ALL INDIA FEDERATION OF ELECTRICITY EMPLOYEES

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Nagpur

To,
Shri Rajiv Ranjan Singh, M.P.
Hon. Chairman,
The Parliamentary standing Committee on Energy,
Loksabha Secretariat,
New Delhi 110001

Sub:- Submission of facts highlighting the adverse effects of the provisions of Electricity (Amendment) Bill 2022.

Ref:- Reference of the bill to the standing committee of Energy for Examination & Report.

Respected Sir,

The Electricity (Amendment) Bill 22 was introduced in Loksabha on 8th August 2022. The Hon. Chairman and speaker of Loksabha have ordered to refer the bill to the standing committee on Energy for Examination and Report.

Your goodself being the Chairman of standing Committee on Energy is the competent authority for inviting suggestions, views of various experts, individuals, consumer groups, trade unions and associations, state governments, states power utilities. We are submitting our say to the standing committee. Your good selves have an authority to held extensive and wide ranging discussions with stake holders over the effects of the proposed Electricity (Amendment) Bill 22.

In view of the above, All India Federation of Electricity Employees, with due respect submits our suggestion and requests for allowing us in the briefing session to explain as to how the proposed Bill 2022 is not in the interest of common consumers, farmers, downtroddens, consumers below poverty line. It is neither in the interest of the states and the country nor in the interest of 15 lacs power workers, engineers & officials.

Prior to this reference of Electricity (Amendment) Bill 22 dtd.8th August 22, previously in the year 2002 Hon. speaker of Loksabha has referred the Electricity Bill 2001 to the standing committee on energy for Examination and Report and the standing committee took into consideration the views, suggestions of all the stake holders. Similar exercise was done in 2014 by the standing committee.

Report of Shri Santosh Mohan Dev, Hon Chairman, Standing Committee on Energy dtd 13th December 2002 is on record where it is specifically mentioned that "**The committee held discussions with the following stake holders." We are submitting the following details for ready reference.**

The Committee held discussions with State Governments of Jharkhand, Bihar, West Bengal, Assam, Tripura, Sikkim, Manipur, Meghalaya, Mizoram, Nagaland, State Chambers of Commerce and Industry Employees' Associations, Individual Experts, Damodar Valley Corporation (DVC), Rural Electrification Corporation (REC) and NEEPCO During their Study Tour to Ranchi, Kolkata, Guwahati and Shillong from 26th May to 1st June, 2002. The Committee also held discussions with State Governments of Haryana, Punjab, Himachal Pradesh, Himachal Power Engineers Association, Nathpa Jhakri Power Corporation Limited (NJPC) and Bhakra Beas Management Board (BBMB) during their Study Tour to Chandigarh and Shimla from 6th to 8th June, 2002. The Committee further held discussions with State Governments of Andha Pradesh, Tamil Nadu, Karnataka, Kerala, State Chambers of Commerce & Industry at these places, Individual Experts, Neyveli Lignite Corporation (NLC), National Thermal Power Corporation (NTPC), Central Power Research Institute (CPRI) and Power Grid Corporation of India Limited (PGCIL) during their Study Tour to Hyderabad, Chennai, Bangalore and Thiruvanathapuram from 26th June to 1st July, 2002. The Committee also held disucssions with State Governments of Rajasthan, Maharashtra, Goa, Gujarat, State Chambers of Commerce and Industry, Consumer Organisations, Individual Experts Indian Renewable Energy Development Agency (IREDA), Power Trading Corporation (PTC), Nuclear Power Corporaion of India Limited (NPCIL), Power Finance Corporation (PFC) and National Hydro-Electric Power Corporation (NHPC) during their Study Tour to Jaipur, Mumbai, Goa and Mumbai from 6th to 11th July, 2002.

The Committee held a briefing session with the Ministry of Power on 14.5.2002. The Committee took oral evidence of the National Council of Applied Economic Research (NCAER) and Central Electricity Authority (CEA) on 25.7.2002, Bhartiya Mazdoor Sangh (BMS) and Centre of Indian Trade Unions (CITU) and (AITUC) on 26.7.2002, Associated Chamber of Commerce & Industry (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI) and Government of Uttaranchal on 30.7.2002, Government of Delhi on 31.7.2002, Power Engineers Association (PEA), Indian National Trade Union Congress (INTUC), Confederation of Indian Industry (CII) and Government of Uttar Pradesh on 6.8.2002, the National Working Group on Power, Governments of Orissa, Madhya

Pradesh and Chhattisgarh on 7.8.2002, Indian Wind Energy Association on 1.10.2002 and Ministries of Power and Non-Conventional Energy Sources on 25.11.2002.

All India Federation of Electricity Employees and the National coordination committee of electricity employees and engineers from last two years requesting the Ministry of Power, New Delhi to discuss the various provisions and amendments proposed to Electricity Act 2003. The Ministry however failed to discuss the same despite the fact that we the power workers, engineers and officers are one of the very important stake holders.

