

Event Report

8th Parliamentarians' Forum on Economic Policy (PARFORE)

**16th December 2009
Constitution Club, New Delhi**



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1. Overall objective of the meeting

Overall objective of the meeting was to sensitise the parliamentarians on major challenges facing the electricity sector reforms in India.

1.1 Specific Objectives

i) To share the key outcomes and findings of RESA project

CUTS with the support of Norwegian Agency for Development Cooperation (NORAD) is undertaking a project, *Regulatory Reforms in Electricity Sector in South Asia* (RESA Project) in Nepal, Bangladesh, and 2 states of India i.e. West Bengal and Rajasthan to build capacity of consumer groups/CSOs to enable them to deal with the issues involved, take-up action research, share experiences, and carryout advocacy with policymakers and regulatory agencies to effect pro-consumer changes in the electricity regulatory/policy processes. Under the project, territorial trainings and grassroot meetings have been conducted to educate the local CSOs as well as consumers on various policy and regulatory issues. The project activities have been very helpful in making the consumers aware of their rights and responsibilities in the reform process. Apart from the regulatory bodies and utility staff, academia and media participated and shared the views with grassroot consumers.

ii) To highlight major challenges in power subsidy in agriculture sector

The second major objective was to sensitise the policy makers on the key challenges in the power subsidy to agriculture sector. Tariff rationalization is one of the main objectives of regulatory reforms in the sector. The electricity tariff policy requires regulators to set the tariff on the basis of cost of supply reducing the existing cross-subsidies in the sector. However, tariff structure is still irrational and highly skewed. Some consumers such as agricultural are highly subsidized. Further, few state governments such as Punjab have also been providing electricity fee of cost to farmers. On the other hand, some consumer categories such as industry and commercial users are charged heavily. Free power to agriculture sector has led to inefficient use of power and serious implications on the availability of ground water for the next generation. Therefore, the electricity tariff should be regulated in such a manner it promotes efficient use of electricity.

The detailed agenda of the meeting is given in the **Annexure I**

1.2 Participation and structure of the Meeting

Meeting was attended by the parliamentarians representing both the houses, *Lok Sabha as well as Rajaya Sabha*. Apart from the parliamentarians, some participants from various important organizations such as regulatory bodies and academia were also invited. A list of key participants is given in the annexure II.

After the opening session, presentations were made on behalf of CUTS to initiate the deliberation on the agenda items. The meeting was chaired by Mr. Pradeep S Mehta while Mr Bharatsinh Solanki, honorable Minster of State for Power, Government of India was the Chief Guest. On behalf of CUTS, Mr. Bipul Chatterjee (BC), Director,

CIRC, Dr. Rajesh Kumar (RK2) and Mr. Vijay Singh (VS2) participated in the discussion.

2. Discussion

At the outset, Mr Pradeep S Mehta welcomed all the distinguished participants on behalf of CUTS. For the benefit of new participants, he also briefed the objectives of PAR-FORE and its relevance in today's policy formulation process. He stated that PAR-FORE is a non-partisan forum to encourage discussion across the party lines on key economic policy issues. This is the 8th meeting of the Forum which was established by various MPs from five different parties.

In his opening remarks, Mr. Mehta said that because of poor policy initiatives, we are unable to achieve the capacity addition targets for couple of years. "During the 11th five year plan, the target was to add 78,577 MW. However, we are likely to add only 62,000 MW at the national level. It shows that the gap between demand and supply of power is going to be widened further. Further, the quality of service to consumers is another major issue in the sector. Some states such as Rajasthan and Gujarat have achieved adequate progress though feeder renovation programmes (FRP) to improve the quality of service at the consumer end. Under the FRP programme, the feeders having intensive agricultural as well rural load have been separated from urban load to ensure better load management

Mr. Mehta also focused on the need to promote franchise model where NGOs can play an important role in improving the supply and quality of service.

2.1 Presentation on RESA: overall progress and key outcomes

Following this, a presentation was made by Dr. Rajesh Kumar highlighting the key findings of RESA project. The presentation covered overall approach followed and key activities such as grassroots meetings and territorial trainings concluded during the course of project. It was highlighted that grassroots meetings proved to be very helpful in enhancing the awareness level of consumers on electricity reforms. Some of the key problems such as poor complaint redressal mechanism, low awareness level of consumers and poor autonomous status of the regulatory bodies were discussed.



Mr. Sharad Joshi, independent MP from Rajya Sabha, asked about the key strengths of RESA project. On behalf of CUTS, it was submitted that approaching grassroots consumers for making them aware about their rights and responsibilities in the sector is the main strength of the initiative. Feedback received from consumers revealed that project activities have helped grassroots consumers in getting easy redressal of the complaints and reducing the electricity bills through energy efficiency in consumption of power.

