

Why we should stop the privatisation of Electricity distribution system

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1.0 Electricity is a necessity

During school summer vacations, my mother took us from Delhi to her native village where there was no electricity. We did not feel the difference. This is not possible anymore. The least requirement of electricity for charging the mobile phone batteries. A vital instrument for the poor villager to speak to his son and his family working as a construction labourer in Delhi.

Urban life depends on electricity. It is impossible to live on the 20th floor without a lift. Forget the lift, you wouldn't even get water unless it is pumped. Similarly, urban transportation is heavily dependent on electricity. It would cease to operate if there is a power failure. Examples could be multiplied. **Electricity is today a human right at par with food and health care .**

2.0 Creation of two Indias

India is being partitioned into "a nation for those who can pay" and "a nation for those who cannot pay". All services be it education, health, food or infrastructure, including electricity are being partitioned - thus creating two Indias. One where the latest medical care is provided in comfort and the other overcrowded hospitals with exhausted and overworked doctors and staff; superfast highways where you can drive expensive cars at high speed, air conditioned and fast Vande Bharat trains while the majority travel in overcrowded unreserved compartments, leading to stampede, witnessed in the New Delhi Railway Station recently. Examples can be multiplied. By definition, infrastructure is a public service. When private sector is introduced, public services get divided into "for profit" for those who can afford and for "mass consumption" for those who cannot. The question to ask is: is the "for profit" infrastructure for the rich built with private funds. The answer is NO. It is built with public funds through budget allocation. The next question where do budget funds come from?

An Adani or Ambani, you and I or a rickshaw puller working under the hot sun and rain drink a cup of tea. We pay the same amount of GST for that cup of tea. There are 138 Crore GST tax payers. That is 95 % of India's population of about 144 Cr GST tax payers. Ironically, this includes the 81.35 crore people (58 % of the population) receiving free food grains. Ironically, they pay for the grain received from the Prime Minister, yet they have to cringe and crawl in gratitude.

Out of those who pay income about 7.5 Cr individuals file income tax returns, but only 1.5 Cr. individuals actually pay taxes, the rest get exemptions. Note the cruel reality 95% of the population pay GST tax and only 0.01 % pay income tax and they get the lion's share of the benefits spending mainly for their benefit.

3.0 Emphasis is on privatizing the distribution system

The current emphasis is on privatizing the distribution system, right down to down retail sales, on the promise of ushering an era of better efficiency and competition. Some fundamental truth about distribution need to be understood.

- Eighty percent or more of what you pay for electricity is on account of generation. The share of distribution is only 20 %. Therefore, privatization distribution, cannot reduce the cost of electricity, because the tail cannot wag the dog.
- Due to lack of investment in downstream distribution and simultaneous increase in demand, technical losses have increased. There are no funds for system improvement. Even under the privatization schemes the criteria for privatization is not investment but reduction of AT&C losses.
- Earlier privatization efforts either in cities or the state of Odisha were not successful. Experience with privatisation of distribution has so far been a total failure. In almost all the cities where privatisation was attempted - Gaya, Samastipur and Bhagalpur in Bihar, Kanpur in Uttar Pradesh, Gwalior, Sagar and Ujjain in Madhya Pradesh, Aurangabad and Jalgaon In Maharashtra, Ranchi and Jamshedpur in Jharkhand - the regulatory commissions were compelled to cancel the franchise. Private distribution licensees in Odisha had been catastrophic twice earlier. This is the third attempt.

4.0 Case study of attempted privatisation against the will of the people.

Let me give you the example of Puducherry. Article 239 A of the Constitution of India provides for the creation of local Legislatures or Council of Ministers for the Union territory of Puducherry. If people elect a legislature and there is a Council of Ministers, it logically implies that these bodies are empowered and they represent the will of the people of Puducherry who have elected them. How then can the Union of India (Govt. of India) by a narrow interpretation of the law arrogate to itself the unilateral right to take decision on a fundamental service like electricity (that is in the concurrent list under the Constitution of India)? Puducherry legislature had unanimously rejected the proposal to privatise the electrical distribution system? Yet, the Government of India an imperial power disregarded the will of the people.

Let us examine the technical issues. Out of the total Low Tension consumers, 74.17 % are domestic consumers who consume 65.04 % of the total LT consumption. If we add another 15.37 % on public services like public lighting and water supply 80.4 percent of the entire consumption of LT power is directly consumed by ordinary citizens. What kind of democracy are we living in, where there is no public discourse or discussion or consent of almost 85 % of the consumers is taken and the voice of their elected representative is ignored?

The High Tension (HT) consumers consume 1546.87 MU as against 1235.76 MU consumed by Low Tension (LT) consumers¹. These consumers have other options through open access. That means a HT consumer can buy power from anywhere in India to suit their best conditions. For example, an industrial unit located in Puducherry, can bargain and get electricity cheaper from a source in Punjab by paying the cost of transmitting the power from Punjab.

