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## Union cabinet modification to the mega power policy

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The Union Cabinet approved modifications in the existing mega power policy. This would encourage setting up of mega power plants to take advantage of economies of scale and improve their viability. It will simplify the procedure for grant of mega certificate and encourage capacity addition. It will also encourage technology transfer and indigenous manufacturing in the field of super critical power equipments.

The mega Power Policy was introduced in November 1995 for providing impetus to development of large size power projects in the country and derive benefit from economies of scale. These guidelines were modified in 1998 and 2002 and was last amended in April 2006 to encourage power development in Jammu & Kashmir and the North Eastern region.

In order to rationalize the Mega Power Policy and bring it in consonance with the National Electricity Policy 2005 and Tariff Policy 2006, the following modifications of the existing Mega Power Policy have been envisaged:-

1. The existing condition of privatization of distribution by power purchasing states would be replaced by the condition that power purchasing states shall undertake to carry out distribution reforms as laid down by the Ministry of Power.
2. The conditions requiring inter-state sale of power for getting mega power status would be removed.
3. The present dispensation of 15% price preference available to the domestic bidders in case of cost plus projects of PSUs would continue. However, the price preference will not apply to tariff based competitively bid projects of PSUs. A Committee would be set up under the Planning Commission, with DHI, MoP and DoR as members which would suggest options and modalities to take care of the disadvantages suffered by the domestic industry related to power sector keeping all factors in view.
4. The benefits of Mega Power Policy will also be extended to supercritical projects to be awarded through ICB with the mandatory condition of setting up indigenous manufacturing facility provided they meet the eligibility criteria.
5. The requirement of undertaking international competitive bidding by the developers for procurement of equipment for mega power projects would not be mandatory, if the requisite quantum of power has been tied up through tariff based competitive bidding or the project has been awarded through tariff based competitive bidding.
6. A basic custom duty of 2.5% only would be applicable on brown field expansion of existing mega projects. All other benefits under mega power policy available to Greenfield projects would also be available to expansion unit even if the total capacity of expansion unit is less than the threshold qualifying capacity, provided the size of the unit is not less than that provided in the earlier phase of the project granted mega power project certificate. All other conditions for grant of the mega power status shall remain the same.
7. Mega Power Projects would be required to tie up power supply to the distribution companies/utilities through long term PPA and may also sell power outside long term PPA in accordance with the National Electricity Policy 2005 and Tariff Policy 2006 as amended from time to time, of Government of India.

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