Power Pricing Reforms

Why in news?

The next set of power reforms is centring around amending the Electricity Act and/or the Tariff Policy proposed rather than the addressing of structural issues in power supply.

What are the structural issues in Power sector?

- There is surplus generating capacity-by March 2020, the installed capacity was 370.05 GW, but the electricity demand has never gone above 183 GW.
- Hence, states with more than 30-40% of installed capacity either backed down or shut down leading to 15-35% of total fixed cost to unscheduled electricity.
- Aggressive energy efficiency drive **(UJALA programme**) will reduces the power bill of consumers, but power demand decreases and adds to the fixed costs that utilities pay.
- Increasing renewables without retiring old and polluting coal-fired generators, long tenure of power procurement agreements, excess tied capacity are other such issues.

What are the concerns w.r.t. Tariff Policy?

- It aims to keep tariffs for all categories of consumers within the maximum range of 20% below or above the average cost of supply.
- A analysis by IEA finds that residential tariff on PPP basis in India is higher compared to Russia, China, the US, Indonesia, Canada, Korea, etc.
- Hence tariff hike on electricity will impact the household finance as cross-subsidies cannot be avoided at this time (creates price inflation especially in rural areas) .
- States which are moving towards non-remunerative tariff fixation will lead to vicious circle of larger debt, unsustainable discoms & delegitimizion of regulatory assets.
- Subsidies or tariff compensation to discoms are as high as (15%)& it is increasing rapidly which is not in pace with cost of supply.

What is the need of the hour?

- A trade-off between sufficiency and affordability of power must be arrived .

- The tariffs should reflect the cost of supplying electricity .
- A robust system of DBT should be developed to reduce the financial burden of consumers and free riding ,theft of power by unscrupulous consumer can also be addressed by it.
- All the cross-subsidies should go out in phased manner and efficiency of utilities should be increased.
- State regulators are duty-bound to safeguard consumer interests and to encourage competition in the sector through policy interventions and reforms to ensure 24×7 quality power at affordable prices .

Source: Financial Express

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