

INVESTMENT PLANNING AND TECHNOLOGICAL CHANGES
IN THERMAL POWER GENERATION IN INDIA

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ABSTRACT

The investment planning problem in the thermal power generating sector has been formulated in a dynamic context which highlights the time dependent aspects of decisions and the constraints to those decisions. The structural constraints have been constructed using econometric methods. The econometric method has the advantage that it aids the modeller in specifying a correct model, by testing various hypothesis about the interactions between the variables in the system, and discarding those relationships that are not statistically significant. The model is then used to examine alternative stabilization policies using optimal control methods, and develop an optimal plan for investments in the thermal power sector, with overall cost minimisation as the objective criterion.