2.2 Discussion on key reform issues: rural electrification, metering and subsidy

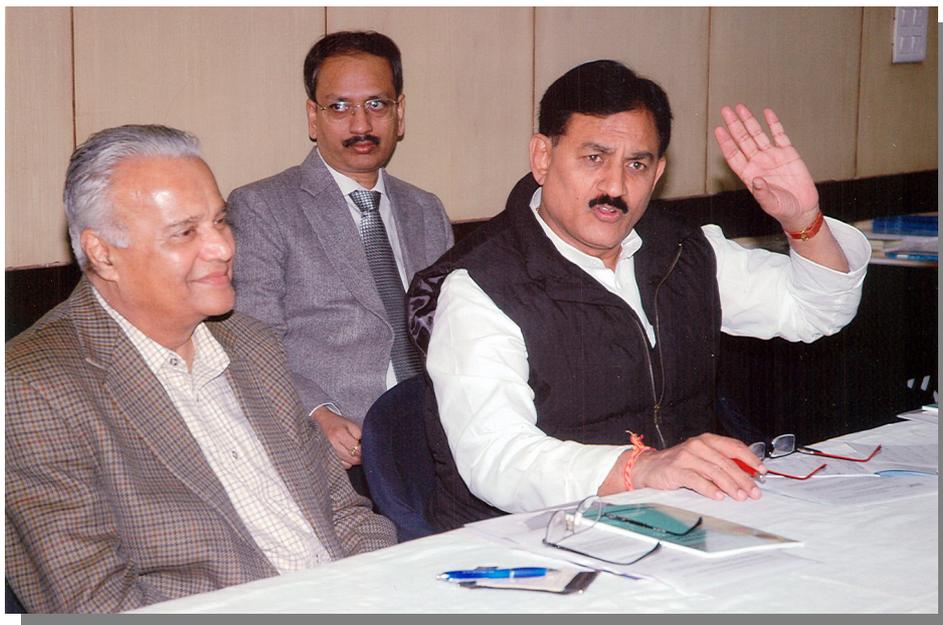
Mr. Shailendra Kumar, SJP Lok Sabha MP from UP, stated that increasing electricity dues towards consumers is also a major problem in the sector. Inadequate availability of electricity in some states such as Uttar Pradesh and Bihar is also a big consumer concern. The central government should provide adequate support to various states especially facing acute shortage of power.

Mr. Kumar emphasized the need for corrections in rural electrification process. Electricity theft in rural area is continuing at large scale. Most of the connections are un-metered. Therefore, it is difficult to estimate actual loss level in the sector.

Dr. E.M.S. Natchiappan, INC, Rajya Sabha MP stated that states governments should take further initiatives to speed up the reform process in the sector. Effective steps should be taken to promote energy efficiency in production as well as consumption. He also emphasised on the issues in energy conservation in agriculture sector and promotion of renewable energy sources.

Other MPs also spoke on the occasion though many came for a short while and then had to go to other meetings and a dinner organized by the PM for UPA MPs.

After hearing several MPs, the chief guest, Minister of State for Power, Mr. Bharatsinh Solanki made the following observations during the meeting.



- Electricity is listed as a concurrent subject in the Constitution of India. Unless the state governments are proactive in implementation of reforms in the sector, it is very difficult to achieve good outcomes. Among others, open access and tariff rationalisation are the key issues in which states should take a lead following the guiding principles laid down under the Electricity Act 2003 as well as the National Electricity Policy 2005.
- Unbundling and unbarred open access are the keys to facilitate competition in power sector. However, few state governments such as Bihar, Jharkhand, Punjab etc. have not carried out the unbundling of their utilities for long time.
- There is an urgent need to control the high T&D losses so that financial health of utilities is restored and consumers are provided improved quality of service. Energy losses, major part of which constitutes theft of power needs to be brought down to 15%.
- The Ministry of Power has been initiating various programmes such as Accelerated Power Development and Reform Programme (APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) to strengthen the distribution system and ensure power to all households in the country. The state governments should utilise the budget efficiently to achieve the policy objectives.
- There is a lack of competition in the sector as prevailing in other sectors such as telecom, aviation, and retail sector etc. Some of the states are having surplus power and power being a concurrent subject, centre cannot ensure its equitable supply and distribution across the states.

Dr. Geeta Gouri, Member, Competition Commission of India and formerly with the AP Electricity Regulatory Commission, added that poor metering of agriculture consumers is a serious issue. Because of inadequate metering it is very difficult to estimate correct consumers of power sector and therefore the fair amount of subsidy. To ensure economic efficiency, subsidy should be given directly to farmers so that targeted based subsidy can be ensured in the system.

