

e-paper

Get APP

Home >Opinion >Views >Opinion | Why rationalisation of tariffs in power sector is crucial

## Opinion | Why rationalisation of tariffs in power sector is crucial

OPEN APP

Subscribe Now

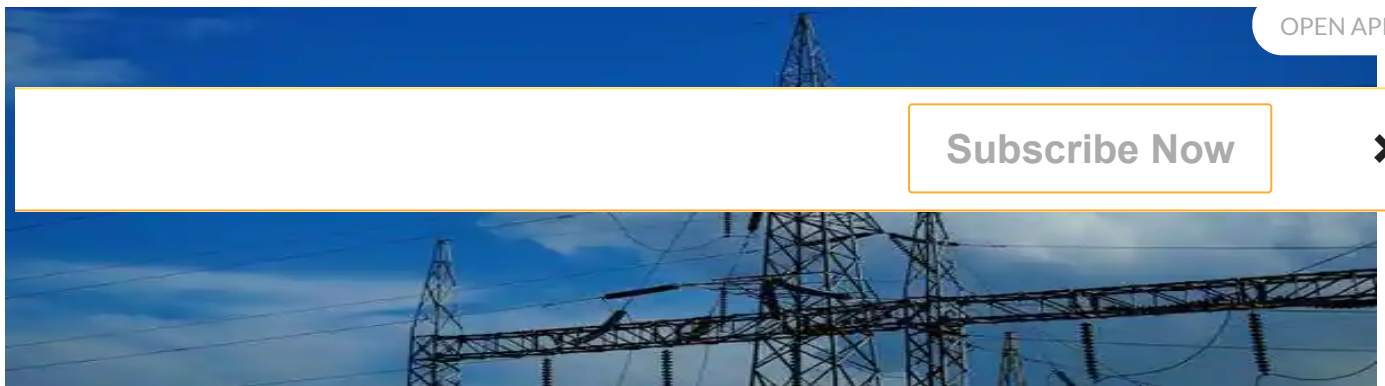


Photo: Priyanka Parashar/Mint (Priyanka Parashar/Mint)

5 min read . Updated: 11 Nov 2020, 03:04 PM IST

Jagdish Shettigar,Pooja Misra

Giving out of multiple licences for distribution of power for a single area will encourage competition and reduce the deadweight loss faced by this sector due to its close-to-monopoly market structure

e-paper

Get APP

With India aspiring to be a \$5 trillion economy by 2024, there are short- and long-term structural reforms that the government has initiated to achieve the target. One such key reform, which is still in the works, relates to electricity. An energetic and sustainable power sector is needed to stimulate an economy badgered with the woes and adverse impact of covid-19. Having uninterrupted power supply is a key requirement for all sectors of the economy to function smoothly, be it industry, agriculture or services.

The Electricity Act, 2003 and the Amendment Bill, 2020 seek to resuscitate investments and promote growth in tandem with the vision of the Prime Minister Narendra Modi. Statistics for FY 2019-20 is indicative of the fact that India in today's date still suffers from a power supply deficit. Though the deficit has considerably narrowed in the past decade but the country still has some way to go to achieve status of an economy with 'power for all'.

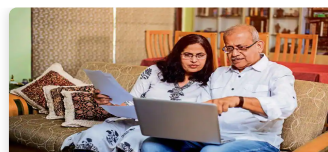
TRENDING STORIES



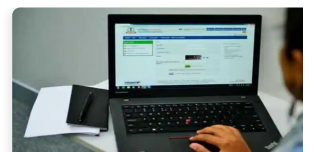
India reports sharp surge in new Covid-19 cases due to ...



