11

STANDING COMMITTEE ON ENERGY

(2020-21)

SEVENTEENTH LOK SABHA

MINISTRY OF POWER

[Action-taken by the Government on observations/recommendations contained in Forty-Second Report (16th Lok Sabha) on 'Stressed/Non-Performing Assets in Gas based Power Plants']

ELEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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Presented to Lok Sabha on 19th March, 2021

Laid in Rajya Sabha on 19th March, 2021

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5.	Ms. Deepika	Committee Officer

^ Nominated as Member of the Committee w.e.f. 28.12.2020
** Vacant vice Shri Javed Ali Khan retired from Rajya Sabha on 25.11.2020*
 # Vacant since constitution of the Committee.

INTRODUCTION

I, the Chairperson, Standing Committee on Energy, having been authorized by the Committee to present the Report on their behalf, present this Eleventh Report on action-taken by the Government on the observations/recommendations contained in the Forty-Second Report of the Standing Committee on Energy on the subject 'Stressed/Non-Performing Assets in Gas based Power Plants'.

2. The Forty-Second Report was presented to Lok Sabha on 4th January, 2019 and was laid on the Table of Rajya Sabha on the same day. Replies of the Government to the observations/recommendations contained in this Report were received on 26th April, 2019, 13th June, 2019 and 29th June, 2020.

3. The Report was considered and adopted by the Committee at their sitting held on 18th March, 2021.

4. An Analysis of the Action-taken by the Government on the observations/recommendations contained in the Forty-Second Report of the Committee is given at Appendix-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi
18th March, 2021
27 Phalguna, 1942 (Saka)

Shri Rajiv Ranjan Singh *alias* Lalan Singh
Chairperson,
Standing Committee on Energy

Chapter –I

This Report of the Standing Committee on Energy deals with Action-taken by the Ministry of Power, Ministry of Petroleum and Natural Gas and Department of Financial Services, Ministry of Finance on the observations/recommendations contained in the Forty-Second Report (Sixteenth Lok Sabha) of the Committee (2018-19) on the subject 'Stressed/Non Performing Assets in Gas based Power Plants'.

2. The Forty-Second Report was presented to Lok Sabha on 4th January, 2019 and was laid on the Table of Rajya Sabha on the same day. The Report contained 11 Recommendations/Observations.

3. Action Taken Notes in respect of all the observations/ recommendations contained in the Report have been received from the Government. These have been categorized as follows:

(i) Observations/Recommendations which have been accepted by the Government:
Serial Nos. 1, 3, 6, 7 and 9 — Total - 05
Chapter-II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies:

Serial Nos. 8 and 11 — Total - 02
Chapter-III

(iii) Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. 2, 4, 5, and 10 — Total– 04
Chapter-IV

(iv) Observation/Recommendation in respect of which the final replies of the Government are still awaited:

Nil — Total - 00
Chapter-V

4. The Committee observe that the 42nd Report (16th Lok Sabha) on 'Stressed/Non Performing Assets in Gas based Power Plants' pertaining to the Ministry of Power was presented to the Lok Sabha on 4th January, 2019 and was laid on the Table of Rajya Sabha on the same day. The Ministry was required to submit the action-taken replies on the recommendations/observations contained in the Report within a period of three months i.e. by 3rd April, 2019. The Committee, however observe that the Ministry submitted the complete action-taken replies on 29th June, 2020 after a delay of one year and two months. The Committee deplore the delay on the part of the Ministry in submission of complete action-taken replies to the Committee. The Committee while expressing their displeasure caution the Ministry to be extra vigilant in timely submission of replies to the Committee and desire that the necessary instructions be issued to all concerned in the Ministry to strictly adhere to the time line for responding to the Committee in future. The Committee further desire that Action Taken Statement on the Recommendations/Observations contained in Chapter-I of this Report may be furnished to the Committee within three months of the presentation of the Report.

5. The Committee will now deal with action-taken by the Government on some of their Recommendations that require reiteration or merit comments.

Recommendation No. 2

6. The Committee had recommended as under:

"The Committee note that in view of increasing Renewable Energy Capacity which is intermittent in nature, the Gas based Capacity can be utilized for peaking demand due to its higher ramp up rate and quick start time. These Plants can play a role in balancing of the Grid by maintaining uninterrupted electricity supply, especially when Solar Plants shuts down in the evenings and coal based plants take time to ramp up. The Committee, therefore, recommend that Gas based Plants can be operated as Peaking Plants as they can switch on quickly when there is high demand and running these plants as Peaking Plants will also optimize the use of scarcely available domestic natural gas."

7. In its Action-taken reply, the Ministry of Power has stated as under:

> "The sale of power during peaking operation is a market dependent, and the viability will be generally a function of rate of sale of power of peak demand viz- a-viz the cost of generation. Presently the cost of generation from LNG (imported gas) is around Rs. 7.0/kwh which may not match with the prevailing rate of sale of power. In case the cost of power from LNG is matching with sale price of power, the peaking operation would become usable.
>
> The Power Plants are free to sell the power in exchange in the peak demand period".

8. The Committee, in their recommendation, had observed that in view of increasing Renewable Energy Capacity which is intermittent in nature, the Gas based capacity can be utilized for peaking demand due to its higher ramp up rate and quick start time. These plants can play a role in balancing of the Grid by maintaining uninterrupted electricity supply, especially when solar plants shut down in the evenings and coal based plants take time to ramp up. However, the Ministry in its reply has stated that the sale of power during peaking operation is market dependent. The Committee are, however, of the opinion that with the installation of 175 GW of Renewable Power in the Country by 2022 as per the target fixed by the Government, it is imperative to ensure availability of adequate balancing power to take care of the variability and uncertainty associated with renewable energy generation. The Gas-based Power Plants along with Hydro Power Plants will invariably be needed to cater to the requirement of the balancing power. The Gas based power plants played an important role in maintaining the balance of the Grid during the unprecedented Light Switch off Event in April 2020. The Committee would like to reiterate their recommendation that gas based plants can be operated as peaking plants as they can switch on quickly when there is high demand and running these plants as peaking plants will also optimize the energy-mix in the Country. The Committee also desire that the Ministry should furnish its action plan regarding smooth integration of Renewable Energy into the Indian Electricity Grid.

Recommendation No. 4

9. The Committee had recommended as under:

"The Committee note that the peak flow of the gas from KG D6 was expected to be about 80 MMSCMD by the end of the year 2009 and to increase further in subsequent years. But the production from KG D6 started declining from 55.35 MMSCMD in 2010-11 to 5.5 MMSCMD in 2017-18 and today the production is as good as nil. This decline is contrary to the estimates made. The Committee also note that as per Guidelines issued by the Government in 2010, Gas based Power Plants were put above the City Gas Distribution (CGD) Systems for domestic and transport requirements in order of priority for allocation of domestic Natural Gas. However, as per Guidelines issued in the years 2013 and 2014, Gas allocation/supply to the CGD Systems was placed under no cut category, consequently giving CGD higher priority than Power Sector.

Further, in view of the decrease in the production from KG D6, the Government issued an order to apply pro-rata cuts in the supply of natural gas to all the stakeholders. However, it was notified that if the gas production is insufficient to meet the demand of the core sectors, then cuts could be imposed in the reverse order of priority. This reverse cut policy proved detrimental to power sector leaving it in a fix.

