# Reforms in the Indian Power Sector: Status, issues & the way forward

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## Introduction

Three erstwhile Acts that regulated the electricity sector:

- The Indian Electricity Act, 1910
- The Electricity (Supply) Act, 1948
- The Electricity Regulatory Commissions Act, 1998

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## Introduction …

The Indian Electricity Act, 1910

- Provided basic framework for electric supply industry in India.
- Growth of the sector through private licensees. Licence by State Govt.
- Provision for licence for supply of electricity in a specified area.
- Legal framework for laying down of wires and other works.
- Provisions laying down relationship between licensee and consumer.

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## Introduction …

**The Electricity (Supply) Act, 1948**

- Mandated creation of SEBs.
- Need for the State to step in (through SEBs) to extend electrification (so far limited to cities) all across the country.

**The Electricity Regulatory Commissions Act, 1998**

- Provision for setting up of Central / State Electricity Regulatory Commission with powers to determine tariffs.
- Constitution of SERC optional for States.
- Distancing of Govt. from tariff determination.

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## The Electricity Act, 2003-Preamble

- Encouraging Private Sector Participation in Generation, Transmission & Distribution
- Distancing Regulatory Responsibilities from Government to Regulatory Commission
- Need For Harmonizing And Rationalizing the Provision in the IE Act 1910, Electricity (Supply) Act 1948 & ERC Act 1998

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## Objectives of the Electricity Act, 2003

- Consolidate the laws relating to Generation, Transmission, Distribution, Trading and use of Electricity
- Promote competition
- Protect consumers interest
- Supply electricity to all areas
- Rationalization of tariff
- Transparent policies regarding subsidies
- Establishment of ERCs, CEA, Special Courts and Electricity Appellate Tribunal

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## Salient features of the Electricity Act, 2003

- Formation of National Electricity Policy and Plan
- Generation is de-licensed
- Transmission, distribution and trading are licensed activities
- Notification of central transmission utility and state transmission utility
- Powers and functions of Regional Load Despatch Centres and State load despatch centres
- Provision of Open Access in transmission and distribution
- Unbundling of the State Electricity Boards
- Notification of performance standards
- Creation of market mechanism

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## Salient features …

- Creation of Central Electricity Authority
- Creation of Electricity Regulatory Commissions in the Central and states
- Powers and functions of CERC and SERCs
- Creation of Appellate Tribunal for Electricity
- Provision for handling of theft of Electricity and creation of special courts
- Consumer Grievance Redressal Mechanism & Electricity Ombudsman.

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# Current Status of Indian Power Sector

(As on June-2011)

**All India Installed Capacity - 176990.40 MW**

| | | |
|---|---|---|
| Thermal | - | 115649.48 MW |
| Nuclear | - | 4780.00 MW |
| Hydro | - | 38106.40 MW |
| NCES | - | 18454.52 MW |

Capacity addition target during 11th Plan (2007-12) – 78700 MW

Actual capacity addition during 11th Plan (Up to June, 2011) - 44661.19 MW

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# Power Supply Position 2010-11 (June-2011)

| Region | Energy (MU) | Deficit % | Peak | Deficit % |
|---|---|---|---|---|
| | Requirement (MU) | | Demand (MW) | |
| Northern | 23676 | -3.6 | 37651 | -8.2 |
| Western | 22424 | -7.9 | 37392 | -12.5 |
| Southern | 19507 | -4.5 | 31301 | -6.1 |
| Eastern | 7665 | -4.0 | 13414 | -5.5 |
| North Eastern | 911 | -11.3 | 1758 | -11.0 |
| All India | 74183 | -5.3 | 121516 | -8.7 |

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## Developments in the Power Sector

- Creation of two power exchanges and one in queue
- Competitive bidding
- Term ahead market issue is under litigation
- Introduction of REC mechanism
- POC tariff introduced by CERC
- Formation of NEW grid
- Formation of POSOCO

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## Issues in the Power Sector

- Shortage of power
- Introduction of Competition
- Open Access
- Cross subsidy reduction
- Setting up of Performance Standards to the Utilities
- Consumer Grievance Redressal
- Poor financial health of the utilities

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## Issues …

- Non-filing of tariff petition by the utilities
- Delays in issuing tariff orders
- Increased litigations
- Promotion of Renewables
- RPO

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## Way forward

- Promotion of Renewables
- Future of Nuclear Energy
- Reduction of losses of the utilities
- Development of Transmission and Distribution Networks
- Ring fencing of SLDCs
- Improving Consumer satisfaction
- Power for all at affordable prices

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