

# **Oppose Anti-worker, Anti-people Pro-capitalist Electricity (Amendment) Bill 2021**

**By**

**Shri Abhimnayu Dhankhar  
Secretary General, AIFOPDE  
at AIFAP National Webinar  
on 15 August 2021**

# Statement of Purpose-1

**As per Covering Letter of this bill addressed to State Govts. & UT's:**

- **Giving choice to electricity consumers as per announcements in the Union Budget 2021-2022.**
- **Mandatory appointment of a member from law background in the ERC's in compliance to the Hon'ble Supreme Court Judgement dt.12/04/18.**

# Statement of Purpose-2

- **Strengthening of APTEL by increasing number of Members in view of long pendency of cases and consequent delay in deciding the appeals.**
- **In order to meet India's International commitment, new provisions related to compliance of RPO is being proposed to promote use of renewable energy.**

# Major Structural Changes Proposed-1

- **Principal Act i.e. the Electricity Act 2003 contains 185 sections.**
- **Electricity Amendment Bill- 2021 contains 27 amendments and 6 new Section insertions i.e. 33 changes.**
- **Fourth Attempt to amend the Electricity Act-2003 since 2014 i.e. Electricity (A) Bill- 2014, Electricity (A) Bill -2018, Electricity (A) Bill- 2020 and now the present one Electricity Amendment Bill- 2021.**

# Major Structural Changes Proposed-2

- **Electricity Act 2003 unbundled the Electricity system in to Generation, Transmission and Distribution and delicensed Generation.**
- **Electricity (A) Bill 2021 envisages delicensing distribution and further bifurcating distribution in to distribution and supply.**

# Fundamental Differences in Perspective-1

- **Government of India is treating Electricity as commodity.**
- **Electricity Employees and Engineers are treating electricity as service** i.e. the Electricity Connection is being termed as Service Connection and so is the intent behind it.
- **Electricity Sector is the axis and necessary for all other sectors functioning and development.**

# Fundamental Differences in Perspective-2

- **Electricity is a need not a luxury.**
- **It must be enshrined as Fundamental Right.**
- **Electricity consumption is undoubtedly one of the major parameters which define the speed of growth and development of any State & Country.**

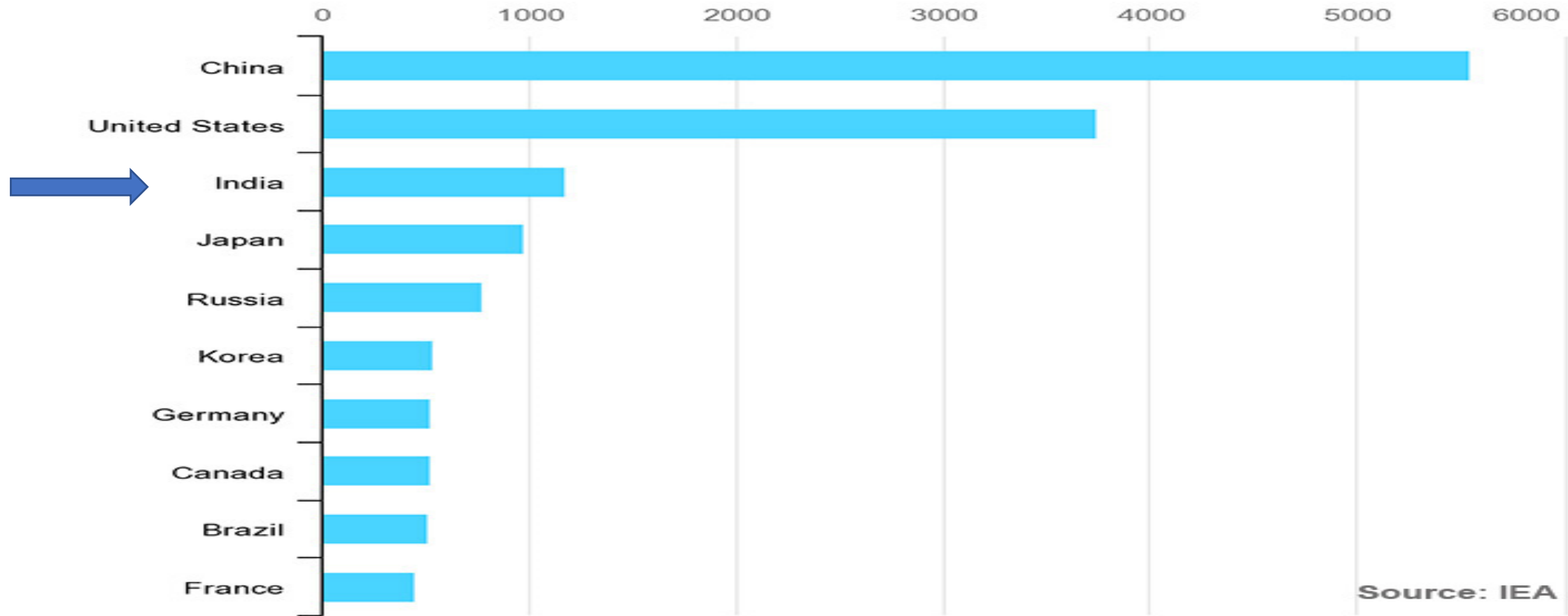
# Large gap in per capita consumption of electricity consumption across country