The Committee are of the view that these policy flip-flops crippled the gas based power plants consequently making them stranded. These plants are now unable to service their debt obligations and are on the verge of becoming NPAs. The Committee find that instead of taking a holistic view for resolution of the problem, as is where is approach has been adopted. This kind of approach is fraught with inconceivable consequences for the sector as well as the Country, besides compromising the reliability of policy of the Government.

The Committee hope that the Ministry would avoid such erratic policy shifts in the future. The Committee, therefore, recommend that some consistency and predictability should be maintained in policy making so as to avoid giving sudden shocks to the stakeholders concerned. Also any policy/guidelines with respect to the change in allocation of gas should be prospective and it should not impact the existing users."

10. In its Action-taken reply, the Ministry of Petroleum and Natural Gas has stated as under:

> "Ministry of Petroleum & Natural Gas (MoPNG) has been consistent in policy regarding allocation of Domestic gas. It is also to inform that the Policies have been notified with the approval of the competent authority in public interest. At present, allocation and supply of domestic gas is being made as per the relevant gas utilization policies issued from time to time. About 108.69 MMSCMD (Firm-90.60 MMSCMD and Fall back-18.09 MMSCMD) domestic gas has been allocated to Power sector under various gas utilization policies from time to time.
>
> These allocations are being made to Power sector based on the projected availability at that time and without any firm commitment to power generators to have gas supply in perpetuity. Due to limited availability of domestically produced natural gas in the country, the domestic gas supply to various sectors including Power sector is limited.
>
> Domestic Gas production and Domestic Gas supply to power sector in MMSCMD is tabulated below. It can be seen that production has gone down in the country and therefore present gas supplies are not meeting the gas allocations. However, supply of Domestic Gas to Power sector has increased in last 2 years. At present, power sector is the largest consumer of domestic gas in the country.

(in MMSCMD)

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Domestic Gas Production	97.00	90.99	88.12	87.39	89.45
Domestic Gas Supply to power sector	27.26	25.33	22.87	25.00	25.71

> To attract investment in E&P activities and enhance domestic gas and crude production, Government has introduced various policy measures which include:
>
> (i) Policy Frame work for Relaxation, Extension and Clarification under PSC for early Monetization of Hydrocarbon Discoveries.
> (ii) Discovered Small Fields Policy.
> (iii) PSC Extension Policy for Pre-NELP Discovered Fields.
> (iv) Hydrocarbon Exploration Licensing Policy (HELP).

(v) Gas Pricing Reforms.
(vi) National Seismic Program me.
(vii) PSC Extension Policy for Pre-NELP Exploration Blocks.
(viii) Policy Framework for Early Monetization of CBM Blocks.
(ix) National Data Repository.
(x) Policy Framework for streamlining the working of PSCs.
(xi) Policy Framework for Exploration and Exploitation of Unconventional hydrocarbons under existing PSCs, CBM Contracts and Nomination Fields.
(xii) Policy Framework to promote and incentivize Enhanced Recovery Methods for Oil and Gas.
(xiii) Policy Reforms in Exploration and Licensing Policy for enhancing domestic exploration and production of oil and gas.

RLNG (Imported) gas is under Open General Licence which is sold on mutually agreed terms between buyers and sellers on market based mechanism. Power plants can source RLNG as per their needs."

11. The Committee, in their recommendation, had noted that as per Guidelines issued by the Government in 2010, Gas based power plants were put above the City Gas Distribution (CGD) Systems for domestic and transport requirements in order of priority for allocation of domestic Natural Gas. However, as per Guidelines issued in the years 2013 and 2014, Gas allocation/supply to the CGD Systems was placed under no cut category consequently giving CGD higher priority than Power Sector. Further, in view of the decrease in the production from KG D6, the Government issued an order to apply pro-rata cuts in the supply of natural gas to all stakeholders. However, it was notified that if the gas production is insufficient to meet the demand of the core sectors, then cuts could be imposed in the reverse order of priority. This reverse cut policy proved detrimental to power sector leaving it in a fix.

The Ministry, in its reply, has stated that it has been consistent in policy regarding allocation of Domestic gas. However, based on the factual position about guidelines issued by the Ministry, as mentioned above, the reply of the Ministry does not appear to be tenable. Further, the Ministry has not responded to the Committee's recommendation

that any policy guidelines with respect to the change in allocation of gas should be prospective and it should not impact the existing users.

The Committee, therefore, reiterate that some consistency and predictability needs to be maintained in policy making so as to avoid giving sudden shocks to the stakeholders concerned and further, any policy guidelines with respect to the change in allocation of gas should be prospective and it should not impact the existing users.

Recommendation No. 5

12. The Committee had recommended as under:

"The Committee note that the present condition of the gas-based power plants is largely due to non-fulfillment of commitment regarding supply of domestic gas by the Government. The changes in policy for domestic gas allocation have made these plants unviable jeopardizing the huge public investment. The Committee also note that the RLNG is under Open General Licence and can be sold on mutually agreed terms between Buyers and Sellers on Market Based Mechanism and power plants are allowed to source RLNG as per their requirement. The Committee appreciate the fact that RLNG has been put under Open General Licence and there are no restrictions on its import. However, the Committee feel that since the cost of producing power from RLNG is unaffordable and makes it difficult for scheduling in merit order dispatch, importing RLNG even under open general licence does not help in making the stranded Gas based Power Plants viable. The Committee have also been apprised that one of the gas-based power plants has been established with the co-operation of South Korean Government and decline in the availability of gas has also affected this plant. International co-operation and commitment in addition to foreign investment are the angles which need to be taken care of, so the Committee desire that gas should also be supplied to this plant. The Committee, therefore, recommend that the Government should explore all possibilities to revive these stranded gas-based plants which may inter-alia include assured gas allocation to stranded Gas based Power Plants from ONGC deep-water fields, diversion of domestic gas from non-core sectors to power sector and cost moderation of RLNG till sufficient domestic gas is made available."

13. In its Action-taken reply, the Ministry of Petroleum and Natural Gas has stated as under:

"Ministry of Petroleum & Natural Gas (MoPNG) has not made any erratic policy shift regarding allocation of Domestic gas. At present, allocation and supply of domestic gas is being made as per the relevant gas utilization policies issued from time to time. About 108.69 MMSCMD (Firm - 90.60 MMSCMD and Fall back- 18.09 MMSCMD) domestic gas has been allocated to Power sector under various gas utilization policies from time to time.

These allocations are being made to Power sector based on the projected availability at that time and without any firm commitment to Power generators to have gas supply in perpetuity. Due to limited availability of domestically produced natural gas in the country, the domestic gas supply to various sectors including Power sector is limited.

Domestic Gas Production and Domestic Gas supply to Power sector in MMSCMD is tabulated below. It can be seen that production has gone down in the country and therefore present gas supplies are not meeting the gas allocations. However, supply of Domestic Gas to Power sector has increased in last 2 Years. At present, Power sector is the largest consumer of domestic gas in the country.

(in MMSCMD)

Year	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Domestic Gas Production	97.00	90.99	88.12	87.39	89.45
Domestic Gas Supply to power sector	27.26	25.33	22.87	25.00	25.71

To attract investment in E&P activities and enhance domestic gas and crude production, Government has introduced various policy measures which include:

i) Policy Frame work for Relaxation, Extension and Clarification under PSC for early Monetization of Hydrocarbon Discoveries.
ii) Discovered Small Fields Policy.
iii) PSC Extension Policy for Pre-NELP Discovered Fields.
iv) Hydrocarbon Exploration Licensing Policy (HELP).
v) Gas Pricing Reforms.
vi) National Seismic Programme.
vii) PSC Extension Policy for Pre-NELP Exploration Blocks

viii) Policy Framework for Early Monetization of CBM Blocks.
ix) National Data Repository.
x) Policy Framework for streamlining the working of PSCs.
xi) Policy Framework for Exploration and Exploitation of Unconventional hydrocarbons under existing PSCs, CBM Contracts and Nomination Fields.
xii) Policy Framework to promote and incentivize Enhanced Recovery Methods for Oil and Gas.
xiii) Policy Reforms in Exploration and Licensing Policy for enhancing domestic exploration and production of oil and gas.

Imported Gas (RLNG) was supplied to gas based power plants with various incentives as per CCEA approval dated 25.3.2015 for FY 2015-16 and FY 2016-17. It helped in reviving Stranded Power Plants. It has also helped in improving utilization of LNG terminals and gas pipeline infrastructures, besides improving power availability in the country. Various incentives provided in the scheme includes custom duty waiver on imported LNG, waiver of various state taxes, reduction in pipeline tariffs, reduction in Re-gasification charges, reduction in Marketing Margin and support from Power Sector Development Fund (PSDF) etc.

RLNG gas is under Open General Licence which is sold on mutually agreed terms between buyers and sellers on market based mechanism. Power plants can source RLNG as per their needs.

Korea Western Power Company Limited (KOWEPO) in January, 2012 made investment a gas based power plant located in Raigad District Maharashtra which is owned and operated by Pioneer Gas Power Limited (PGPL). Central Electricity Authority (CEA), in March, 2011 had already issued advisory to caution all prospective developers that their respective application for the allocation of gas would only be taken up once additional gas availability is known. Further, in March 2012, CEA again issued an advisory explicitly stating that no additional gas is likely to be available till 2015-16, and advised developers not to plan projects based on domestic gas at least till such time. On the contrary, KOWEPO continued to make investment in said power plant based on its own due diligence. The plant has not been allotted any domestic gas due to limited availability of domestic gas. As an alternate, the foreign investor has been suggested to explore the options to procure the gas from available market based gas sources (imported RLNG domestic gas sources having marketing and pricing freedom) for operation of power plant.

Government of India has constituted a High Level Empowered Committee to address the issue of stressed Thermal power Plants under the Chairmanship of Cabinet Secretary Recommendations of the committee have been processed by the Ministry of Power."

14. The Committee had recommended that the Government should explore all possibilities to revive these stranded gas based plants which may inter-alia include assured gas allocation to stranded gas based power plants from ONGC deep water fields, diversion of domestic gas from non-core sectors to power sector and cost moderation of RLNG till sufficient domestic gas is made available. However, the reply of the Ministry does not directly deal with the recommendation of the Committee. Reply given here is mostly a repetition of its response to the Recommendation number 4 of the Report. The Committee, therefore, reiterate their recommendation that the Government should explore all possibilities to revive these stranded gas based plants which may inter-alia include assured gas allocation to stranded gas based power plants from ONGC deep water fields, diversion of domestic gas from non-core sectors to power sector and cost moderation of RLNG till sufficient domestic gas is made available. The Committee would also like the Ministry of Power to furnish a brief on recommendations of the High Level Empowered Committee constituted by the Government to address the issue of stressed Power Plants and action taken thereon by the Government.

Recommendation No. 10

15. The Committee had recommended as under:

"The Committee note that in order to improve utilization of gas based capacity in the country, the Government came out with E-Bid RLNG scheme in 2015 for importing spot Re-gasified liquefied Natural Gas (RLNG) for the stranded gas based power plants. The Scheme provided financial support from PSDF (Power System Development Fund). The Scheme also included exemptions from applicable taxes and levies/ duties. However, the Scheme was discontinued in 2017 as many States such as Telangana, Andhra Pradesh, etc. refused to sign

PPAs with gas based plants and exemptions/waivers required were not extended by the States of Gujarat, Maharashtra, Madhya Pradesh and Jharkhand. It is beyond comprehension that why the States did not cooperate, when the scheme was introduced after consultation with the States concerned. The Committee observe that the other reason, given by the Ministry, for discontinuation of the Scheme is that any additional generation from gas based plants would have reduced the demand from the coal based thermal plants. The Committee feel that the natural gas is cleaner fuel, so the Ministry may consider giving it due priority over coal.

As the electricity demand is expected to pick up and the Committee have been assured of significant jump in the production of domestic gas in the near future, so there is a need to hand hold these stranded gas based power plants for next 2-3 years. The Committee, therefore, recommend that:

i) The Government should come up with a scheme like E-Bid RLNG Scheme to support these stranded plants in the intervening period with necessary exemptions, waivers and desired modifications.

ii) The financial support/subsidies required for the scheme may be sourced from Power System Development Fund/National Clean Energy Fund/Budgetary Grants. The Ministry of Power should pursue the same with the Ministry of Finance.

iii) The power so produced under the scheme may be used for bundling with other low cost power as has been done by NTPC earlier.

iv) RLNG may be pooled with the domestic gas through an aggregator such as GAIL, so as to achieve a reasonable price."

16. In its Action-taken Reply, the Ministry of Power has stated as under:

"(i) A draft proposal based on the recommendations of HLEC was discussed in 2nd GoM meeting held on 25.02.2019, wherein the proposal was deferred for further examination as the issue involves large financial implications. Under the proposal a subsidy of around Rs. 3.30/kWh was estimated for generation from LNG, and for an incremental of around 61 BUs at 42% PLF would entail subsidy of around 19000 crores/annum. The above amount of subsidy is required considering the sale of power at Rs. 3.75/kWh, and the subsidy would vary with the rate of sale of power.

(ii) The funds in the PSDF are already tied up and further as informed by Deptt. of Expenditure, M/o Finance vide O.M. dtd. 27.02.2019, Goods and Services Tax (Compensation to States) Act, 2017, provides that coal cess, along with some other cess, along with some other cess would constitute GST Compensation Fund and the same would be utilized to compensate the states for 5 years to Compensate the potential losses on account of GST implementation."

