

Can the new national electricity policy set right the sector?

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In these times of the raging pandemic and economic slowdown, what is there to write about electricity policy? Quite a bit, since electricity can either worsen the situation or enable the recovery, depending on how policies are designed and implemented. There have been many recent announcements in the electricity sector. The year started with electricity consumer rules, followed by yet another proposal to amend the Electricity Act, then the budget announcement of a massive Rs. 3 lakh crore distribution reforms program and now a proposal to revise the 16-year-old National Electricity Policy (NEP). The new NEP will have to be more ambitious and have a clear vision to guide the sector for the next decade.

It is to be noted that the Electricity Act (EAct), NEP and Tariff Policy, all prepared by the central Ministry of Power (first in 2003, 2005 and 2006 respectively), are three key documents that define the legal and policy framework for country's electricity sector. EAct is binding on the states, while the policies significantly influence their actions. Harmony across these three documents would ensure a facilitating framework to handle the challenges like high financial losses, transition to renewable energy and ensuring 24 x 7 power supply. Since the recent attempts to introduce amendments in the Act and Tariff policy have not reached a logical conclusion, revising the NEP first is like putting the cart before the horse. Ideally, the tariff policy and NEP should be revised together and should be updated based on the final amendments to the E Act. The policies should preferably be revised every five years to reflect changes in the sector.

Coming to the current NEP draft, the first observation is that it lacks a fair and coherent approach to energy transition from coal to renewable. Draft mentions further addition of coal capacity, despite the clear writing on the wall that coal power is becoming unviable. New coal capacity should be considered only if shown essential based on rigorous modelling studies. Since many coal plants are going to retire, NEP should give policy directions to generating companies to take responsibility post-retirement for waste management as well as restoration of the land, water bodies and air quality in their project areas.

With falling prices of renewable energy (RE), another aspect of fair transition is the need to promote it based on its own merits, rather than based on concessions. Measures like combining solar and non-solar renewable power obligations will provide flexibility to states to procure RE based on their resources and needs, rather than a statutory requirement. Formulating a sunset plan for concessions for new projects and pricing services like energy banking would provide the right price signals for sustained investments.

Taking cognizance of the livelihood and environmental impacts of big RE, it is high time that they are brought into the ambit of an appropriate environmental and social impact assessment framework. Medium and small-scale renewable projects like roof-top solar and agriculture solar feeders should be given encouragement in the NEP due to their economic benefits and positive social impacts.

Since storage (battery or hydrogen) is expected to play a key role in managing the variability and intermittency of RE, a new provision of storage purchase obligation should be introduced, with clear targets. Hydro power is clearly becoming an economically costly option, and there is no need of a separate Hydro Purchase Obligation.

Making transmission economically and technically efficient is of paramount importance to the consumer. NEP could ensure this by giving clear direction that transmission projects should be executed through competitive bidding and suggest the setting up a national agency for transmission planning.

NEP can be made more consumer friendly by adding bold provisions like achieving similar quality of supply and service in rural and urban areas, say by 2024. Periodic consumer surveys should be conducted and public hearings should be held at multiple locations, to discuss supply issues. Automated feeder metering should be used, not only for energy audits, but also to report power outages. NEP should encourage appointment of consumer representatives by regulatory commissions.

Prevention of electricity accidents requires focus, considering that the number of deaths due to electrocution has nearly doubled from 6,336 in 2003 to 13,432 in 2019. The current NEP has provisions for efforts to build consumer awareness, but this is sadly missing in the new draft. With rising costs, it should be assured such that poor households using less than 1 unit per day pay only half the cost of supply and all consumers below a certain threshold are not charged more than cost of supply.

We hope that public comments and consultations on the draft policy would result in a grounded, but ambitious NEP to guide the sector towards a fair transition.

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