- India: 631.4 units in 2005-2006; increased to 1,208 units in 2019-2020.
- Big variation among states; 2018-19: Highest in Dadra and Nagar Haveli - 15,179 kWh. Next Gujarat - 2,378, Goa - 2,274, Haryana - 2,082, Punjab -2,046.
- Lowest in Bihar - 311 kWh, Assam - 341, Nagaland -356, Manipur – 371, Tripura - 514.
- It should be addressed to have inclusive growth and development of all States and Union territories in the Country.



# Consumption Status India vs World

(In Terra Watt Hours)



# India vs Other Countries (IEA - 2019 Report)

- China -5,537 TWh, USA -3,738 TWh, **India-1164 TWh**, Japan- 964 TWh, Russia-761TWh
- Korea-523 TWh, Germany-519 TWh, Canada- 509 TWh, Brazil- 499 TWh, France-437 TWh
- China uses five times more electricity than India while having no significant gap in population.
- USA uses three times more electricity than India while having only 25 percent of population of India.

**Unidentified Challenges ?**

**Amidst 5 trillion Economy & Aatma Nirbhar Bharat**

# Unilateral Push of This Bill Amidst Covid-19 - 1

- **“The Electricity Bill, 2001 has been finalized after extensive discussions and consultation with the States and all the stake holders and experts”- A Statement of Existing Electricity Act-2003.**
- **For the Electricity Amendment Bill - 2021, the tried and tested route of extensive consultation with all the stakeholders in democracy is not being followed by the Union Government.**
- **Consumers and employees have not been consulted with until now.**

# Unilateral Push of This Bill Amidst Covid-19 -2

- **To date, the official draft of this bill is not in public domain and is not published on the official website of Ministry of Power, Gol.**
- **The rituals of consultation with State and UT's happened by allocating 1 hour only to four zones of the country on 17<sup>th</sup> Feb, 2021.**

# Electricity (Amendment) Bill, 2021

***Claimed objective:*** To give choice to consumer to select electricity distributor/supplier to get cheaper electricity and better service by promoting competition.

***Who is asking for choice?***

***Real objective:*** 1. To privatize electricity distribution.

2. To turn already financially stressed state discoms sick so that their huge infrastructure can be sold at throw away price to corporates – huge infrastructure of state discoms of lakhs of crore rupees which has been built since independence with public money through blood and sweat of the electricity employees.

***ILL INTENTIONED ?***

# Key Provisions of Electricity (A) BILL-2021

- **Paradigm Shift from Distribution Licensee to Distribution Company.**
- **No license required for distribution i.e. Delicensing of Distribution !**
- **Only Application/ registration to appropriate commission is suffice.**
- **The specified qualifications and fees to be prescribed by the Central Government i.e. Infringement in the State Government Domain.**
- **Deemed Registration ! i.e if no order is passed on application by appropriate commission within 60 days of application.**
- **Distribution can further be entrusted to an individual who need not to register separately!**

# Key Provisions of E(A) BILL- 2021

- **Private distribution companies can supply electricity in their choice of area with in Municipal Council or Corporation or revenue district or a smaller area as notified by appropriate Government.**

**Think, is it a consumer's choice or a supplier's choice ?**

- **Limitless time frame after registration until cancellation which is not so easy and contains full resilience to private players like three months notice, consideration of objections, modification of prevalent terms and conditions instead of cancellation to secure supply to consumers of such distribution company.**

# Another provision of Bill

- **State discoms (*distribution companies*) are bounded to provide their distribution infrastructure for use of private distributor.**
- **New clause: Sub Section 4 A in section 42 “A distribution company shall provide non-discriminatory access through its distribution system to all distribution companies registered within the same area of supply.....”**