17. The Committee observe that in response to part (i) of the recommendation, the Ministry has informed that a draft proposal based on the recommendations of HLEC was discussed in 2nd GoM meeting held on 25.02.2019 wherein the proposal was deferred for further examination as the issue involves large financial implications. In this regard, the Committee would like to know the updated status and details regarding the above mentioned proposal. In response to part (ii) of the recommendation, the committee observe that the Ministry has submitted that the funds in the PSDF has already been tied up. In this context, the Committee would like to know the total corpus of PSDF and the details regarding all the schemes/programmes/projects etc. for which funds have been disbursed from PSDF. The Committee further observe that surprisingly, the Ministry has not responded to part (iii) and (iv) of the recommendation of the Committee given in the original Report which were related to the bundling of the gas based power with other low cost power and also for pooling of Regasified Liquefied Natural Gas (RLNG) with the domestic gas through an aggregator such as GAIL. The Committee, therefore, reiterate their original recommendation that–

i) The Government should come up with a scheme like E-Bid RLNG scheme to support these stranded plants in the intervening period with necessary exemptions, waivers and desired modifications.

ii) The financial support/subsidies required for the scheme may be sourced from Power System Development Fund/ National Clean Energy Fund/Budgetary Grants. The Ministry

of Power should pursue the same with the Ministry of Finance.

iii) **The Power so produced under the scheme may be used for bundling with other low cost power as has been done by NTPC earlier.**

iv) **RLNG may be pooled with the domestic gas through an aggregator such as GAIL, so as to achieve a reasonable price.**

Chapter – II

Observations/ Recommendations which have been accepted by the Government

Recommendation No. 1

The Committee note that out of the total installed capacity of about 345 GW, a capacity of 24,867 MW is from Gas based Power Plants. However, 14,305 MW of gas based capacity is stranded due to shortage of domestic gas supply and competitive tariff scenario. There are 31 stranded gas based power plants which include one power plant of Central Sector (1967 MW), six power plants of State Sector (2665.30 MW) and 24 power plants of Private Sector (9673 MW). It means a majority of the stranded gas based plants belong to the private sector.

The Committee also note that these power plants were planned with the expectation of considerable increase in the volume of domestic gas production, particularly from KG D6 field. But the projections regarding availability of domestic gas have turned out to be terribly wrong as the production from KG D6 field has reduced drastically to zero supply for power sector since March, 2013. The Committee feel that since these gas based power plants were set up on the basis of the Government's assurance regarding supply of gas, it becomes incumbent upon the Government to help them come out of stress.

The Committee are apprised that an investment ranging from INR 4 - 5 crores per MW has been made into these projects and approx 70% - 80% of the project cost has been financed by the banks using public money. It means a sum of about Rs. 65,000 crores have been invested into 14,305 MW of stranded capacity, out of which about 50,000 crores have been funded by the banks. The Committee feel that since this stranded gas based capacity involves a significant amount of public money, it can not be allowed to become junk. Allowing slippages of these projects tantamount to causing wastage of national resources which we can ill-afford irrespective of many practical hurdles and unforeseen impediments in our way. The Committee are of the opinion that efforts should be made to ensure these plants remain an asset to the country.

Keeping in view of the above, the Committee recommend that the Government should hand-hold these stranded gas based power plants and provide them requisite support so that they can come out of stress.

Reply of the Government

(i) A draft proposal based on the recommendations of HLEC was discussed in 2nd GoM meeting held on 25.02.2019, wherein the proposal was deferred for further examination as the issue involves large financial implications. Under the proposal a subsidy of around Rs. 3.30/kWh was estimated for generation from LNG, and for an incremental of around 61 BUs at 42% PLF would entail subsidy of around 19000 crores/annum. The above amount of subsidy is required considering the sale of power at Rs. 3.75/kWh, and the subsidy would vary with the rate of sale of power.

(ii) The funds in the PSDF are already tied up and further as informed by Deptt. of Expenditure, M/o Finance vide O.M. dtd. 27.02.2019, Goods and Services Tax (Compensation to States) Act, 2017, provides that coal cess, along with some other cess, along with some other cess would constitute GST Compensation Fund and the same would be utilized to compensate the states for 5 years to Compensate the potential losses on account of GST implementation.

[Ministry of Power
O.M. No. 13/9/2018-Th-I, Dated: 24/04/2019]

Recommendation No. 3

The Committee note that the domestic natural gas production in the country during 2017-18 was about 86.93 MMSCMD as against 89.57 MMSCMD in 2014-15. From 2011-12 to 2016-17, domestic gas production had been continuously declining, while in 2017-18, there was a slight increase. The import of RLNG has been continuously increasing from 50.78 MMSCMD in 2014-15 to 72.13 MMSCMD in 2017-18 and about 50% of the country's requirement of gas has now been met by the imported gas. Further, the total domestic gas allocated to power projects is 87.12 MMSCMD and the average domestic gas supplied to gas based power plants during 2017-18 was only 25.71 MMSCMD which is 70% short of the allocation. Due to this shortfall, the PLF of gas based power plants has come down to 24% which used to be 67% in 2009-10.

Notwithstanding the above, the Committee have been assured by the Ministry of Petroleum & Natural Gas that the production of domestic gas would undergo a significant jump in the years to come i.e. it is expected to go up to 60.50 billion cubic meters by 2021-22. The Committee hope that this time the Ministry has made a realistic assessment unlike in the case of KG D6, which triggered the setting up of gas based power plants in the country.

The Committee, therefore, recommend that, the Ministry should be cautious in making future projections with respect to the availability of domestic natural gas so as to avoid the implications caused by KG D6, as such situations reflects poorly on the credibility and reliability of the Government's projections and policies.

Reply of the Government

Recommendation of the committee is noted and DGH, responsible for Contract Management, has been instructed to be more cautious in making projections.

To improve data management, the National Data Repository (NDR) has been established by the government to assimilate, preserve and upkeep the vast amount of data which could be organized and regulated for use in future exploration and development of hydrocarbon resources.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

Recommendation No. 6

The Committee note that before the KG D6 gas got infused into the system in 2009, there were 44 number of gas based power plants of the capacity of 13577.60 MW in the country and 42.83 MMSCMD gas was allotted to these 44 power plants, out of which 36.69 MMSCMD gas was supplied/consumed during the year 2008-09. It is beyond comprehension of the Committee that when power sector could have been supplied with 36.69 MMSCMD of gas even before the infusion of KG D6 gas, then why the gas supply to power sector got reduced after KG D6.

Further, the peak flow of gas from KG D6 fields was expected to be about 80 MMSCMD and consequently with the expectation of considerable increase in the volume of production, a number of gas based plants were taken up for implementation. 30 number of gas based power plants with a capacity of 14,504 MW were allocated gas from KG D6 on firm basis but without any commitment regarding supply of Gas. However, the supply of gas from KG D6 field to power sector is nil since March 2013 as a result of which these plants are now stranded. Even Banks/lenders issued credit facilities to these plants on the basis of the projections/assumptions made regarding the increase in production of gas.

The Committee are dismayed to note that State Bank of India, the largest lender in the county, does not have any solution regarding these stranded plants and wants to write off the investment made in these gas based plants. In the opinion of the Committee, such an attitude of the lenders reflects that they just want to shrug off the responsibility of this crisis by referring the stressed plants to the NCLT. The Committee are disappointed with the attitude of the Ministry as well as the Banks/lenders towards this problem. The Committee feel that the Ministry and the Banks/lenders, both are responsible for this crisis. The Ministry owe the responsibility for superfluous projections regarding production of gas from KG D6 and the banks for unrealistic lending of public money. Instead of ensuring how these stranded power plants can be efficiently utilized, there is an air of despondency and increasing clamour to send these plants to NCLT.

The Committee, therefore, recommend that the Ministry of Petroleum & Natural Gas should come out with the reasons, in the lucid terms, for zero production of gas from KG D6 as the estimated production of 80 MMSCMD that was envisaged earlier and the steps taken by the Government against those who are responsible for this gross miscalculation about the production of gas from KG D6 which has put the reliability of the Ministry at stake. The Committee also recommend that the banks/lenders should own the responsibility and work towards finding the appropriate solution in the national interest.

Reply of the Government

1. Status of Block

1.1 As per Addendum to Initial Development Plan (AIDP) of D1-D3 gas field in the Block KG-DWN-98/3, the contractor was required to drill, connect and put on production 22 wells by April 01, 2011 with an envisaged production rate of 61.88 MMSCMD and 31 wells by April 1, 2012 with an envisaged production rate of 80 MMSCMD and 40 wells by April, 2013 and 50 wells by April, 2014 respectively with an envisaged production rate 80 MMSCMD.

1.2 As on 31.03.2019, production from D1-D3 and MA fields of KG-DWN-98/3 Block has ceased. However, the Field Development Plan (FDP)/Revised Field Development Plans (RFDP) for D-34 field, D-2 & D-22, D-29 & D-30 and MJ (D-55) fields have been approved by Management Committee (MC) monetize hydrocarbon.

1.3 As per information available, the decline in gas production from KG-D6 Block is due to the following reasons:-

i) Due to water loading/sand ingress in wellbores, 13 wells ceased to produce gas, out of total 18 gas producing wells in D1 & D3 fields.

ii) Due to water ingress in wellbores, declining in pressure, variance in reservoir behavior etc, all 7 oil/gas producing wells in MA field, have ceased to flow oil/gas.

iii) Non drilling of the required number of gas producing we s in D1 & D3 fields by the Contractor in line with the AlDP approved by the Management Committee (MC).

1.4 The Contractor of Block KG-DWN-98/3 in violation of Article 15 PSC claimed cost recovery beyond the entitlement out of cost petroleum due to creation of excess capacity and failure to adhere to the drilling schedule approved under Addendum to Initial Development Plan (AIDP), resulting in under-utilization of assets/facilities. The Government *vide* notice dated 03.06.2016 disallowed cumulative cost recovery of US$ 2756 billion and demanded additional profit petroleum of US$ 246.9 million upto FY 2014-15. Upto Financial Year 2013-14, cumulative contract cost of US$ 2.376 billion was disallowed for cost recovery purpose. For Financial year 2O14-15, the cost recovery of US$ 380 million was disallowed. The contractor invoked arbitration. So far, Rs. 491.26 crore has been credited in Gas Pool Account against the additional profit petroleum due and payable by contractors. The matter is under arbitration.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

(i) Most of the funding done by lenders/Fls for gas-based projects was before 2010 wherein the scenario was considered favourable for gas based projects and expected to improve in view of commissioning of KG D6 basin but the same did not materialize into actual With the rise in cost of imported gas, the generation cost became unviable leaving these Projects unviable.

(ii) Lenders have extended full support to the stranded projects by giving priority to continued plant operations, restructuring/refinancing the loans as per extant RBI guidelines, including resorting to extension of repayment tenor, moratorium for repayments and reduction in interest rates and funded interest term loans were extended wherever availability of cash flow for interest servicing were not sufficient till the time Project comes out of stress.

(iii) Despite lenders extending full support, the sector is still continuing under stress due to scarcity of domestic Gas availability at affordable rates. As the cost of generation based on imported gas is higher, Discoms are reluctant in procuring power at higher cost from these gas-based projects. It may be appreciated that addressing these issues are beyond the realm of the lenders.

(iv) Regarding the observations of the Committee that lenders want to shrug off the responsibility by just referring to NCLT, lenders are willing to walk the extra mile to salvage the projects, which are national assets and this is evident from the resolution being attempted for various projects by lenders during the recent years. To arrive at any viable and sustainable resolution, constraints of supply side and off-take arrangements need to be addressed, without which any resolution efforts by lenders alone will be short-lived.

(v) Lenders continue to explore various options for stress resolution such as restructuring, with existing promoters wherever the projects are viable with paring down of debt to sustainable levels and where cash flows can be reasonably estimated, compromise settlement and resorting to sale to ARC etc.

(vi) SBI has suggested the following steps to revive the sector:

a) A long-term policy intervention for optimal utilization of gas-based capacity including revival of RLNG Scheme.
b) Extending 'Must Run' status to the sector similar to renewable energy.
c) Extending financial support from collections of coal energy through National Clean Energy & Environment Fund (NCEEF).
d) Discoms entering into long term PPAs as a part of purchase obligations with these stranded gas-based projects. Fixed cost may be reimbursed from NCEEF.
e) Waiver of taxes and duties on natural gas/re-gasification by state governments or binging natural gas under GST.

[Department of Financial Services, Ministry of Finance
F No. 15/6/2019-lF-I, dated 03/10/2019 *vide* Ministry of Power
O.M. No. 13/9/2018 -Th-I, Dated: 29/06/2020]

Recommendation No.7

The Committee note that due to inadequate domestic production, the country has been importing RLNG to meet the shortfall in supply of natural gas and LNG terminals are in operation for re-gasification of imported LNG. The Committee observe that all the existing operational LNG terminals (of the capacity of 95 MMSCMD) are situated on the West Coast of the country, whereas the eastern coast has been completely neglected. Although the

Ministry is said to have planned re-gasification terminals on the Eastern coast, but nothing has materialized till date. The Committee want the Ministry to speed up the work related to building of new re-gasification terminals. As the eastern coastal region has many gas based power plants which are stranded due to lack of supply of natural gas, the Committee, therefore, recommend that the Ministry should focus on building LNG re-gasification terminals at the east coast of the country in a time bound manner as it would cost less for the industries/plants at the eastern side to source gas from east coast terminals than piping the fuel across the country from the West coast.

Reply of the Government

Most of the LNG terminals are situated in west coast of the country and Government is taking all efforts to develop LNG terminal in eastern part for the development of gas based economy in the country. Ennore LNG terminal with 5 MMTPA capacity in Tamil nadu has been commissioned. Work is under progress in Dhamra LNG terminal with 5 MMTPA capacity in Odisha. These terminals will connect demand centers in Eastern and Southern India to LNG supplies to be used by all sectors of the economy.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

Recommendation No. 9

The Committee note that apart from the basic cost, VAT (as high as 26%), CST & entry tax, pipeline tariff, marketing margin by gas transporter etc. are levied on domestic natural gas/RLNG. In case of RLNG, re-gasification process involves an extra cost of $ 1.0-1.5/MMBTU and service tax on re-gasification is also levied. Consequently, the gas price at power plants goes up in the range of $ 4.0-5.5/MMBTU for domestic gas and $ 10-12/MMBTU for RLNG.

The Committee observe that while the Coal has been included and taxed at 5% GST, Natural Gas has been kept outside the GST purview. The Committee feel that natural gas being a cleaner fuel should not be placed at a disadvantageous position *vis-a-vis* other sources of energy like coal. The Committee, therefore, recommend that natural gas should be brought under GST, so that the taxes get rationalized and gas becomes cheaper and affordable.

