To take the state of Uttar Pradesh (India's largest) as an example, power stations now planned or underway amount to 3,550 MW in SEB projects, 1,750 MW (UP's share) in Central projects, and 2,200 MW in private projects for which MOUs have already been negotiated (including Pacific Power's Jawaharpur project – see Box 3.1). Proposals have been invited for a further 1,730 MW in private projects, and Canadian firms are believed to be pursuing three of these.

Private Power Projects. This is the area that has attracted the most attention internationally. A few Canadian firms have already entered the field. There are several ways Canadian companies can participate in such projects: as prime promoter and investor, as a consortium or joint-venture partner, or as a supplier of goods and services.

Many of the promoters of IPPs — U.S. firms are predominant among the foreign ones (see Box.3.2) — are themselves suppliers of power equipment and services. Canadian manufacturers and engineering companies who are willing to assume some risk and can arrange the requisite financing for such an approach will see the advantage of being able to control the shape and design of the project, and tailor it to their supply capabilities.

Box 3.2: Some U.S. firms sponsoring IPPs in India

AES Power
Asia Power Corp.
Bechtel Enterprises Inc.
Besicorp Brooklyn
CMS
Caithness International Power Corporation
Chicago Power Corp.
Cogentrix Inc.
Enron Corporation
GVK
Houghdon Inc.
Independent Power Group
J. Makowski
Mission Energy
Northeast Energy Services Inc.
Southern Electric Corporation
Spectrum Technologies and S.T. Power Systems

The recent controversy over foreign-sponsored, negotiated deals suggests that would-be Canadian investors should follow these pointers:

- Have an Indian partner. The new rules may permit 100 per cent foreign ownership, but having a committed local investor as a partner is an invaluable asset in avoiding the kind of political isolation that Enron found itself in. A joint venture partner could be a private Indian firm, or even one of the SEBs.
- Make certain that all dealings are transparent, and can stand up to public scrutiny, especially if the local government changes. The best way to ensure this may be to go after projects that are being put to competitive tender, rather than the now-tarnished MOU route.
- Make sure that claimed capital costs are fully justifiable. The idea that India is being "ripped off" by foreign operators is a recurrent theme in the controversy over IPPs.
- Do not expect a Central Government guarantee. Instead, negotiate one of the alternative means of security (escrow accounts, etc.) now offered. The best assurance of reasonable financial security is a well-structured PPA that deals adequately with issues like fuel supply. The best assurance of political security is