**ALL GAIN WITHOUT ANY PAIN!**

**Very advantageous for private distributors**



# Profit only without Investments

- Private distributor will have to make no investment in creating distribution infrastructure; only pay a nominal fee for its use.
- State discoms are being forced to offer their infrastructure to their competitor!
- The responsibility of incurring expenditure on maintenance, losses and network development will remain with state discoms; while private distributors are being laden to earn profit only on electricity sold by them.
- Private Distributors will demand compensation in case of breakdown.
- Private Generators will enjoy advantages as private distributors.
- New PPA's can be made by Private Distributors at lower rate.

Do you still think it's a competition?

# Serious Concerns - 1

- The draft permits any company to start electricity distribution in any part of the Country even across States after registering with the commission concerned.
- No Screening System.
- No transparency and tendering .
- No Security or Bank Guarantee is required.
- No Exit Barriers; Private Distribution Company may run overnight if found suitable for itself.

# Serious Concerns - 2

- Private discoms may enter in to additional PPA's without sharing with Govt Discoms; Advantageous to Private Generators.
- Section 176 (2) (ca) places ultimate power with Central Government to decide and notify the eligibility criteria for distribution companies.
- No obligation for network development and maintenance.
- No obligation regarding past regulatory gaps.

Is it not an open loot?

# Experience of Mumbai with Two Distributors

- **Mumbai city already has two private electricity distributors competing in the same territory – Tata and Adani. So customers already have choice.**

**Has it led to lower rates?**

**NO**

**Mumbai has the highest rates of electricity in the country!**

**The Failed Experiment**

# Bogus Claims of benefits to consumer -1

## **Cheaper Power:**

- Electricity Tariff's 75 % to 85 % share is due to the cost of purchase of electricity by the State Discoms.
- Private distributor have to share the existing Power Purchase Agreements till they exhaust the limits therein.

How can power be cheaper?

## **Uninterrupted Power**

- When the private distributor will use the same existing network without making any investment for its improvement,

How can the system improve and have more reliability?

## Bogus Claims of benefits to consumer -2

### **Lower Transmission & Distribution (T&D) Losses**

- losses are function of investment which is not going to increase.

### **Better Services**

All things remaining constant, will only the change of name of supplier improve services?

# Impact on State Discoms-1

- **The introduction of multiple distribution companies is the first step towards complete privatization of state-owned Discoms.**
- **Cherry picking will leave the State distributor financially strapped.**
- **When there are multiple distributors in a territory, the State Regulatory Commission will fix a ceiling rate based on the data submitted by all the distributors.**
- **Private distributors will offer incentives to lure profitable and large customers initially like telecom sector.**
- **State discoms will not be able to compete due to their universal supply obligation, vast customer base and costs associated with past regulatory gaps.**

# Impact on State Discoms-2

- **State discoms will be left with small and unprofitable and far-away customers.**
- **The losses of State discoms will have to be made up by people's money.**
- **People will have to pay for privatisation either through higher rates or taxes to make up losses.**
- **As losses of state discoms will surmount, they will turn sick gradually .**
- **They will then be fully privatized at throw away prices.**

**It's Privatization of Profits and Nationalization of Deficits.**



# Renewable Purchase Obligations & Penalties

- This bill will enable the Central Govt. to fix the quantum of purchase of Renewable electricity by state distribution companies.
- Failing the targets set by Central Government; Provision of steeper penalty mechanism on Discoms i.e;
- From 25 Paisa per unit to 50 Paisa per Unit in for the shortfall in purchase in first year of default, 50 paisa to 1 rupee in second year and 1 rupee to 2 rupee per unit after second year.

Who will pay this huge penalty?

Initially the Discom & then Common Public through Tariff.

# Real Impact on Consumers-1

- Last mile connectivity and electricity connections to all un-electrified households in rural areas and all remaining economically poor un-electrified households in urban area has been achieved in Oct'2017.
- 100% village electrification has already been achieved in April 2018.
- The Cross Subsidy system is the cornerstone of sustenance of Universal Electrification.
- As per statements of Hon'ble Power Minister, the cross subsidies will not be more than 20 % which translates that the difference between the cost of electricity can not be more than 20 % among BPL consumers and super rich people of India.

