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A big hole in Centre's pocket is inevitable

Guest Column

Uttam Gupta

Following the inability of Maharashtra State Electricity Board (MSEB) to pay its dues for November and December 2000 and state government's refusal to pay, the Dabhol power Corporation (DPC) has invoked the counter-guarantee (CG) given by Central Government to recover these. The Central Government may not perhaps have much problem in clearing these dues. However, given the highly precarious financial position of both MSEB and the state government on one hand and a huge recurring liability of Rs 250 crore per month to DPC alone on the other, in the medium to long-run, this could put unsustainable burden on the exchequer.

After commissioning of Phase-II, the liability of MSEB to DPC will increase to about Rs 750 crore per month. And, since, Phase-II is also covered by counter guarantee, the pressure on Central Government will increase manifold. One shudders to think of the possibility of termination of the project as this would involve the Government having to cough up thousands of crores at one go!

In a bid to tackle the impending financial crisis, the Central Government is toying with the idea of allowing independent power producers (IPP) to sell power directly to the consumers. To facilitate this, it has even mooted necessary amendment in Electricity Act. But, what it has in store for MSEB; in fact, for all SEBs needs to be carefully ascertained.

The IPPs' sole concern being to sell the entire electricity generated at optimum load at a good price and ensure timely payments in full, they are bound to give highest priority to industrial users. The latter too, will be willing to tie up with former specially in view of their frustrating experience with the existing dispensation of sourcing their requirements from SEBs. As a result, SEBs will be saddled largely with customers in agriculture and household sectors which pay at rates much below the cost of generation and distribution. They will also have to bear the brunt of transmission and distribution losses (this is a sophisticated nomenclature for power theft) as IPPs will simply not allow their network to be tapped.

Under the existing dispensation, higher revenue from industries (due to both high rate as well as full and timely payments) cross-subsidise sale of power to agriculture and households at low rate. And, yet, majority of SEBs are in the red primarily because of unprecedented transmission and distribution losses. Apart from IPPs, they are unable to pay even to the public utilities like NTPC, CIL etc. Against this backdrop and if, SEBs loose good customers (read industry) which is inevitable in case IPPs are allowed to participate in power trading, this will sound their death knell. But, if, you do not take recourse to this option, then, there is no practical way to take care of DPC's concerns. And, a big hole in Centre's pocket is inevitable! Clearly, the Canter is caught between the deep sea and the devil.

The only way it could come out of the present mess is to launch a nation-wide mission to reduce transmission and distribution losses which are currently 25 per cent on an average (in some states like Delhi, these are as high as 50 per cent). A reasonable degree of success on this front alone will improve financial health of SEBs including of course, MSEB. In such a scenario, the SEBs will automatically be able to meet their payment obligations to IPPs as well as others. The situations of default will simply not arise and state and Centre governments will be spared o consequential commitments by way of guarantee or counter guarantee. This will also help IPPs in achieving timely financial closures besides attracting further investment.

Author is the chief economist with the Fertiliser Association of India