

A Discussion Paper on Rural Electricity Policy by Ministry of Power Government of India: An Introductory Note

The power or electricity sector in India is undergoing massive changes with a faster speed after promulgation of the Electricity Act 2003. The Act marks a watershed as it involves comprehensive and fundamental changes in the conceptual foundation, legal framework, distribution of authorities, and functional procedures of the sector. The Act also envisages evolution of various policies, plans, and rules and regulations to bring the envisaged changes in the reality. Under Section 4 and 5 of the act, the Ministry of Power (MoP) of Government of India (GoI) is entrusted with the task of evolving various policies, including the National Electricity Policy, the Tariff Policy and the Rural Electrification Policies.

In the month of November, the GoI came out with a Discussion Paper on National Rural Electrification (RE) Policies, which sheds light on the planned process as well as substantive aspects of the RE policies. This note aims at providing a brief introduction to the Discussion Paper (DP) for the benefit of those who are not well aware of these processes.

The Rural Electrification Policies Under Consideration

In the DP, the term 'RE policies' refers to the two policies that are mentioned in the Section 4 and 5 of the act. Section 4 requires a national policy on stand-alone systems for rural areas and Section 5 indicates the need of a national policy for rural electrification and for bulk purchase of power and management of local distribution in rural areas through local government institutions, NGOs, or franchisees.

Importance

Under these policies, the GoI is planning to electrify nearly 8* crore houses in the

coming decade (which would cover nearly half of the country's population). This will be supported by massive central government subsidy (of the order of thousands of Crore Rupees per year). Local government bodies, NGOs, co-operatives, and even private parties would be allowed to generate and distribute power in rural area; which is a major deviation from the past.

Structure of the Discussion Paper

The DP has, in all, seven main sections and three annexures. After the "Foreword", the second section describes the "Consultative Process" the MoP is planning to conduct while preparing the RE policies. The third section, titled "Need for Rural Electrification Policies," explains the rationale guiding the GoI and implicit in the Act for preparing the RE policies. The fourth section outlines the scope of the policies by discussing various sections that have direct or indirect implications for these policies. The fifth section enlists various issues that, according to the DP, are relevant for the RE policies. These issues and various options for dealing with these issues are discussed in the sixth section of the DP. The seventh section titled 'Way Forward' outlines the next step of the process.

The three annexures provide very important information in this regard. The first annexure provides an outline of some select RE programs of the GoI, The next annexure provides a table giving state-wise break up of the number and percentage of the unelectrified rural households. The last annexure briefly review some select efforts for rural electrification that are being conducted or planned in India.

Rationale and Imperatives

The major points regarding the rationale and imperatives that, according to MoP, should

guide these policies (raised especially the first and third sections of DP) are:

- For the country to become competitive in the globalized environment, “enabling energy in the form of inexpensive, effective, and reliable electrification needs to be provided to each and every individual”.
- The National Human Development Report 2001 indicates that there are large variations in access to electrification and electricity needs to be treated as one of the basic amenities.
- According to the Census 2001, rural population is 72 % and the electrification in rural household is about 42- 44 %, though 87 % of villages are electrified.
- The GoI has set itself a goal of ‘Power to All by 2012’ under the Mission 2012.
- The preamble of the Act accepts the responsibility of supplying electricity to all areas and Section 6 entrust this responsibility to the appropriate state government.
- GoI is actively considering revision in definition of electrified villages
- GoI sees rural electrification as a prime mover for rural development. Electricity is also thought to be making significant contribution to increasing agricultural productivity, enhancing quality of life in rural areas and controlling migration to urban areas.
- So, electricity is now classified as the basic amenities along with housing, drinking water, health, and education.
- Despite availability of many schemes, programs, and funds, the pace of rural electrification has significantly reduced in the last 10 years (the 8th and 9th plan periods).
- So the objective is to complete rural electrification (village-level) by end of

the 10th Plan (i.e., 2007) and “full coverage of all household” by the end of 11th plan, i.e., 2012.

- The RE policies are expected to provide a common base for coordination of efforts of the various governmental initiatives as also those of other interested parties and stakeholders.
- The ‘broad objectives’ of the national RE policies are defined as: “to empower the rural population to choose and decide on their power supply options”.
- It is pointed that to achieve this objective, the act gives differential treatment to rural areas by encouraging additional electricity providers by exempting them from many of the licensing requirements.
- The ministry envisages three approaches for rural electrification: on-grid, off-grid, and hybrid systems.

The Process of Articulating the Policies

Section 2 of the DP articulates the major milestones in the “inclusive and transparent” process for developing the policies. However, in the same breath, it says “though not compulsory, nor necessarily in the described order”, which may prove problematic.

According to the section, after release of the DP for (written) comments by public, the following milestones are planned:

- (a) briefing sessions for state governments and state regulatory commissions;
- (b) ad-hoc discussions with major stakeholder groups;¹
- (c) an open workshop, especially for representatives of small and medium users; and
- (d) a national workshop.

¹ It is interesting to see who are the major stakeholders according to the DP. Out of the listed 22 groups, 5 are ministries of GoI, 6 are central government institutions, 5 entities from private sector, state governments, regulatory commissions, multilateral (international organizations), NGOs, and consumers (p. 24).

It is proposed that after considering the discussion through these (milestone) activities, the first draft of the policies would be prepared. After further discussions on this draft, the policies will be finalized and notified.

It could be seen that this process is way ahead of the earlier closed process of policy-making. However, it must be mentioned that it is far from desired. The process should involve conscious and diligent efforts for reaching out to those for whose benefit the policies are being articulated and seeking their reactions and expectations. As a result, there is a danger that the discussions may remain inside a close group of top-level officials, power companies, consultancy companies, and a few representatives of civil society.

As a result, there is danger that failure to get good comments on this DP may prompt some to conclude that public participation is not worth – and public has nothing substantial to say.

The process needs to assure that the now well-established basic accountability procedures (such as providing reasoned explanations for the decisions made) will be adopted.

Some Important Statistics

- Per capita electricity consumption in India, at 490 kWh per capita, is one of the lowest in the world.
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- As per 2001 census 78,090,874 rural households are unelectrified, these represent 56.5 % of all rural households.
 - The state-wise picture of un-electrified rural houses is varied. While the small states of Goa and Himachal Pradesh as well as the three Union Territories are below 10% mark, the five states of the Gangetic belt are above the 80% mark, with Bihar topping at 96%.
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The Issues and Options

Section 5 lists out various issues that are “considered pertinent for discussion prior to commencing of the process of drafting” the policies. The list include 8 issues that arise out of specific sections of the Act, and 29 other issues that are thought to be relevant for the discussion on RE policies.

The sixth section, which forms the major body of the DP, contains issue-wise discussion on 61 issues. Each issue is explained and then two options to address the issue are also discussed briefly.

Public Comments

Comments from interested organizations or individuals are invited. The last date for the comment is mentioned as 10th December 2003, but it has been clarified that MoP would consider comments made even after this period.
