

**GOVERNMENT OF INDIA
MINISTRY OF POWER**

**LOK SABHA
UNSTARRED QUESTION NO.2863
TO BE ANSWERED ON 05.08.2021**

BURDEN ON CONSUMERS

2863. SHRI ASADUDDIN OWAISI:

**Will the Minister of POWER
be pleased to state:**

- (a) whether coal based electricity consumers are paying high cost as end users;**
- (b) if so, the different taxes being levied on coal from mine to thermal power station and after generation of electricity;**
- (c) whether coal which cost 55% to electricity generation is under GST but electricity as end product is not under GST and is levied multiple taxes;**
- (d) if so, the details thereof; and**
- (e) the steps taken or being taken by the Government to put less burden on consumers and reduce taxes on coal for power generation?**

A N S W E R

THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY

(SHRI R.K. SINGH)

(a) : Distribution licensees procure power from different sources including coal based generating stations. The end users (i.e. electricity Consumers) pay the retail tariff as determined by respective State Commission depending upon the various factors wherein one of the dominant factors is the average power purchase cost incurred by distribution licensee. The average power purchase cost includes the cost incurred by the distribution companies in purchase of power from all sources including coal if it has Power Purchase Agreement with the Coal based power plant. So, there are no electricity consumers of the distribution licensee who as such consume electricity only from the coal based power plant.

(b) to (d) : Presently, GST @5% and GST compensation cess @Rs. 400/metric ton is applicable on coal. Besides this, State Governments levy royalty, National Mineral Exploration Trust (NMET) Charge, District Mineral Foundation (DMF) Charge and some other taxes/levies, which vary from State to State. The electricity sector is out of the purview of GST. The activities such as supply of electricity and services of transmission or distribution of electricity by an electricity transmission or distribution utility are exempt from GST. Many State Governments levy taxes and duties on distribution of electricity at different rates.

(e) : Coal based power plants are obligated to comply with the norms/Notifications issued by MoEF&CC under Environment Protection Act, 1986. Those Notifications, which fall under the category of 'Change in law' by CERC are liable to be pass through in tariff and burden is to be borne by the consumers.

Government of India have taken the following steps to reduce the cost of power generation and resultant reduction in cost of electricity to consumers:

- (i) The Government in May, 2016 allowed flexibility in utilization of domestic coal by State/Central 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.**
- (ii) Rationalization of linkage sources of State/Central Gencos and IPPs with a view to optimize transportation cost has been allowed.**
- (iii) 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.**
- (iv) A Merit Order Despatch System has been put in place for Inter State Generating Stations under which electricity from more efficient/lower cost plant are despatched first.**
