

POWER

Sector Impact - Positive

Background

Source	Installed Capacity (MW)			Power Generation (Mn Units)		
	31/12/08	31/12/09	Growth	Dec 08	Dec 09	Growth
Thermal						
- Coal	77,459	81,606	5.4%	430,332	468,535	8.9%
- Gas	14,734	17,056	15.8%			
- Diesel	1,200	1,200	-			
Hydro	36,648	36,885	0.7%	97,808	90,579 [^]	(7.4%)
Nuclear	4,120	4,120	-	11,303	13,408	18.6%
RES	13,242	15,225	15.0%			
Total	147,403	156,092	5.9%	539,443	572,522	6.1%

RES: Renewable Energy Source

[^] includes import of about 5,610 Mn Units from Bhutan up to December 2008 and 5,135 Mn Units up to December 2009

Source: Central Electricity Authority (CEA)

- The Eleventh Five Year Plan targets to add 78,700 MW of power capacity during 2007-2012. As against a target of 10,766 MW, only 6,250 MW (about 58%) was achieved up to December 31, 2009. The underachievement was primarily due to delay from equipment manufacturers, non-availability of foreign workers (mainly Chinese) working on the projects, fuel linkages not coming through and delay in tie-up of funds.
- India experienced average energy deficit of 10.2% and peak deficit of 11.8% during April to December 2009. Major shortage was witnessed in the western region with the peak deficit at 17.4%.
- Out of the thirteen Ultra Mega Power Projects (UMPPs) envisaged up to 2017, the Ministry of Power has allocated four UMPPs till date. Three UMPPs were awarded to Reliance Power Ltd while one UMPP was bagged by Tata Power Ltd. Bids are likely to be invited by the Central Government soon for three more UMPPs of 4,000 MW each at Cheyyur (Tamil Nadu), Bedabahal (Orissa) and Akaltara (Chhattisgarh).
- GoI's recently launched Jawaharlal Nehru National Solar Mission aims to feed 20,000 MW of power to the national grid by 2022, with a total expected investment in the range of Rs.85,000-105,000 crore over a 30-year period starting with an initial investment of Rs.5,000-6,000 crore in the current five year plan (upto 2012). The main objective of National solar mission is to establish India as the global leader in solar energy.

- Under the Restructured - Accelerated Power Development and Reforms Program (R-APDRP), projects for strengthening and upgradation of the state power distribution, sub-transmission network, metering and billing have been supported financially and technically by the Central Government. The Central Budget allocation for this program was enhanced to Rs.2,080 crore for 2009-10. For strengthening the National Grid, addition of 7,748 ckt. Kms of High and Extra High Voltage transmission lines were completed upto December 31, 2009 against a target of 10,985 ckt Kms.
- The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched by the Central Government in April 2005 with the goal of providing access to electricity to all household in India by 2012. Under the RGGVY, 497,626 or about 84% of the inhabited villages in India have been electrified till December 31, 2009.

Budget Proposals

1. Central budgetary allocation for the power sector increased by 61% to Rs.5,130 crore.
2. Coal Regulatory Authority to be set up and competitive bidding for captive coal mining to be launched.
3. Framework for induction of super-critical technology in large capacity power plants of NTPC Ltd is put in place.
4. Mega Power Policy to be modified and made consistent with the National Electricity Policy, 2005 and Tariff Policy, 2006, with focus on lowering the cost of generation and the cost of power purchased by the distribution utilities.
5. Clean Energy Development Cess on imported and domestic coal/lignite of Rs.50 per ton introduced.
6. Budgetary support for development of Clean Energy increased to Rs.1,000 crore. Focus on research in new energy sources.
7. A sum of Rs.500 crore additionally allocated for setting up solar and small hydro power plants in the Ladakh region of Jammu and Kashmir.
8. Customs Duty exemption given for import of tunnel boring machines used in development of hydro power projects.

9. Customs Duty reduced marginally and entire Excise Duty exemption given to machinery, equipment and instruments required to set up Photo-voltaic Cells and Solar Panels for power generation.
10. Excise Duty exemption given to specific inputs required for manufacturing rotor blades used in wind energy generation.

Duty Structure

(%)	Existing	Proposed
CUSTOMS DUTY		
<ul style="list-style-type: none"> • Machinery, Equipment and Instruments required to set up Photo-Voltaic Cells and Solar Panels for power generation 	7.5	5.0
<ul style="list-style-type: none"> • Tunnel boring machines used for hydro power projects 	7.5	Nil
<ul style="list-style-type: none"> • Ground source heat pumps used to tap Geo-thermal energy 	7.5	Nil
EXCISE DUTY		
<ul style="list-style-type: none"> • Specified inputs required for manufacturing Rotor Blades for generating Wind Energy 	* 8.0	Nil
<ul style="list-style-type: none"> • Machinery, Equipment and Instruments required to set up Photo-Voltaic Cells and Solar Panels for power generation 	* 8.0	Nil

* Excluding 2% Education cess and 1% secondary & higher education cess

Budget Impact: Industry

1. Increase in budget allocation for the power sector to boost investment in the power sector across various sub-segments (generation, transmission and distribution).
2. The move to set up a Coal Regulatory Authority and invite competitive bidding for captive coal mines is expected to expedite allocation of coal linkages, thereby speeding up investment in thermal power generation projects.
3. Induction of super-critical technology to help NTPC Ltd in enhancing generation capacity.
4. Mega Power Policy changes to benefit power project developers falling in this category (subject to specific modifications proposed under the policy).

5. Imposition of Clean Energy Development Cess on imported and domestic coal/lignite to marginally impact thermal power generation companies.
6. Thrust on development of clean energy backed by higher fund allocation to benefit existing players and boost fresh investments in this sector.
7. Additional fund allocation for setting up renewable energy projects in Ladakh to bring investment in power generation in this region in the long term.
8. Customs Duty exemption on tunnel boring machines to benefit hydro power project developers marginally.
9. Customs Duty reduction and entire excise duty exemption given on machinery, equipment and instruments required to set up Photo-voltaic Cells and Solar Panels for power generation beneficial for companies setting up solar power projects.
10. Excise Duty exemption on specific inputs required for manufacturing rotor blades to marginally benefit wind power equipment manufacturers and wind farm developers.

Budget Impact: Companies

Company Category	Products	Applicable Proposals	Overall Impact
NTPC Ltd	Thermal Power Generation	1,2, 3 and 5	▲
Reliance Power, Tata Power, State Thermal Power Generation Companies	Thermal Power Generation	1,2, 4 and 5	▲
State Power Transmission and Distribution Companies	Transmission and Distribution of Power	1 and 4	▲
NHPC Ltd	Hydro Power	6,7 and 8	▲
Moser Baer (India) Ltd, Euro Multivision Ltd	Solar Power	6,7 and 9	▲▲
Suzlon Energy Ltd, Enercon India Ltd, Indowind Energy Ltd	Wind Power Equipment and Generation	6,7 and 10	▲

Legends:

▲▲	Highly Positive	▼	Negative	◄►	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals