

Revising the National Electricity Policy

Why in news?

The government has decided to revise the National Electricity Policy (NEP) by invoking Section 3 of the Electricity Act, 2003.

What is the move about?

- The 2003 Act mandates that the central government shall prepare the NEP in consultation with the state governments and the Central Electricity Authority.
- The government has constituted a committee now.
- It would finalise the draft NEP which has been circulated, after seeking views of stakeholders.
- The first NEP was formulated in 2005.

What progress has happened since 2005?

- Between 2005 and 2021, generation capacity (inclusive of renewable capacity) has gone up by about 251 GW.
- The renewable generating capacity has gone up to 94 GW (from wind, solar, small hydro and biomass) from almost nothing.
- This led to about 10% of generation from renewable sources.
- An additional 2.5 lakh circuit-km of transmission lines (above 220 kV) were added during this time.
- Per capita consumption has almost doubled from 630 units to approximately 1,200 units today.
- Besides, peak and energy shortages have come down from double digit figures to about half a percentage point.
- Rural electrification is almost complete with near 100% electricity access to households (not necessarily 24 hours supply).

Why is revising the NEP essential?

- The government did not bother to revise its NEP for almost 16 years.
- The government keeps pointing to the fact that peak and energy shortages have come down drastically implying that all is well.
- But the reality is quite to the contrary.

- The situation of excess supply is illusory.
- This is because the demand has not grown at the rate it should have because of the economic downturn since the last couple of years, even before the pandemic.
- Distribution companies (discoms) have accumulated outstanding of over Rs. 6 lakh crore.
- And this seems to be going up year after year despite all government programmes to improve distribution infrastructure and restructuring of loans.
- There are other areas to be addressed too such as solar power.
- India could not join the world leaders in the area of solar power despite having the advantage of geography.
- It continues to rely on imports for capital equipment.
- India has been slow in adopting more stringent environment norms for power stations.
- It has done practically nothing on carbon capture and sequestration.
- It has not been able to add to the hydro capacity, which could play a crucial role in balancing the grid with increasing thrust on renewable generation.
- India also has fuel supply issues (coal) and is unable to meet the domestic demand through indigenous mining.

What are the shortfalls to be addressed in the new policy?

- **Policy statements** - Our policy statements are too verbose and lengthy.
- The first NEP as also the draft circulated now run into several pages, and are not incisive enough or reader-friendly.
- Ideally, policy statements should be crisp and pithy, and should be able to hold on to readers' interest.
- **Effectiveness** - Another issue is regarding the effectiveness of the policy.
- The draft policy has a lot to say on renewable generation, and rightly so, but what is the guarantee that it would be followed.
- While the central government may fix targets on renewable generation capacity, the implementation will mainly be done by private enterprises.
- Now, private enterprises will move according to the investment climate as it exists in states.
- All stakeholders should treat the NEP as mandatory and act accordingly.
- Problems have arisen in the case of the National Tariff Policy (NTP) in the past.
- Certain states have expressed unwillingness to comply with certain sections of this document.

- Incidentally, both the NEP and the NTP emanate from Section 3 of the Act.
- **NEP and NTP** – A fundamental issue is whether there is a need for two separate policy statements, the NEP and the NTP.
- The first NTP was formulated in 2006 with some minor amendments carried out in 2008, 2011 and 2016.
- Both these documents exist concurrently, but they practically run into each other's domain.
- It is not really possible to segregate tariff-related issues from electricity policy in general since they are all interlinked.
- Thus, it would be appropriate to subsume the NTP into the NEP, and tariff would be one of the several issues which would be a matter of electricity policy.
- It will have the benefit of a single holistic policy statement which would take into account all the interlinkages. This will not entail an amendment to the Act.

Source: Financial Express

