

Standing Committee Report Summary

Delay in Execution/Completion of Power Projects by Power Sector Companies

- The Standing Committee on Energy (Chair: Mr. Rajiv Ranjan Singh) submitted its report on the subject “Delay in Execution/Completion of Power Projects by Power Sector Companies”, on August 5, 2021. The Committee observed that: (i) 12 out of 13 hydro projects, (ii) 30 out of 34 thermal projects, (iii) 18 out of 42 transmission projects, and (iv) one out of 26 renewable projects were delayed in execution. Such delays led to significant time and cost overruns. For example, the delay in execution of 12 hydro projects led to a cumulative time overrun of over 100 years, and a cost overrun of Rs 31,530 crore. Similarly, the delay in 30 thermal projects led to a cumulative time overrun of 148 years, and a cost overrun of Rs 41,100 crore. Key observations and recommendations of the Committee include:
 - **Contractual disputes:** The Committee observed that contractual and land acquisition disputes are key reasons behind the delay in execution of power projects. The Committee noted that such issues arise due to poor cost estimation of projects, poor cost management, and inadequate funds.
 - The Committee recommended that during the contract formation stage, the project developer and contractor should exercise due diligence and carefully negotiate the contractual terms and conditions. The contract document should contain suitable measures with strict norms and penalties for each level of activity in the contract. Sub-sectoral limits for lending should be defined for lending to thermal power projects by banks on a priority basis.
 - **Issues with hydro power projects:** The Committee noted that key reasons behind the delay in execution of hydro power projects include: (i) bottlenecks in land acquisition, (ii) environment and forest-related issues, (iii) rehabilitation and resettlement issues, (iv) local law and order, and (v) fund constraints. The Committee observed that such issues generally occur in large construction projects. These may be addressed by having firm contractual guidelines with adequate policy and regulatory support. It recommended that financial policies for hydro power projects should be reviewed to provide long term debts with low interest rates. Further, a single window clearance mechanism should be adopted to reduce cost and time overrun.
 - In the north-east region, inadequate infrastructure such as roads and bridges lead to a longer construction period, thereby, increasing the project cost. The Committee recommend that concerned authorities (such as Border Road Organisation) should provide adequate support for timely completion of projects. National Clean Energy Fund may be used development of roads, bridges, and other infrastructures common for hydro power projects. National Clean Energy Fund is the corpus of fund created for funding research and innovative projects in clean energy technologies.
 - **Review and monitoring mechanism for power projects:** The Committee noted that National Thermal Power Corporation (NTPC) relies on a three-tier project management system for the review of projects. This system integrates engineering management, contract management, and construction management control centres of NTPC. Central Electricity Authority and Ministry of Power also conduct periodic reviews of power projects. The Committee noted that the lack of proper monitoring mechanism lead to delays in projects, thereby, causing time and cost overruns.
 - The Committee recommended that apart from regular review meetings, an information technology (IT) based project management, monitoring, and follow-up system should be introduced at all project sites. This system should have online connectivity with all stakeholders (such as suppliers, project developers, and contractors).

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