

“DECCAN HERALD” July 26 2014 :

“Electricity and illiteracy of the Political Class” by S L Rao

Karnataka has from time to time announced ambitious schemes to improve the many ills that plague the state, and particularly Bangalore. Promises include repairing all potholes in Bangalore in 15 days (never happened), repeatedly announcing the solving of the garbage mess in Bangalore in a few months (never any sign of action), solving the water problem in Bangalore by installing rain water harvesting compulsorily in all houses in Bangalore (little progress after years).

The Energy Minister of Karnataka has now joined the promises bombast by announcing a programme to add a few MW to Karnataka power supply quickly by installing roof top solar panels connected to the Grid. Novel solutions are always difficult to implement in India and in Karnataka. There are too many vested interests among politicians, bureaucrats and businessmen, to block the actions. Then there is the inertia of the bureaucracy, and the spasmodic attention of politicians who will forget all about their prized solution till there is another crisis. The monetaty gains from the status quo is another reason for resisting change.

Electricity in India is riddled with man made problems at all stages. Projects are delayed because of bureaucratic delays in clearing land, environment, forests, tribal concerns. Electricity Generation with captive coal was a poor starter and all the scams that took place have spoilt any chances of success. The ultra mega power projects with captive coal were hit by poorly drafted contracts, excessive (25 to 30 year) levellized, i.e., unchanged tariffs except for some estimated escalations, serious uncertainties on future interest rates and Rupee exchange values. Imported coal based UMPPs were hit by coal import prices making the electricity tariffs unviable. When the CERC intervened to unlock unviable investments, genuine questions were raised that opening agreed contract terms would be violating the sanctity of contracts. Over 15000 MW of gas based capacity is stranded because Reliance has not been able to supply gas.

Power trading is not optimized because Power Grid is unable to quickly provide adequate connectivity to South India, the region with maximum demand growth. A short bottleneck has held up progress for years. So South India and Karnataka cannot import from surplus states in other regions to the extent of availability. An imaginative solution by the then BJP state government to install a power plant in coal rich Chhattisgarh has not led to power flowing to Karnataka because Power Grid is yet to enable adequate transmission linkage.

In a pathetic sector, the worst is distribution. Most DISCOMS are state owned. The unbundled ones and the SEBs are invariably headed by very young bureaucrats with no experience in power management and brief tenures. DISCOMS are not run like very large commercial enterprises in turnover, cash required and employees. They are run like government departments. Discipline in these state owned enterprises is lax and collusive theft of power is common.

Free power to agriculture has been a major block to viability of DISCOMS and to efficiency. There are no caps on the number of pump sets owned to get free power, no metering of usage, and in most states there is no separation of agricultural feeders. Karnataka has been attempting to get it done for many years. All these ills lose Karnataka a lot of money, both in supplying free power to agriculture, and in the rising quantities diverted for other uses than agriculture.

Maintenance of both generation and distribution are poor. Power plant breakdowns and transformer blowouts are not uncommon. Karnataka is notorious for experiments with postponed maintenance, stopping washing of coal. This leads to frequent shortages. Billing and collections are inefficient.

All this is capped by appointing elderly, retired bureaucrats, as electricity regulators, subservient to political authority, reluctant to increase tariffs in relation to approved costs, building huge "regulatory assets" (fortunately not so far in Karnataka) . In Delhi alone over Rs 25000 crores of funds that belong to the private distribution companies are held up, causing cash and profit problems. State regulators are unwilling to impose actions on DISCOMS to meet commitments made by them when they submit their annual revenue plans. Regulators will not regularly monitor the commitments, with maximum penalties for not meeting them.

On top of this the private public partnership model has on the whole been a failure in power and roads where it was applied. This is despite innovativeness and the promise of the idea. Among other faults, the contracts ask for over 25 years of committed tariffs. Government has allowed debts in infrastructure projects of 80% as against 20 for equity. Over Rs250000 crores of such advances by nationalized banks are sticky. Delays in government approvals make the new projects unviable. The infrastructure and particularly the power sector, are draining the banks.

Government has no appreciation that these huge enterprises (many DISCOMS have turnovers exceeding Rs 10000 crores), must be managed professionally. Managers must make careers in electricity. They must structure their organizations to push authority and responsibility to as low levels in the organization as possible. CEOs of electricity undertakings should be management professionals who are looking to a career in the sector and the organization, not to move to something else soon. State electricity regulators must be younger and be carefully selected from a variety of professions-academia, media, business, as well as government bureaucrats (who should not overwhelm the others by their numbers). These regulators must be selected for their courage and independent thinking, and not for their subservience to government.

There is need for root and branch reform of the power sector in Karnataka as much as in the rest of India. Our politicians of all parties have demonstrated their incapability and disinterest in making the power sector viable and keeping it outside political football. Our bureaucracy is subservient and venal in many cases. Neither thinks of the long term future of the sector, only of their brief tenures. The media is many times ignorant of the relationship between costs, tariffs and sector viability and scream when there is a tariff increase. They should scream about sticky debts of the power sector with banks, their losses leading to poor maintenance, no renovation and no setting up new capacities. Businessmen take advantage of the general venality to cut corners in setting up and running projects.

The big question is who has the courage to correct this awful situation and take unpopular decisions?

(1078)