



“State governments need to focus on supplying quality power”

This is what Naveen Munjal, Director – Commercial, CLP India Private Ltd, believes, as according to him ‘good economics is good politics’ and will bring a more professional approach.

The government has claimed several records in its first year, but which is the worrying factor hurting the sector?

Our sector is one where you have long gestation periods and one can’t see results overnight. The last year has been a mixed bag; as they say, ‘you win some, you lose some!’ Clearly, there have been positive initiatives from the new government, such as improvement in coal production, efforts to partially mitigate the problem of stranded gas-based generation, proposed changes in the Electricity Act, etc., and the results are partially visible, while some will be seen over the next few years.

However, to answer your question, the single biggest concern in the power sector that has persisted over the years is the serious lack of reforms on the power distribution side. This is causing agony to every stakeholder in the sector. In 1992, private sector participation in generation was introduced under the Narasimha Rao government, it was cited as a classic case of ‘putting the cart before the horse’ with the distribution sector being the horse. But, despite the Central

government’s—previous and current—being very aware of this situation, there have been limited measures in reforming this space, mainly at the state level.

The main reason is that ‘power’ is on the concurrent list; while the Centre formulates the overarching policies, state governments decide their own fate. The SEBs/State Regulatory Commissions, which are supposed to be autonomous bodies, have remained under constant pressure on the back of populist policies, essentially providing free or cheap power and also huge levels of cross subsidy.

SEBs lose, on an average, 60-70 paise per unit while selling to consumers. Considering the fact that India has generated close to one trillion units annually, the losses incurred by SEBs are in the region of ~Rs 60,000-70,000 crore. This is a humongous amount that we are losing as a part of our GDP.

I believe, if states focus on supply of quality and not necessarily cheap power to consumers, the situation will improve.

So, you mean to say it is the mindset of state governments that needs to change...

I believe personally that ‘good

economics is also good politics’; so state governments need to focus on supplying quality power and take a more professional approach to the sector. Let’s look at the example of Gujarat, they have been making profits and are way ahead of most others in terms of financial health. Evidence increasingly suggests that ruling governments which have done well economically, have been rewarded with another term. These days, consumers require quality power, not just cheap and free power.

Meanwhile, the negligence towards distribution reforms have also affected plant load factor (PLF) of the country, which was operating at a mere 65 per cent, the lowest in the last 15 years...

The basic tendency of the debt ridden and loss making SEBs is that since they are on a losing streak, they rather not buy and sell power—this will arrest their losses. Of course there are other factors like lack of domestic coal availability and a stretched transmission infrastructure which has not kept pace with the increase in generation capacity, that have impacted PLF.

(For full interview, log on to www.powertoday.in)