF framework ensures time-bound detection and resolution of stress.

In addition, Banks are also required to monitor accounts for any fraudulent activity. A system of early warning system and red flagged accounts has been prescribed by RBI to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to the RBI and the investigative agencies and timely initiation of the staff accountability proceedings, etc.

Overall, RBI guidelines are in place for early detection and resolution of stress.”

*5.41 When the Committee asked as to how this concept has been evolved and in what manner it is determined which are the viable accounts facing financial difficulties, the Ministry of Power have submitted as under:*

“Department of Financial Services, in consultation with RBI, has informed that in many cases of restructuring of accounts, borrower companies are not able to come out of stress due to operational/managerial inefficiencies despite substantial sacrifices made by the lending banks. In such cases, change of ownership will be a preferred option. The basic concept here is that if the turnaround of borrower entity is hampered due to managerial inefficiencies, the banks should have an option to change the promoters.

RBI guidelines clearly state that no account will be taken up for restructuring by the banks unless the financial viability is established and there is a reasonable certainty of repayment from the borrower, as per the terms of restructuring package. Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by banks would be treated as an attempt at ever greening a weak credit facility and would invite supervisory concerns / action. The viability should be determined by the banks based on the acceptable viability benchmarks determined by them, which may be applied on a case-by-case basis, depending on merits of each case. Illustratively, the parameters may include the Return on Capital Employed, Debt Service Coverage Ratio, Gap between the Internal Rate of Return and Cost of Funds and the amount of provision required in lieu of the diminution in the fair value of the restructured advance. As different sectors of economy have different performance indicators, it will be desirable that banks adopt these broad benchmarks with suitable modifications. Therefore, it has been decided that the viability should be determined by the banks based on the acceptable viability parameters and benchmarks for each parameter determined by them. The broad benchmarks for the viability parameters have been provided by RBI and individual banks may suitably adopt them with appropriate adjustments, if any, for specific sectors while restructuring of accounts.”

5.42 On being asked by the Committee whether it can be said that with this scheme of restructuring, the project will certainly come out of financial stress, the Ministry of Power have submitted as under:

“Department of Financial Services, in consultation with RBI, has informed that strategic Debt Restructuring is an efficient tool in cases involving inefficient promoters. The scheme provides certain benefits in asset classification etc for timely change of promoters in such cases. However, turnaround of the borrower depends on a host of factors, many of which may be outside the control of the new promoters and the lenders.

As stated above, the banks have to ascertain viability of an entity before restructuring its debt under the RBI guidelines. Any restructuring done without assessing the viability would be treated as an attempt at ever greening a weak credit facility. The basic aim of any restructuring is to provide concession to distressed but viable borrowers to enable them to come out of the financial stress.

Reserve Bank has provided a number of options to the banks so that they are able to choose better options if SDR is not considered suitable.”

5.43 In regards to terms and tenure of loan granted for power generation and precautionary measures taken/ being taken before sanction/ disbursement of loan, the Department of Financial Services have informed that the Banks are required to take credit related decisions based on their internal assessment of the commercial viability of the loan within their Board approved policies and Broad regulatory guidelines. The Credit Policy is framed by respective Bank Boards keeping in view commercial considerations and extant regulatory norms.

5.44 In regard to the system of collateral guarantees for the loan sanctioned, Department of Financial Services has informed that as per RBI guidelines, banks should take personal guarantees of directors for the credit facilities, etc. granted to

corporates, public or private, only when absolutely warranted after a careful examination of the circumstances of the case and not as a matter of course. In order to identify the circumstances under which the guarantee may or may not be considered necessary, certain broad parameters have been provided by the Reserve Bank.

5.45 When the Committee desired to know as to how the viability of power projects, at the stage of financing, were assessed, the Ministry of Power in their written reply have furnished the following information as under:

“As reported by banks, the general procedure followed for assessing the viability of these projects as per their Board approved policy is as follows:

- a. The viability of the power project is assessed based on the Techno Economic Viability (TEV) Study conducted by an independent consultant, who will prepare the Detailed Project Report (DPR) on the power project.
- b. Further based on the DPR, banks / financial institutions like (Rural Electrification Corporation (REC), Power Finance Corporation (PFC)) etc., will appraise the project viability independently.
- c. Generally, the loans are sanctioned to power projects under consortium arrangement. The lead bank will appraise the project based on the DPR / TEV report.
- d. For conducting the appraisal, banks generally have a separate department/team of technical and financial expert staff.
- e. After the appraisal, in case the project is found technically viable and economically feasible and is in conformity with the bank’s laid down policy, the lead bank will circulate their appraisal report to other banks who are interested to take exposure in the project.
- f. Individual banks will also appraise / vet the appraisal report of lead lender and DPR / TEV report and thereafter, will take up for sanction.

Since credit decisions stand deregulated the Banks are required to take credit related decisions based on their internal assessment of the commercial viability of the loan within their Board approved credit/lending policies framed in accordance with commercial considerations and extant regulatory norms and guidelines. Further, the norms issued by CERC-Central Electricity Regulatory Commission regarding capital cost, generation cost and regulation of the power tariff are taken into consideration while assessing the viability of the power projects.”

It is submitted that DFS plays no part in the operational credit decisions, and Banks/FIs have complete autonomy in this regard.”

5.46 On being asked whether PPA and Coal linkages are/were the pre-requisite for financing of the projects or there have been instances when financing of the projects were done merely on the basis of anticipation and assurance, the Committee were informed by the Ministry of Finance as under:

“Power sector projects involve medium to long term gestation and given the nature of projects finance, FSAs & PPAs are crucial. As reported by banks, for entering into FSA / coal linkages, one of the pre condition stipulated by coal producer / producing companies is to have firm PPA. An Independent Power Producer has to enter PPA with the State Discoms. Discoms will not enter into PPA agreement unless the project is nearing completion and they will issue Letter of Intent (LOI) to power producing companies (PPA agreement entered after completion of minimum 80% of the project). PPA agreement will be entered before 6 months from the date of commencement of commercial operations. Based on such LOI issued by Discoms, coal producing companies such as CIL will also issue Letter of Assurance (LOA) for entering the FSA agreement 6 to 9 months before the date of commencement of commercial operations.”

## **VI. ROLE OF MINISTRY OF POWER/CEA/CERC/SERCS IN REGULATION AND DEVELOPMENT OF POWER SECTOR**

6.1 Electricity is a concurrent subject at entry number 38 in the List III of the Seventh Schedule of the Constitution of India. The Ministry of Power is primarily responsible for the development of electrical energy in the country. The Ministry is concerned with perspective planning, policy formulation, processing of projects for investment decisions, monitoring of the implementation of power projects, training and manpower development and the administration and enactment of legislation in regard to thermal, hydro power generation, transmission and distribution.

6.2 The main items of work dealt with by the Ministry of Power are as given below:

- General Policy in the electric power sector and issues relating to energy policy and coordination thereof, (Details of short, medium and long-term policies in terms of formulation, acceptance, implementation and review of such policies, cutting across sectors, fuels, regions and intra-country and inter-country flows);
- All matters relating to hydro-electric power (except small/mini/micro hydel projects of and below 25 MW capacity) and thermal power and transmission & distribution system network;
- Research, development and technical assistance relating to hydro-electric and thermal power, transmission system network and distribution systems in the States/UTs;
- Administration of the Electricity Act, 2003(36 of 2003), the Energy Conservation Act, 2001(52 of 2001), the Damodar Valley Corporation Act, 1948 (14 of 1948) and Bhakra Beas Management Board as provided in the Punjab Reorganization Act, 1966 (31 of 1966);
- All matters relating to Central Electricity Authority, Central Electricity Regulatory Commission and Appellate Tribunal for Electricity;
- Rural Electrification;
- Power Schemes and issues relating to power supply/development schemes/programmes/decentralized and distributed generation in the States and Union Territories;

### **Central Electricity Authority (CEA)**

6.3 The Section 70, Section 73 and section 74 of the Electricity Act 2003 specifies the Constitution of Authority, Functions and duties of Authority and Power to require statistics and returns of the Authority respectively. The functions and duties of Central Electricity Authority as per section 73 of the Act are defined as follows:

#### **“Section 73:**

The Authority shall perform such functions and duties as the Central Government may prescribe or direct, and in particular to -

- a) advise the Central Government on the matters relating to the national electricity policy, formulate short-term and perspective plans for development of the electricity system and co-ordinate the activities of the planning agencies for the optimal utilization of resources to sub serve the interests of the national economy and to provide reliable and affordable electricity for all consumers;
- b) specify the technical standards for construction of electrical plants, electric lines and connectivity to the grid;
- c) specify the safety requirements for construction, operation and maintenance of electrical plants and electric lines;
- d) specify the Grid Standards for operation and maintenance of transmission lines;
- e) specify the conditions for installation of meters for transmission and supply of electricity;
- f) promote and assist in the timely completion of schemes and projects for improving and augmenting the electricity system;
- g) promote measures for advancing the skill of persons engaged in the electricity industry;
- h) advise the Central Government on any matter on which its advice is sought or make recommendation to that Government on any matter if, in the opinion of the Authority, the recommendation would help in improving the generation, transmission, trading, distribution and utilisation of electricity;
- i) collect and record the data concerning the generation, transmission, trading, distribution and utilisation of electricity and carry out studies relating to cost, efficiency, competitiveness and such like matters;

- j) make public from time to time the information secured under this Act, and provide for the publication of reports and investigations;
- k) promote research in matters affecting the generation, transmission, distribution and trading of electricity;
- l) carry out, or cause to be carried out, any investigation for the purposes of generating or transmitting or distributing electricity;
- m) advise any State Government, licensees or the generating companies on such matters which shall enable them to operate and maintain the electricity system under their ownership or control in an improved manner and where necessary, in co-ordination with any other Government, licensee or the generating company owning or having the control of another electricity system;
- n) advise the Appropriate Government and the Appropriate Commission on all technical matters relating to generation, transmission and distribution of electricity; and
- o) discharge such other functions as may be provided under this Act."

6.4 From the above it can be observed that CEA has been given the responsibility of advising the Central Government on the matters relating to the national electricity policy, formulate short-term and perspective plans for development of the electricity system and co-ordinate the activities of the planning agencies for the optimal utilisation of resources to serve the interests of the national economy and to provide reliable and affordable electricity for all consumers; Further CEA has to specify the technical standards for construction of electrical plants, electric lines and connectivity to the grid; as well as specify the safety requirements for construction, operation and maintenance of electrical plants and electric lines in addition to other responsibilities as above.

## **CERC**

6.5 Functions of Central Commission are defined in section 79 of the Act. As per section 79 of the Act, functions of central commission are described as :

### **Section 79:**

- (a) to regulate the tariff of generating companies owned or controlled by the Central Government;
- (b) to regulate the tariff of generating companies other than those owned or controlled by the Central Government specified in clause(a), if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State;
- (c) to regulate the inter-State transmission of electricity ;
- (d) to determine tariff for inter-State transmission of electricity;
- (e) to issue licenses to persons to function as transmission licensee and electricity trader with respect to their inter-State operations;
- (f) to adjudicate upon disputes involving generating companies or transmission licensee in regard to matters connected with clauses(a) to (d) above and to refer any dispute for arbitration;
- (g) to levy fees for the purposes of this Act;
- (h) to specify Grid Code having regard to Grid Standards;
- (i) to specify and enforce the standards with respect to quality, continuity and reliability of service by licensees;
- (j) to fix the trading margin in the inter-State trading of electricity, if considered, necessary;
- (k) to discharge such other functions as may be assigned under this Act.

6.6 From the above it can be observed that CERC has been given the responsibility of specifying Grid Code having regard to Grid Standards and regulating the tariff of generating companies in addition to other responsibilities as above.

6.7 When the Committee asked for the detailed of the cased referred relating to Stress Assets of IPPs to CERC or other regulatory bodied during the last 3 years and how they are bound to decide the case within the stipulated timeframe, the Ministry of Power have stated as under:

“The CERC Conduct of Business Regulations (as amended from time to time) provides for six months period and every measure is taken to comply with this time-frame. However, the parties involved seek time for submission of relevant information/ documents and also to provide replies to the questions of the Commission. Thereafter, the matters are taken up for final hearing. After the hearing, the claims are analyzed in detail in the light of the Power Purchase Agreement and the extant legal provisions and accordingly, the Commission decides the claims and orders are issued.

