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Darkness ahead

Like any private enterprise, Desu should be run on sound business principles, says **Uttam Gupta**

SOME time back, a leading national daily carried reports of an impending power crisis in Delhi. This was because the railways, armed with a Cabinet decision, were gearing up for not carrying coal to any power house unless freight charges were paid in advance.

Of about 1850 MW of power required by Delhi, its own generation is 300 MW only. Of the remaining 1550 MW, 500 MW is supplied from the Badarpur station (owned and operated by National Thermal Power Corporation), and 1050 MW comes from the northern grid.

The Badarpur power house, being a persistent defaulter (against a monthly bill of Rs 22 crore, it pays only Rs 11 crore), would have been the immediate victim of this decision, leading to suspension of coal supplies and its resultant closure.

The real culprit, however, is Desu. For the electricity supplied from Badarpur, it pays only about two third of the monthly bill. In view of this, NTPC was well within its rights to cut the supply of power to Delhi. And, since it was put under pressure by the railways, NTPC issued the warning signal to Desu.

The situation was thus ripe for the national capital city to plunge into a state of darkness. In retrospect however, nothing of that kind has happened. The supply of power to Delhi continues uninterrupted. This means that neither the railways, nor the National Thermal Power Corporation has carried out its respective threat.

The moot question is whether the Badarpur power house has cleared the arrears and started making full and timely payments to the railways, or Desu has done the same to NTPC. Or, the threats have not been executed despite huge payments remaining in arrears, and even monthly payments not restored to order.

The former possibility is ruled out as Desu is in a serious financial mess having notched up huge losses of about Rs 4000 crore. This is because only about half the total power consumed in Delhi is paid for. Excess manpower, high inefficiencies in working and chronic equipment problems add to the losses.

Delhi has been saved from the crisis despite Desu continuing to run in default. In this context, a top functionary of Desu is reported to have said, "Don't worry, Delhi will not go without power." He was clearly hinting that being the national capital, the powers that be can always make sure that the power supply is not cut off under any circumstances. In fact, such veto has been exercised in the past, and the position may continue in the future as well.

But, all this is at a heavy cost to the suppliers and movers of coal i e, CIL and railways and suppliers of electricity, i e NTPC etc. Already, the cash-strapped NTPC is seriously constrained in implementing projects at hand, including revamping and modernisation of existing power stations.

The problem has been compounded by the World Bank's refusal to release the sanctioned loan of $1 billion citing NTPC's inability to ensure timely payment from the electricity boards. Against a norm of 2 months' receivables insisted upon by the Bank, the actual level of payments in arrears is substantially higher.

The developing situation has the dangerous portend of turning an otherwise healthy and well performing corporation (during 1995-96, its average PLF was 78 per cent) sick. The CIL and railways, whose financial health is already a matter of concern, will be pushed deeper into trouble. This is bound to boomerang on Delhi as, in the medium- to long-run periods, even the existing supply of power cannot be sustained.

Desu is far from being a trusted customer. Left to themselves, NTPC will not supply electricity, CIL will not supply coal, and railways will not move it. And yet, they have to continue their jobs because they are all owned and controlled by the government, and have to follow its orders.

The government, on its part, is only interested in continued and uninterrupted supply of electricity, and is least sensitive to the viability concerns of the suppliers even as it glosses over the fundamental causes leading to Desu's bankruptcy.

This is a patently unsustainable situation, and the impending disaster will come sooner than later. The government should see the writing on the wall, and urgently initiate steps to extricate Desu from the present mess and restore it in the position of a trusted customer.

Top on the agenda should be a complete overhauling of the management. Under the existing set-up, Desu has to take orders from several bosses, i e MCD, Delhi government, ministry of power. The recent decision of the Union Cabinet to transfer Desu to Delhi government is a welcome move. This needs to be implemented quickly. However, this alone will not make a dent.

The Delhi government should constitute a truly autonomous board for running Desu's affairs. The members of the board, including the chairman, should be drawn from amongst professionals only. The management should be free to act in all critical areas particularly, the billing and collection wing.

Like any private enterprise, Desu should be run on sound business principles'. Amongst others, this would require securing full and timely payment for the entire electricity, drawn from the system based on proper metering. Harsh steps are needed to put a stop to all unauthorised connections and stealing of electricity directly from the poles.

If, however, the government wants supplies to be made to specified target groups, e g, poor families living in slums at a lower rate, the same should be made transparent and explicitly subsidised. Such consumption of power can be funded separately through suitable provision in the budget.

To achieve results, the management may not find it easy to work with the existing staff. For this, fresh staff members who are efficient, energetic, committed and of integrity, should be recruited. Sensitive departments like meter reading, billing and collection need special attention.

Although this will unavoidably result in retrenchment and layoff, suitable compensation packages may be given to enable a smooth changeover. The cost of this, needless to say, will be a fraction of the gains by way of substantial improvement in collections.

Under the revamp set-up, the GOI may consider writing-off all its accumulated debt. This would enable Desu to start on a clean slate and instil confidence in the management. Moreover, the likely profits from current operations can be used for revamping the supply and distribution infrastructure, and thus help in reducing transmission and distribution losses as well.

The finances of the majority of the SEBs are in dire straits. Just as in the case of Desu, they are also plagued by inefficiency, interference in working and equipment problems. Overhauling of management and workforce on the lines suggested for Desu is needed to save the power supply and distribution system.