

Either we reform fast or perish

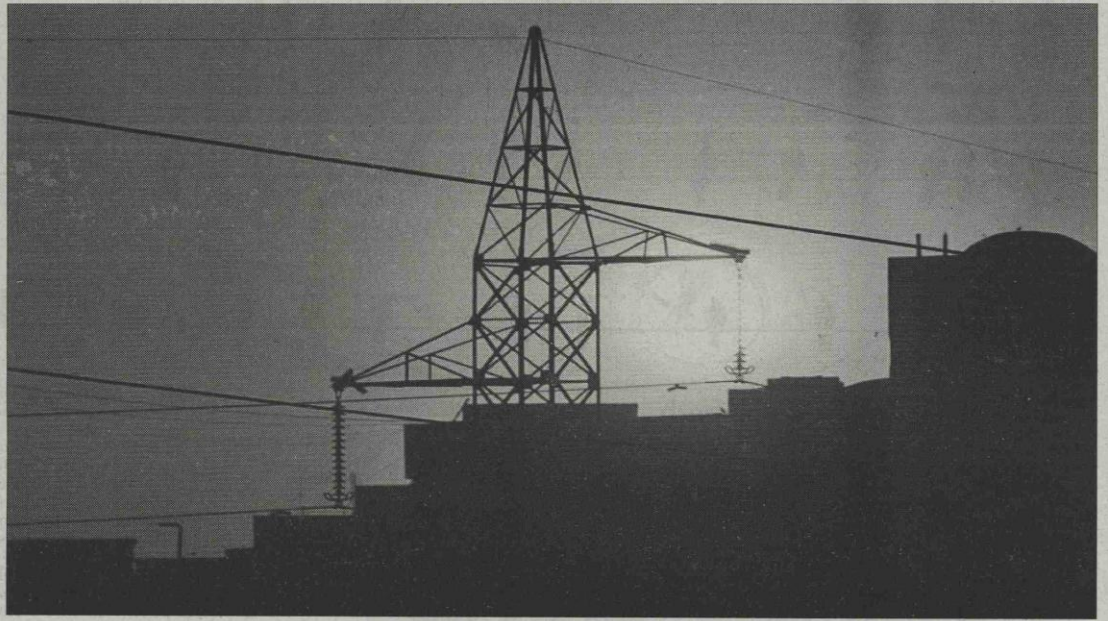


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INTERVIEW

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■ What is the current situation of the distribution business in the country?

Despite structural and policy reforms in many states, there has been very dismal improvement towards efficient distribution. Out of the total 56 power distribution utilities, the AT&C losses for 33 utilities continue to remain at more than 30 per cent. Till date, more than 85 per cent of retail distribution of electricity in the country is done by the government-owned entities and that is completely against the trend globally.

The key issues now are the pace and methodology for successful reform of distribution. As far as the pace goes, nothing further need be said. Either we perform soon or perish. There are a whole host of competing destinations for global investment and failure on our part to provide a supportive infrastructure will drive them elsewhere.

■ How is distribution evolving in India?

The distribution sector continues to be the weakest link in the Indian power sector with losses up to Rs 60,000 crore in 2010-11 and a

much higher figure in 2012-13. This was despite whole scale tariff increases. However, the scenario is improving with increased participation of private players. The implementation of the Electricity Act, 2003 led to the unbundling of the entire business with generation, transmission and distribution being segregated across the value chain. For a growth of the power sector at 8 per cent per annum the evolution of distribution looks positive.

■ How are PPP's and franchisee models performing?

We believe PPP model is the best model for bringing in distribution reforms. PPP model in the distribution of electricity encompasses all functions and obligations relating to distribution of electricity in a licence area.

So far we have seen that even though the franchisee models in the power business are flourishing and helping the discoms, SEBs and consumers on many fronts, including modern infrastructure, better services etc. However, it is proving to be a costly affair for the private franchisee companies

who require a huge amount of capital expenditure at the start of their term and have to face a lot of problems to keep up the agreement norms and consumer expectations and acceptance as well as to improve the distribution infrastructure initially.

■ What are the unique initiatives undertaken by Tata Power to enhance distribution in the city of Mumbai?

In Mumbai we are rolling our network in identified clusters to enable consumers to switchover to Tata Power. More than 250 consumer acquisition camps were organised during this year in 10 clusters across Mumbai in line with our plans of rapidly expanding our residential consumer base in Mumbai.

Tata Power is the first utility in the country to carry out a demand response programme, which is practiced widely in developed countries. The demand response programme is executed to ward off the high cost of external power purchase, in case of transmission constraints, emergency conditions arising in the system, etc. Under this, the consumer is promoted to volun-

tarily reduce their load at a pre-determined time as required by the utility.

■ Is there any benchmark for utilities to aim for? What is Tata Power's rating on the same?

In distribution power supply restoration time is normally a Benchmark. Canadian Electricity Association (CEA) analyses various reliability parameters for worldwide utilities. Tata Power Mumbai distribution is a benchmark in the world for Customer Average Interruption Duration Index (CAIDI), which is an index demonstrating quick restoration of power supply after interruption. Further, Tata Power's Delhi distribution arm is a benchmark in reducing AT&C losses from 52 per cent to 13 per cent in record time and a global benchmark that too through public private partnership model.

■ What are the future plans of Tata Power in the distribution space?

Tata Power is making steady progress in the distribution business in Delhi and Mumbai, and quickly briefing up operations in Jamshedpur

circle. The company is exploring relevant opportunities in other parts of the country. The company's benchmark performance in current distribution business has helped it create access in the international markets as well. The company will now be making its distribution presence in Nigeria by providing technical assistance to Benin Distribution Company. To act as technical service provider and accordingly have entered into an agreement with local partners Vigeo Power Limited, GUMCO and Africa Finance Corporation. Tata Power has signed an MoU for providing transmission and distribution solutions in South Africa. Discussions are being held with a leading developer for providing transmission and distribution solutions for the private cities proposed in different countries across sub-Saharan Africa. Tata Power is also evaluating business prospects in West Asia to give a comprehensive electricity management solution, which will include distribution.

IN AN interview with Vikas Srivastav, Anil Sardana says, the poor financial outlook of discoms and the widening gap between average tariff and cost of supply is acting as a bottleneck for the growth of the power sector. Excerpts: