Central and State agencies have advertised over 150 projects for which technical, economic and environmental plans have been prepared, but which could not be developed for lack of financing.

The response to these invitations has been dramatic. As of November, 1995, 243 private power proposals, involving investments equal to more than US$ 100 billion, had been submitted for clearance at the Central level, either for projects that have been advertised by Central or State authorities or for unsolicited projects (investor initiative). Fifty-two of these proposals are from foreign investors, the majority of them from the United States.

Promoters are for the most part major construction engineering firms, equipment suppliers and independent power project developers. Their proposals are mainly for "greenfield" power stations, representing a total generating capacity of more than 90,000 MW (or more than India's existing plant). By no means all of these proposals are likely to go ahead — difficulties in arranging project clearances and financing will likely stymie many of them.

The sixteen projects approved to date by the foreign investment authorities and the CEA, however, will, if built, add about 10,000 MW of generating capacity. Another 31 proposals involving 23,000 MW are thought likely to be approved in the coming months.

A policy still in flux

Political and financial difficulties with some of these projects (see Box 2.3) have led the Central authorities to adopt a somewhat more cautious approach during 1995. No further counter-guarantees are likely to be approved, beyond those promised in principle for the eight "fast-track" projects. The Government has also ruled that future IPPs and their associated PPAs *must be based on competitive bidding*, rather than negotiated MOUs, if they are to be approved by the CEA. The Power Ministry has advised SEBs to weed out non-serious proposals among the MOUs already signed, and re-tender them for bidding.

As a result, the concepts of an assured 16 per cent ROE and the two-part tariff may be abandoned, since bidders are likely to have to quote a fixed per-unit price of power, as the competitive core of their offer. This will expose bidders to much higher risks, with respect to ensuring fuel supplies etc. (for which special insurance provisions are being explored). Standard guidelines for PPAs have now been circulated, and detailed bidding documents are being developed by the Power Finance Corporation with World Bank assistance.

In practice, moreover, official processing of projects is taking longer than originally hoped. There are still 18 separate clearances required at the Central and State levels, and these will have to be speeded up if a significant number of private projects are to break ground soon. Continuing efforts are underway to restructure the bureaucracy and streamline the approval process.

One example: in a move that is perhaps indicative of a broader shift in emphasis from mega-projects towards more modest ones (under 100 MW), approval of the CEA will no longer be required for projects costing up to Rs 400 crore (about US$ 120 million), provided they are awarded on the basis of competitive tenders.