5.0 Would domestic consumers gain from “competition”?

As stated above big consumers have the provision of open access. Therefore, competition within a DISCOM is for small power consumers. What does competition mean. Suppose a four storied building having twelve flats is served by five distribution licensees. There will not be five separate networks and transformers. The system would be the same as if there was only

¹ All the figures are taken from the Tariff petition FY 2023-24 by the Govt. of Puducherry.

one supplier. The difference would be that the complex network of smart meters and computers to record consumption and enabling billing. All this adds to the cost of electricity. Unless the consumers have high consumption, these overhead costs will make the final cost of power more expensive. A World Bank study of power Sector reforms in England and Wales says *“Introducing retail competition in this segment of the market appears difficult. Metering is expensive, and the cost may not be worth it below 75 kW”*.

In India, as of 2022, there are 26.7 Crore domestic consumers in India. According to the National Sample Survey Office (NSSO)’s surveys, about 20% of electrified households consume less than 30 units of electricity per month, while about 80% consume less than 100 units per month. In rural areas, 90% of the electrified households consume less than 100 units.² When this is the pattern of consumption why do we need a smart meter scheme with an outlay of Rs. 3, 03,758 crore?

Distribution losses are high because of lack of investment. Most of the distribution lines and transformers are overloaded. Any realistic calculation would show that investment in modernising distribution network would give better dividends than investment in smart meters.

The real reason for emphasizing smart meters is to enable time of day tariff (ToD tariff system). Smart meter enables charging of different rates for different times of the day, known as Time of the Day (ToD) tariff system. This means dynamic pricing based on the demand – higher rate when the demand is high and lower rate when the demand is low. As per the government announcement, power rates will be 10-20% lower than regular rates during 8 hours when there is sunlight and 10-20% higher during peak consumption hours. Govt. of India has already been announced plans to implement the ToD tariff from April 2025 for all consumers.

The second most important reason is to use the smart meter as a Pre-paid meter. Pre-paid meters would automatically cut off power supply as soon as the amount in the pre-paid meter is exhausted. Consumers will have to keep track of the consumption and recharge their meter

² Trends in India’s Residential Electricity Consumption Ankit Bhardwaj, Radhika Khosla, November 7, 2017

before the balance becomes zero if they do not want power to get disconnected. On 27th October, 2015, protests in Soweto, South Africa turned violent after residents took to the streets of Orlando East when Eskom contractors tried to install prepaid meters in the area. Similar protests have started in India.

Smart meters have a limited life of 7-10 years, the burden of their replacement will be on consumers.

6.0 Global evidence disproving myths of privatization.

A 2009 World Bank review of privatisations in former communist (transition) countries examined the effects of privatisation in central and eastern Europe, former Soviet Union, and also in China. It examined 17 studies looking at total factor productivity and 10 studies looking at profitability. It concluded that *“The most important policy implication of our survey is that privatization per se does not guarantee improved performance”, though privatisations to foreign companies seemed to have a generally positive effect*”³

A Global review of the evidence on utility sector in 2005 by the World Bank concluded *“for utilities it seems that in general ownership often does not matter as much as sometimes argued. Most cross-country papers on utilities find no statistically significant difference in the efficiency scores between public and private providers”*

7.0 Solar energy

There is a need to examine the policy towards Solar Energy. It is entirely based on providing financial and administrative support to big corporations, both national and international. The emphasis was on centralised generation plants. When the criticism became very loud and the scams became visible, the Modi govt came up with the PM Surya Ghar: Muft Bijli Yojana a government scheme that provides subsidies to install solar panels on rooftops.

The total installed solar generation capacity in the country as at the end of September, 2024 was 90,672 MW, consisting largely of centralised generation plants. The centralised generation plants generated 67,929 MU during the first 7 months of 2024-25. This implies that only 14.6% of the energy the solar plants (100% capacity utilisation) had been injected into

³ 9 Saul Estrin, Jan Hanousek, Evžen Kočenda and Jan Svejnar. 2009. ‘Effects of Privatization and Ownership in Transition Economies’. Journal of Economic Literature 47 (3): 699–728.

the grid. Considering that 15-16% of it is lost through T&D losses, at the consumer end, the energy received was only 12.5% of the full capacity of the plants. In other words, the consumers will bear 100% capital cost, though they receive only 1/8th of the electricity potential of the plant. And for the next 25 years, as the plant required a long-term PPA from DISCOMs for which the consumers pay.

Let us examine, in some detail a Centralised generation plant - the Adani solar plant at Khandva.

Magnitude of the project

- 538 Sq Kms. (**Total area of Mumbai is 603.4 Sq. Kms**)
- Capacity 1 GW
- No of households to be covered 16.1 million

Concessions from the public exchequer

- PLI Rs. 663 Crores
- Transmission Charges waived worth Rs. 31,500 Crores over 25 years @ 0.80 paise/unit
- In order to ensure grid stability, public sector power stations would have to back down and loose revenue. This needs to be estimated but over a 25 years period that too would be in hundreds of Rs. Crores.

It is noteworthy that at the heart of the Adani bribery case is solar energy.

8.0 Usher in a new era.

“No reforms, no privatisation, no smart meters without consumer consent” - that should be our slogan. We have no choice but to follow Dr. Ambedkar’s dictum ***“Educate, Agitate, Organise”***. Let us make this a new era, where the employees and the consumers jointly protect the public service.