

Agricultural Power – Impossible Best Vs Possible Good

One sector, the management of which will make or mar India's economic future is electricity. For over a decade we have been incessantly talking of power sector reform, and yet the results, so far at least, have been disheartening. We focused on the one area which has been our strong point – generation, and ignored distribution which is our weakest link. As a result, hardly any private investment – domestic or foreign – materialized. Only about 6700 MW private generation capacity came up – a third of the expected investment. Meanwhile the annual losses in SEBs went up from Rs 3000 crore in 1991 to over Rs 30,000 crore in 2001. Some estimates put it closer to Rs 40,000 crore. During this period, the revenues realized by SEBs fell from 85% to 69% of the cost of supply, leaving a huge gap of 31%. Payments by SEBs to NTPC for power supplied fell to 69%. If this trend continues, there is every likelihood of many SEBs collapsing, and dragging down NTPC along with them.

But the good news is that at last the key issues are beginning to be addressed. There are three central issues in power sector – power purchase agreements and fuel policies; distribution management; and agricultural power. Let us focus on agricultural power.

The oft-repeated goal in agriculture is to make sure that the tariff is at least 50% of cost of supply, and in any case should be not less than 50 paise per KWh. But such an approach has three fallacies. First, cost of supply at current level of distribution losses and thefts is unsustainable, and the burden of corruption and inefficiency cannot be transferred to consumers. In any case agricultural consumption is from base-load stations during off-peak hours. Second, agricultural economy itself is going through turbulent times. Any effort to exorbitantly increase power tariffs for farmers dependant on lift irrigation is bound to lead to severe political backlash. No party can afford that. Third, the real issue in distribution is energy balancing and reducing losses. Emphasis on tariffs alone will not do.

Given these factors, we should evolve an effective, practical and sustainable approach to agricultural power. Mere tariff increase to close the gap between cost of supply and revenue realization will not work. What then is the way out?

Let us look at the facts. Out of the power sector losses of nearly Rs 40,000 crores, agricultural subsidies account for about Rs 6,000 crore. But the real damage is on account of non-metering of agricultural power in many states. Tamil Nadu, AP, Karnataka, MP, UP, Bihar, Punjab and several other states do not meter agricultural power. They either supply power at a slab rate based on connected load (a fixed amount per annum per connected HP), or provide power free as in Tamil Nadu, and in Punjab until now. Non-metering has three serious consequences. First, there is no energy balancing, and nobody knows what the T & D losses are. In AP for instance, all that we know is that only about 43% of the power which goes into the grid is metered and billed. The balance 57% is either agricultural consumption, or technical losses in T & D, or thefts. We have neither precise idea of how much power is lost and in what manner, nor are we in a position to localize the problem. Localization is the key to reducing losses and thefts. Second, the farmer has no incentive to save electricity, as his tariff is not based on consumption. It is always tempting to keep the motor on as long as power supply is available. Higher capacity, low-efficiency motors are installed since the slab rate is low. A lot of energy is wasted, causing losses to power sector and damaging the environment. Third, in low rainfall zones water table is fast-depleting, causing long-term damage to agriculture.

The answer therefore is clear. Our first priority should be to meter every single agricultural consumer, and have a low, graded tariff based on consumption. Tariff should increase with consumption to discourage waste. The policy should be aimed at conservation of groundwater, and water-intensive crops should be prohibited under lift irrigation. Finally, there should be an incentive for metering. For instance, under each agricultural feeder, if 80% of farmers accept metering, better quality of power (longer hours, more convenient time etc) can be guaranteed. Agricultural power policy, in the first instance, should be revenue-neutral for a reasonable period (say, five years), and should aim at energy conservation, metering, and graded tariff. Only then can we save power, balance energy, localize thefts and losses and improve distribution. Power saved, when sold to industrial and commercial sectors, will yield much more revenue than higher agricultural tariffs. High tariffs in agriculture will simply not work. The impossible best, as they say, is the enemy of the possible good.

Jayaprakash Narayan

The author, a former civil servant, is the Campaign Coordinator of Lok Satta movement.

Email: loksatta@satyam.net.in www.loksatta.org