# Real Impact on Consumers-2

- **Deemed Adoption of Tariff:-** Provided that if the tariff is not decided by the Appropriate Commission on expiry of 90 days from receipt of such application, the proposed tariff shall be deemed to have been adopted.
- **Suo Motto Cognizance of Tariff Revision by Appropriate Commission.**
- **Mandated Tariff Revision in Every Financial Year.**
- If no tariff revision application has been filed by the Distribution Company, then within thirty days of last date fixed for so, commission will initiate proceedings for determination of revised tariff.
- **Inflated power bills for all sections of the society.**

# Real Impact on Consumers-3

- Due to multiple distributor overhead expenses, auditing expenses will increase and will results in to higher tariff.
- **The wheeling charges i.e the fees to be paid by the Private Distributor to Government Distributor will be added up also in bills like in the already told case of Mumbai where wheeling charges of 1.88 and 1.46 Rs per unit is being charged by TATA & Adani respectively.**
- Higher chances of disconnection.
- **Neglect of remote areas and areas with low power consumption, thus right to electricity to many people will be denied.**

# Real Impact on Consumers-4

- Increased burden on Government and therefore on people to service small and remote consumers and socially necessary areas and sections of people as well as the farmers.
- The recent takeover of power companies in Odisha has increased the tariff significantly.
- Please remind yourself how decontrolling led the prices of petrol and diesel to sky high; the delicensing of electricity will bring same fate to cost of electricity.

# Virtually Hidden Agendas Concerning Farmers and Poor Consumers

- Elimination of present system of subsidy to Farmers.
- Proposed Direct Benefit Transfer of Electrical Subsidy.
- Cost Reflective Tariffs.
- All these provisions were explicitly mentioned in the Electricity (A) Bill-2020 but not mentioned in Electricity(A) Bill-2021 Dt. 5<sup>th</sup> Feb 2021.
- But these aspects are clearly finding their mention in a letter of Power Ministry, under the subject Revamped Distribution Sector Scheme: A reform- Based and Result-Linked Scheme Dt. 20 July, 2021.

# Choice for distributor, Not for consumer

- The State DISCOMS have an obligation to ensure Universal Power Supply which means that they cannot refuse electricity connection to any consumer, small or poor.
- However, the Private Distribution companies do not have any such obligation. The new distribution companies can pick and choose their customers in the area in which they will be operating. Private distributors will choose to serve only large, profitable, easy to serve customers.
- So, in stead of consumers having a choice to select a distribution company as claimed by the new Bill, the new distribution companies will have a choice to select a consumer.

# The claim of Bill 2021 is misleading

- The claim that consumers will have the choice of selecting electricity distributor is misleading.
- **This claim is made only to win support of people for privatization.**
- In case of electricity, **privatization leads to private monopoly.**
- Hardly anywhere in the world, individual consumers have the choice; invariably there is one monopoly supplier.



# Elimination of Cross-subsidy will hurt

- Electricity rates presently vary widely – higher than cost for some consumers and lower than cost for some. Generally highest for commercial use and lowest for agriculture and people under BPL.
- With State discom as sole distributor, the cross subsidisation becomes easily possible.
- When there are multiple distributors and when most of the profitable consumers are snatched away by private distributors, State discoms will not be able to cross subsidise.

# Universal Service Obligation Fund will increase electricity rate

- A Universal Service Obligation Fund (USOF) is proposed to be created for this purpose.
- There is no provision in the bill which will mandate the contribution by the private distributor in USOF.
- USOF created for telecom when it was privatised and a USOF levy of 5% is charged, leading to increase in rate.
- The same is likely to happen with electricity and result in further increase in already very high rates.

# USOF experience with Telecom Sector

- **USO funds are supposed to be used to improve services in rural and far off areas.**
- **But 50% of USO Fund of telecom is lying unused while the quality of telecom service remains poor in rural India.**
- **With electricity, the service in rural India and far off places is likely to worsen as the electricity servicing cost is much higher. This would remain the responsibility of state discoms, who would not have the means to service them.**
- **No private distributor is going to serve agriculture needs and farmers.**

# Another Dangerous Proposition

- National Load Despatch Centre (NLDC) to ensure that “... **no electricity shall be scheduled or despatched under such contracts unless adequate security of payment, as agreed upon by the parties to the contract has been provided.**”
- **So electricity will not be supplied unless payment is guaranteed.**
- Once private discoms enter a territory and take away profitable customers, the finances of state discoms will be in trouble. Supply of electricity to state discoms may be stopped by NLDC if there is any delay in payment and state discoms will be driven out of business.