Details of issues where the Central Commission has decided ‘change in law’ petitions are at **Annexure-I**. Details of pending petitions are at **Annexure-II** (out of 34 identified stressed assets). ”

### **SERC**

6.7 Functions of State Commission are defined in section 86 of the Act, which are as follows:

“Section 86. (Functions of State Commission): --- (1) The State Commission shall discharge the following functions, namely: -

a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:

Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;

c) facilitate intra-State transmission and wheeling of electricity;

d) issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

e) promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

- f) adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- g) levy fee for the purposes of this Act;
- h) specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
- i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- j) fix the trading margin in the intra-State trading of electricity, if considered, necessary; and
- k) Discharge such other functions as may be assigned to it under this Act.”

i) From the above it can be observed that SERC has been given the responsibility of specifying State Grid Code having regard to Grid Standards and regulating the tariff of generating companies within the State in addition to other responsibilities as above.

6.8 When the Committee desired to know whether the distressed power sector can be left to its fate more so when it is so vital for the people of the country and economy as well, the Ministry of Power in their written reply have stated as under:

“Setting up of a power plant is a de-licensed activity. As per Section 7 of the Electricity Act, 2003, any generating company may establish, operate and maintain a generating station without obtaining a license/permission if it complies with the technical standards relating to connectivity with the grid. Decision to set up a power plant is taken by concerned developer based on his assessment of market conditions, demand of power in future, finance options, viability of the project etc. Developer has to arrange all the inputs required to produce power i.e. land, water & fuel& necessary clearances. Sale of power under the Power Purchase Agreement is also arranged by the developer.

6.9 They have further added:

“Ministry of Power along with Ministry of Coal has attempted to facilitate the issues of fuel for coal based Thermal Plant. Govt. has approved new more transparent coal linkage policy SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) on 17.05.2017 and it is anticipated that 6 projects out of 34 projects are likely to get substantial relief under this policy.

Ministry of Power has also endeavoured to address the structural issues in the sector like improving the efficiency, finances of DISCOMs and strengthening of infrastructure.

Moreover, its effort to universalize electricity through helping states to achieve 100 % village electrification and provision of connection to all households will help to increase demand.

However, issues like the inability of promoters to bring required equity or escalation of cost of projects to the extent of making the power expensive with respect to power available from other sources is a subject matter of competitive market.”

#### **Steps taken by the Government**

6.11 In regard to efforts made by the Ministry of Power to ease out the present situation, they have enumerated the following steps taken to improve technofinancial capacity of Discoms:

- I. The Scheme **UDAY (Ujwal DISCOMs Assurance Yojana)** was launched on 05-11-2015. Under the Scheme UDAY participating States would take over DISCOMs debt as on 30-09-2015 over two years – 50% in FY 2015-16 and 25% in FY 2016-17. Almost 85% UDAY Bonds have already been issued (Rs. 2.32 lakh cr out of total Rs. 2.72 lakh cr) leading to reduced interest burden for DISCOMs. This has led to savings of nearly Rs 12,000 Crores.
- II. **DeenDayalUpadhyaya Gram JyotiYojana (DDUGJY)** - Under this scheme, projects with total cost of Rs. 42392.46 Crore for 29 States/UTs have been sanctioned. This step will improve the demand situation in the rural areas. By May 2018, electrification of all villages will transform lives of rural people. **GARV (Rural Electrification) App** provides updates related to the electrification of villages and households in India.
- III. **Integrated Power Development Scheme (IPDS)** – Under this scheme to provide quality and reliable 24x7 power supply in the urban area, projects worth Rs 26,133 crore covering 3,598 towns in 538 circles

have been sanctioned for distribution strengthening. Out of 1,346 'Go-live' towns, 837 towns declared Go-live in last three years.

- IV. Government of India took a joint initiative with respective State Government for preparation of State specific documents for providing **24x7 Power for All (PFA)** to all households/homes, industrial and commercial consumers and adequate supply of power to agricultural consumer as per State Policy. All the 36 States/UTs have signed the respective documents.
- V. Augmenting Transmission capacity to remove transmission constraints. Transmission lines have increased by 26% from 2,91,336cKm in March 2014 to 3,67,851 cKm till March 2017. **TARANG (Transmission System Monitoring) App** is designed to monitor the progress of Transmission System in India.
- VI. As approved by the Cabinet, CEA on 08.06.2016 issued the methodology for flexibility in utilization of domestic coal for reducing the cost of power generation.
- VII. An Inter-Ministerial Task Force (IMTF) constituted by Ministry of Coal in June, 2014 to undertake a comprehensive review of existing sources of coal supply and consider the feasibility of rationalizing these sources to optimize cost of transportation, has agreed for implementation of Rationalization of Coal Sources in three stages.

In Stage-I, CIL executed revised Fuel Supply Agreement (FSA) with 17 power plants which resulted in movement rationalization of 24.6 MT coal with a potential annual saving of about Rs. 913 crores in transportation cost. In Stage-II, at present, 4 swaps (saving 687 Crores) are considered.

- VIII. The Government has started Third Party Sampling of Coal at both, loading and unloading end of Generators. This is greatly benefiting the generators& DISCOMs and has reduced the power tariffs to the consumers.

- IX. Environmental Clearance of Power Plants has been delinked from Forest Clearance (FC) (Stage-I) of the linked captive coal block.
- X. Improved transparency through APPs and Web portal
  - A web portal for e-Bidding i.e. "**DEEP (Discovery of Efficient Electricity Price) Portal**" was launched on 12th April, 2016 to bring uniformity and transparency in power procurement by the DISCOMs and to promote competition in electricity sector. All future short term power procurement and medium term power procurement by State Discoms shall be done using e-bidding portal only. This is expected to result in overall reduction of cost of procurement of power.
  - "**Vidyut PRAVAH- Electricity, Price Availability and Highlights**" application launched to make general public aware about the electricity availability. This will empower the consumers, thereby leading all the stakeholders to be more responsive and efficient, bringing more economy to the country.
  - A web portal '**MERIT**' (**Merit Order Despatch of Electricity for Rejuvenation of Income and Transparency**) and **Mobile APP 'MERIT'** has been developed to help State Discoms to optimize their power procurement in more efficient way.
- XI. The revised Tariff Policy notified on 28.01.2016 will ensure availability of electricity to consumers at reasonable and competitive rates, ensure financial viability of the sector and attract investments, promote transparency, consistency and predictability in regulatory approaches across jurisdictions. It will further facilitate competition, efficiency in operations and improvement in quality of supply of electricity. The objective of revised Tariff Policy is to ensure the 4 E's of Electricity for all, Efficiency to ensure affordable tariffs, Environment for a sustainable future, Ease of doing business to attract investments and ensure financial viability.

XII. The Government on 31.03.2017 has extended the time period for the provisional Mega projects (25 projects), for furnishing the final Mega certificates to the Tax authorities to 120 months from the date of import. Further, provisional mega certified project may be considered for Mega Policy benefits in proportion to the long term PPA tied up, as permitted under the Mega Power Policy, once the specified threshold capacity of the project, gets commissioned. Guidelines for the release of Proportionate Bank Guarantee/FDRs for the Provisional Mega Power Project, have been finalized and circulated on 21.09.2017. This is expected to enable developers to competitively bid for PPAs in future. Once the developer commissions the specified threshold capacity, proportional mega benefits would facilitate easing out liquidity crunch with the developers/Banks and improve the viability of their projects.

XIII. Govt. is encouraging e-mobility which will increase the demand for electricity.

XIV. Project Monitoring Group (PMG) under Prime Minister's Office (PMO) is an institutional mechanism for resolving a variety of issues with a view to fast track the approvals for setting up and commissioning of large public, private and PPP Projects and to remove implementation bottlenecks in these projects. Such projects are also reviewed from time to time by Ministry of Power and Central Electricity Authority (CEA).

XV. Reserve Bank of India (RBI) has issued guidelines on 'Strategic Debt Restructuring (SDR) Scheme'. In terms of the said scheme, for viable accounts facing financial difficulties, lenders may consider restructuring of the debts. RBI has also formulated the 'Scheme for Sustainable Structuring of Stressed Assets' (S4A) as an optional framework for the resolution of large stressed accounts. The S4A envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt into sustainable debt and

equity/quasi-equity instruments which are expected to provide upside to the lenders when the borrowers turn around.

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## **Part – II**

### **Observations/ Recommendations of the Committee**

#### **Introduction**

1. The Committee note that delicensing of power generation has been done to attract the entry of private sector into the power generation. This was done as the country was facing huge deficit in energy and peak power. The capacity addition targets required substantial capital addition per year with limited capacity addition expected from the public sector units (both Central and States). Private participation became essential for achieving the fast growth of power generation keeping pace with the demand of the country. During the 11<sup>th</sup> Plan period, private generating companies contributed in electricity generation in a substantial manner by outdoing both Central and State sectors put together. In the capacity addition targets of the Government Private sector have also contributed during the 12<sup>th</sup> Plan period as well. Their contribution to the sector has led the country to a power surplus situation from the power deficient one. Hence it is incumbent upon the Government to ensure the proper facilitation of capacity generation stuck due to several factors and forcing them to become NPA. **The Committee, therefore, recommend that an appropriate task force be formed/constituted to specifically look into the problems of the IPPs with a view to bring them out of NPAs/Stressed Asset mire so that the power generation in the country is given a fillip and the vision of power for all 24x7 is achieved sooner than later.**

### Stressed Assets in Power Sector

2. The Committee note that with the delicensing of the generation, private entrepreneurs have entered into the foray of electricity generation in a big way. The electricity sector has its own inherent uncertainties and volatile conditions. The stability of the sector hinges of many sectors such as demand-supply equilibrium, signing of PPA, backing of FSA, availability of transmission and distribution network, financial health of distribution companies and other regulatory framework. Any lack of updation in any of the areas has the potential to destabilize the delivery capacity of the entire chain. It also has its economic and sectoral implications. If the policy certainty, stable financial arrangements and transparent regulatory framework is permitted slight deviation in between, it may derail the entire activity with unforeseen consequences. Social/ political issues, renegeing of parties from contractual obligations and non-fulfillment of enshrined promises make the situation worse. The issue of NPA/Stressed Assets in power sector is nothing but a combination of all the factors cited above. Collectively, it is unimaginative and more of a fire fighting exercise than a well thought-out, coordinated and impeccably executed attempt for the growth of the power sector. The Committee have heard the views on the status and fate of each of the 34 projects in question and are inclined to infer that it is a concrete manifestation of lack of collective will power, imagination, determination and action plan on the part of all concerned. However, the silver lining is also lurking as now the serious attempts are being made to address the issue and make as many NPAs in power sector

productive as possible. The Committee appreciate the effort of various agencies/ organizations involved in the exercise and presume that they will display courage and a sense of purpose to solve the issue. **The Committee, therefore, recommend that there should be no let up in the efforts to pick up the cudgels of the Stressed Assets and NPA and should focus our resolve for solving the problem.**

3. The Committee note that as per the directions of Reserve Bank of India, an asset is classified as NPA if a loan or an advance where interest or installment of principal remains overdue for a period of 90 days in respect of term-loan. Similarly, stressed assets are accounts where there has been delay in payment of interest and/ or payment as against the repayment scheduled on account of financial difficulties faced by the borrower. As per Income Recognition / Asset Classification norms of RBI, when an asset fails to serve its debt obligation within the prescribed timeframe, it is symptomatic of an incipient stress and potential NPA. This could be due to various reasons and may not be limited to timely project implementation only. In such a situation, corrective measures of various grades, i.e., rectification, restructuring and recovery should be considered keeping in view the totality of the situation. The Committee have been given to understand that now-a-days, prevalent practice of expected loss method to rate power sector the delay in fulfillment of obligation even by a day leads to asset being de-rated. As the rating goes down, the bank starts charging penal interest rather than supporting the asset/project. This kind of practice

will only compound the situation rather than easing it. If the lenders allow a period of 90 days before classifying the asset as NPA, they should be guided by their own norms for charging interest rather than by the grading of assets by the rating agencies. **The Committee, therefore, recommend that for classification of assets as NPA and consequential action as a result thereof lender should follow their own norms regarding charging of interest. They should also keep in view the factors that are responsible for an asset becoming NPA and try to help the asset to the extent possible in not becoming NPA.**

4. The Committee note that credit related issues are deregulated and banks are required to take credit related decisions based on their internal assessment of the commercial viability of loan within their approved policies and relevant regulatory guidelines. However, Reserve Bank of India and Department of Banking Supervision check the implementation and enforcement of guidelines at various stages. Non-compliance of guidelines are communicated to the respective banks by the RBI with a view to make required provisions putting in place the requisite monitoring and control mechanism. The compliance of banks to these observations are tracked through monitoring action plan/ risk mitigation plan. Banks' internal audit, concurrent audit and statutory audit verify the instructions on income recognition, classification and provisioning norms as laid down by the RBI. The Committee note that sufficient checks and balances have been introduced with regard to the lending by the banks. Despite this provision, it

is felt that due prudence have not been observed by the banks while considering the loan. Therefore, the process and stages of granting a loan along with the criteria for loan grant needs a revisit. A realistic and comprehensive approach should be taken keeping in view of the vital factors necessary for the exercise. **The Committee, therefore, recommend that the process of grant of loan, supervisory mechanism and its subsequent monitoring should be given a relook to make it more realistic and productive.**

5. The Committee note that Section 35A of the Banking Regulation Act, 1949 empowers RBI to issue directions to banking companies regarding conduct of their affair. From time to time, RBI also revises its guidelines keeping in view the prevailing macro-economic situation, systematic risk and an assessment of the health of the banking system. There are three such categories under Special Mention Account (SMA) as :

- (a) AMA-0: Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.
- (b) SMA-1: Principal or interest payment overdue between 31-60 days.
- (c) SMA-2: Principal or interest payment overdue between 61-90 days.

These categories prescribe the stages for identifying the brewing stress in the account. Once an account comes in the category of SMA-2, banks are mandatorily required to form a committee called Joint Lenders Forum ensuring time-bound detection and resolution of stress. However, the

Committee note that all these exercises trigger only by the non-fulfillment or non-payment of the credit repayment obligation. Centrality of the entire exercise revolves around the safe recovery of the loans granted to the project rather than resolving the issue of stress and making the asset productive. The Committee are of the considered view that providing finances, though vital, to the project is only one of the several factors essential for the commissioning of the project. As of now, commissioned plants worth of thousands of MWs are under severe financial stress and are currently under SMA-1/2 stage or on the brink of becoming NPA. This is due to fuel shortage, sub-optimal loading, untied capacities, absence of FSA and lack of PPA, etc. These projects were commissioned on the basis of national need/ demand of electricity, availability of all other essentials required in this regard. However, due to unforeseen circumstances, these plants are suffering from cash flows, credit rating, interest servicing etc. Hence, simply applying the RBI guidelines mechanically by the banks, financial institutions, joint lender forums will push these plants further into trouble without any hope of recovery. The Government of India proposed new credit rating system for fundamentally strong projects which face temporary cash flow mismatch. The emphasis was on various inbuilt credit enhancement structures. The Committee understand that banks have not adopted these guidelines for assessing the credit risk of infrastructure companies. The new norms provided the risk weight corresponding to each rating levels which the banks have to use for their capital adequacy. The Committee are of the opinion that banks and other financial institutions should analyse and adopt these guidelines in the proper spirit to provide some succor to the stress

assets. **The Committee, therefore, recommend that RBI should advise all commercial banks to follow the credit rating system proposed by the Government for assessing the credit risk of infrastructure companies and prescribe risk weight accordingly.**

**Power Purchase Agreement**

6. The Committee note that credit decisions by banks are taken on the basis of the assessment of commercial viability of the loan and extant regulatory norms and guidelines. Further, the norms issued by CERC (Central Electricity Regulatory Commission) regarding capital cost, generation cost and regulation of power tariff are taken into consideration while assessing the viability of the power projects. Power projects involve medium to long-term gestation and given the nature of the project finance, FSAs and PPAs are very crucial for the project. However, the Committee note that for entering into FSA/ Coal linkages, one of the pre-condition stipulated by coal producers is to have PPA and Independent Power Producer has to enter PPA with State Discoms. Discom will not enter into PPA unless the project is nearing completion and rather Discom issue Letter of Intent to power producing companies (Power Purchase Agreement entered only after the completion of minimum of 80 per cent of the project). PPA is usually entered into before 6 months from the date of the commencement of the commercial operation. Based on such Letter of Intent issued by Discoms, coal producing companies such as Coal India Ltd. also issue Letter of Assurance for entering into fuel supply agreement, 6 to 9 months before the

date of commencement of commercial operation. The Committee note that the entire process of power plant becoming a reality work in a cyclic manner based on the good intent, trust and assurance of each other. Based on this cycle only, huge investments are done and massive exercise to establish the plants are also undertaken by the all concerned. This in totality becomes the symbol of collective efforts of public importance. The letter of intent and letter of assurance assume the sanctity of such proportion that on their basis, loans are granted/ disbursed and the chain of the events begin. Any rethinking on this have severe repercussions. The Committee are of the opinion that these documents should be given the status of Testaments and be made justiciable so as to ensure that the commitments made by respective Department/agency are honoured and no renegeing is allowed. Any subsequent policy formulation must have in view the commitment made in such letter of intent or letter of assurances. The pool of efforts in this regard cannot work in isolation and will have to work in tandem to see the success. **The Committee, therefore, strongly recommend that keeping in view the enormity of the efforts and the consequences, any commitment from any side with regard to establishing infrastructure projects like power plant should be sincere, honest and transparent without any scope of backtracking so that collective efforts of nation building are taken to logical end.**

7. The Committee note that there are 34 power plants which have been categorized as “stressed”. The different categories of stressed power plants are (i) plants having PPA and requiring coal; (ii) plants having neither coal-

linkage nor PPA; (iii) plants having coal block but the issue of coal block is sub-judice; and (iv) the plants stressed on account of reasons other than coal linkage/block issues. The Committee has been informed that upon cancellation of 204 coal blocks by Supreme Court in September, 2014, coal mines (Special Provision Act, 2015) was notified on 30<sup>th</sup> March, 2015. Under the provisions of the said Act, 84 coal mines have so far been successfully allocated. Of these coal mines, 58 coal mines have been allocated to power sector while rest have gone to other areas. The Committee has also been informed that with a view to ensure that there is no disruption in the power generation arrangements for coal block allottees, it was decided that coal may be supplied to such plants through a separate MoU route till 31.03.2016 as many of the plants were already commissioned or to be commissioned in 2015-16 and had long-term PPAs. The position was reviewed on expiry of the term, i.e., 31.03.2016 and it was decided that these plants may take the coal being made available through the process of special forward e-auction of coal for power sector. In order to ensure that there is no disruption in coal availability to these plants, the term of MoU with these plants which expired on 31.03.2016, was extended till 30.06.2016 so as to facilitate smooth transaction to the special forward e-auction system of CIL. The Committee note that despite serious attempts made by the Government to make available coal to the power sector, the desired results are not achieved and the sector is starving for fuel. Despite separate MoU route, special forward e-auction, extension of the term of MoU, there is no improvement in the ground situation. This has seriously hampered not only the growth of the sector, but has also become one of the major contributory factor for pushing

the assets into NPA. This is a very serious situation and requires urgent remedial measures. **The Committee, therefore, recommend that instead of indulging into futile attempts of different kinds exhibiting hollow exercises only, all efforts should be made to display that there is no mismatch between words, action and the result.**

*Shakti scheme*

8. The Committee note that it was apprised during one of the interaction that there is no shortage of coal and the scheme SHAKTI formulated by the Government will take care of coal allocation for all the present and future power plants. The Committee was also informed that there is no power plants which has PPA, but does not have coal linkage. During interaction with independent power producers of 34 stressed power projects, the Committee were apprised that despite allocation of coal linkage, letter of assurance has not been issued even after 3 months. The Committee expressed its anguish about the manner in which the SHAKTI scheme is being implemented and time is being taken to provide coal to eligible promoters. The Committee has also been apprised that there is no consistency with regard to policy of the coal allocation and e-auction of the coal. This has adversely impacted them. Although, NCDP (New Coal Distribution Policy) envisaged automatic conversion of LOA into FSA upon fulfillment of certain conditions but the CIL, Coal India Limited declined to sign the FSA despite fulfillment of laid down conditions. This is indeed a very serious matter and needs urgent remedial measures by the all concerned. This should not have

been allowed to happen as the stakes involved are enormous. There are genuine apprehensions regarding availability and allocation of coal among the power producers. During the recent study visit, the Committee itself found that the availability of coal in one of the NTPC plants is very critical and this is the situation in several other plants of the NTPC as well. This effectively rebuts the claim of the Coal India that there is no shortage of coal in the country. The Committee expect that CIL would focus on the seriousness of the issues instead of making tall claims without any basis. The delay in the implementation of the scheme of SHAKTI should not have happened as it has disastrous entailing effects. **The Committee, therefore, recommend that CIL should make every effort to make available the required quantity of coal to every developer in a time-bound manner. Such timeframe for provision of coal to developers be also notified for public information.**

*Inter-Ministerial group on NPAs*

9. The Committee note that although generation is a delicensed activity, yet role of various agencies of the Government has been clearly outlined in the Electricity Act, 2003. Electricity Act prescribed the constitution of Central Electricity Authority, its functions, duties and power to require statistics and returns. In addition to advise the Government on matters related to National Electricity Policy, it also formulate perspective plan for the development of electricity system, coordinating the activities of planning agencies for optimal utilization of resources to serve the interest of the

nation and also to provide reliable and affordable electricity for all the consumers, prescribe technical standards for the construction of electrical plants connectivity to the grid, safety requirements of construction, operational and maintenance of plant and timely completion of schemes and projects for improving the system etc. It is also empowered to carry out any investigation for the purpose of generating, transmitting or developing electricity. In view of the Committee, these are the wide ranging powers which can be exercised to streamline the sector. The absence of licenses for generation of electricity has only provided an opportunity for the developers to eschew an inconsequential formality as sector have to be opened if we want to invite competition, efficiency, transparency and growth. Rest of the activities associated with are very much there and the promotional and regulatory framework have not been tinkered. The responsibility dwells upon the Ministry of Power to ensure that promotional and regulatory activities are done in an expected manner. They cannot be absolved from their role and responsibility on the ground of the generation being delicensed. **The Committee, therefore, recommend that Ministry of Power and its associate bodies should become pro-active in understanding and redressing the woes of the sector and expect the inter-Ministerial group of the Ministry will come out with the specific remedies to the different maladies plaguing the sector and distracting its growth. It is expected that the views/ suggestions of the IMG will be realistic, sector friendly and spur the growth of the electricity sector.**

### Regulatory Issues

10. The Committee note that Ministry of Power has made attempts to facilitate the resolution of issues concerning stress in power sector. Several meeting have taken place from July, 2015 onwards with lenders and others but nothing concrete has come out so far. The Committee feel that in addition to financial matters, stress in the sector is also caused by various operational/ commercial/ regulatory issues. Regulatory matters keep on pending for years without any decision. Even the decisions of the regulatory bodies regarding change in law are not honoured by Discoms and various regulators interpret change in law differently leading to the confusion in the sector. Any situation arising out of the change in law should be uniform all across and if possible be kept out of the purview of the regulators. The Committee are aware that this is a Concurrent Subject and generation is a delicensed activity, but within these limitations some uniform mechanism will have to be explored and established to make the sector stable. **The Committee, therefore, recommend that appropriate steps should be taken to ensure that there should be consistency and uniformity with regard to orders emanating from the status of change in law. Provisions should also be made for certain percentage of payments of regulatory dues to be paid by Discoms in case the orders of regulators are being taken to APTEL/ higher judiciary for their consideration and decision.**

