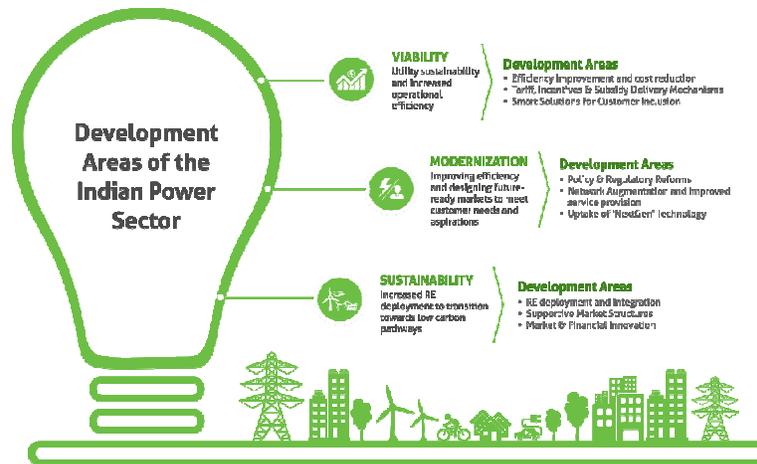


## Power politics at play



The Central government has proposed a set of changes to the Electricity Act 2003. In the revised proposal, the Ministry of Power has included ample provisions for renewable energy generation and distribution.

The amendments seek to enable a market transformation in electricity. The link between political power and electrical power is widely known; promises around electricity access, price and quality are important political currency.

### **The Electricity (Amendment) Act 2018:**

- Direct Benefit Transfer of Subsidy: Breaking the cycle of subsidy and losses incurred by the DISCOMS, the Act has introduced DBT in electricity as well.

The Act says: If the State Government or Central Government desires the grant of any subsidy to any consumer or class of consumers, such subsidy shall be directly transferred to the beneficiary by direct benefit transfer into the bank account of the beneficiary.” The same will apply if subsidy is given through any government scheme as well.

- Separation of content & carriage: The long-pending demand to separate the infrastructure builder for power distribution to consumers and the licensee to supply has been introduced in the Act.

This would entail more than one electricity supplier in an area and consumer will have options to choose their preferred electricity supplier.

Allied to it is introduction of time of the day tariff power rate as per the energy source, season, time and demand.

- Honourable mention to renewable energy: Since 2013, the renewable capacity in the country has grown more than 80 per cent currently standing at 70,000 MW.

The draft Act has introduced Renewable Purchase Obligation and also defined penalty for defaulting on it.

The Act also aims to introduce one member from the ministry of new & renewable energy in the Central Electricity Regulatory Commission, in place of a representative of department of consumer affairs.

- **Getting smarter:** The Electricity Act for the first time has mentioned Smart Meter and Prepaid Meters and regulations related to the same, making it mandatory to install smart meter. This would help proper accounting of power consumption and wastage.
- **24\*7 Power supply is an obligation:** The draft amendments propose that 24X7 power supply is an obligation and the state electricity regulatory commission can penalise the power distribution company (DISCOMS), if it fails to do so.

The Commission can suspend or revoke the license of the DISCOMS as well, which has been mandated for the first time.

- **Violation of PPA (Power Purchase Agreements) to be penalised:** The Act said that, “Violation of PPA will lead to penalties which may be as determined by the Appropriate Commission which may be fines which may extend to Rupees One crore per day, and, in case of licensees may also extend to suspension and cancellation of licence.”

This comes as a major relief for power generators which lately have been facing brunt of states cancelling PPA citing high cost or lack of funds.

- **Competition and choice are the Need of the hour in proposed Amendment:**

Bringing in competition and choice in supply for the final consumer has long been an aim of electricity reform and remains central to these amendments.

The idea is that while a single public utility will run the wires through which electricity flows, multiple supply licensees (both public and private) will be allowed to compete for consumers.

The intent is that the discipline of competing for customers will lead to improved supply and lower bills.

- **Subsidy Collective Responsibility of States and The Centre:**

Till now, it is only the responsibility of each State. The Centre, in future may have **access to enhanced tax revenues**, because it stands to gain from additional tax revenue from profitable new wires companies and private suppliers.

The Centre could become a **new fulcrum of redistribution** from wealthy areas in wealthy States, to the needy customers that are concentrated in a few States.

- **More Power to The Centre:**

Fiscal strategy of allowing redistribution across States provides greater control. It limits the States’ and regional political parties’ capability to make electoral use of electricity pricing.

The politics of power prices will shift from sub-national to national electoral politics. It proposes a re-formulation of the selection committee for State

regulators, from a majority of State representatives to a majority of Central representatives.

More oversight on capacity addition, through the requirement of detailed project report to the Central Electricity Authority.

The States are poor in several aspects, but, these proposals tantamount to shifting the responsibility to the Centre instead of reforming the States.

**Way Forward:**

India's electricity sector remains beset with problems. Yet, the amendments leave quite unclear what happens to those left behind by distribution reforms and by efforts to help out generators.

But the amendments risk placing the cost of disruption on the backs of the poorest, and shifts the potential for ameliorative measures to the hands of the Centre, rather than the States.

In the proposal it is also mentioned that the central government will, after consultation with the state governments, prepare and notify a national policy for harnessing solar power and other forms of renewable energy to ensure electricity to un-electrified rural households and permitting standalone systems.

The Ministry of Power (MoP) has come up with an ambitious plan to deliver 24x7 power for all by 2019 by creating an efficient, resilient and financially sustainable power sector.

This objective, along with clean energy access have become the centre of all plans around economic development and environment.

Disruptive change in Indian electricity may be needed, even inevitable.