Reply of the Government

MoP&NG has already taken up the issue with Ministry of Finance for inclusion of Natural Gas under GST

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

Chapter III

Observations/ Recommendations which the Committee do not desire to pursue in view of the Government's Replies

Recommendation No. 8

The Committee note that the price of natural gas produced from domestic fields is determined as per the pricing formula envisaged in New Domestic Natural Gas Pricing Guidelines, 2014, under which, the price of domestic natural gas is linked to the prices at US Henry Hub, Canada's Alberta Gas, UK's National Balancing Point (NBP) and Russian Hub. Natural gas prices in the country are revised every six months. Also, the price of natural gas is dollar denominated that keeps on fluctuating, so having a long term PPA with DISCOMs is a challenge for Gas based Power Plants.

The Committee observe that the price of domestic natural gas has been increasing from a low of $ 2.48/MMBTU (April, 2017 to Sept., 2017) to $ 3.36/MMBTU (Oct., 2018 to March, 2019). The gas price at power plants remains in the range of $ 4.0 - 5.5/MMBTU for domestic gas and $ 10-12/MMBTU for RLNG.

The Committee observe that the Government has already introduced pricing and marketing freedom for High Pressure-High Temperature (HPHT) discoveries and now the free-market pricing for natural gas produced from all fields is under active consideration. The Committee are of the opinion that because of shortage in availability of gas and demand being much higher than supply, the free-market pricing will result in exorbitant prices. Although free market pricing may be beneficial to the producers of natural gas but this will be detrimental to the users such as power sector which is regulated and where more than 50% of the gas based capacity is already stranded.

The Committee have come to know that the Ministry of Petroleum and Natural Gas has proposed removal of Power Sector from the priority allocation. The Committee are of the view that Power Sector being a regulated Sector needs domestic gas allocation more than any other Sector. It will be a major setback for this sector and may make even operational gas based plants stranded. The Committee, therefore, recommend that:

i) The Government should rethink its plan of introducing free market pricing for natural gas as any attempt to gain at the cost of consumers will be counter-productive and may not be in the public interest.

ii) Any proposal for removal of Power Sector from the priority allocation should also be reconsidered.

Reply of the Government

As per policies issued in recent years, the Government has granted marketing and pricing freedom to the gas produced/to be produced from difficult fields. These polices are expected to attract investment in Exploration & production sector and enhance domestic Oil & Gas production. Increased production will be used for all sectors of economy including Power sector.

These are progressive steps to create a domestic free gas market regime which will provide level playing field to the gas producers and consumers including power sector also. It has potential to offer new opportunities to gas based power units to explore & develop new power consuming markets which have affordability to consume gas based power. It is also felt that price may come down with development of Gas markets.

Ministry of Power may review the existing power policy & regulatory framework for creating sustainable power market within the sector and aligned it with energy markets.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

Recommendation No. 11

The Committee have come to know that the National Clean Energy Fund (NCEF) was created out of cess on Coal at Rs. 400 per tonne to provide financial support to clean energy initiatives and an Inter Ministerial Group chaired by the Finance Secretary was constituted to approve the project/schemes eligible for financing under NCEF. The coal cess collected from 2010-11 to 2017-18 amounts to Rs. 86,440.21 crore, out of which only Rs. 29,645.29 crore have actually been transferred to NCEF. Whereas, the amount financed from NCEF for projects is only 15,911.49 crore i.e. only about 19% of the total amount collected as coal cess.

The Committee feel that this fund should be used for its intended purpose i.e. to support clean energy initiatives and it should not be diverted to compensate GST losses. Diversion of this fund to unrelated activities reflects poorly on our commitment towards cleaner environment and shows Government's apathy towards clean energy projects. Since it is levied on coal as that is a polluting fuel, so the amount collected should be used to promote cleaner fuel. The Committee, therefore, recommend that financial support should be extended to gas based power projects from NCEF for their sustainability as natural gas is also a clean energy source. The Ministry of Power should pursue this matter with the Ministry of Finance.

Reply of the Government

As informed by Deptt. of Expenditure, M/o Finance vide O.M. dtd. 27.02.2019, the Goods and Services Tax (compensation to states) Act., 2017, provides that coal cess, along with some other cess would constitute GST compensation Fund and the same would be utilized to compensate the States for 5 years to compensate the potential losses on account of GST implementation.

[Ministry of Power
O.M. No. 13/9/2018-Th-I, Dated: 24/04/2019]

Chapter IV
Observations/Recommendations in respect of which the Replies of the Government have not been accepted by the Committee and which require Reiteration

Recommendation No. 2

The Committee note that in view of increasing Renewable Energy Capacity which is intermittent in nature, the Gas based Capacity can be utilized for peaking demand due to its higher ramp up rate and quick start time. These Plants can play a role in balancing of the Grid by maintaining uninterrupted electricity supply, especially when Solar Plants shuts down in the evenings and coal based plants take time to ramp up. The Committee, therefore, recommend that Gas based Plants can be operated as Peaking Plants as they can switch on quickly when there is high demand and running these plants as Peaking Plants will also optimize the use of scarcely available domestic natural gas.

Reply of the Government

The sale of power during peaking operation is a market dependent, and the viability will be generally a function of rate of sale of power of peak demand viz- a-viz the cost of generation. Presently the cost of generation from LNG (imported gas) is around Rs. 7.0/kwh which may not match with the prevailing rate of sale of power. In case the cost of power from LNG is matching with sale price of power, the peaking operation would become usable.

The Power Plants are free to sell the power in exchange in the peak demand period.

[Ministry of Power
O.M. No. 13/9/2018-Th-I, Dated: 24/04/2019]

Comments of the Committee
(Please see Para No. 8 of Chapter – I of the Report)

Recommendation No. 4

The Committee note that the peak flow of the gas from KG D6 was expected to be about 80 MMSCMD by the end of the year 2009 and to increase further in subsequent years. But the production from KG D6 started declining from 55.35 MMSCMD in 2010-11 to 5.5 MMSCMD in 2017-18 and today the production is as good as nil. This decline is contrary to the estimates made. The Committee also note that as per Guidelines issued by the Government in 2010, Gas based Power Plants were put above the City Gas Distribution (CGD) Systems for domestic and transport requirements in order of priority for allocation of domestic Natural Gas. However, as per Guidelines issued in the years 2013 and 2014, Gas allocation/supply to the CGD Systems was placed under no cut category, consequently giving CGD higher priority than Power Sector.

Further, in view of the decrease in the production from KG D6, the Government issued an order to apply pro-rata cuts in the supply of natural gas to all the stakeholders. However, it was notified that if the gas production is insufficient to meet the demand of the core sectors, then cuts could be imposed in the reverse order of priority. This reverse cut policy proved detrimental to power sector leaving it in a fix.

The Committee are of the view that these policy flip-flops crippled the gas based power plants consequently making them stranded. These plants are now unable to service their debt obligations and are on the verge of becoming NPAs. The Committee find that instead of taking a holistic view for resolution of the problem, as is where is approach has been adopted. This kind of approach is fraught with inconceivable consequences for the sector as well as the Country, besides compromising the reliability of policy of the Government.