### National Electricity Policy

11. The Committee note that Electricity Act, 2003 mandated the Government to prepare a National Electricity Policy in consultation with the all concerned for the development of power system based on optimal utilization of resources such as coal, natural gas, nuclear substances, hydro and sources of renewable energy. The Central Government notified the National Electricity Policy on 10<sup>th</sup> February, 2015 after taking into account the views of the State Governments, Central Electricity Authority, Central Electricity Regulatory Commission and other stake holders. The policy aims at accelerated development of power sector, supplying electricity to all areas and protecting interests of consumers and other stake holders. It also provides for increasing of per capita availability of electricity, financial turn round and commercial viability of electricity sector. The policy also seeks to address the issues of financing of sector programmes including private sector participation and ushering in competition aimed at consumer benefits. The Committee observe that power sector in the country has developed in such a manner which is not balanced and wherein coordinated approach is missing. Delicensing of generation led to spurt in generation activities. However the other essential ingredients associated with it have not been given due attention. A general tendency is observed where the sanctity of PPAs are being questioned. This kind of move is fraught with ramification which is injurious to entire sector. Long-term PPAs are not being signed, absence and inadequacy of fuel linkages has added woes to the sector. All these factors have led to stress of the sector and it is reeling under such cyclical and inter-linked problems that if not addressed in a holistic, honest and transparent

manner, it may lead to ominous portend for the survival of the sector. Other areas which the Electricity Policy have not taken into account are the issues of various clearances, land acquisition, continuance of old and inefficient plants, instability in FSA policies, lack of unanimity on the common issue of 'change in law', regulatory uncertainties and delay, etc. The Committee feel that these are the basic issues for the balanced and efficient growth of power sector which need to be addressed at policy level. As it is quite a long period since the Electricity Policy was last announced, **the Committee, therefore, recommend that in view of the prevailing dichotomic, self-defeating situation in the power sector, National Electricity Policy need to be revisited without any delay taken into account the ground realities to bring suitable amendments so as to address the problems of the electricity sector.**

#### *Role of RBI*

12. The Committee note that RBI has issued guidelines for Strategic Debt Restructuring Scheme. Under the scheme, for viability accounts facing financial difficulties, lenders may consider restructuring the debt. RBI has also formulated the Scheme for Sustainable Structuring of Stressed Assets (S4A) an optional framework for the resolution of large stressed accounts. The S4A envisages determination of sustainable level for a stressed borrower and bifurcation of outstanding debt into sustainable debt and equity/ quasi-equity instruments which are expected to provide upside to the lenders when the borrowers turn-round. In view of the Committee, the scheme of the RBI seems to be appropriate to help the sector but in reality the situation

is not as real as has been attempted to. During interaction with various IPPs regarding the reasons for NPA and financing of sector, the Committee were apprised that NPA in power sector has been abetted by high rate of interest by finances, denial of variables of interest to developers, cost escalation due to extraneous reasons like court cases, delayed decision by lending consortium, lack of working capital, etc. These financial issues are from commonplace in nature but have the potential to affect the viability of the project. No extraordinary measures are required to address these problems which if resolved have the potential to affect a turn-around in the project. **The Committee, therefore, recommend that the revival schemes of the RBI or the Government should be realistic and not symbolic. Every effort should be made to see that projects with huge investment do not become NPA for want of marginal financial infusion or adjustment in the way of making working capital available for passing on the interest variable to the stressed asset.**

#### *Strategic Debt Restructuring*

13. The Committee note that the major reasons for stress in most of the thermal power projects have been attributed to (i) non-availability of Fuel (a) Cancellation of coal block, (b) projects set up without linkage, (ii) lack of enough PPA by states, (iii) inability of the promoter to infuse the equity and working capital, (iv) contractual/ tariff related disputes, (v) issues related to banks/ financial institutions (FIs), (vi) delay in project implementations leading to cost overrun and (vii) aggressive bidding by developers in PPA. Once the project is categorized as NPA, remedial measures of different

efficacy follow. One of the remedies available is Strategic Debt Restructuring Scheme. Under this scheme restructuring of accounts has been envisaged by change in ownership where borrowers' companies are not able to come out of stress due to operational/ managerial inefficiencies despite substantial sacrifices made by the lending banks. The Joint Lender Forum review the account and examine whether the account will be viable by affecting the change in ownership. It also envisages that the new promoter should not be a person/ entity/ subsidiary/ associate etc. from the existing promoter or group and the bank should clearly establish that the acquirer does not belong to the existing promoter group. In case efforts under SDR do not yield desired results, the banks may refer the case to NCLT. The SDR is executed only in cases where change in ownership is likely to improve the economic value of loan asset and the prospects of the recovery of their dues. It provides lenders with enhanced capabilities to initiate change in ownership in accounts which failed to achieve projected viability milestones. The basic object of the restructuring is to preserve economic value of units. The Committee find that Strategic Debt Restructuring Scheme is not efficacious enough as it does not resolve the reasons which have made the project NPA. The Committee have been informed that restructuring is considered only after technical and economic viability is established through a TEV study by an independent consultant. Assumptions like confirm sourcing of fuel at certain rate and selling of generated power at certain price are considered in the study. Operations of the restructured plans can be on expected lines subject to compliance of assumptions and other conditions including timely fixation of tariff by the regulator, availability of schedule for drawl of power

and adherence to PPA. The Committee observe that even after SDR, the factors which are responsible for stress remain unscathed. There is no guarantee that with the substitution of ownership there will be experts, technocrats with required operational expertise and managerial efficiency which will certainly bring a turn-around. Therefore, exercise under SDR is based on assumptions as it is very difficult to pinpoint operational/managerial inefficiencies because the factors which have been enumerated as reasons for NPA are also beyond managerial control and management. **The Committee, therefore, strongly recommend that the guidelines regarding SDR should be reviewed and a pragmatic and genuine mechanism be explored instead of changing the management. Change in management should be considered only after it has been established with certainty that the negligence on the part of the management is the sole reason for the stressed state of affairs of the project.**

#### *Sufficient Coal to Power Plants*

**14.** The Committee note that the major reason for stress of most of the said 34 power projects has been cited as lack of adequate amount of Fuel Supply Agreement. The Committee further note that as per the information furnished by the Ministry of Power, a substantial power project capacity is yet to be provided with the coal linkages. The Ministry of Coal has stated that they have started SHAKTI Scheme under which many stressed power projects have been allocated coal linkages. Nonetheless, there are still power projects which do not have FSA for various reasons including not having Long-term

Power Purchase Agreements (PPA). The developers of the stressed power project, which are having FSA, are complaining that they have not been provided/ contracted with the adequate amount of coal to run the power plants at 85% PLF. Further, at various occasions they have been provided inferior than contracted quality of coal due to various reasons leading to further gap in the coal requirement and supply. Though the Coal India have stated that they have started to bill as per the report of Independent Third Party Audit of Coal supplied, the developers have the complain that this mechanism provided for refund of quality gap of coal only and not the royalty and taxes being paid. Also, due to lesser calorific value of the inferior coal being supplied they are not able to generate the contracted/promised amount of power for the Discoms, making them liable for penalty under the Power Purchase Agreement.

The Committee after having discussions with all the authorities concerned/stakeholders in the matter, have found out that the root cause of this problem is the absence of any platform for coordination among the authorities and power developers. Most of the matters will be resolved easily if all the concerned stakeholders sit together to discuss the issues/problems being faced, at regular intervals. The Ministry of Coal have categorically stated that they are having adequate coal reserves and excavation capacity to fully cater to the need of all the power plants of the country. **In view of the above, the Committee strongly recommend the following:**

- (I) The power plants should be provided enough coal to enable them to run at 85% of PLF, if they desire so.**

- (II) The Committee while appreciating the step of Coal India Ltd. to bill as per the report of Independent Third Party, recommend that the issue of proportionate reduction in royalty and taxes may also be looked into.
- (III) The Committee though are of the view that domestic coal should be used as much as possible for being economical, nonetheless, they desire that if any power plants find it convenient to use certain percentage of imported coal say 15-20% and yet remains economically viable, than they should be allowed to do so. The Committee desire that the Government should not put any restriction or impediments in import of coal for such power projects if these projects desire to import coal in a transparent manner.

#### *Phasing out of Old Power Plants*

15. The Committee observe that the country has come a long way from a power starving to a power sufficient country as far as power generation capacity is concerned. Till recent times, there was acute shortage of power in the country. Considering the yawning gap between demand and supply of power due to ever-growing power demand of the country, private players started to come in a big way, leading to a massive capacity addition of 99,209.5 MW against the target of 88,537 MW during the 12<sup>th</sup> Five Year Plan period viz. 2012-2017. During the said period, the private sector alone

contributed 53,660.5 MW in thermal power generation. This mammoth generation capacity addition in a short span provided a much greater power generation capacity base than the actual power demand, forcing many power plants to run at much lower Plant Load Factor (PLF) and even made some of them redundant. During the same period, a low industrial powers demands due to sluggishness in the economy of the country added fuel to the fire. Many power projects, which were planned and initiated in anticipation of growing power demand, started showing signs of stress due to a sudden change in power demand and supply scenario of the country. The Committee feel that the present scenario of being 'power surplus' is not true. There are crores of households in the country which do not have electricity access. The per capita electricity consumption of the country is nowhere as compared that to the developed nations. Discoms generally under-supply power by preferring power outages to procure costly electricity. However, the Committee are sanguine that the economy of the country may gain momentum in the coming years consequently, the power demand from industrial side is also bound to grow. In the supply side, there are many power plants in the country which have long ago outlived their expected life, and there is hardly any fresh proposal for installation of new thermal power project. During the examination of the subject, the Committee were apprised that despite all the upcoming renewable energy, the thermal power will remain the mainstay of the power generation in the country due to various reasons. Considering all this, the Committee believe that the present crisis of low demand-high supply is transient in nature and may be resolved to a great extent if effective and timely interventions are

made. The Committee, therefore, recommend that the Government should make efforts to boost electricity demand in the country as the per-capita electricity consumption in the country is still very low and the mission to provide 24x7 electricity supply to all household, is yet to be accomplished. Simultaneously, the Government should expedite the phasing out process of the old power plants which have already outlived their expected life having higher than prescribed emission rate with no plan for their Renovation & Modernization. As these power plants ultimately have to be phased out sooner or later, expediting this process will greatly help in making the new but stressed power projects become standard assets. The Committee, therefore, recommend that the Government should plan new thermal power projects and phasing out of old plants in such a manner that the resources are optimally utilized, benefitting not only the power sector but the banking sector too.

**New Delhi;**  
**23<sup>rd</sup> March, 2018**  
**Phalgun 4, 1939 (Saka)**

**DR.KAMBHAMPATI HARI BABU**  
**Chairman,**  
**Standing Committee on Energy**

**Annexure-I**

IPPs	Item of Claims	Adani	GMR	GMR	Adani	Tata Power	Sasan	Sasan	Tata Power	Remarks
DOO/ S.N.		6.2.2017	3.2.2016	1.2.2017	21.2.2014	15.4.2013	31.3.2015 & 30.12.2015	17.2.2017	17.3.2017	
1	Increase in Surface transportation charges	No		No						<p>Disallowed as the change is as a result of commercial decision of Coal India which the petitioner has agreed to accept under the FSA and hence not covered under Change in Law. (para 70 of Adani Order dated 6.2.2017 &amp; para 93 of the order dated 1.2.2017 in GMR case)</p> <p>2. Statutory remedy is appeal before Appellate Tribunal for Electricity under Electricity Act, 2003.</p> <p>3. Adani and GMR filed appeals before the Appellate Tribunal and matter is sub-judice.</p>
2	Increase in Coal Sizing Charges	No		No						<p>Same as above.</p> <p>2. Para 62 of the order dated 6.2.2017 in Adani case and para 93 in order dated 1.2.2017 in GMR case.</p>
3	Change in pricing mechanism from UHV to GCV	No	No	No						<p>Change on account of UHV to GCV is change in base price of coal which is not admissible under Change in in the light of Appellate Tribunal's judgement in Wardha Case. Para 58 of the order dated 3.2.2016 in GMR</p>

										case, Para 68 of the order dated 6.2.2017 in Adani Case and Para 111 of order dated 1.2.2017 in GMR case.  2. Appeals have been filed against the said orders in the Appellate Tribunal and matters are sub-judice
8	Dev Sur on rail freight	No	No	No						1. Disallowed as commercial decision of Indian Railways not covered under Change in Law.  2. Remedy is appeal before Appellate Tribunal which is pending. 2. Indian Railways has clarified that it is part of basic freight charge. Being under consideration whether to factor the increase in escalation index.
9	Busy Season Surcharge on rail freight	No	No	No						do
13	Increase in VAT		No	Yes			No	Yes	No	Earlier, it was disallowed in Sasan Power order dated 31.3.2015 and GMR order dated 3.2.2016. 2. On re-consideration, it was allowed in case of GMR order dated 1.2.2017. 3. Appellate Tribunal in its judgement dated 19.4.2017 in Appeal No.161/MP/2015 (para 46) held that it is covered under Change in Law. 4. Increase in rate of VAT shall be allowed in case of GMR,

									Sasan and Tata Power.
19	Change in MAT		No	No			No		Disallowed as it is imposed post profit. Upheld by the Appellate Tribunal in its judgement dated 19.4.2017 in Appeal No.161/MP/2015 (para 34 & 40). Remedy is before Supreme Court
20	Shortfall in quantum of linkage coal		Yes	On hold					Allowed in order dated 2.3.2016. Disallowed in order dated 1.2.2007 as the Appellate Tribunal held that Change in NCDP is not Change in Law but allowed Change in prices of Indonesian coal as force majeure. GMR was granted liberty to argue force majeure. 3. Hon'ble Supreme Court has held that the letter issued by MoP under the Tariff Policy giving effect to the change in Coal Policy is Change in Law. The Hon'ble Supreme Court rejected the findings of Appellate Tribunal that change in prices of Indonesian coal is covered under force majeure. 4. In the light of the judgement of the Supreme Court, GMR shall be granted the relief for shortfall in quantum of linkage coal subject to its filing the appropriate petition.
26	Gujarat Green Cess	On hold						No	The Gujarat Green Cess Act was set aside by Gujarat High Court.

