

An unjustified hike

In a note submitted to Delhi Electricity Regulatory Commission (DERC) a couple of months back, Delhi Vidyut Board (DVB) had proposed an almost 100 per cent increase in power tariff on supplies made to households in Delhi.

For poor households ie, in the zero to 100 units per month slab, the proposed hike was 110 per cent. Announcing its decision, DERC has allowed an increase of 22 per cent on an average. On supplies to poor households ie, in the zero to 100 units per month slab, the increase is from existing Re 1 per unit to Rs 1.5 per unit.

That, it is lower than the hike sought by DVB offers no consolation. Justifying the hike, DERC chairman said, while the commission has fully appreciated that if transmission and distribution losses are brought to acceptable standards, gap between demand and collection of revenue would be minimal while, taking the practical view, upward revision of tariff has been considered inevitable in the long term interest of the utility and the consumer.

Was the hike really inevitable? In its paper submitted to DERC, DVB had conceded that there is large scale theft of power (chairman has chosen to use a polished phrase for this ie, T&D loss). The value of this is almost equal to the revenue that it currently realises — about Rs 3,000 crore. If, only power theft is reduced by 40 per cent, this will yield an additional Rs 1,200 crore which is almost equal to the current shortfall in DVB's receipts vis-a-vis expenditure.

In view of above, any hike in power tariff was totally unjustified. The DERC should have called upon DVB to take suitable action for reducing power theft. Imagine a scenario of complete elimination of theft. Under it, extra revenue will be Rs 3,000 crore which after fully wiping out the deficit, will leave enough surplus for investment in proper maintenance of its distribution infrastructure and thus, improve services to consumers.

But, the authorities maintain that the efforts made in this direction have so far not succeeded. Hence, the proposal to charge more from those who are already paying. This approach is pregnant with

dangerous possibilities. It implies that the authorities have reconciled to a situation of continuing power thefts.

It also means that the households and other users who pay the bills in full will have to fork out much more to prevent DVB from turning bankrupt. Power thefts are rampant in other States as well. Indeed, it is a national phenomenon. The national average for transmission and distribution losses is about 25 per cent which works out to about Rs 25,000-30,000 crore. Against this backdrop, if all SEBs were to emulate the path shown by DVB, then the consumers all over the country should get ready for a hefty increase in power tariff in order to keep different state electricity boards afloat.

Thus, if, 40 per cent of the transmission and distribution losses is to be recouped in this manner, then they will have to shell out an additional Rs 10,000-12,000 crore. It does not stop here.

Since, the dispensation sought by DVB — and perhaps, by other electricity boards as well — seeks to put a premium on theft of electricity, the number of thieves is bound to swell in the course of time. Correspondingly, the number of those who pay will decline.

On DVB's logic, this group will have to pay at a progressively higher rate. Stretch this logic beyond a certain point. And, we will have a horrendous scenario whereby, the electricity rate could run into several hundreds or perhaps, lakhs or even crores of rupees depending on how many of them continue to pay.

One could even contemplate a situation of all users converted into thieves, in which the rate will be infinite. In short, recourse to increase in tariff every time a deficit crops up will only accelerate the advance of DVB and other SEBs towards bankruptcy. The only available option to prevent it and restore their financial health is to effectively combat the menace of power theft. If, however, the government believes that it cannot make any dent then, urgent action should be taken to hand them over to the private sector.

Guest Column

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