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For an objective assessment of the state of India's power sector, some of its fundamentals need scrutiny. First, for every 100 units produced, only about 60 are paid for by consumers. The rest is lost in transit, of which more than half relate to plain theft. No matter what reform model is adopted, such pilferage cannot be sustained. A national campaign for combating this all-pervasive evil can hardly be over-emphasised.

The second issue relates to absence of competition in generation and supply of electricity. This has been achieved in virtually all across the developed world. In India, however, state-owned monopolies continue to hold forth. A producer of electricity must sell to a state-owned monopoly alone and that too without an assurance of getting paid in

Power sector needs to be unshackled

time. No wonder, private investment continues to shy away. Of the capacity addition target of 41,000 MW during the Tenth Five Year Plan, the shortfall would be about one-third.

The third problem relates to irrational tariffs. Contrary to common industry practice elsewhere, bulk consumers (industry) in India pay the highest tariffs, which impact their competitiveness. Though farmers pay subsidised prices, they end up receiving inadequate and erratic supply. In the process, virtually all consumers get short-changed.

Privatisation of electricity distribution in Orissa and Delhi has not inspired much confidence because it was flawed in many ways, and relied on substituting state monopolies by private monopolies.

Though regulatory commissions have been set up at the Centre and in the states, critics perceive them as sinecures for retired bureaucrats who have spent a lifetime in the command and control era. Failure to introduce competition and inability to check rampant profiteering by traders have only reinforced the crit-



EXPERT VIEW
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icism.

Notwithstanding the weak fundamentals, the power sector is poised for a turnaround. The rising demand for electricity and the growing intolerance towards persisting shortages would force a paradigm shift. State governments will find it increasingly difficult to subsidise losses, particularly thefts. The stranglehold of state monopolies would have to yield in favour of a liberalised industry structure necessary for attracting the requisite investments. Sooner than later, the power sector would have to be unshackled in resurgent India.

The instrument of change would be the Electricity Act, 2003. Enacted after an extensive debate for over three years, within and outside the Parliament, it is per-

haps, the only legislation which was preceded by such debate. The 31st Report of the Parliamentary Standing Committee bears testimony to the strong resistance from the incumbents against introduction of competition. Yet, the law was enacted. It should be no surprise that they have managed to erect barriers to stall its implementation. However, empowerment of consumers and investors by the Electricity Act is here to stay. It cannot be suppressed for long. As and when the law takes its course, the electricity industry would be galvanised and reformed. Will this happen soon or after some turmoil, is the only issue.

(The author has drafted the new Electricity Act)

The views expressed here are personal