# Penalty for Contravention of the Act

- **Section 142:-** Existing Penalty Limit of one Lac rupees has been enhanced to one crore rupees and in case of continuing failure the limit of six thousand rupees has been enhanced to six lac rupees per day.
- **Section 146:-** Existing Penalty Limit of one Lac rupees has been enhanced to one crore rupees and in case of continuing failure the limit of five thousand rupees has been enhanced to five lac rupees per day.
- 100 times increase in penalty will ensure the enforcement of draconian provisions of this bill.

# Pre-independence story will repeat

- Before independence hundreds of private electricity companies, but they supplied power only to limited number of consumers from cities since that is where they could earn profits.
- The Electricity Act 1948 declared that **it is the responsibility of Government to ensure supply of power in every nook and corner of our country at affordable rates. It also declared that profit should not be the motive of power sector.** Hence most of the private companies were taken over by Government.
- Over next 2 decades independent State Electricity Boards were established in all the states. The Act specified Rate of Return of only 3% for boards.
- However over the years the boards were not allowed even 1% rate of return.

# Privatization of Electricity Generation

- Cost of generation decides nearly 80% of power rate.
- Massive privatisation of electricity generation over last 20 years.
- **47% of Generation capacity already gone to private sector.**
- **Various state power discoms forced to purchase electricity from them at much higher rates.**
- For example, though the current solar energy cost is Rs.2.44 per unit, discoms are forced to pay much higher rates: Rs.4.60 per unit in Andhra Pradesh and as much as Rs.15/- per unit in Gujarat, as per old power purchase agreements!

# Multi-Sectoral Impact

**The track record of the private players in electricity generation is a story of mismanagement resulting in huge losses for the banks and the bad loans of the power sector increased manifolds in last few years.**

- The public money is being looted through organised structures of policies which eventually facilitate pumping of public money to the Big Business Houses of the Country.



# Electric supply is an Essential Service

- **In the 21<sup>st</sup> century, electricity is one of the basic needs of every human being without which it is impossible to imagine life.**
- **Now Government wants to completely washing its hands off from the social responsibility of providing a basic necessity to all by privatizing electricity distribution.**
- **Private profit cannot be the objective for a basic necessity.**
- **India is a vast and diverse country ,so one size fits all can not work in terms of Electricity Sector owing to state wise advantages, challenges and consumer mix etc.**

# Concurrent Status of Electricity

- The electricity is in the 7<sup>th</sup> Schedule of Constitution but the Central Government wants decisive power in the matter of electricity through this bill which is not good for federal structure of country.
- Electricity is a concurrent subject – both centre and state have the rights.
- States will have no power to decide in regard to privatisation of distribution.
- States had not been consulted while drafting the Bill.

# Opposition by States

- **Twelve states** including Kerala, Telangana, Andhra Pradesh, Tamil Nadu, Pondicherry, West Bengal, Bihar, Jharkhand, Punjab, Maharashtra, Chhattisgarh **have opposed and are still publicly opposing the new amendments. But their opposition is being completely ignored.**
- **Kerala, Telangna & Punjab Assemblies has passed a unanimous resolution asking the Centre to withdraw the Bill.**
- **This bill is an attempt to virtually shift the subject of Electricity in to union list from concurrent list.**

# Compromise with Safety of workers and Consumers

- **Safety of equipment, workers and consumers is an important consideration with electricity.**
- **But as per this Bill, no license is required by an individual or group of individuals or a company to be a distributor of electricity. They just have to make an application in a given format to register, after which they will be declared a Distribution company.**
- **Safety aspects which are so very critical in case of electricity have every possibility of getting compromised.**

# Impact on Employees and their Organizations

- **The fight of regularization of 12 lakh contractual employees in electricity sector will be lost in air.**
- **The demand of restoring old pension scheme will have no base in privatized realm of employment.**
- **The rights of employees and engineers will be snatched away.**
- **The employees' struggles will lose their shine.**
- **The fight for Equal Wages to Equal Work will be vanished.**
- **The existing provision of reservations will be wiped out.**

# Conclusion

## Electricity Amendment Bill 2021 is

- **Anti-worker:** Jobs of 15 lakh permanent and around 12 lakh contract workers will be in danger;
- **Anti-people:** Increased rate, inflated bill, poor service to villages and remote areas. Many people will be denied access to electricity;
- **Anti-social:** Destruction and sale of lakhs of crore rupee assets built with people's money and future employment aspects in Government sector.

**Join Electricity Workers to Oppose It.**

Thank you