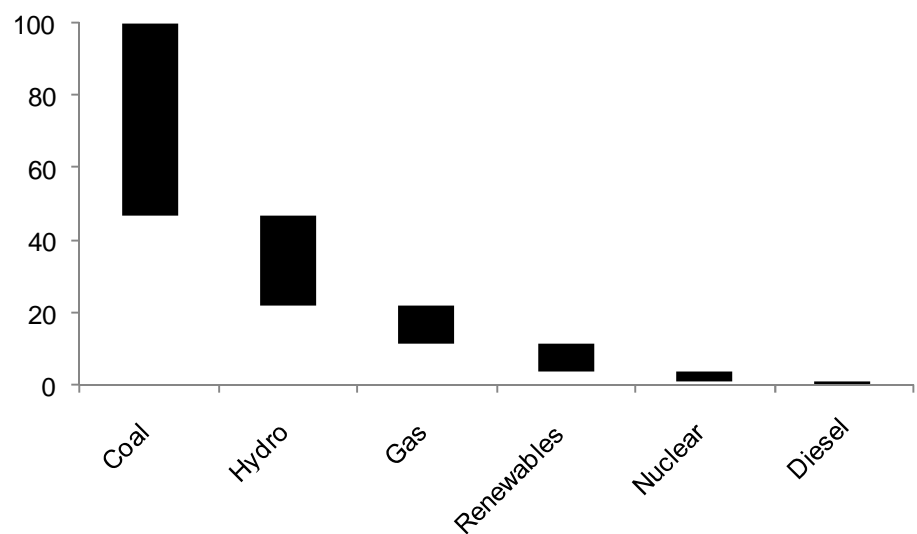


Overview

India has an installed electric generation capacity of 143,311 MW as of April 2008. State governments control roughly half of total electric generating capacity; the federal government controls 48,611 MW, state governments 74,615 MW and the private sector 20,085 MW. The majority of the installed capacity in India is coal based, accounting for 53 per cent of installed capacity

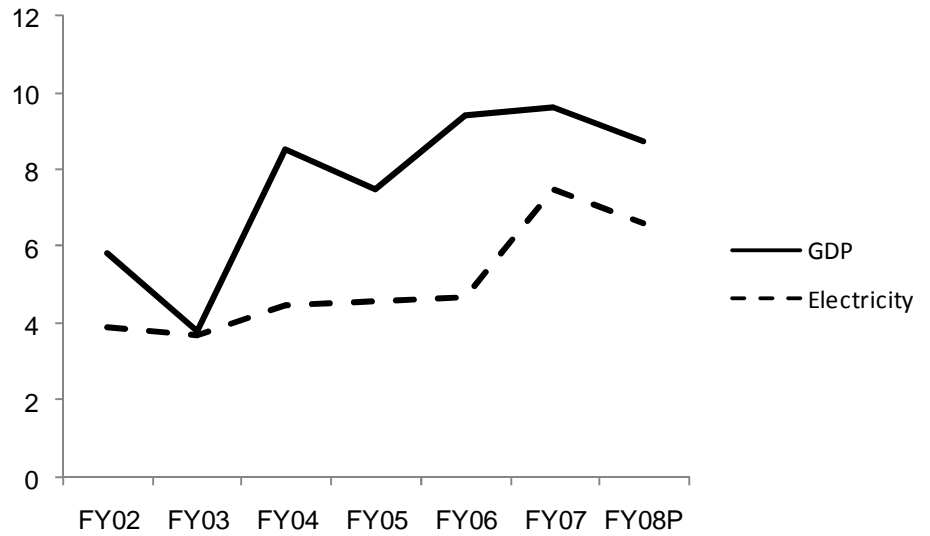
Exhibit 7.1 Production of electricity by power source (per cent)



Source: CEA.

Despite the unarguable importance of electric power to India's future growth, the performance of the power sector has increasingly fallen behind the economy's requirements. As the graph below illustrates, the growth in power generation has lagged behind overall GDP growth every year since 2000. Official estimates place peak deficit at nearly 17 per cent, up from 11 per cent four years ago.

Exhibit 7.2 Growth in electricity generation and GDP (per cent)



Source: Economic Survey of India.

India's chronic shortage of electricity highlights the risks of failing to address the country's electric power shortages. Power shortages threaten to undermine the economy's growth momentum, and with it, the possibility of lifting millions out of poverty. For example, electricity output has risen from 499.6 billion kWh in FY01 to 704.05 billion kWh in FY08. Growth in FY08 was 6.3 per cent short of this target. Growth in thermal generated power was only 5.7 per cent, while nuclear power was down 5.7 per cent. In FY08 peak electricity shortages were an estimated 16.6 per cent, with shortages dominating in the industrialised western region and north-eastern regions of the country.