IRCTC among three stocks under F&O ban on NSE today



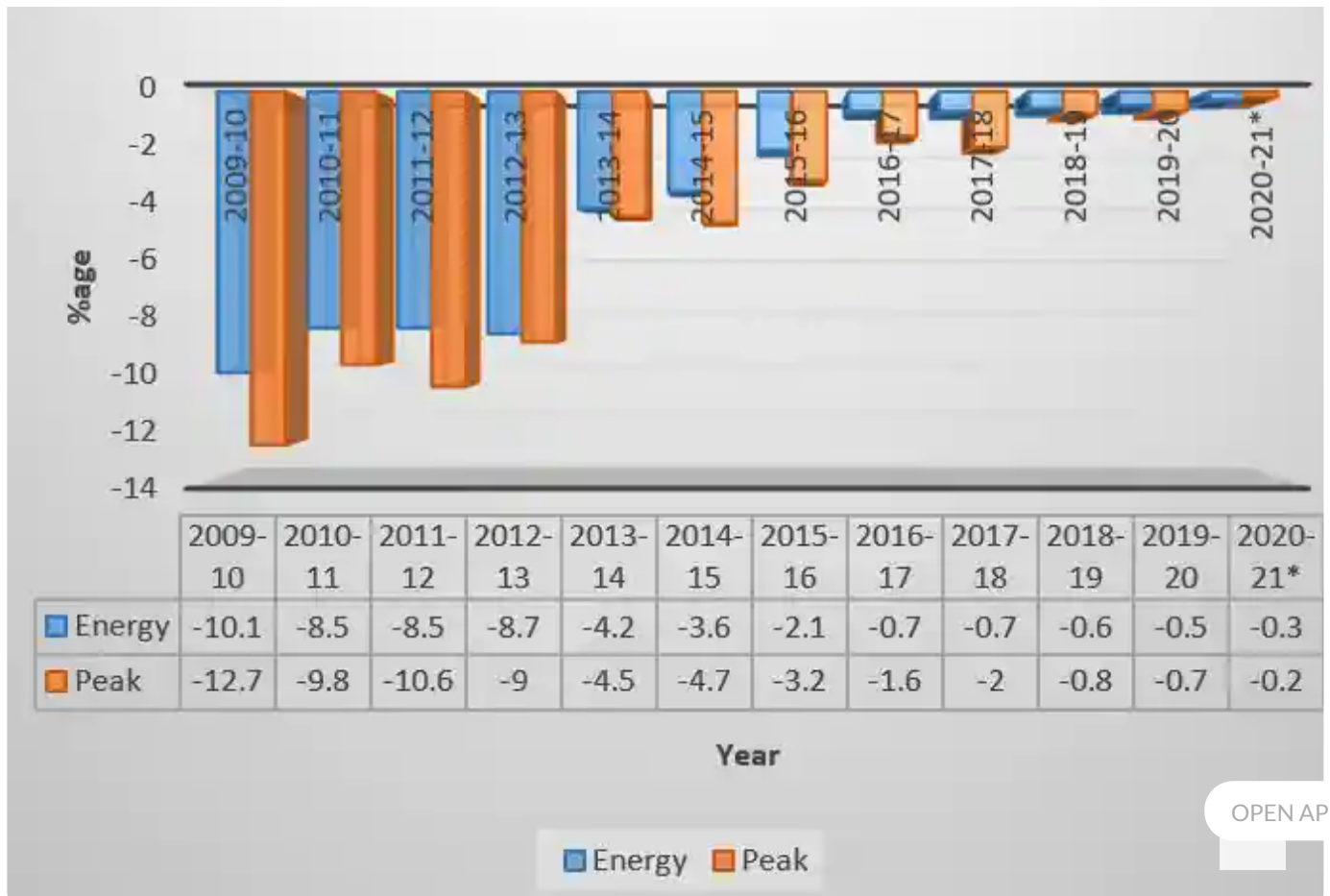
People aged 75+ may not have to pay 10% TDS on FD inter...



