

renewals of 20 years; beginning from the year of generation, a five-year tax holiday for power plants followed by a 30 percent tax reduction for a further five years; free and full repatriation of dividends and interest on foreign equity and loans is assured; depreciation on plant and machinery for environmental protection and pollution control of 100 percent; concessional duty of 20 percent on machinery imports for power projects; lowered import duty on specified raw materials and items for non-conventional energy; concessional import duty of 25 percent for wind operated electricity generators.

While the reforms are positive from an investor's point of view, there are still concerns regarding the capability of State Electricity Boards (SEBs) to pay for the electricity purchased from private generators and the institutional and political constraints surrounding the issue of electricity tariff hikes. The GOI has encouraged the SEBs to raise their tariff rates in order to enhance their capability to pay for the purchase of electricity (some state governments have already implemented the hike). The GOI has also looked at having the SEBs open an 'escrow account' in which private generators would have first charge and SEBs would make advance payments to the private companies for supplying power to the SEB grid.

Following political and financial difficulties with some already approved 'fast-track' projects, the GOI is taking a more cautious approach and is unlikely to approve any further counter-guarantees. Emphasis is now on utilization of the competitive bidding process for all independent power projects rather than on MOUs.

The government's keen desire to attract foreign investment from the private sector has resulted in pressure on the bureaucracy to expedite approvals. While delays of several months for completion of formal approvals for foreign firms can be expected, it is likely that the situation will improve as the bureaucracy becomes more familiar with handling power sector proposals from foreign and Indian private investors. Already, approval by the Central Electricity Authority has been waived for projects of under 100 megawatts costing up to US\$120 million provided they have been awarded on the basis of competitive tenders.

3. Canadian Power Capabilities

Through its provincial utilities, consulting engineers and private operators, Canada has developed a wealth of knowledge and experience in building and operating a wide variety of power generation, transmission and distribution systems. Canada is the world's largest producer of hydro-electric power, and the third largest producer of electricity from all sources. Canadian companies design, build and operate some of the largest and most complex electrical projects in the world. In fact, in the past five years, Canadian manufacturers, consulting engineers, constructors, and utility operators have helped build electric power projects in over 70 countries around the world. Because of long transmission distances, Canada has also become a world leader in high-voltage direct current (HVDC) and other