This is the fourth effort of the Ministry of power to amend the Electricity Act 2003. On record there are established precedents, in the matter of changes in Electricity Act, which has effects and impacts on consumers, farmers and public in general that the said changes must be put on public domain. Reasonable time for public participation needs to be given for submissions of comments & objections on the changes proposed. Despite our continued persuations and representations the Ministry of Power did not put the proposed Bill on public domain nor invited suggestions & objections.

In the present case of introducing the Electricity (Amendment) Bill 2022, the statement of objects and reasons was absent when the key proposal was circulated. Thus from begining procedure was incomplete and Ministry of Power hurriedly on 2nd day of August 22 recorded objects & reasons and signed the draft of the Bill 22. Thus no stake holder could submit comments or objections over the proposed bill of 02.08.22.

The above action of the Ministry of power proves that the Ministry of Power have finalised the proposed Bill unilaterally without due consultations and discussions with the stakeholders, experts and states officials. In regard to proceed and finalisation of the Amendment Bill the Hon. Supreme Court of India have given judgement dt 11.04.2017 prescribing the procedure. Those guidelines are also not followed this time for Bill 2022 though it is an judicial necessity for the Goverment.

Another reason for its illegality is by passing the states, the important stake holders, intentionally ignoring the constitutional provision that the electricity is a concurrent subject in the constitution and the states have a major role to play in providing power supply to the consumers and any such amendment adversely affects the interest of the states could not be changed without states consent. <u>On this background 13 Non BJP state Govt have apposed the Bill 22.</u> Thus the Ministry of Power has acted against the letter and spirit of the constitution. The bill is a continuing assault on India's federal structure.

Electricity is concurrent subject and both Central and State Govts have powers to make laws on this subject. But the proposed amendments to the Electricity Act

2003 Substantially usurp the powers of the state and concentrate them with the Central govt and its agencies. With central Electricity Regulatory commission issuing registration for multi-state distribution company, state's Electricity Regulatory commission's role will get drastically reduced while the responsibility of operation & maintenance of the distribution infrastructure would remain with the state.

The state power utilities are entities set up in terms of Article 19(6) (ii) of the constitution. Under Article 12, they are to be deemed to be the instruments of the state. As such, the state power utilities are expected to fulfil the welfare obligations of the state in terms of the Directive Principles enumerated in Part IV of the constitution. These include "minimising income inequalities" Art 38(2) ownership and control of material resources of the community are so distributed as best to sub serve the common good (Art 39 (2) 9b), operation of the economic system does not result in the concentration of wealth and means of production to the common detriment (Art 39(2) (C).

Though the centre had assured the Samyukta Kisan Morcha (SKM) at the time of call off their agitation, that all the stake holders including the states, farmers associations would be taken into confidence before introducing the Bill 22. Unfortunately the Ministry of Power reneged on the assurance by bringing back the electricity amendment bill 22 to the Parliament. The Bill have far reaching impacts on the finances of the states, the state utilities and the different consumer groups.

The Bill is introducing the concept of "Distribution Company" instead of "Distribution Licensee" and doing away with the licensing process. Private companies getting into the electricity distribution business by fault is a very dangerous prospect, opening up the floodgates of corruption and favouritism and can put the consumers at grave risk. The Electricity (Amendment) Bill 22 proposed delicencing of distribution will pave a way for privatisation of profit making areas.

The State power utilities have played a pivotal role over the last seven decades in promoting electricity development across the country, extending access to electricity to consumers in the rural and the remote areas, providing affordable electricity to the farm sector, that has helped the country to be self-sufficient in food, ensuring electricity supplies at reasonable rates to small businesses and so on. All this would not have been possible without subsidised electricity to such groups of consumers and a tariff system that permitted cross-subsidisation across different consumer groups. The proposed amendments to the Electricity Act will dismantle system of cross-subsidisation.

The Bill prohibits the Regional and the State load despatch centres (RLDCs and SLDCs) from dispatching electricity, if adequate payment security, as agreed in the contract, has not been provided by the distribution licensee. The paramount responsibility of the RLDCs and the SLDCs is to ensure Grid discipline as per the Grid Standards /Code and a provision like this drags them into an area that is not theirs, thereby causing disruptions to the important merit order load despatch system. Imposing a "Payment Security mechanism" on electricity flows to State utilities by LDCs, implies that no electricity would be scheduled & supplied to State Distribution Co, unless fully paid upfront. This can have dangerous consequences for the states and the consumers.

Sum and substance is that the proposed Bill 22 would:-

1) Weaken the finances of state Discoms.
2) Cripple the states finances.
3) Impose a heavy cast burden on the smaller subsidized consumers, especially the farmers to benefit only Corporate Business Houses.
4) Have adverse impact on utility employees

The Bill 22 is nothing than the death knell to the power distribution companies and will provide red carpet to the private players to make open loot by making use of multibillions infrastructure of electricity distribution at a throw away price.

The real objective of the Bill is to privatise electricity distribution, to turn already financially stressed state distribution companies sick, so that huge infrastructure of Discoms amounting to lacs of crores rupees which has been built since independence with public money can be sold at throw away price to Corporates. Private company (distributor) will have to make no investment in building up and creating distribution infrastructure and states 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 the state discoms while private distributors are being laden to earn profit on electricity sold.

