

SPECIAL REPORT

# ‘Government Overview Is Much Needed In Power Distribution’

Venugopal Pillai June 6, 2023



Share



Power distribution is a very sensitive area and improving this vital link in the power value chain will need government review alongside private sector entrepreneurship and expertise, noted **Sanjay Banga, President – T&D, Tata Power**, in a recent media interaction in Mumbai.

“Power distribution is a highly sensitive sector where government overview is always required,” observed Sanjay Banga, whilst asserting that power distribution will be a growth pillar for Tata Power.

Banga said that Tata Power would pursue opportunities based on what state governments would offer. It could be 100 per cent ownership, as in the case with Mumbai, or it could be the PPP model as seen in Delhi or Odisha.

## PPP Model

Tata Power, around three years ago, took over power distribution in Odisha through the PPP model where four joint ventures between Odisha government (stake: 49 per cent) and Tata Power (stake: 51 per cent) are now responsible for power distribution in the entire eastern state. The experience with Odisha has been very enriching for Tata Power, Banga noted, especially in the context of bringing down distribution losses – by around 8-10 percentage points in FY23 alone – and also in terms of increased customer satisfaction.

The same model is working in north Delhi through Tata Power Delhi Distribution Ltd –a similarly owned joint venture between Government of NCT of Delhi, and Tata Power.

Privatization of UTs: Tata Power is keenly interested in the government’s plan of privatizing power distribution in Union Territories. Sanjay Banga explained that Tata Power has bid for the mandate in Puducherry whose outcome is awaited.

It may be recalled that the Centre is moving towards privatizing power distribution in all Union Territories. This would be on the lines of the PPP model where the private player will hold 51 per cent equity and the UT administration, 49 per cent. To this effect, Torrent Power has acquired power distribution in the Union Territory of Dadra & Nagar Haveli and Daman & Diu. CESC has been selected as the private sector partner in Chandigarh. However, the Chandigarh case is currently sub judice.



Sanjay Banga

## Second Licensee

When asked about whether Tata Power would be interested in going for the “second distribution licensee” model, Banga expressed reservations explaining that in such cases, the new licensee has to set up its own distribution infrastructure, which can be very capital intensive. The return on equity (RoE) in this model might not be lucrative, Banga noted. “Privatization of existing discoms is a far better option than going in for a second distribution licensee,” the top official noted.

Torrent Power, it may be mentioned, has recently applied for parallel distribution licence in some areas of Maharashtra, like Thane/Palghar, Nagpur and Pune. It is already the second distribution licensee in the Dahej Special Economic Zone area in Gujarat.

## Distribution Franchisee

On his views on the distribution franchisee (DF) model, Sanjay Banga said that as a company strategy, Tata Power does not regard the distribution franchisee model as a thrust area. Under this model, the private franchisee does not own or control the distribution infrastructure. This is why no investment can be made into network upgrade, which ultimately affects customer satisfaction adversely. “A model where customer service and satisfaction cannot be improved is not worth pursuing,” stressed Banga.

The distribution franchisee model is also a route for involving private sector participation but with no equity participation. The role of the private sector here is limited to improving billing, collection and customer care. The private sector has practically no role to play when it comes to improving the distribution infrastructure. There are some cases of distribution franchisee (DF) model operating in the country. Tata Power, it may be mentioned, is a distribution franchisee in the Ajmer area of Rajasthan. Other private utilities like Torrent Power and CESC are also distribution franchisees in several areas covering Rajasthan, Gujarat, Maharashtra, etc.

## Power Transmission

On the power transmission side, Banga noted that in 2022, Tata Power has acquired two power transmission assets through its joint venture Resurgent Power Pvt Ltd, in which Tata Group company Tata Power International Pte is a shareholder, along with ICICI Bank and other global investors.

The transmission assets **acquired through Resurgent Power** included on interstate project “NRSS XXXVI Transmission Ltd” and an intrastate scheme in Uttar Pradesh “South East UP Power Transmission Company Ltd”.