Income tax portal: Despite glitches, 1.19 crore ITRs fi

e-paper

Get APP



Source : CEA

The objective of The Electricity Act, 2003 was to make the sector competitive, ensure consumer centricity and promote ease-of-doing business. The Act provided for electrification of rural areas, license-free generation and distribution, compulsory

HOME

LATEST

TRENDING

PREMIUM

e-paper

Get APP

from power generating companies, inadequate hike in tariffs and mounting dues from government departments. This has resulted in mounting aggregate technical and commercial losses (AT&C losses).

Data given by the Power Finance Corporation in 2018-19 shows that power distribution utilities recorded AT&C losses of 22% during the year. AT&C losses comprise technical loss, theft, billing inefficiency, payment default and collection inefficiency. Thus, the need of the hour is to help power distribution companies pare their losses and effectively monitor electricity consumption.

OPEN APP

India's electricity distribution reforms scheme aims to cut electricity losses below 12%. It aims to ensure uninterrupted power supply and negate tariff gaps. This can be effectively done by moving ahead on the path spelt out by the government even in the May 2020 stimulus measures announced by Finance Minister Nirmala Sitharaman. Not to forget to move fast on the trajectory of loss reduction, privatisation of discoms in states should also be undertaken. The Centre should work hand-in-hand with state governments and approach them for a public private partnership model on the lines of Odisha and Delhi.

HOME

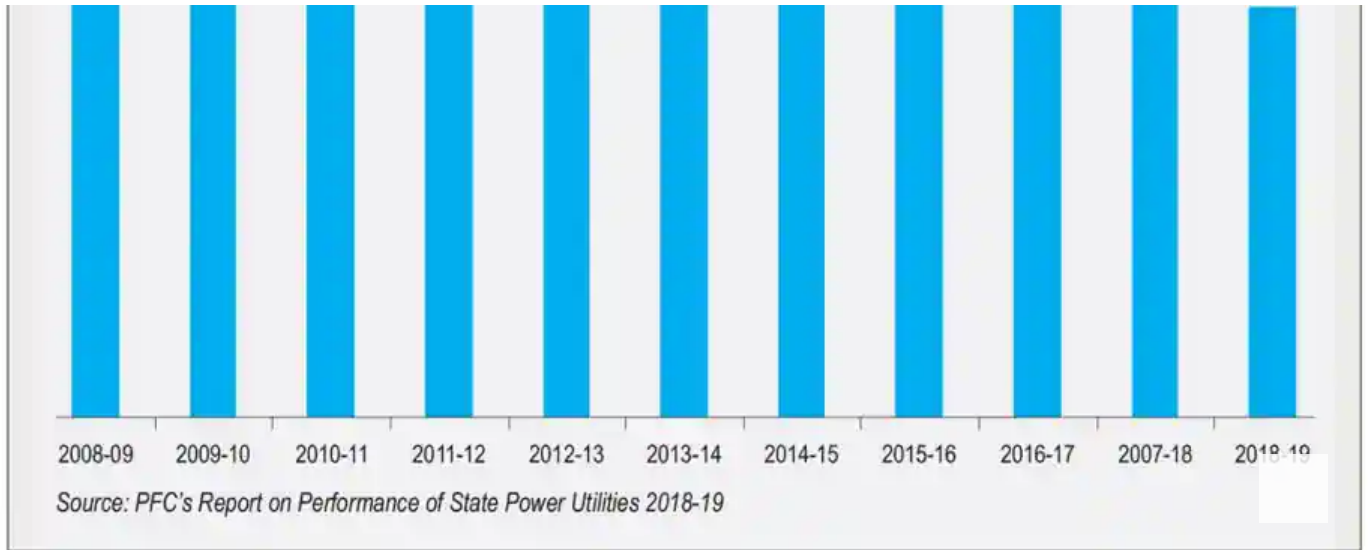
LATEST

TRENDING

PREMIUM

e-paper

Get APP



PFC report

OPEN APP

TRENDING STORIES

See All

TCS launches 'biggest-ever recruitment drive': How to a ....