3. Key messages

The major messages that came out from the deliberations were:

- i) ***Regulatory reforms: Way forward for RESA Initiative***
 - The role of state governments is very important in pushing the reforms in the power sector. Therefore, the state governments should take the required steps as envisaged in the Act and policy.
 - Energy efficiency should be promoted at the consumer ends. For this purpose, consumer awareness and education should be buttressed.
- ii) ***Facilitating access and improving operational efficiency***
 - The grants released by MoP under RGGVY and APDRP should be utilised efficiently to enhance access to power and strengthen the distribution system.

- More efforts should be made to control the theft so that target of losses reduction to 15% is achieved.

iii) Subsidy and Competition issues

- The target of 100% metering should be achieved at the earliest by state utilities.
- Subsidy for agricultural consumption should be targeted only.
- The independence of transmission utilities and load dispatch centres should be ensured to promote open access in the sector.
- Competition should be facilitated in the sector to provide a choice to consumers.

MEETING OF THE
PARLIAMENTARIANS' FORUM ON ECONOMIC POLICY ISSUES
(PAR-FORE)

Venue: Board Room, Constitution Club
 Rafi Marg, New Delhi-110001
 Phone: 011-23711849/ 23327337

Date: Wednesday, 16 December 2009

Time: 17:30 – 20:00 hours

PROGRAMME

Time	Sessions
17:30 – 18:00	Hi Tea
18:30 – 18:45	Opening Session Pradeep S. Mehta, Secretary General, CUTS International Bharatsinh Solanki, Minister of State for Power
18:45 – 19:00	CUTS RESA Project: Consumer participation in electricity sector reforms in India Rajesh Kumar, CUTS International
19:00 – 19:20	Floor discussion
19:20 – 19:45	Closing Session

Annexure II

LIST OF PARTICIPANTS IN 8th CUTS-PAR-FORE MEETING

S.NO.	NAME & ADDRESS	PHONE/FAX/EMAIL	PARTY
1.	Dr. E.M.S. Natchiappan OFFICE: MP, Rajya Sabha B-3/73, Safdarjung Enclave New Delhi – 110029 RESIDENCE: 601, Brahmputra Apartment Dr. B.D. Marg New Delhi – 110001	Ph: 011-26102873/26104773 (0) 011- 23766540 (R) Email: emsnmp@gmail.com	INC
2.	Shri Shailendra Kumar MP, Lok Sabha B-304, M.S. Flats New Delhi - 110001 Residence: 37/5-A, Dharamveer Marg Sulem Sarai, Allahabad	Ph: 011-23358473 (0) Ph: 0532-2436884, 2636884 Email: shailendrakumar_mp4@rediffmail.com	SJP
3.	Shri Sharad Joshi MP, Rajya Sabha 6 A, Meena Bagh New Delhi – 110001	Ph: 011-23792094, 23795033	Swatantra Bharat Paksh
4.	Shri P. Rajeev MP, Rajya Sabha 105, 223, V.P. House, Rafi Marg, New Delhi	Ph: 23708155	CPI-M
5.	Shri M.B. Rajesh MP, Lok Sabha 224, V.P. House Rafi Marg New Delhi Residence: AKG Nagar Colony, Karinagarappully P.O. - Kadamkode, Palakkad, Kerala	Email: mbrajesh05@yahoo.com Res: Tels. (0491) 2507000	CPI-M
6.	Shir Bhartsinh Solanki MoS Power 6 Kamraj Lane New Delhi – 110001		INC

S.NO.	NAME & ADDRESS	PHONE/FAX/EMAIL	PARTY
7.	Prof. P.J. Kurien MP, Rajya Sabha 302, Brahmputra Apartment, B.D. Marg New Delhi – 110001		INC
8.	Shri Girish Kumar Sanghi MP, Rajya Sabha 7, Talkatora Road New Delhi – 110001	Ph: 011-23312323, 23352323	INC
9.	Dr. P. Pulla Rao Economist		Not Applicable (NA)
10.	Ms. Geeta Gouri Member- CCI 14, A, HUDCO, Vishala Bhikaji cama Place New Delhi - 110066	Ph: 011-26162107, 26701619 Email: geeta@gmail.com	NA
11.	Mr. Manoj Singh OSD to the Minister MoS Power, Govt. of India India	Email: manoj@nic.in	NA
12.	Mr. C.K. Tripathi PS to Mr. Shailendra Kumar, MP, Lok Sabha		NA
13-18.	PSM, BC, RK2, VS2, PSV, RS2	CUTS REPRESENTATIVES	NA