Powering reforms

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CESU-like revival for 25 ailing discoms will invite ~₹50,000 cr of investment

ALMOST TWO DECADES ago, we had the first PPP in the power distribution sector in Delhi. On June 1, a similar PPP model was adopted in Odisha. Tata Power took over the management of Central Electricity State Utility of Odisha, to supply power in Central Odisha region with 51% stake in the newly formed entity—Tata Power Central Odisha Distribution Limited.

TPCODL will serve a populace of 1.36 crore with a customer base of 26 Lakh. Unlike Delhi, the Odisha counterpart is more representative of other national discoms—80% rural consumer mix and a vast geographical spread of 30,000 sq km, almost 60-times larger than our Delhi.

The utility had more than two decades of technological gap. Unfortunately, it lagged technological prowess despite the availability of funds. Here, a parallel can be drawn with the pre-privatisation era of the Delhi Vidyut Board (DVB). It led to an opportunity loss to CESU in terms of serving more power, which could have helped in reducing the tariff rates. After studying the CESU case we are sure of a latent demand, which when appropriately served, can lead to an increase in the per capita energy consumption in the central region.

However, one-month findings have been excruciating and have raised serious concerns about the sustainability of distribution sector not only from financial viability perspective but also from the criticality of grid resilience. We witness more uncertainties in the form of infirm renewable power and electric vehicle penetration at different network points.

Besides the above woes, CESU also had more than 5 lakh old mechanical meters at consumer premises, mostly defective. The provisional billing process and lack of accountability had further led to inefficient revenue cycle management with lower billing efficiency of 70%. This had severely impacted CESU's collection capacity and resulted in financial losses to the tune of ₹400 crore annually. Customer service processes were missing, outage complaints were addressed only during the day time; the night time complaints were addressed the next day.

Such a revival plan will also lead to three lakh skilled and semi-skilled jobs in the next two-three years

However, after occupying the driver's seat, we have started implementing the proven success formula of Delhi Discom. As per an initial estimate, to make erstwhile CESU a fully customer-centric utility, an investment of ₹2,000 crore has to be pumped. In the next two to three years on network augmentation, capacity strengthening, new metering technology solutions, IT systems for better governance, and renovating the complete civil infrastructure etc. We expect to generate 10,000 new employment opportunities, directly and indirectly.

Present situation in many discoms across the nation is akin to what we have witnessed in CESU. Currently, around 25 state discoms are reeling under huge AT&C losses of more than 25%, and this makes it indispensable for state governments to invite immediate private sector participation.

A similar revival model, such as of erstwhile CESU, if scaled to all the above ailing discoms across the country, will invite investment of approx ₹50,000 crore and lead to three lakh skilled and semi-skilled jobs in the next two-three years. However, post the initial investments the states can reap the benefits. The shining example is Delhi, where as a result of the efficiency, with drastic reduction in AT&C losses, the state government had managed to save of ₹60,000 crore in the last 18 years, since the unbundling of DVB in 2002. To add to this, our Delhi discom—TPDDL, had also paid dividends to the govt, which till date is the highest total dividend paid by any discom.

A viable discom enables the state governments to focus investments on other more critical infra requirements.

The pandemic is severely impacting discoms by making them financially vulnerable and dependent on central/state funding. On the other, it is providing a golden opportunity to the government to break the age old shackles and bring in private players.

I would like to appreciate the silver lining in the uncertain times—the recent decision of the central government to privatise power distribution in all UTs as it will give a required fillip to the power sector as a whole. However, we still have a long way to go as all states, big or small, have to chart a revival course for their ailing discoms in association with private players with proven credentials. The timely move will surely help in reviving the overall economy and will go a long way in creating an Atmanirbhar Bharat.