

What Does Tata Power's Head Want? More Competition



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The one thing Praveer Sinha, managing director of India's second-largest private power producer, wants for his business is an energy sector with more players, better customer service and cheaper cost of power. In short, more competition.

"Like any other business, the power business also needs to open up. Competition brings the best for the consumer. At the end of day whatever we are doing, the consumer should benefit," the head of Tata Power Co. told BloombergQuint in an interview. More competition brings better technology and more opportunities for the company, he said.

The sector needs to be transformed from a monopoly to a free market which will only happen if there is no restriction to entry, he said.

And all of this boils down to reforms and privatisation.

"Until and unless the big-ticket reform doesn't take place it will be very difficult for power sector to sustain in long term." - Praveen Sinha, Managing Director, Tata Power

Sinha's comments come at a time when India's power sector is grappling with heavy regulations, unpaid dues and outdated technology. The government of India recently announced a Rs 90,000 crore package for the company's power producers, which were on the cusp of losing operations because of unpaid dues from distribution companies.

"What we see in the distribution sector is that they have high technical and commercial losses, which means there is theft of electricity, billing is not done properly, collection is not done properly, efficiency is low," he said.

"That's where the challenge is."

The amendments to the country's Electricity Act and Tariff Policy, however, will make a substantial difference, he said. Of the many changes, the first is that the Electricity Act will enable provisioning for sub-licensing to other entities, effectively bringing in multiple franchises and distributors with new technology and quality service.

Second is the government's plan to transfer power subsidies directly to the consumer through direct benefit transfer instead of routing it through the suppliers. Third, is to ensure that power is released to distribution companies only after the payment for it is put into escrow accounts.

Another key addition is that the amendment asks for formation of an Electricity Contract Enforcement Authority headed by a retired high court judge, which will sort out disputes.

Sinha is also looking forward to an amendment in the tariff policy which asks for a more regular revision of tariff rates, and subsequently, earnings that reflect the true cost of producing electricity. He expects these amendments to be cleared by the parliament in two to three months.

"I'm sure the government is very committed because this sort of bailout package can't happen every year." While the package was required for power generation companies to continue operations, the bailout is only a temporary fix, Sinha said.

He already sees green shoots of privatisation and reform across the country, offering the example of Odisha. Earlier this week, Tata Power took over the Central Electricity Supply Utility of Odisha after receiving the licence for 25 years. Some states in India's heartland are also in similar conversation, he said.