

1.1 Company profile

NTPC Limited (Company) was incorporated in November 1975 with the objective to plan and promote development of thermal power in the country. In May 1998, NTPC diversified its objectives to include new business activities like development of hydro power and power through non-conventional/renewable energy sources. As on 31 March 2010, NTPC with an installed power generating capacity of 28,902 mega watt (MW) from 15 coal based thermal power stations and seven gas/liquid fuel based power stations was the largest thermal power generating company of the country. NTPC contributed 28 *per cent* of the total electricity generation of the country as of 31 March 2010. NTPC is a government Company wherein Government of India holds 84.50 *per cent* of the total equity.

1.2 Capacity addition program of NTPC

In line with the objective of National Electricity Policy (February 2005) to increase annual per capita consumption of electricity from the existing level of 631 units to 1,000 units, NTPC planned (April 2007) a Capacity Addition Programme to become a 50,000 MW Company by 2012. Since, NTPC had installed capacity of 27404 MW upto 31st March 2007, the Company planned to increase the capacity by 22,600 MW (83 percent) during next five years (2007-2012). However, due to non-fructification, rescheduling or substitution, the Company revised (2007-08) its target downward to 22,430 MW to be achieved during 2007-2012. In order to achieve this target, NTPC decided (2006-07) to adopt a multi-pronged growth strategy. A list of projects identified for capacity addition during the above period is placed at **Annexure-I** based on type of fuel to be used (i.e. Thermal, Hydro or Wind) and nature of project (i.e. Greenfield or Expansion).

The Management stated (November 2010) that the capacity addition target of 22,430 MW was approved neither by the Planning Commission nor by the Ministry of Power. Analysis should be done only against the target for capacity addition of 17,760 MW fixed by Planning Commission for NTPC for 11th Plan.

We do not agree with the Management as the capacity addition target of 22,430 MW was set by the Company itself as per the Corporate Plan. The Company had in fact identified projects to augment capacity for 22,430 MW during 2007-12 and had also initiated action on these projects.

1.3 Progress of Capacity Addition Programme

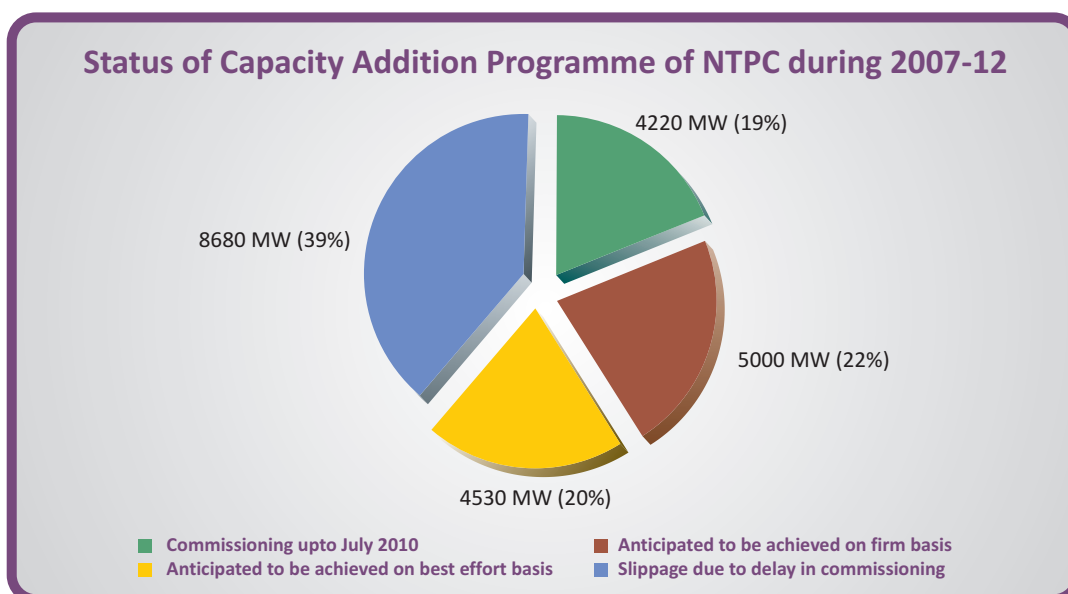
1.3.1 Of the target of 22,430 MW fixed involving 24 projects, the Company commissioned only five thermal projects¹ involving 4,220 MW (19 percent) till

¹ Kahalgaon-II (1000 MW), Sipat-II (1000 MW), Dadri-II (980 MW), Bhilai Expansion (500 MW) and Ratnagiri (740 MW).

August 2010 of which Ratnagiri² project was a revival project. Further, out of above target, two projects³ involving 760 MW have not been so far (August 2010) awarded. Out of balance 17,450 MW involving 17 projects⁴, the size of Muzaffarpur Expansion⁵ project was reduced by 110 MW. The Company anticipates to achieve another 5,000 MW out of 17,340 MW on firm basis by March 2012.

Thus, against the target of 22,430 MW, Company would be able to achieve only 9,220 MW resulting in a shortfall of 13,210 MW (59 per cent). Analysis of progress made so far reveals that although the Company anticipates to achieve additional 4,530 MW involving six projects⁶ on best effort basis, commissioning of these projects appears to be difficult by March 2012 as present status of progress of work is far from satisfactory. Further, the Company could achieve only 500 MW against 1,500 MW planned on best effort basis during previous capacity addition programme (2002-07).

The total cost of 21 approved projects between 2002 to 2010 involving 21320 MW⁷ was ₹ 1,09,319.19 crore of which a cumulative expenditure of ₹ 50,853.19 crore has been incurred upto March 2010. The status of the progress of capacity addition programme for 2007-12 is indicated in the following pie-chart:



² Ratnagiri is a revival project. Under the current capacity addition programme NTPC has added capacity of 740 MW by reviving Block-III of the Ratnagiri project. This Ratnagiri project has not been analysed in this Report.

³ North Karanpura (Thermal) and Guledagudda (Wind Power).

⁴ Barh-I, Barh-II, Sipat-I, Mouda, Korba-III, Farakka-III, Simhadri-II, Rihand-III, Vindhyachal-IV, Bongaigaon, Koldam, Loharinagar Pala, Tapovan Vishnugad, Jhajjar, Vallur, Muzaffarpur and Nabinagar.

⁵ The Company initially planned this project for 500 MW (2 units of 250 MW) but later on changed to 390 MW (2 units of 195 MW each)

⁶ Sipat-I (1980 MW), Mouda (500 MW), Bongaigaon (250 MW), Rihand-III (500 MW), Vindhyachal-IV (500 MW) and Koldam Hydro (800 MW).

⁷ Out of 22,430 MW Investment approval is awaited in respect of North Karanpura thermal (660 MW) and Guledagudda Wind Power (100 MW) projects. The Company has changed project size from 500 MW to 390 MW in respect of Muzaffarpur thermal project. In the absence of breakup for cost of Kahalgaon-II project executed up to 2007 (500 MW) and during 2007-12(1000 MW), the capacity and cost of this project has been taken for 1500 MW.