

# Darkness at noon in the countryside

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Source: The Times of India,

*Our power distribution system is like a chimney throwing dark plumes of loss-filled smoke*

In India, funny things pile on. Power abundance and deprivation go together. Electricity-surplus states are unable to light up their villages as they sell all they have.

IT'S a funny thing about power. Surplus states exist only because they are unable to use it. These states aren't industry's natural choice, neither are their villages electrified. In India, it is the less industrialised states in the east that have surplus power. It is this surplus power that is bought by the more industrialised northern and western states to tide over peak shortages.

States like Orissa, which sell power to deficit states, are the worst performers when it comes to rural electrification. In Orissa, 80% of the villages continue to be unelectrified, in West Bengal another state with surplus power, nearly 80% of the villages remain unelectrified.

So, why are these states not building their rural infrastructure to ensure that its residents can use some of the surplus power. Simply because, till recently, it was more profitable for a state like Orissa to sell power. Orissa, bought power at something like Rs 1.10 per unit from its generating stations and sold it to traders at rates as high as Rs 5.50. This was par for the course for other power surplus states as well.

Now, the question is why haven't states that pay astronomical rates for power set up generating capacities of their own. Experts say that the biggest disincentive to setting up new generation capacities has been the fiscal ill health of state-run utilities or state electricity boards. There are at present 25 state-owned utilities operating in the country. The Report on the Performance of State Power Utilities, brought out by the Power Finance Corporation, which aggregates data on them found that losses of state utilities selling directly to consumers increased from Rs 7,247 crore in 2003-04 to Rs 8,969 crore in 2004-05. However after taking subsidies received by the utilities into account, cash losses

increased from Rs 879 crore to Rs 1006 crore in 2004-05. But here it is the power surplus states that seem to have bucked the trend, so West Bengal's SEB books a Rs 0.76 crore profit in 2004-05, while Maharashtra registers a loss of Rs 1638 crore in the same year.

What explains these losses? The answer lies in the power distribution system, which still suffers high aggregate technical and commercial losses with a national average of 40%. If the distribution system doesn't pay, then there is no incentive to set up power plants.

We thus have a lopsided power map. The net result is that India suffers from massive shortage. Central Electricity Authority projections show that even if the Tenth Plan capacity-addition target of 32,804 MW was met, the all-India peak shortages would be at an average of 16.3% or 18913 MW.