									On appeal, Supreme Court stayed the judgement and permitted the Gujarat Government to raise demand but cannot enforce the demand. Commission disallowed the claim and granted liberty to Adani Power to approach the Commission if demand for Green Cess is allowed to be enforced by the Supreme Court.(para 57 of the Adani Order dated 6.2.2017)
27	Increase in Water Charges		No						Held in order dated 3.2.2016 that water is an input cost for generation of electricity and the Petitioner who has quoted non-escalable capacity charges and energy charges was expected to factor the change in water charges. (para 69 of the order)  GMR has filed appeal in the Appellate Tribunal and matter is sub-judice.
29	Mine Closure Plan					No			1. Disallowed as the obligation for mine closure plan existed even at the time for bidding for the power project and the petitioner was expected to take into consideration the expenditure on mine closure plan at the time of submission of the bid. (Para 44 of the order dated 31.3.2015 in Sasan Case) 2. Upheld by the Appellate Tribunal in judgement dated dated 19.4.2017 in Appeal

									No.161/MP/2015 (para 47) 3. Appeal filed before the Supreme Court and the matter is sub-judice.
30.	Change inrate of Central Sales Tax			Yes		No		Yes	Earlier, it was disallowed in Sasan Case. On reconsideration, it was allowed in case of GMR and Tata Power. 2. Appellate Tribunal in its judgement dated 19.4.2017 in Appeal No.161/MP/2015 (para 46) held that it is covered under Change in Law. 3. Will be allowed while implementing the order of Appellate Tribunal.
31.	Design Changes in Coal Handling Plants			No					Held that in terms of para 2.6.1 of the RfP, the bidder has acknowledged that price in quoted bid has been fixed after taking into account all contingencies and the bidder shall not seek any financial compensation whatsoever. Therefore, bidder has assumed the responsibility for fuel and hence expenditure under change in law not allowed. (Para 61 of the order dated 1.2.2007) 2. Appeal filed by GMR before Appellate Tribunal and the matter is sub-judice.
32.	Withdrawal of deemed export benefits			No					GMR claimed deemed export benefits claiming that the circular dated 28.11.2011 amounted to withdrawal of benefits to non-Mega Projects.

									2. Held that the Policy regarding the deemed export benefits remained the same as on the cut-off date as well as on the date of issue of the clarification. Therefore, the clarification issued vide Circular dated 28.12.2011 cannot be considered as change in law. (Para 55 of the order dated 1.2.2017) 3. GMR has filed the appeal before the Appellate Tribunal and the matter is sub-judice.
34.	Increase in Working Capital requirement			No					Held that bidders are required to quote all inclusive tariff and there is concept of interest on working capital on competitively bid projects. Hence claim disallowed. (Para 109 of the order dated 1.2.2017). 2. GMR has filed appeal before Appellate Tribunal and matter is sub-judice.
35.	MOE&F notification on coal quality			No				No	Disallowed as per para 99 of the order dated 1.2.2017 in GMR case. GMR challenged this order in Appellate Tribunal and matter is presently sub-judice.
36.	Carrying Cost	No					No	No	Disallowed in the absence of specific provisions in the PPA for awarding carrying cost. However, carrying cost is allowed if payment is not made after specific period of raising of bills on the basis of the Change in Law claims approved by the

									Commission. 2. The affected generating companies have approached Appellate Tribunal and matters are presently sub-judice.
37.	Niryat Kar			On hold					GMR claimed Niryatkar on the basis of invoice of SECL without any pleadings and supporting documents. GMR has been directed to approach the Commission with all relevant documents. (para 94 of the order dated 1.2.2017 in GMR case)
42.	Change in class on Railway freight on coal	No							1. Disallowed as it is result of commercial decision of Indian Railways. Further, the same is included in escalation index. Hence not covered under Change in Law. (Para 70 of the order dated 6.2.2017 in Adani Case) 2. Appeal filed in Appellate Tribunal and matter is presently sub-judice. 3. Indian Railways has clarified that it is part of basic freight charge. Being under consideration whether to factor the increase in escalation index
43.	Change in MAT rate for plants situated in SEZ	No							Disallowed as MAT is imposed on book profit and does not result in change in the cost of or revenue from the business of selling electricity. Hence disallowed under Change in Law. (Para 74 of the order dated 6.2.2017)

										2. The Appellate Tribunal in its judgement dated 19.4.2017 in Appeal No.161/MP/2015 (para 34 & 40) has ruled that Change in MAT rate is not covered under Change in Law.
44.	Inclusion of fuel adjustment component in railway freight	No								For the reasons recorded in para 80 of the order dated 6.2.2017, this claim was disallowed under Change in Law. 2. Appeal has been filed in the Appellate Tribunal and matter is presently sub-judice.
45.	FGD (Installation, Aux & operating expenditure)	On hold								Adani Power was directed to file the claim afresh with relevant documents. 2. Matter is under consideration of the Commission.

Note:

1. As per the provisions of the PPAs, Change in Law claims are to be decided by the Commission. Based on the claims of the generating companies as noted in the chart, the Commission has allowed/ disallowed claims (details are available in the above chart). The Commission decides the claims after hearing both the parties i.e. the generating companies and respective beneficiaries. Wherever claims have been allowed/ disallowed, reasons thereof have been recorded while passing the orders.

2. In terms of the provisions of the PPA, the determination of claims by the Commission is appealable before the Appellate Tribunal for Electricity. As per provisions of Section 111 of the Electricity Act, 2003, the party aggrieved by the order of the Commission can file appeal before the Appellate Tribunal that may after giving an opportunity to the parties being heard pass such orders either confirming or modifying or setting aside the order appealed against. Under Section, 125 of the Act, a second appeal lies before the Hon'ble Supreme Court against the judgement of the Appellate Tribunal.

**Annexure-II**

<b>Sl. No.</b>	<b>Petition No.</b>	<b>Petitioner Name</b>	<b>Petition Received</b>	<b>Hearing held on</b>	<b>Reasons for adjournment</b>	<b>Listed for hearing/ Order Reserved</b>
<b>1</b>	169/MP/2016	KS K Mahanadi Power Co. Ltd.	23.8.2016	15.11.2016	The Petition was listed for hearing on 15.11.2016 and was adjourned sine-die on the request of the Petitioner, due to the pendency of issue of jurisdiction in the High Court of AP. The Petitioner requested to adjourn all the six related Petition filed by it till the adjudication of the dispute regarding jurisdiction.	In this Petition, issue involved is relating to PPA with Telangana and Andhra Pradesh which is pending before the High Court of Andhra Pradesh.
<b>2</b>	170/MP/2016	KS K Mahanadi Power Co. Ltd.	23.8.2016	15.11.2016, 14.9.2017	The Petition was listed for hearing on 15.11.2016 and was adjourned sine-die on the request of the Petitioner, due to the pendency of issue of jurisdiction in the High Court of AP. The Petitioner requested to adjourn all the six related Petition filed by it till the adjudication of the dispute regarding jurisdiction.	After the adjudication of the dispute regarding composite scheme by the Hon'ble Supreme Court, the Petition is listed for hearing on 20.12.2017
<b>3</b>	171/MP/2016	KS K Mahanadi Power Co. Ltd.	23.8.2016	15.11.2016, 14.9.2017	The Petition was listed for hearing on 15.11.2016 and was adjourned sine-die on the request of the Petitioner, due to the pendency of issue of jurisdiction in the High Court of AP. The Petitioner requested to adjourn all the six related Petition filed by it till the adjudication of the dispute regarding jurisdiction.	After the adjudication of the dispute regarding composite scheme by the Hon'ble Supreme Court, the Petition is listed for hearing on 20.12.2017

<b>4</b>	176/MP/2016	KSK Mahanadi Power Co. Ltd.	7.9.2016	Not listed as the issue regarding composite scheme was pending before the Hon'ble Supreme Court.	During the hearing dated 15.11.2016 in 169/MP/2016 & two other petition, the Petitioner requested to adjourn all the six related Petition till the adjudication of the issue.	In this Petition, issue involved is relating to PPA with Telangana and Andhra Pradesh which is pending before the High Court of Andhra Pradesh.
<b>5</b>	179/MP/2016	KSK Mahanadi Power Co. Ltd.	6.9.2016	10.8.2017 14.9.2017	During the hearing dated 15.11.2016 in 169/MP/2016 & two other petition, the Petitioner requested to adjourn all the six related Petition till the adjudication of the issue.	After the adjudication of the dispute regarding composite scheme by the Hon'ble Supreme Court, the Petition is listed for hearing on 20.12.2017
<b>6</b>	178/MP/2016	KSK Mahanadi Power Co. Ltd. <b>(Withdrawn by the Petitioner)</b>	6.9.2016	Not listed as the issue regarding composite scheme was pending before the Hon'ble Supreme Court.	During the hearing dated 15.11.2016 in 169/MP/2016 & two other petition, the Petitioner requested to adjourn all the six related Petition till the adjudication of the issue.	Petition was disposed of vide order dated 9.8.2017 on the request of the Petitioner vide letter dated 4.8.2017 seeking withdrawal of the Petition.

7	1/MP/2017	GMR Warora Energy Ltd.	1.12.2016	16.2.2017 9.5.2017 13.7.2017 30.8.2017	<p>1. The Petition was listed on 16.2.2017 and the notices were issued to respondents to file their replies on or before next date of hearing.</p> <p>2. During the hearing dated 9.5.2017, MSEDC &amp; DNH Distribution Co. requested for four weeks time to file their replies which was allowed. Accordingly, the Petition was listed for hearing on 13.7.2017.</p> <p>3. During the hearing dated 13.7.2017, the Petitioner requested for one week time to file its rejoinder to the reply of MSEDC. TANGEDCO &amp; DNH requested for two weeks time to file their replies. Request was allowed and accordingly, the Petition was listed for hearing on 29.8.2017.</p> <p>4. During the hearing dated 29.8.2017, TANGEDCO requested for two weeks time to file its reply. Accordingly, the Petition was listed for hearing on 12.10.2017. However, the Petition could not be taken up for hearing due to lack of coram.</p>	The Petition is listed for hearing on 22.12.2017.
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8	105/MP/2017 alongwith I.A. No.30/2017 & 42/2017	GMR Kamalanga Energy Ltd.	24.5.2017	20.6.2017 10.8.2017 29.8.2017	<p>1. The Petition and I.A. No. 30/2017 was listed for hearing on 20.6.2017 and the notices were issued to respondents to file their replies in Petition whereas I.A. was disposed of. Accordingly, the Petition was listed for hearing on 10.8.2017.</p> <p>2. The Petitioner filed I.A.No.42/2017 for seeking clarification regarding Commission's order dated 20.6.2017 and during the hearing dated 10.8.2017, the Commission admitted the I.A. No.42/2017. HPPC and PTC India Ltd. requested for time to file detailed reply to I.A. Accordingly, the Petition &amp; I.A. No.42/2017 were listed for hearing on 29.8.2017.</p> <p>3. The Commission vide ROP dated 29.8.2017 directed the Petitioner, HPPC and PTC India Ltd. to convene a joint meeting by 15.9.2017 to resolve the issue regarding recovery of unpaid dues towards fuel cost in terms of order dated 3.2.2016 in Petition No. 79/MP/2013 and therefore the Petitioner was directed to submit a report in this regard within two weeks thereafter. The Commission directed to list the Petition for hearing in due course. The</p>	The Petition is listed for hearing on 20.12.2017.
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					Petitioner vide its letter dated 17.11.2017 has submitted that a meeting was convened on 25.9.2017 and the parties were not reached at any amicable solution.	
<b>9</b>	131/MP/2016	GMR Kamalanga Energy Ltd.	2.8.2016	6.10.2016 20.12.2016 9.5.2017 13.7.2017 29.8.2017	<p>1. The Petition was listed on 6.10.2016 and the parties were directed to complete their pleadings on or before 2.12.2016.</p> <p>2. Subsequently, HPGCL requested for time to file its reply and accordingly the Petition was listed for hearing on 16.2.2017.</p> <p>3. BSP(H)CL vide letter dated 31.1.2017, requested for adjournment from 16.2.2017 to any other date. Accordingly, the matter was adjourned to 23.3.2017 and was further adjourned to 9.5.2017. The Petition was heard on 9.5.2017 wherein the Petitioner submitted that Haryana Discoms have not filed their replies for which direction was issued to Haryana Discoms to file the reply. Accordingly, the Petition was listed for hearing on 13.7.2017.</p> <p>4. During the hearing dated 13.7.2017, Haryana Discoms, PTC India Ltd. &amp; Prayas requested for two weeks time to file their replies. Accordingly, the Petition was listed on 29.8.2017.</p> <p>5. During the hearing dated</p>	The Petition is listed for hearing on 20.12.2017.

