

# PEOPLES' COMMISSION ON PUBLIC SECTOR AND PUBLIC SERVICES

## Press Statement – For favour of Publication

2<sup>nd</sup> March, 2022

### Privatisation of Electricity Department of Chandigarh

#### Statement in respect of Privatisation of Electricity Department of Chandigarh

We express our serious concern at the unilateral privatisation of electrical distribution entities in the Union Territories without consultation with the stakeholders including consumers, employees and the local administration. There is no provision in the law which gives unilateral and complete discretion to the Government of India to take unilateral decisions in the matter of union territories without even consulting the local government or administration. The implications of privatizing public enterprises constituted in accordance with Article 19(6)(ii), read with Article 12, of the Constitution prima facie violating the welfare mandate spelt out in the Directive Principles and the other provisions of the Constitution.

With the exception of Puducherry none of the other union territories have an elected representative Government. In Puducherry, the legislature has unanimously rejected the proposal to privatise the electrical distribution system. At a recent meeting held with the Puducherry government the Chief Minister assured the employees that the government would not to allow privatisation. Chandigarh as Union Territory is the joint capital of the two states Punjab and Haryana and neither of the states have been consulted about the privatisation of the Chandigarh electrical department. We strongly object to the Centre exercising its power in a completely arbitrary and unilateral manner, in blatant violation of the spirit of federalism.

Unlike the privatisation of Delhi Electric Supply Undertaking where only 51% of the shares were sold to Tatas and Reliance, in the case of Chandigarh and other UTs the proposal is to corporatize the Electricity department and sell 100% shares to a private undertaking. This is being done

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even before finalising the standard bidding document draft which was circulated by the government of India. The entire exercise is based on a private consultant determining the reserve price and then a limited tender being called for where there seems to be a collusion since the number of players available in the country are very limited.

In the case of Chandigarh electrical department, the supply is having the lowest transmission and distribution losses, the department is making sizeable profits, year after year, and the tariff is lower than the states of Punjab and Haryana, of which it is the capital. Further, there are no serious complaints from the consumers either. Therefore, there is no cause of action whatsoever for the privatisation of the Chandigarh electricity Department.

It needs to be pointed out that in the absence of an elected government, in the case of electricity department the consumer has access to the local administration for redressal of grievance. Once the department is privatised, the private owner is not accountable to the people of Chandigarh there is little or nothing that can be done in terms of policy and practices. Even for grievance redressal the consumers have no alternative but to go to the Joint Electricity Regulatory Commission which is not based in Chandigarh. The consumers of Chandigarh would be completely and entirely at the mercy of the private undertaking which has no accountability save to its shareholders.

In this context it is pertinent to state that Chandigarh, the capital of two states and seat of the High Court is an administrative city of about 1.2 million people where big chunk of electricity consumption is by the large number of government offices, institutions and installations. Industrial load is minimal and there is hardly any agricultural load. It is fairly accurate to assume that a substantial amount of sales is to the governments of Punjab, Haryana, Chandigarh UT as well as the central government. Since there is a sizable employment by the Government in the city, a large part of the residential load would also be of Government employees. It would be counter-productive to privatise the Electricity Department whose largest beneficiary is the Government itself, because Government's own expenditure would increase substantially.

Furthermore, Chandigarh is located close to the international border and the Western Army Command is just across the city at Chandimandir. Considering the liberalized FDI ceilings available for power companies, it is possible that foreign investors, would invest in the private company and exercise oversight on the operations of the Discom. Realtime access to information on the DISCOM's operations may have adverse strategic implications. The Union Home Ministry should exercise utmost circumspection in this regard before rushing into handing over the Discom to a private company.

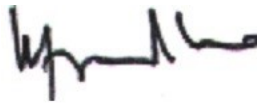
We therefore, urge the Government of India to halt the privatisation exercise in respect of Chandigarh and to start the process of consultation with the Governments of Punjab and Haryana, the local bodies, the employees and other stakeholders. It is also important that bidding document be made public, detailing the terms and conditions under which public assets, particularly in respect of alienation of land, would be transferred. This should have the consent of the Parliament or legislature as may be relevant since the assets have been built over generation with public money.

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