Banks to remain closed for 4 days from today in these c ....

Rakesh Jhunjhunwala portfolio: Experts recommend 'buy' ....

Day trading guide for Thursday: 6 stocks to buy or sell ....

[e-paper](#)[Get APP](#)

delay in payments. This pointed to financial distress gripping private discoms. Data showed that the three discoms i.e. BSES Yamuna Power, BSES Rajdhani Power and Tata Power Delhi Distribution were together saddled with over ₹36,000 crore of power purchase cost yet to be recovered. This is due to the fact that power sector, being a regulated one, and supplying an essential item to consumers, does not enjoy the freedom of fixing the selling price based on current cost.

[OPEN APP](#)

Though the regulators in states are semi-judicial in terms of power vested, they have not been allowed to function with full autonomy. Earlier, they were alleged to have tilted in favour of the private distributors and now it seems tariff decisions are being taken without taking into account cost of power purchase from the generating companies.

One should not forget that the function of any regulator is to maintain a balance between the service provider and consumers and the balance certainly cannot be tilted towards the consumer alone. While The Electricity Act mandates recovery of incurred cost of supply of power, on the ground this does not happen. Delays and deferments have become a way of life. The focal point of concern is that rationalisation of tariffs is required. The electricity regulator should function as a semi-judicial authority and power tariff should be decided by striking a balance between interests of both distributors and users.

HOME

LATEST

TRENDING

PREMIUM

e-paper

Get APP

Focus also has to be on electricity losses due to technical inefficiency. Technical losses happen due to resistance of wires and equipment as electricity passes through it. Some loss is inevitable, but old and worn out transmission wires add to the problem. The authorities should take it upon themselves and replace the wires to minimise losses which are an outcome of technical inefficiency. The government should focus on modernising the aging distribution infrastructure. Another point that needs to be addressed is that of untimely receipt of subsidy reimbursement from the authorities which has further weighed down on the losses faced by the distribution companies.

OPEN APP

Losses incurred by discoms due to theft of electricity is another worrisome point which needs to be addressed. Ways and means adopted by consumers such as bypassing or tampering the meter, bribing of utility officials, resisting installations of smart meters are unethical in nature and the consumer should be penalized for the same. A societal change has to be brought about which discourages any such unethical means adopted by consumers and makes them conscious of their moral responsibility to pay up for products and services consumed by them.

HOME

LATEST

TRENDING

PREMIUM

e-paper

Get APP

with the latest being that of setting aside ₹90,000 crore liquidity injection to help discoms get back on their feet amidst the adverse impact of the coronavirus crisis.

The government needs to increase competition in this sector by encouraging private participation along with penalizing of discoms for an unnecessary power cut and thereby formulate a long term plan to address the long ranging issues. Private power companies generating power should be allowed to sell directly to industrial consumers as they might be in an advantageous position of being able to generate power economically.

OPEN APP

Giving out of multiple licences for distribution of power for a single area will encourage competition and reduce the deadweight loss faced by this sector due to its close-to-monopoly market structure. Introduction of common distribution cables facilitating supply of power by more than one distributor can facilitate providing of choice to the consumer. An idea worth giving a thought to is: Can consumer be allowed to port their power supplier?

*Jagadish Shettigar is a professor of Economics at Birla Institute of Management Technology, and former member of the Prime Minister's Economic Advisory Council. Pooja Misra is associate professor of Economics at Birla Institute of Management Technology, Greater Noida. Views expressed are their own.*



e-paper

Get APP

SUBSCRIBE TO MINT NEWSLETTERS

Enter email address

Subscribe

Never miss a story! Stay connected and informed with Mint. [Download](#) our App Now!!

OPEN APP

[Recommended](#)

HOME

LATEST

TRENDING

PREMIUM

e-paper

Get APP

LEARN MORE

LEARN MORE

Recommended by



OPEN APP