

## Power Reforms

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### Basic Problem

The core of the problem is the state of sub-transmission and distribution system of State Electricity Boards (SEBs) and other electricity utilities. Out of the total generated power, around 55% is billed and only around 41% is realised. The gap between the average revenue realisation and average cost of supply has been constantly increasing. At present, the SEBs lose nearly 110paise for every unit of electricity sold. This is despite charging a very high tariff to the industrial consumers.

The commercial viability of SEBs is thus dependent on efficient performance of the distribution sector. It is, therefore, necessary to integrate the various reform measures to ensure a focused approach for improving the financial viability of the SEBs/utilities. Investments in this sector are predicated on the success of distribution reforms.

### State-wise Status Report on Reforms

So far 27 states have signed Memorandum of Understanding (MoUs) with the Ministry of Power (MoP); 22 states have constituted SERCs; 14 State Regulatory Commissions have issued tariff orders and 10 states have unbundled SEBs.

### Distribution Reforms

An expenditure of Rs40,000cr during the Tenth Five-Year Plan under the APDRP scheme is envisaged (includes investment and incentive components). An outlay of Rs20,000cr has been provided as Central Plan assistance under APDRP to the state governments for implementing the upgradation and modernisation of sub-transmission and distribution schemes under the investment component. Further, an additional outlay of Rs20,000cr has been provided to incentivise the states utilities to improve the cash loss reduction.

### Investment Component

Under the investment component, the Government of India (GoI) provides financial assistance to the states for strengthening and upgradation of the sub-transmission and distribution networks. 50% of the project cost is met by the GoI and the balance has to be arranged by the states as counterpart funding from financial institutions. However, for states under special category (states of the north-eastern region, J&K, Himachal Pradesh, Uttaranchal and Sikkim), the GoI provides 100% of the project cost as financial assistance. In FY03, projects worth Rs14749cr covering 406 towns all over the country were sanctioned and Rs1756cr have been released to various states. SEBs/Utilities have arranged counterpart funding of Rs4551cr from PFC and REC. SEBs/Utilities have already utilised Rs587cr.

### Incentive Component

Under the incentive component, funds would be provided by the MoP to SEBs/Utilities for actual cash loss reduction by way of one for two matching grants. The cash losses are calculated net of subsidy and receivables. During FY03, three states- Maharashtra, Gujarat and Haryana have shown cash loss reduction to the tune of Rs579.74cr, Rs1072.29cr, Rs10.02cr respectively, and became eligible for incentive of Rs289.87cr, Rs536.145cr, Rs5.01cr. Interim incentive of Rs137.89cr, Rs236.37cr and Rs5.01cr have been released to these states.

### **Memorandum of Understanding**

27 states have signed the MoUs. Manipur and Tripura are yet to sign the MoUs for adopting reforms.

### **Setting up Electricity Regulatory Commission**

As per the understanding reached between states and the MoP, 22 states have constituted SERC and tariff orders have been issued by 14 states. Agriculture tariff has been introduced in Punjab and Tamil Nadu, where power supply to the agriculture sector was earlier free. Madhya Pradesh has restricted free agriculture supply to SC and ST consumers only.

### **Restructuring of SEBs**

Ten states namely Delhi, Haryana, Rajasthan, Uttar Pradesh, Uttaranchal, Madhya Pradesh, Andhra Pradesh, Karnataka, Orissa and West Bengal have unbundled/corporatised their electricity utilities. Further, the states of Orissa and Delhi have privatised their distribution systems.

### **Securitisation of Dues**

23 states have signed the Tri-Partite Agreement (TPA) for securitising the outstanding dues of CPSUs.

### **Memorandum of Agreement**

All state electricity utilities except Manipur and Tripura have signed Memorandum of Agreements (MoAs) for taking administrative, technical and commercial measures to improve their performance to achieve agreed benchmarks.

### **Anti-Theft Legislation**

The states of Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh and West Bengal have enacted the Anti-Theft legislation, under which provisions have been made more stringent including imprisonment. The states of Maharashtra, Punjab, Bihar, Gujarat and Kerala have also taken steps in this direction.

In Andhra Pradesh, post enactment of the new stringent Anti-Power Theft Bill 35,535 cases have been registered, 31,376 cases compounded, 860 persons arrested, Rs30.19cr assessed and Rs11.62cr compounding amount has been collected.

In Karnataka, 9 lakh unauthorised connections have been regularised and regularisation fee of Rs93cr has been collected. Over 2400 cases have been detected and booked for theft of power.

In West Bengal, the provisions have been made more stringent which include imprisonment up to 5 years.

### **Reduction in T&D/Cash Losses**

Assam, Uttar Pradesh and West Bengal have made progress in revenue collections in FY03. Assam has reported that financial losses from April to October 2002 have been reduced by Rs100cr compared to the previous year. West Bengal has reported that their revenue collection for 2002-03 shall be approximately Rs3100cr against Rs2438cr in the previous year. In Uttar Pradesh, the revenue collection (April-October 2002) was Rs3205cr, which is higher by Rs236cr in comparison to the same period in the previous year.

No	STATE	Project Cost	APDRP Cost	APDRP Release						Counter part fund	Utilisation
				1st (4/4/2002)	2nd (28/1/2003)	3rd (31/3/03)	Investment	Incentive	Total		
1	Andhra Pradesh	14.77	7.38	0.39	0.73	0.52	1.64		1.64	7.38	0.69
2	Bihar	7.18	3.59	0.16		0.50	0.66		0.66	0.77	0.00
3	Chattisgarh	4.25	2.12	0.10			0.10		0.10	0.10	0.24
4	Delhi	9.46	4.73			1.06	1.06		1.06	4.73	0.25
5	Goa	1.76	0.88	0.09	0.07	0.07	0.22		0.22	0.04	0.13
6	Gujarat	10.36	5.18	0.21	0.54	0.30	1.05	2.36	3.42	2.92	0.27
7	Haryana	4.51	2.25	0.18	0.19	0.19	0.56	0.05	0.61	1.63	0.36
8	Jharkhand	4.45	2.22	0.12			0.12		0.12	1.37	0.09
9	Karnataka	11.61	5.81	0.30	0.58	0.58	1.45		1.45	5.81	0.69
10	Kerala	3.50	1.75	0.17	0.13		0.30		0.30	1.73	0.17
11	Madhya Pradesh	5.99	2.99	0.28	0.24	0.24	0.75		0.75	0.62	0.12
12	Maharashtra	11.08	5.54	0.45	0.47	0.47	1.38	1.38	2.76	3.45	0.65
13	Orissa	5.92	2.96	0.15	0.00	0.40	0.54		0.54		
14	Punjab	6.67	3.34		0.42	0.12	0.54		0.54	3.34	
15	Rajasthan	12.55	6.28	0.28	0.62	0.35	1.26		1.26	3.08	0.72
16	Tamil Nadu	9.68	4.84	0.32	0.44	0.35	1.12		1.12	4.84	0.77
17	Uttar Pradesh	7.18	3.59	0.30	0.00	0.50	0.80		0.80	3.02	
18	West Bengal	1.33	0.66	0.19	0.00		0.19		0.19	0.66	
19	Assam	3.66	3.66	0.11	0.86		0.97		0.97		0.05
20	Arunachal Pradesh	0.67	0.67	0.00	0.00		0.00		0.00		
21	Himachal Pradesh	1.06	1.06	0.13	0.20	0.10	0.43		0.43		0.05
22	Jammu & Kashmir	4.53	4.53			0.20	0.20		0.20		
23	Manipur	0.10	0.10	0.03	0.00		0.03		0.03		
24	Meghalaya	0.26	0.26		0.07		0.07		0.07		
25	Mizoram	0.10	0.10	0.03	0.01		0.04		0.04		0.04
26	Nagaland	0.47	0.47	0.03	0.10		0.13		0.13		0.03
27	Sikkim	0.63	0.63	0.03	0.15		0.17		0.17		0.03
28	Tripura	0.13	0.13	0.03	0.00		0.03		0.03		
29	Uttaranchal	3.62	3.62	0.19	0.81	0.75	1.75		1.75		0.57
<b>TOTAL</b>		<b>147.49</b>	<b>81.36</b>	<b>4.26</b>	<b>6.62</b>	<b>6.68</b>	<b>17.56</b>	<b>3.79</b>	<b>21.35</b>	<b>45.51</b>	<b>5.92</b>

*Not  
Applicable*

**OVERALL STATUS OF REFORMS AND RESTRUCTURING OF STATES IN DISTRIBUTION**

Sl.	Milestones	North									West					
		Delhi	Haryana	H. P.	J & K	Punjab	Rajasthan	U. P.	Uttaranchal	Chattishgarh	Gujarat	Goa	M. P.	Maharashtra		
1	SERC constituted	√ 99-00	√ 8/98	√ 1/01		√ 3/99	√ 99- 00	√ 9/98	√ 1/02		√ 01-02	√ 11/98	√ 4/02	√ 8/98	√ 99-00	
2	Operationalisation of SERC	√	√	√		√	√	√	√			√		√	√	
3	Last Tarrif order Issued	5/01	√ 12/00	√ 01- 02		√ 10/02	√ 3/01	√ 10/02				√ 10/00		√ 9/01	√ 5/00	
4	Signing of MOU	√ 3/03	√ 2/01	√ 3/01	√ 4/02	√ 3/01	√ 3/01	√ 2/00	√ 3/01		√ 1/01	√ 1/01	√ 10/01	√ 10/02	√ 3/01	
5	Signing of MOA		√ 12/02	√ 12/02	√ 2/03	√ 8/02	√ 7/02	√ 9/02	√ 12/02		√ 10/02	√ 6/02	√ 11/02	√ 9/02	√ 6/02	
6	Signing of TPA		√ 07/02	√ 10/02	√ 7/02	√ 7/02	√ 11/02	√ 7/02	√ 9/02		√ 7/02	√ 6/02	√ 7/02	√ 7/02	√ 3/03	
8	Reform Bill Enactment	√ 2000	√ 1998				√ 2000	√ 1999	√ 01- 02					√ 2000		
9	Unbundling/Corporatisation	√ 7/02	√ 8/99				√ 7/00	√ 1/00	√ 2001					√ 2002		
10	Privatisation of Distribution	√ 7/02														
11	11 kV for 100% Metering	√	√	93%	√	99%	45%	√	96%		63%	√	√	91%	85%	
12	100% Consumer Metering	√	√	√	40%	85%	90%	59%	87%		65%	93%	95%	63%	86%	

Note: (1) Total Indicates number of states.

**OVERALL STATUS OF REFORMS AND RESTRUCTURING OF STATES IN DISTRIBUTION**

Sl.	Milestones	South				East				North-East							Total	
		A. P.	Karnataka	Kerala	Tamil Nadu	Bihar	Jharkhand	Orissa	West Bengal	Ar. Pradesh	Assam	Meghalaya	Mizoram	Manipur	Nagaland	Tripura		Sikkim
1	SERC constituted	√ 7/99	√ 99-00	√ 11/02	√ 3/99	√ 4/02	√ 8/02	√ 5/96	√ 1/99	√ 2/99	√ 8/01							22
2	Operationalisation of SERC	√	√		√			√	√		√							15
3	Last Tarrif order Issued	√ 6/00	√ 2002		√ 3/03			√ 4/97	√ 2001									14
4	Signing of MOU	√ 3/01	√ 2/00	√ 8/01	√ 1/02	√ 9/01	√ 4/01	√ 6/01	√ 5/01	√ 7/02	√ 3/01	√ 11/02	√ 7/02	√ 9/02	√ 12/02	√ 12/02	27	
5	Signing of MOA	√ 5/02	√ 5/02	√ 10/02	√ 7/02	√ 12/02	√ 11/02	√ 3/03	√ 7/02		√ 7/02							
6	Signing of TPA	√ 7/02	√ 6/02	√ 8/02	√ 6/02	√ 11/02		√ 9/02	√ 7/02		√ 7/02	√ 2/03			√ 8/02		√ 11/02	23
8	Reform Bill Enactment	√ 1999	√ 1999					√ 1996										9
9	Unbundling/ Corporatisation	√ 02/99	√ 08/99					√ 4/96	√									10
10	Privatisation of Distribution							√ 98										2
11	11 kV for 100% Metering	√	√	√	√	39%		27%	93%	19%	34%	30%	79%	21%	34%	√	24%	11
12	100% Consumer Metering	85%	√	√	√	89%		90%	94%	54%	86%	64%	47%	82%	73%	81%	28%	6

Note: (1) Total Indicates number of states.

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