Adverse Impact on consumers

1. 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 cannot be more than 20 % among BPL consumers and super rich people of India.

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 adopted.

3. **Suo Motto Cognizance of Tariff Revision** by Appropriate Commission.

4. Mandated Tariff Revision in Every Financial Year.

5. If no tariff revision application has been filed by the Distribution Company, thenwith in thirty days of last date fixed for so, commission will initiate proceedings for determination of revised tariff.

6. Inflated power bills for all sections of the society.

7. 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.

8. Neglect of remote areas and areas with low power consumption, thus right to electricity to many people will be denied.

9. 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.

<u>Impacts on State Discoms</u>;

1. The introduction of multiple distribution companies is the first step towards complete privatization of state-owned Discoms.

2. **Cherry picking** will left the State distributor financially strapped.

3. 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.

4. Private distributors will offer incentives to lure profitable and large customers initially like telecom sector.

5. State discoms will not be able to compete due to their universal supply obligation, vast customer base and costs associated with past regulatory gaps.

6. State discoms will be left with small and unprofitable and far-away customers.

7. The losses of State discoms will have to be made up by people's money.

8. People will have to pay for privatization either through higher rates or taxes to make up losses.

9. As losses of state discoms will surmount, they will turn sick gradually. They will then be fully privatized at throw away prices.

<u>Another Dangerous proposition of Electricity (A) Bill-2022;</u>

1. 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."

2. So electricity will not be supplied unless payment is guaranteed.

3. Once private discoms enter a territory and take away profitable customers, thefinances of state discoms will be in trouble.

4. 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;

1. 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.

100 times increase in penalty will ensure the enforcement of draconian provisions of this bill.

Multi Sectoral Impacts;

1. 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.

2. The public money is being looted through organized structures of policies which eventually facilitating the pumping of public money to the Big Business houses of the Country.

Concurrent Status of Electricity;

1. The electricity is in a concurrent list at the 7th 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.

2. Electricity is a concurrent subject - both centre and state have the rights to enact or amend the stature.

3. States had not been consulted while drafting the Bill.

4. **Opposition by States**; Twelve states including Kerala, Telangana, Andhra Pradesh, TamilNadu, 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.

5. Kerala, Telangana & Punjab Assemblies has passed a unanimous resolution asking the Centre to withdraw the Bill.

6. This bill is an attempt to virtually shift the subject of Electricity in to union list from concurrent list.

Why We and NCCOEEE are opposing this Bill and Privatization of Electricity Sector;

1. Fundamental Differences in Perspective.

2. Government of India is treating Electricity as commodity.

3. 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.

4. Electricity Sector is the axis and necessary for smooth functioning and development of all sectors.

5. It must be enshrined as Fundamental Right.

6. In the 21st century, electricity is one of the basic need not a luxury of every human being without which it is impossible to imagine life.

7. Now Government wants to completely washing its hands off from the social responsibility of providing a basic necessity to all by privatizing electricity distribution.

8. Private profit cannot be the objective for a basic necessity.

9. India is a vast and diverse country, so one size fits for all, cannot work in terms of Electricity Sector, owing to state wise advantages, challenges and consumer mix etc.

10. **It is Anti-people**; Increased rate, inflated bill, poor service to villages and remote areas. Many people will be denied access to electricity;

11. **It is Anti-social**; Destruction and sale of lakhs of crore rupee assets built with people's money.

12. It is Anti-worker; Jobs of 15 lakh permanent and around 12 lakh contract workers will be in danger;

Adverse policies of Electricity (A) Bill 22

1. Elimination of present system of subsidy to Farmers.

2. Proposed Direct Benefit Transfer of Electrical Subsidy.

3. Cost Reflective Tariffs

5. The State DISCOMS would 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, instead 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.

Choice for distributor not for consumers.

6. In case of electricity, privatization leads to private monopoly.

7. Hardly anywhere in the world, individual consumers have the choice; invariably there is one monopoly supplier.

8. There is no provision in the bill which will mandate the contribution by the private distributor in Universal Service Obligation Fund (USOF).

9. With electricity, the service in rural India and far off places is likely to worsen as the electricity servicing cost will be much higher.

10. No private distributor is going to serve farmer's agriculture needs.

All India Federation of Electricity Employees has examined the essential components of the Bill and the implications there of, for the states, the consumer groups, especially the farmers, the small businesses and the weaker sections of the society and has come to the conclusion that the Bill will have a far reaching impacts on the finances of the states, the state utilities and the different consumer groups. Adoption of these provisions of Bill 22 would be against the letter and spirit of the constitution.

The privatisation of the public sector power industry and monetisation of assets are not for the good health of the Nation. Disinvestment in public enterprises over the years has led to the concentration of economic power.

Considering the already failed experiment of privatization in power sector, we request the Chairman and all the respected members of the standing committee to consider our submissions and recommend deletion of provisions of proposed Bill 22, which are against the constitution of India against the States, people, farmers, weaker sections and public sector power industry.

Thanking you in anticipation

Your's sincerely

Mohan Sharma
Gen. Secretary

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