

GOVERNMENT OF INDIA
MINISTRY OF POWER

RAJYA SABHA
STARRED QUESTION NO.50
ANSWERED ON 25.07.2023

PRODUCTION COST OF ELECTRICITY

50 SHRI NARAIN DASS GUPTA:

Will the Minister of Power be pleased to state:

- (a) the quantum of increase in the cost of production of electricity through thermal, hydro, coal and from other means as compared to previous years;
- (b) the increase in the percentage of power purchasing cost during the last six months; and
- (c) the steps taken by Government for maintaining power purchase cost at an appropriate level?

A N S W E R

THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY
(SHRI R.K. SINGH)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) IN RESPECT OF RAJYA SABHA STARRED QUESTION NO.50 FOR REPLY ON 25.07.2023 REGARDING PRODUCTION COST OF ELECTRICITY ASKED BY SHRI NARAIN DASS GUPTA.

(a) : The weighted Average Rate of Sale of Power (WARSP) in the country for different sources of power generation (ex-bus) for Financial Year 2019-20 to 2021-22, as reported by the generating companies, is as given under:

(in Rs/kWh)

Mode of Generation/Category	FY 2019-20	FY 2020-21	FY 2021-22
Hydro	2.71	2.64	2.67
Thermal	3.96	3.40	4.13
Nuclear	3.14	3.11	3.16

(b) : The power procurement portfolio of DISCOMs is a judicious mix of long/medium and short term contracts to ensure security of supply to their consumers at least cost wherein the Long Term/Medium Term contracts contributes major part. Hence, there may not be major changes in power procurement costs in Long Term/Medium Term PPAs except the variations in price of Coal and freight.

(c) : Government of India have taken various steps to reduce the cost of power generation and resultant reduction in cost of electricity to consumers as given below.

- i. Power Exchanges have been set up in the country with the objective to ensure fair, neutral, efficient and robust electricity price discovery. Distribution Companies (DISCOMs) can procure the power from these Power Exchanges and thus help to reduce power purchase cost of DISCOMs. With the objective of maintaining reasonable prices in Power Exchanges, upper ceiling limits have been introduced vide order dated 21st March, 2023.
- ii. The Government in May, 2016 allowed flexibility in utilization of domestic coal by State/Central Generation Companies (GENCOs) amongst their generating stations to reduce the cost of power generation by allocating more coal to their most efficient plants as well as by saving in transportation cost. The States may also transfer their linkage coal to IPPs selected through bidding process and take equivalent power.
- iii. Rationalization of linkage sources of State/Central Generating Companies (GENCOs) and Independent Power Producers (IPPs) with a view to optimize transportation cost has been allowed.
- iv. To promote competitive procurement of electricity by distribution licensees, the Government issued various guidelines for tariff based bidding process for procurement of electricity under Section 63 of Electricity Act, 2003.

- v. The Government has introduced the SHAKTI (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India)-2017 Scheme to provide coal linkages to the power plants which do not have linkage, thus helping the generators to get cheaper coal and thereby reduction in cost of generation.
- vi. The Government of India has also launched the Revamped Distribution Sector Scheme (RDSS) to help DISCOMs improve their operational efficiencies and financial sustainability by providing result-linked financial assistance to DISCOMs to strengthen supply infrastructure. The main objectives of RDSS are reduction of Aggregate Technical & Commercial (AT&C) losses to pan-India levels of 12-15% by 2024-25 and reduction of average cost of supply per unit of power minus average revenue realized (ACS-ARR) gap to zero by 2024-25. Reduction in AT&C losses improves the finances of the utilities, which will enable them to better maintain the system and buy power as per requirements; benefitting the consumers.
- vii. With the objective of lowering the cost of electricity to consumers, National Merit Order Dispatch was made operational since April 2019, for Inter State Generating Stations under which electricity from more efficient/lower cost plant are dispatched first, which optimises the total variable cost of generation pan-India, while meeting technical and grid security constraints. It has resulted in reduction of variable cost on pan-India basis and these benefits are being shared with generators and their beneficiaries, which ultimately reducing the cost of electricity to consumers.