The Committee hope that the Ministry would avoid such erratic policy shifts in the future. The Committee, therefore, recommend that some consistency and predictability should be maintained in policy making so as to avoid giving sudden shocks to the stakeholders concerned. Also any policy/guidelines with respect to the change in allocation of gas should be prospective and it should not impact the existing users.

Reply of the Government

Ministry of Petroleum & Natural Gas (MoPNG) has been consistent in policy regarding allocation of Domestic gas. It is also to inform that the Policies have been notified with the approval of the competent authority in public interest. At present, allocation and supply of domestic gas is being made as per the relevant gas utilization policies issued from time to time. About 108.69 MMSCMD (Firm-90.60 MMSCMD and Fall back-18.09 MMSCMD) domestic gas has been allocated to Power sector under various gas utilization policies from time to time.

These allocations are being made to Power sector based on the projected availability at that time and without any firm commitment to power generators to have gas supply in perpetuity. Due to limited availability of domestically produced natural gas in the country, the domestic gas supply to various sectors including Power sector is limited.

Domestic Gas production and Domestic Gas supply to power sector in MMSCMD is tabulated below. It can be seen that production has gone down in the country and therefore present gas supplies are not meeting the gas allocations. However, supply of Domestic Gas to Power sector has increased in last 2 years. At present, power sector is the largest consumer of domestic gas in the country.

(in MMSCMD)

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Domestic Gas Production	97.00	90.99	88.12	87.39	89.45
Domestic Gas Supply to power sector	27.26	25.33	22.87	25.00	25.71

To attract investment in E&P activities and enhance domestic gas and crude production, Government has introduced various policy measures which include:

(i) Policy Frame work for Relaxation, Extension and Clarification under PSC for early Monetization of Hydrocarbon Discoveries.
(ii) Discovered Small Fields Policy.
(iii) PSC Extension Policy for Pre-NELP Discovered Fields.
(iv) Hydrocarbon Exploration Licensing Policy (HELP).
(v) Gas Pricing Reforms.
(vi) National Seismic Program me.
(vii) PSC Extension Policy for Pre-NELP Exploration Blocks.
(viii) Policy Framework for Early Monetization of CBM Blocks.
(ix) National Data Repository.
(x) Policy Framework for streamlining the working of PSCs.
(xi) Policy Framework for Exploration and Exploitation of Unconventional hydrocarbons under existing PSCs, CBM Contracts and Nomination Fields.
(xii) Policy Framework to promote and incentivize Enhanced Recovery Methods for Oil and Gas.
(xiii) Policy Reforms in Exploration and Licensing Policy for enhancing domestic exploration and production of oil and gas.

RLNG (Imported) gas is under Open General Licence which is sold on mutually agreed terms between buyers and sellers on market based mechanism. Power plants can source RLNG as per their needs.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

Comments of the Committee

(Please see Para No. 11 of Chapter – I of the Report)

Recommendation No. 5

The Committee note that the present condition of the gas-based power plants is largely due to non-fulfillment of commitment regarding supply of domestic gas by the Government. The changes in policy for domestic gas allocation have made these plants unviable jeopardizing the huge public investment. The Committee also note that the RLNG is under Open General Licence and can be sold on mutually agreed terms between Buyers and Sellers on Market Based Mechanism and power plants are allowed to source RLNG as per their requirement. The Committee appreciate the fact that RLNG has been put under Open General Licence and there are no restrictions on its import. However, the Committee feel that since the cost of producing power from RLNG is unaffordable and makes it difficult for scheduling in merit order dispatch, importing RLNG even under open general licence does not help in making the stranded Gas based Power Plants viable. The Committee have also been apprised that one of the gas-based power plants has been established with the co-operation of South Korean Government and decline in the availability of gas has also affected this plant. International co-operation and commitment in addition to foreign investment are the angles which need to be taken care of, so the Committee desire that gas should also be supplied to this plant. The Committee, therefore, recommend that the Government should explore all possibilities to revive these stranded gas-based plants which may inter-alia include assured gas allocation to stranded Gas based Power Plants from ONGC deep-water fields, diversion of domestic gas from non-core sectors to power sector and cost moderation of RLNG till sufficient domestic gas is made available.

Reply of the Government

Ministry of Petroleum & Natural Gas (MoPNG) has not made any erratic policy shift regarding allocation of Domestic gas. At present, allocation and supply of domestic gas is being made as per the relevant gas utilization policies issued from time to time. About 108.69 MMSCMD (Firm-90.60 MMSCMD and Fall back- 18.09 MMSCMD) domestic gas has been allocated to Power sector under various gas utilization policies from time to time.

These allocations are being made to Power sector based on the projected availability at that time and without any firm commitment to Power generators to have gas supply in perpetuity. Due to limited availability of domestically produced natural gas in the country, the domestic gas supply to various sectors including Power sector is limited.

Domestic Gas Production and Domestic Gas supply to Power sector in MMSCMD is tabulated below. It can be seen that production has gone down in the country and therefore present gas supplies are not meeting the gas allocations. However, supply of Domestic Gas to Power sector has increased in last 2 Years. At present, Power sector is the largest consumer of domestic gas in the country.

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xi) Policy Framework for Exploration and Exploitation of Unconventional hydrocarbons under existing PSCs, CBM Contracts and Nomination Fields.
xii) Policy Framework to promote and incentivize Enhanced Recovery Methods for Oil and Gas.

xiii) Policy Reforms in Exploration and Licensing Policy for enhancing domestic exploration and production of oil and gas.

Imported Gas (RLNG) was supplied to gas based power plants with various incentives as per CCEA approval dated 25.3.2015 for FY 2015-16 and FY 2016-17. It helped in reviving Stranded Power Plants. It has also helped in improving utilization of LNG terminals and gas pipeline infrastructures, besides improving power availability in the country. Various incentives provided in the scheme includes custom duty waiver on imported LNG, waiver of various state taxes, reduction in pipeline tariffs, reduction in Re-gasification charges, reduction in Marketing Margin and support from Power Sector Development Fund (PSDF) etc.

RLNG gas is under Open General Licence which is sold on mutually agreed terms between buyers and sellers on market based mechanism. Power plants can source RLNG as per their needs.

Korea Western Power Company Limited (KOWEPO) in January, 2012 made investment a gas based power plant located in Raigad District Maharashtra which is owned and operated by Pioneer Gas Power Limited (PGPL). Central Electricity Authority (CEA), in March, 2011 had already issued advisory to caution all prospective developers that their respective application for the allocation of gas would only be taken up once additional gas availability is known. Further, in March 2012, CEA again issued an advisory explicitly stating that no additional gas is likely to be available till 2015-16, and advised developers not to plan projects based on domestic gas at least till such time. On the contrary, KOWEPO continued to make investment in said power plant based on its own due diligence. The plant has not been allotted any domestic gas due to limited availability of domestic gas. As an alternate, the foreign investor has been suggested to explore the options to procure the gas from available market based gas sources (imported RLNG domestic gas sources having marketing and pricing freedom) for operation of power plant.

Government of India has constituted a High Level Empowered Committee to address the issue of stressed Thermal power Plants under the Chairmanship of Cabinet Secretary Recommendations of the committee have been processed by the Ministry of Power.

[Ministry of Petroleum and Natural Gas
O.M. No. L-16013/04/2018-GP-l, Dated: 13/06/2019]

<u>Comments of the Committee</u>

(Please see Para No. 14 of Chapter – I of the Report)

Recommendation No. 10

The Committee note that in order to improve utilization of gas based capacity in the country, the Government came out with E-Bid RLNG scheme in 2015 for importing spot Re-gasified liquefied Natural Gas (RLNG) for the stranded gas based power plants. The Scheme provided financial support from PSDF (Power System Development Fund). The Scheme also included exemptions from applicable taxes and levies/ duties. However, the Scheme was discontinued in 2017 as many States such as Telangana, Andhra Pradesh, etc. refused to sign PPAs with gas based plants and exemptions/waivers required were not extended by the States of Gujarat, Maharashtra, Madhya Pradesh and Jharkhand. It is beyond comprehension that why the States did not cooperate, when the scheme was introduced after consultation with the States concerned. The Committee observe that the other reason, given by the Ministry, for discontinuation of the Scheme is that any additional generation from gas based plants would have reduced the demand from the coal based thermal plants. The Committee feel that the natural gas is cleaner fuel, so the Ministry may consider giving it due priority over coal.

As the electricity demand is expected to pick up and the Committee have been assured of significant jump in the production of domestic gas in the near future, so there is a need to hand hold these stranded gas based power plants for next 2-3 years. The Committee, therefore, recommend that:

i) The Government should come up with a scheme like E-Bid RLNG Scheme to support these stranded plants in the intervening period with necessary exemptions, waivers and desired modifications.

ii) The financial support/subsidies required for the scheme may be sourced from Power System Development Fund/National Clean Energy Fund/Budgetary Grants. The Ministry of Power should pursue the same with the Ministry of Finance.

iii) The power so produced under the scheme may be used for bundling with other low cost power as has been done by NTPC earlier.

iv) RLNG may be pooled with the domestic gas through an aggregator such as GAIL, so as to achieve a reasonable price.

Reply of the Government

(i) A draft proposal based on the recommendations of HLEC was discussed in 2nd GoM meeting held on 25.02.2019, wherein the proposal was deferred for further examination as the issue involves large financial implications. Under the proposal a subsidy of around Rs. 3.30/kWh was estimated for generation from LNG, and for an incremental of around 61 BUs at 42% PLF would entail subsidy of around 19000 crore/annum. The above amount of subsidy is required considering the sale of power at Rs. 3.75/kWh, and the subsidy would vary with the rate of sale of power.

(ii) The funds in the PSDF are already tied up and further as informed by Deptt. of Expenditure, M/o Finance vide O.M. dtd. 27.02.2019, Goods and Services Tax (Compensation to States) Act, 2017, provides that coal cess, along with some other cess, along with some other cess would constitute GST Compensation Fund and the same would be utilized to compensate the states for 5 years to Compensate the potential losses on account of GST implementation.

[Ministry of Power
O.M. No. 13/9/2018-Th-I, Dated: 24/04/2019]

<u>Comments of the Committee</u>

(Please see Para No. 17 of Chapter – I of the Report)

Chapter V

Observations/Recommendations in respect of which the final Replies of the Government are still awaited

Nil

New Delhi;
18th March, 2021
27 Phalguna, 1942 (Saka)

Shri Rajiv Ranjan Singh *alias* Lalan Singh
Chairperson,
Standing Committee on Energy

APPENDIX-I

STANDING COMMITTEE ON ENERGY

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON ENERGY (2020-21) HELD ON 18th MARCH, 2021 IN COMMITTEE ROOM '2', PARLIAMENT HOUSE ANNEXE EXTENSION, NEW DELHI

The Committee met from 1500 hours to 1535 hours

LOK SABHA

Shri Rajiv Ranjan Singh alias Lalan Singh - Chairperson

2. Km. Shobha Karandlaje
3. Shri Ramesh Chander Kaushik
4. Shri Ashok Mahadeorao Nete
5. Shri Parbatbhai Savabhai Patel
6. Shri Dipsinh Shankarsinh Rathod
7. Shri N. Uttam Kumar Reddy
8. Shri Shivkumar Chanabasappa Udasi

RAJYA SABHA

9. Shri T.K.S. Elangovan
10. Shri Maharaja Sanajaoba Leishemba
11. Shri Jugalsinh Mathurji Lokhandwala
12. Dr. Sudhanshu Trivedi
13. Shri K.T.S. Tulsi

SECRETARIAT

1.	Shri R.C. Tiwari	-	Joint Secretary
2.	Shri R.K. Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director

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

a) Report on Action-taken by the Government on the recommendations contained in the 28th Report (16th Lok Sabha) on 'National Solar Mission- An Appraisal';

b) Report on Action-taken by the Government on the recommendations contained in 37th Report (16th Lok Sabha) on Stressed/Non-performing Assets in Power Sector';

c) Report on Action-taken by the Government on recommendations contained in 40th Report (16th Lok Sabha) on 'Impact of RBI's Revised Framework for Resolution of Stressed Assets on NPAs in the Electricity Sector';

d) Report on Action-taken by the Government on recommendations contained in 42nd Report (16th Lok Sabha) on 'Stressed/Non-Performing Assets in Gas based Power Plants';

e) Report on Action-taken by the Government on the recommendations contained in the 43rd Report (16th Lok Sabha) on 'Hydro Power'; and

f) Report on Action-taken by the Government on the recommendations contained in the 1st Report (17th Lok Sabha) on Demands for Grants (2019-20) of the Ministry of New and Renewable Energy;

g) Report on Action-taken by the Government on the recommendations contained in the 2nd Report (17th Lok Sabha) on Demands for Grants (2019-20) of the Ministry of Power;

h) Report on Action-taken by the Government on the recommendations contained in the 3rd Report (17th Lok Sabha) on Demands for Grants (2020-21) of the Ministry of New and Renewable Energy'.

i) Report on Action-taken by the Government on the recommendations contained in the 4th Report (17th Lok Sabha) on Demands for Grants (2020-21) of the Ministry of Power.

j) Report on the subject 'Action Plan for achievement of 175 Gigawatt (GW) Renewable Energy Target'.

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

The Committee then adjourned.

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APPENDIX II

(*Vide Introduction of Report*)

Analysis of Action Taken by the Government on the Observations/ Recommendations contained in the Forty-Second Report (16th Lok Sabha) of the Standing Committee on Energy

(i)	Total number of Recommendations	11
(ii)	Observations/Recommendations which have been accepted by the Government: Sl. Nos. 1, 3, 6, 7 and 9	
	Total:	05
	Percentage:	45.46 %
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies: Sl. No. 8 and 11	
	Total:	02
	Percentage:	18.18 %
(iv)	Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration: Sl. Nos. 2, 4, 5, and 10	
	Total:	04
	Percentage:	36.36%
(v)	Observations/Recommendations in respect of which final replies of the Government are still awaited: Sl. No. Nil	
	Total:	Nil
	Percentage:	00