					29.8.2017, the Petitioner requested for two weeks time to file its rejoinder to the reply of Prayas. Request was allowed and the Petition was listed for final hearing on 12.10.2017.	
<b>10</b>	101/MP/2017	DB Power Ltd.	2.5.2017	15.6.2017 27.9.2017	<p>1. The Petition was listed for hearing on 15.6.2017 and the parties were directed to complete their pleadings on or before 27.7.2017.</p> <p>2. During the hearing dated 27.7.2017, PTC India Ltd. &amp; Prayas requested for one week time to file their replies. Request was allowed and accordingly, the Petition was listed for hearing on 5.9.2017 and was further adjourned to 27.9.2017 due to lack of coram.</p>	The Petition was finally heard on 27.9.2017 and parties were directed to file their written submissions by 10.11.2017. Accordingly, the order was reserved in the Petition. Order being prepared.

11	229/MP/2016	DB Power Ltd.	10.11.2016	8.12.2016 9.2.2017 9.5.2017 27.7.2017 27.9.2017	<p>1. The Petition was listed on 8.12.2017 and notices were issued to the respondents to file their replies. Subsequently, the Petition was listed on 9.2.2017 on admissibility.</p> <p>2. During the hearing dated 9.2.2017, TANGEDCO requested for four weeks time to file its reply which was allowed and the Petition was listed for hearing on 9.5.2017.</p> <p>2. During the hearing dated 9.5.2017, TANGEDCO requested for three weeks time to file its reply which was allowed and accordingly, the Petition was listed for hearing on 27.7.2017.</p> <p>3. During the hearing dated 27.7.2017, PTC India Ltd. and Prayas requested for one week time to file their replies. Accordingly, the Petition was listed for hearing on 5.9.2017 and was further adjourned to 27.9.2017 due to lack of coram.</p> <p>4. The Petition was listed on 27.9.2017, the Petitioner sought permission to file appropriate notification in respect of change in law events and info. sought by Prayas vide its reply dated 25.9.2017 which was allowed by the Commission.</p>	Order reserved vide ROP dated 27.9.2017. Order being prepared.
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12	137/MP/2016 <b>(Non Change in Law)</b>	GMR Kamalanga Energy Ltd.	8.8.2016	6.10.2016 8.12.2016 2.5.2017	1. The Petition was listed for hearing on 6.10.2016 and the notice was issued to the respondent to file its reply before the next date of hearing. The Commission directed CTU to initiate action to allot relinquished LTA to other parties and the Commission directed the Petitioner to keep the BG alive till further direction and listed the Petition for hearing on 8.12.2016. 2. During the hearing dated 8.12.2016, PGCIL requested for three weeks time to file its reply which was allowed by the Commission and directed parties to complete their pleadings by 24.1.2017. Subsequently, the Commission directed to list the Petition for hearing if needed, after the decision in Petition No. 92/MP/2015.	Order in Petition No.92/MP/2015 is to be issued.
13	68/MP/2017 <b>(Non Change in Law)</b>	DB Power(MP) Ltd.	29.3.2017	25.5.2017 22.8.2017	1. The Petition was listed for hearing on 25.5.2017 and notice was issued to the respondent to file its reply. Subsequently, the Petition was listed for hearing on 22.8.2017. 2. During the hearing dated 22.8.2017, PGCIL requested for three weeks time to file its reply which was allowed by the Commission and subsequently,	The Petition is yet to be listed.

					the Petition was listed for hearing on 12.10.2017.	
14	117/MP/2017 <b>(Non Change in Law)</b>	DB Power Ltd.	2.5.2017	22.8.2017	The Petition was listed for hearing on 22.8.2017 and notice was issued to the respondent to file its reply. Subsequently, the Petition was listed for hearing on 17.10.2017.	The Petition is listed for hearing on 22.12.2017.
15	61/GT/2016 <b>(Non Change in Law)</b>	GMR Kamalanga Energy Ltd.	5.10.2015	28.7.2016 15.9.2016 15.11.2016 22.12.2016	<p>1. The Petition was listed for hearing on 28.7.2016 wherein GRIDCO submitted that it had filed an appeal against the judgement of tribunal which is pending in the Hon'ble Supreme Court and requested for four weeks time to file its reply. The request was allowed by the Commission with a direction to parties to complete their pleadings by 31.8.2016. Subsequently, the Petition was listed for hearing on 15.9.2016.</p> <p>2. During the hearing dated 15.9.2016, GRIDCO requested for four weeks time to file the reply to the affidavit filed by the Petitioner which was allowed by the Commission and directed to complete their pleadings by 4.11.2016. Accordingly, the Petition was listed for hearing on 15.11.2016.</p> <p>3. During the hearing dated 15.11.2016, GRIDCO requested for time to file its reply which was</p>	The Petition is listed for hearing on 21.12.2017.

				<p>accepted by the Commission. Accordingly, the Petition was listed for hearing on 22.12.2016.</p> <p>4. During the hearing dated 22.12.2016, the Petitioner requested for time to its rejoinder to the reply of GRIDCO. The Commission allowed the request and list the Petition for hearing on 19.1.2017 which was rescheduled to 14.2.2017.</p> <p>5. During the hearing dated 14.2.2017, the Commission directed the Petitioner to file certain info on certain deficiencies in the Petition by 6.3.2017 and further directed the parties to complete their pleadings by 21.3.2017. The Petition was listed for hearing on 30.3.2017 which was postponed to 21.3.2017.</p> <p>6. GRIDCO vide its letter dated 14.3.2017 requested to adjourn the matter and accordingly the Petition was listed for 13.4.2017 which was again postponed to 23.5.2017.</p> <p>7. During the hearing dated 23.5.2017, an I.A. No. 18/2017 was filed by HPPC for the impleadment of HPPC as respondent which was not allowed by the Commission and disposed of the I.A. Subsequently, GRIDCO</p>	
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					<p>requested for time to file its response which was allowed by the Commission with a direction to complete the pleadings by 30.6.2017. Accordingly, the Petition was listed for hearing on 25.7.2017.</p> <p>8. During the hearing dated 25.7.2017, the Petitioner requested for time to file its rejoinder and the Petition was listed for hearing on 31.8.2017.</p> <p>9. GRIDCO, vide its letter dated 30.8.2017 requested for adjournment of hearing dated from 31.8.2017 to any other date which was fixed on 5.10.2017.</p>	
<b>16</b>	<b>11/MP/2017 (Non Change in Law)</b>	GMR Chhattisgarh Energy Limited	2.2.2017	2.5.2017	<p>1. The Petition was listed for hearing on 2.5.2017 and notices were issued to the respondents to file their replies.</p> <p>2. The Petitioner has filed an I.A. No.34/2017 for amendment of the Petition which was listed for hearing and disposed of on 27.7.2017.</p>	The Petition is listed for hearing on 21.12.2017.
<b>17</b>	I.A.No.39/2017 in 112/MP/2015	GMR Kamalanga Energy Ltd.	18.7.2017	22.8.2017	The Petition was listed for hearing on 22.8.2017 and notices were issued to the respondents to file their replies.	The Petition is listed for hearing on 20.12.2017.

**Annexure-III**

**MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON  
ENERGY (2017-18) HELD ON 23<sup>rd</sup> OCTOBER, 2017 IN COMMITTEE ROOM '2'  
PARLIAMENT HOUSE ANNEXE EXTN., NEW DELHI**

The Committee met from 1100 hrs. to 1300 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Hari Babu - Chairperson**

2. Dr. Arun Kumar
3. Shri Ravindra Kumar Pandey
4. Shri M.B. Rajesh
5. Shri Vinayak Bhaurao Raut
6. Shri Gutha Sukender Reddy
7. Shri Bhanu Pratap Singh Verma

**RAJYA SABHA**

8. Shri TKS Elangovan
9. Shri Oscar Fernandes
10. Shri Manish Gupta
11. Shri Shamsher Singh Manhas
12. Shri S. Muthukaruppan
13. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri A.K. Singh - Additional Secretary
2. Shri N.K. Pandey - Director
3. Smt. L. Nemjalhing Haokip - Under Secretary

## **WITNESSES**

1.	Shri Ajay Kumar Bhalla	Secretary, MoP
2.	Ms. Shalini Prasad	Additional Secretary, MoP
3.	Smt Archana Agrawal	Joint Secretary, MoP
4.	Shri Aniruddha Kumar	Joint Secretary, MoP
5.	Shri A.K. Verma	Joint Secretary, MoP
6.	Shri R.K. Verma	Chairperson, CEA
7.	Shri Rajeev Sharma	CMD, PFC
8.	Shri P.V. Ramesh	CMD, REC

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. During the discussion, the representatives of the Ministry made a power-point presentation on the subject “Stressed/Non-performing Assets in Electricity Sector” which *inter-alia* covered setting up of Power Projects, Plan wise capacity, Power Scenario, Power Sector Overview - Bank Financing, Reasons for NPA in Power Sector, Steps taken by the Government, Stressed Capacity, Measures taken by Lenders, Progress so far, etc.

4. The Committee *inter-alia* also deliberated upon the following points with the representatives of the Ministry of Power:

- (i) Details of the segments of the Power Sector which are stressed and the quantum of finances at stake.
- (ii) Reasons for Stressed/Non Performing Assets in Power Sector.
- (iii) Obstruction in supply of fuel and pricing of fuel leading to financial distortion.
- (iv) Terms and tenure of loan granted and precautionary measures taken before sanction/disbursement of loan.
- (v) Coordination system among banks, promoters, Government and other stake holders.
- (vi) Whether these assets can be taken over and made operational with the Government intervention.
- (vii) Details of efforts made and planned to address this issue.

5. Thereafter, the Members sought clarifications on various issues relating to the subject and the representatives of the Ministry responded to the same. The Committee directed the representatives of Ministry to furnish written replies to those queries which could not be readily responded to by them.

6. The Committee decided to undertake a study tour to Tirupati, Hyderabad and Mumbai during the first week of November, 2017, to have detailed examination of the subjects selected by the Committee. The Committee also wished to seek necessary permission regarding this study visit from the Hon'ble Speaker.

7. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

**Annexure-IV**

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON  
ENERGY (2017-18) HELD ON 2<sup>nd</sup> NOVEMBER, 2017 IN COMMITTEE ROOM  
'D' PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1500 hrs. to 1600 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

1. Shri Devendra Singh BholeS
2. Shri M. Chandrakasi
3. Shri Harish Dwivedi
4. Dr. Arun Kumar
5. Shri Malyadri Sriram
6. Shri R.P. Marutharajaa
7. Shri Jagdambika Pal
8. Shri Ravindra Kumar Pandey
9. Shri M.B. Rajesh
10. Shri Vinayak Bhauraao Raut
11. Shri Bhanu Pratap Singh Verma

**RAJYA SABHA**

12. Shri Oscar Fernandes
13. Shri Shamsher Singh Manhas
14. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri N.K.Pandey -	Director
2. Smt. L.N. Haokip- -	Under Secretary

## **WITNESSES**

### **THE MINISTRY OF POWER**

1. Shri Anirudh Kumar- JS, Ministry of Power

### **CENTRAL ELECTRICITY AUTHORITY**

1. Shri Somit Dasgupta- Member, CEA

### **DEPARTMENT OF FINANCIAL SERVICES, MINISTRY OF FINANCE**

1. Shri G.C. Murmu- Additional Secretary, DFS
2. Shri Amit Agarwal- JS, DFS

### **BANKS/LENDERS**

1. Shri S.S. Barik –CGM, RBI
2. Shri P.C. Sunoj, DGM, RBI
3. Shri J.P. Sharma- GM, RBI
4. Shri N. Sundar- CGM, SBI
5. Dr. Ram S. Sangapure- ED, PNB
6. Shri C.G. Chintapalli- ED, BOI
7. Shri P. Ramana Murthy- ED, CBI
8. Ms. P.V. Bharathi- ED, Canara Bank
9. Shri H.K. Parikh- GM, PNB
10. Shri Subroto Gupta- ED, IDBI
11. Shri Ashish Kumar Shah- Sr. V.P., Axis Bank
12. Shri P. Suresh- GM, ICICI Bank

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Finance, Power, the Reserve Bank of India and Commercial Banks and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee then inter-alia deliberated upon the following points:

- (i) Reasons for Stressed/Non-Performing Assets in Electricity Sector
- (ii) Efforts made by the Reserve Bank of India, the Ministry of Finance and the lending Banks to resolve the issue of Stressed Non-Performing Assets in Electricity Sector – provisioning norms, restructuring of loans, change in management of project, takeover of the project by the financing Bank

- (iii) DISCOMS related issues – non-payment or delayed payment of dues by Discoms, litigations related to various issues including tariff, PPAs
- (iv) Provisions and conditions relating to financing of power projects that are causing undue hardship to promoters – high rate of interest, delay in implementation of decisions taken by consortium, financing of cost overrun, issue of working capital

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministries/RBI/Banks replied to them. The Committee further desired that the details of the issues which were not available with them, may also be sent to the Committee in due course.

5. The verbatim proceedings of the sitting of the Committee were kept on record.

The Committee then adjourned.

**Annexure-V**

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2017-18) HELD ON 13<sup>th</sup> NOVEMBER, 2017 IN COMMITTEE ROOM No. '4' BLOCK-A, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1500 hrs. to 1630 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Hari Babu - Chairperson**

1. Shri Om Birla
2. Shri M. Chandrakasi
3. Shri Deepender Singh Hooda
4. Shri Bhagat Singh Koshyari
5. Dr. Arun Kumar
6. Kunwar Sarvesh Kumar
7. Shri Jagdambika Pal
8. Shri M.B. Rajesh
9. Shri Kotha Prabhakar Reddy

**RAJYA SABHA**

10. Shri T.K.S. Elangovan
11. Shri Oscar Fernandes
12. Shri S.Muthukaruppan
13. Dr. Anil Kumar Sahani
14. Smt. Viplove Thakur

**SECRETARIAT**

1. Shri A.K. Singh	- Additional Secretary
2. Shri N.K.Pandey	- Director
3. Smt. L. Nemjalhing	- Under Secretary

## WITNESSES

1. Shri Aniruddha Kumar	Joint Secretary, Ministry of Power
3. Shri Rajeev Sharma	CMD, PFC
4. Shri Gurdeep Singh	CMD, NTPC
5. Shri P.V. Ramesh	CMD, REC
6. Shri Mohd. Jamshed	Member Traffic, Railway Board, Ministry of Railways
7. Shri Ghanshyam Singh	Member Traction, Railway Board
8. Shri Ambrish Kumar Gupta	Addl. Member (Traffic Transportation)
9. Shri Susheel Kumar	Secretary, Ministry of Coal
10. Shri Suresh Kumar	Additional Secretary, Ministry of Coal
11. Shri Animesh Bharati	Joint Secretary (Parliament), Ministry of Coal

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Coal, Railways and Power to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee then *inter-alia* deliberated upon the following points with the representatives of the Ministries of Coal, Railways and Power:

- (i) Coal reserves in the country – how long the reserves are expected to last, efforts made to expedite the excavation for optimum utilization of endowed resource.
- (ii) Details of excavation during the last five years - allocation of coal for power sector, reasons for shortfall and the remedial measures taken.
- (iii) Fuel Supply Agreements (FSA) – Details of power plants which do not have FSA, efforts being made to provide coal linkages of adequate coal quality to all the power plants.
- (iv) Indigenous Coal vs. Imported Coal – Comparison of price and calorific value, advantages of using indigenous coal.
- (v) Quality of Indigenous Coal – Efforts made to improve the quality of coals.

- (vi) Goods carrying capacities of Railways – allocation of rakes for supply of coal for power stations, routes and seasons wherein constraints are being faced, measures being taken to augment the capacities.
- (vii) Coal Stock at Power Stations – need for stricter compliance of maintaining normative coal stock at power station to avoid last minute rush
- (viii) Status of Dedicated Freight Corridor – need to expedite the work

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministry replied to them. The Committee further desired that the details of the issues which were not available with the representatives of the Ministry may also be sent to them in due course.

5. The Committee also decides to undertake an on-the-spot study visit to Visakhapatnam, Kurnool and Hyderabad from 30<sup>th</sup> November to 2<sup>nd</sup> December, 2017.

6. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

**Annexure-VI**

**MINUTES OF THE SIXTH SITTING(FORENOON SESSION) OF THE STANDING COMMITTEE ON ENERGY (2017-18) HELD ON 11<sup>th</sup> DECEMBER, 2017 IN COMMITTEE ROOM NO. 'D' PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1100 hrs. to 1430 hrs.

**PRESENT**  
**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

1. Shri Devendra Singh Bhole
2. Dr. Arun Kumar
3. Shri Malyadri Sriram
4. Shri Jagdambika Pal
5. Shri Ravindra Kumar Pandey
6. Shri M.B. Rajesh
7. Shri Vinayak Bhaurao Raut
8. Shri Gutha Sukhender Reddy
9. Shri Bhanu Pratap Singh Verma
10. Shri Kotha Prabhakar Reddy

**RAJYA SABHA**

11. Shri T.K.S. Elangovan
12. Shri Manish Gupta
13. Shri S.Muthukaruppan
14. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri A.K. Singh	-	Addl. Secretary
2. Shri N.K.Pandey	-	Director
3. Smt. L.N. Haokip	-	Under Secretary

## LIST OF WITNESSES

### MINISTRY OF POWER

1.	Ms. Shalini Prasad	Addl. Secretary
2.	Shri Aniruddha Kumar	Joint Secretary
3.	Shri P.D. Siwal	Member, CEA
4.	Shri Rajeev Sharma	CMD, PFC
5.	Shri Gurdeep Singh	CMD, NTPC
6.	Shri P.V. Ramesh	CMD, REC
7.	Shri P.K. Mukhopadhyay	Member Secy., DVC

### MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES

1.	Shri Ravi Mittal	Addl. Secretary
2.	Shri Pankaj Jain	Joint Secretary

### PROJECTS DEVELOPERS

1.	Shri Ashish Basu	CEO, GMR
2.	Shri G. Venkatesh Babu	MD, LENCO
3.	Shri Anshuman Ruia	Developer, ESSAR
4.	Shri Suresh Jain	MD, J.P. Group
5.	Shri Anil Bhargava	Group Director, Jhabua Power Ltd.
6.	Shri Vinod Agrawal	MD, Vandana
7.	Shri R. Raveendra Nathana Nair	CEO, Jindal
8.	Shri Rajiv Rattan	Chairman, Rattan India Power Ltd.
9.	Shri Ahmed Buhari	President, Coastal Energy Ltd.
10.	Dr. Andal Arumugam	MD, R.K.M. Powergen Ltd.
11.	Shri Kandarp Patel	President, Adani Group
12.	Shri R. Srinivasan	Vice President
13.	Shri K. Raghu Ramakrishna Raju	CMD, Ind Barath
14.	Shri Nilesh Mohnot	Edelwiss
15.	Shri K. Sunil Kumar	Director, KVK Power

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Power, Finance, and Project Developers and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee then inter-alia deliberated upon the following points:

- (i) Reasons for Stressed/Non-Performing Assets in Electricity Sector
- (ii) Details of power projects having stressed/Non-performing Assets – their locations, capacities and quantum of finances involved, progress so far
- (iii) Issues responsible for making these 34 power projects stressed – issues related to Power Purchase Agreements - Availability of Fuel – Inadequacy or absence of Fuel Supply Agreements (FSAs), Payment delays by Discoms, Inadequacy of Working Capital, Regulatory Delays, Funding of cost overrun, high rate of interest, etc.
- (iv) Efforts made by the Government to overcome the issues causing these power projects to become stressed
- (v) Need for better coordination among the various agencies of the Central Government, the State Governments and the Projects Developers

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministries/Project Developers replied to them. The Committee further desired that the details of the issues which were not available with them, may also be sent to the Committee in due course.

5. The verbatim proceedings of the sitting of the Committee were kept on record.

The Committee then adjourned.

**Annexure-VII**

**MINUTES OF THE SIXTH SITTING (AFTERNOON SESSION) OF THE  
STANDING COMMITTEE ON ENERGY (2017-18) HELD ON 11<sup>th</sup> DECEMBER,  
2017 IN COMMITTEE ROOM NO. 'D' PARLIAMENT HOUSE ANNEXE, NEW  
DELHI**

The Committee met from 1500 hrs. to 1630 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

2. Shri Devendra Singh Bhole
3. Dr. Arun Kumar
4. Shri Malyadri Sriram
5. Shri Jagdambika Pal
6. Shri Ravindra Kumar Pandey
7. Shri M.B. Rajesh
8. Shri Vinayak Bhauraao RautS
9. Shri Gutha Sukhender Reddy
10. Shri Bhanu Pratap Singh Verma
11. Shri Kotha Prabhakar Reddy

**RAJYA SABHA**

12. Shri T.K.S. Elangovan
13. Shri Manish Gupta
14. Shri S.Muthukaruppan
15. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri A.K. Singh	-	Addl. Secretary
2. Shri N.K.Pandey	-	Director
3. Smt. L.N. Haokip	-	Under Secretary

## LIST OF WITNESSES

### MINISTRY OF POWER

1.	Ms. Shalini Prasad	Addl. Secretary
2.	Shri Aniruddha Kumar	Joint Secretary
3.	Shri P.D. Siwal	Member, CEA
4.	Shri Rajeev Sharma	CMD, PFC
5.	Shri Gurdeep Singh	CMD, NTPC
6.	Shri P.V. Ramesh	CMD, REC
7.	Shri P.K. Mukhopadhyay	Member Secy., DVC

### MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES

1.	Shri Ravi Mittal	Addl. Secretary
2.	Shri Pankaj Jain	Joint Secretary

### RESERVE BANK OF INDIA

1.	Shri Sudarshan Sen	ED
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### BANKS

1.	Shri Rajnish Kumar	Chairman, SBI
2.	Shri Snil Mehta	MD & CEO PNB
3.	Shri P.K. Nair	DMD, IDBI Bank
4.	Shri Dinabandhu Mohapatra	MD & CEO, BOI
5.	Shri P. S. Jayakumar	MD CEO, BOB
6.	Shri Rajeev Rishi	CMD, CBI
7.	Shri M.V. Rao	ED, Canara Bank
8.	Shri Manjul Chawla	Head SSMG, IDFC
9.	Rakesh Jha	G.E. & CFO ICICI Bank
10.	Shri Rajesh Dahiya	Director, Axis Bank

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Power, Finance, the Reserve Bank of India and Commercial Banks and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.
3. The Committee then inter-alia deliberated upon the following points:
  - (i) Reasons for Stressed/Non-Performing Assets in Electricity Sector

- (ii) Efforts made by the Reserve Bank of India, the Ministry of Finance and the lending Banks to resolve the issue of Stressed Non-Performing Assets in Electricity Sector – provisioning norms, restructuring of loans, change in management of project, takeover of the project by the financing Bank
- (iii) DISCOMS related issues – non-payment or delayed payment of dues by Discoms, litigations related to various issues including tariff, PPAs
- (iv) Provisions and conditions relating to financing of power projects that are causing undue hardship to promoters – high rate of interest, delay in implementation of decisions taken by consortium, financing of cost overrun, issue of working capital

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministries/RBI/Banks replied to them. The Committee further desired that the details of the issues which were not available with them, may also be sent to the Committee in due course.

5. The verbatim proceedings of the sitting of the Committee were kept on record.

The Committee then adjourned.

**Annexure-VIII**

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON  
ENERGY (2017-18) HELD ON 19<sup>th</sup> DECEMBER, 2017 IN COMMITTEE ROOM  
NO. '2' BLOCK- A, PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1500 hrs. to 1630 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

1. Shri Harish Dwivedi
2. Shri Bhagat Singh Koshyari
3. Dr. Arun Kumar
4. Shri Malyadri Sriram
5. Shri Jagdambika Pal
6. Shri Ravindra Kumar Pandey
7. Shri M.B. Rajesh
8. Shri Vinayak Bhauraao Raut
9. Shri Bhanu Pratap Singh Verma
10. Shri Nagendra Kumar Pradhan

**RAJYA SABHA**

11. Shri Manish Gupta
12. Shri Shamsher Singh Manhas
13. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri A.K. Singh	-	Addl. Secretary
2. Shri N.K.Pandey	-	Director
3. Smt. L.N. Haokip	-	Under Secretary

## **WITNESSES**

### **MINISTRY OF POWER**

1.	Shri Ajay Kumar Bhalla	Secretary
2.	Ms. Shalini Prasad	Addl. Secretary
3.	Shri Aniruddha Kumar	Joint Secretary
4.	Shri P.D. Silwal	Member(Th), CEA
5.	Shri Rajeev Sharma	CMD, PFC
6.	Shri Gurdeep Singh	CMD, NTPC
7.	Shri P.V. Ramesh	CMD, REC
8.	Shri Sanoj Kumar Jha	Secretary, CERC
9.	Shri R.K. Verma	Chairperson, CEA

### **MINISTRY OF COAL AND COAL INDIA LIMITED**

1.	Shri Susheel Kumar	Secretary
2.	Shri Rajesh Kumar Sinha	Joint Secretary
3.	Shri Niranjan Kumar	Joint Secretary
4.	Shri Animesh Bharti	Economic Advisor
5.	Shri Gopal Singh	CMD, CIL

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Power and Coal to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee then *inter-alia* deliberated upon the following points with the representatives of the Ministries of Power and Coal:

- (i) Availability of coal and its supply – constraints and remedial measures
- (ii) Role of Coal India Ltd in making available coal for power sector
- (iii) Status of Fuel Supply Agreements in regard to 34 stressed power plants – efforts being made to provide fuel linkages to all power plants
- (iv) SHAKTI Scheme – salient feature, beneficiary, shortcomings and the efforts to remove the same
- (v) Reasons for scarcity of coal despite the claim of CIL of having adequate coal stocks – terms and conditions of coal linkages provided to power projects/plants, transportation of coal,
- (vi) Status of development of allotted Coal Blocks
- (vi) Role of Ministry of Power in making available coal to distressed power projects – forecasting demands, import of coal, delay in allotment of coal due to litigation
- (vii) Need for better coordination among the Ministries of Power, Coal and the stakeholders of the 34 stressed power projects/Independent Power Producers, for resolution of fuel related issues

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministries replied to them. The Committee further desired that the details of the issues which were not available with the representatives of the Ministries may also be sent to them in due course.

5. The verbatim proceedings of the sitting of the Committee were kept on record.

*The Committee then adjourned.*

**Annexure-IX**

**MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON  
ENERGY (2017-18) HELD ON 23RD JANUARY, 2018 IN COMMITTEE ROOM 'B'  
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

**The Committee met from 1400 hrs. to 1900 hrs.**

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

2. Shri Om Birla
3. Shri M. Chandrakasi
4. Shri Jagdambika Pal
5. Shri Ravindra Kumar Pandey
6. Shri M.B. Rajesh
7. Shri Bhanu Pratap Singh Verma
8. Shri Kotha Prabhakar Reddy

**RAJYA SABHA**

9. Shri T.K.S. Elangovan
10. Shri Oscar Fernandes
11. Shri Shamsher Singh Manhas
12. Shri S.Muthukaruppan
13. Dr. Anil Kumar Sahani

**SECRETARIAT**

1. Shri A.K. Singh	-	Additional Director
2. Shri N.K.Pandey	-	Director
3. Smt. L.Nemjalhing Haokip	-	Under Secretary

## WITNESSES

### **THE MINISTRY OF POWER**

1.	Shri Ajay Kumar Bhalla	Secretary
2.	Ms. Shalini Prasad	Additional Secretary
3.	Shri Aniruddha Kumar	Joint Secretary
4.	Shri R.K. Verma	Member (GOD), CEA
5.	Shri P.D. Siwal	Member (Th), CEA
6.	Shri Rajeev Sharma	CMD, PFC
7.	Shri Gurdeep Singh	CMD-NTPC
8.	Shri Sanjoi Kumar Jha	Secretary, CERC

### **MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES**

1.	Shri Ravi Mittal	Additional Secretary
2.	Shri G.C. Murmu	Additional Secretary
3.	Shri Pankaj Jain	Joint Secretary

### **MINISTRY OF RAILWAYS**

1.	Mohd. Jamshed	Member Traffic (Railway Board)
2.	Shri Ghanshyam Singh	Member Traction (Railway Board)
3.	Shri Ambrish Kumar Gupta	Additional Member (Traffic Transportation)
4.	Shri S.K. Mohanty	Principal Exec. Director (TT)/M

### **MINISTRY OF COAL**

1.	Shri Susheel Kumar	Secretary
2.	Shri Rajesh Kumar Sinha	Joint Secretary
3.	Shri Gopal Singh	Chairman, CIL

### **RESERVE BANK OF INDIA**

1.	Shri B.P. Kanungo	Deputy Governor
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### **BANKS**

1.	Shri Mahesh Kumar Jain	MD& CEO, IDBI Bank
2.	Shri Sunil Srivastava	DMD, SBI
3.	Shri Snil Mehta	MD &CEO, PNB
4.	Smt. P.V. Bharathi	ED, Canara Bank
5.	Mrs, Vishakha Mulye	ED, ICICI Bank

### **POWER DEVELOPERS**

1.	Shri Nilesh Monhot	Audhunik Power
2.	Shri S.N. Berde	CEO, GMR
3.	Shri A Issac George	CFO, GVK Industry Ltd.
4.	Shri K. Raghu	Chairman, Ind Bharat Energy (Utkal) Ltd.

5.	Shri Suren Jain	MD, Jaypee Power Ventures Pvt. Ltd. (Bara)
6.	Shri R. R.Nathan Nair	CEO Jindal India Thermal Power Ltd.
7.	Shri G. Venkatesh Babu	MD, Lanco (Amarkantak)
8.	Shri Jayant S. Kawale	MD, Ratanindia Nasik Power Ltd.
9.	Shri T.M. Singaravel	Director, RKM Powergen Pvt. Ltd.
10.	Shri Anil Gupta	Promoter, SKS Power Generation (CG) Ltd.
11.	Shri Vinod Agarwal	Director, Vandana Vidyut Ltd.
12.	Shri A.K. Gupta	Director (Com.)
13.	Shri M.R. Krishna Rao	Adani Power Maharashtra Ltd.
14.	Shri R.P. Tripathi	Member, (Tech.)
15.	Shri Sameer Ganju	Asso. Vice President, Avanta (Korba West)
16.	Shri R. Venkataramani	Vice President Finance, Coastal Energen Private Ltd.

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministries of Finance, Power, the Reserve Bank of India and Commercial Banks and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee then inter-alia deliberated upon the following points:

- (v) Issue of working capital – the various aspects of the issue and the steps being taken to resolve the same.
- (vi) Providing coal linkages to Power Plants – Shakti Scheme, no change at ground level despite extension of the term of MOUs for supply of coal, inadequate supply of coal, poor quality of coal, independent third party inspection to resolve the quality issue, billing of coal as per the actual supply,
- (vii) Issue of coal carriage – constraints in supply of coal by rail, availability of rail rakes, planning of coal supply for the whole year, need for augmentation of railways goods capacity.

- (viii) Efforts made by the Reserve Bank of India, the Ministry of Finance and the lending Banks to resolve the issue of Stressed Non-Performing Assets in Electricity Sector.
- (ix) Optimum utilization of resources – need for proper planning in regard to setting up of new power plants and phasing out old and highly inefficient power plants.
- (x) Coordination among the agencies concerned - Need for regular interaction among all the Ministries and stakeholder to resolve issues.

4. During the discussion, Members sought clarifications on various issues relating to the subject and the representatives of the Ministries/RBI/Banks replied to them. The Committee further desired that the details of the issues which were not available with them, may also be sent to the Committee in due course.

5. The verbatim proceedings of the sitting of the Committee were kept on record.

The Committee then adjourned.

**Annexure-X**

**MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON  
ENERGY (2017-18) HELD ON 15<sup>TH</sup> FEBRUARY, 2018 IN COMMITTEE ROOM G-074,  
PARLIAMENT LIBRARY BUILDING, NEW DELHI**

The Committee met from 1100 hrs. to 1400 hrs.

**PRESENT**

**LOK SABHA**

**Dr. Kambhampati Haribabu- Chairperson**

2. Shri Om Birla
3. Shri Harish Dwivedi
4. Shri Bhagat Singh Koshyari
5. Dr. Arun Kumar
6. Kunwar Sarvesh Kumar
7. Shri Jagdambika Pal
8. Shri Ravindra Kumar Pandey
9. Shri M.B. Rajesh
10. Shri Gutha Sukhender Reddy
11. Shri Bhanu Pratap Singh Verma
12. Shri Kotha Prabhakar Reddy
13. Shri Nagendra Kumar Pradhan

**RAJYA SABHA**

14. Shri T.K.S. Elangovan
15. Shri Oscar Fernandes
16. Shri Shamsher Singh Manhas

17. Shri S.Muthukaruppan

18. Shri Surendra Singh Nagar

19. Smt. Viplove Thakur

## **SECRETARIAT**

1. Shri A.K. Singh	-	Additional Secretary
2. Shri N.K.Pandey	-	Director
3. Smt. L.Nemjalhing Haokip	-	Under Secretary

2. At the outset, the Chairman welcomed the Members and apprised them about the agenda of the sitting. The Committee then took up the following draft Reports for consideration and adoption:-

- i.) Draft Report on "Stressed /Non-performing Assets in Electricity Sector".
- ii.) Draft Action Taken Report on the recommendations contained in the Fourteenth Report (16th Lok Sabha) on 'Evaluation of Role, Performance and Functioning of the Power Exchanges'
- iii.) Draft Action Taken Report on the recommendations contained in the Sixteenth Report (16th Lok Sabha) on Demands for Grants of the Ministry of New and Renewable Energy for the year 2016-17.
- iv.) Draft Action Taken Report on the recommendations contained in the Seventeenth Report (16th Lok Sabha) on 'Hydro Power – A Sustainable, Clean and Green Alternative'.
- v.) Draft Action Taken Report on the recommendations contained in the Twenty-Second Report (16th Lok Sabha) on 'Energy Access in India – Review of Current Status and Role of Renewable Energy'.
- vi.) Draft Action Taken Report on the recommendations contained in the Twenty-Seventh Report (16th Lok Sabha) on Demands for Grants of the Ministry of New and Renewable Energy for the year 2017-18.

vii.) Draft Action Taken Report on the recommendations contained in the Thirtieth Report (16th Lok Sabha) on 'National Electricity Policy – A Review'.

3. After discussing the contents of the Reports in detail, the Committee adopted the aforementioned draft Reports without any change. The Committee also authorized the Chairperson to finalize the above-mentioned Reports and present the same to both the Houses of Parliament in the second part of the Budget Session.

4.	X	X	X	X	X	X	X	X	X	X	X	X	X
5.	X	X	X	X	X	X	X	X	X	X	X	X	X
6.	X	X	X	X	X	X	X	X	X	X	X	X	X
7.	X	X	X	X	X	X	X	X	X	X	X	X	X
8.	X	X	X	X	X	X	X	X	X	X	X	X	X

*The Committee then adjourned.*

'X' – not related to this Report.