

## **Political Narrative on the Electricity Sector by an Outsider**

Electrifying India - Regional Political Economies of Development by Sunila S Kale, Stanford University Press, 2014; pp 237, Rs 2,569.

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Two decades after the first wave of reforms and a decade after the Electricity Act 2003, another edition of reforms is expected to be rolled out by the new government. Universal access to electricity continues to remain elusive even after six decades of Independence. Governments have been rolling out various programmes to meet this challenge. In these times, this book which presents the development of the sector with a political perspective is more than welcome.

With the advent of reforms, there have been many books for the general audience on the electricity sector. Most of them have been written by retired officials and a few by academicians, who had close links with the sector. This book by a young political science professor in the International Studies Program at the University of Washington is different on many counts. This includes her long stay in the US (for her education and current job), the political science background and absence of direct links with the electricity sector. Thus, we have this outsider's comparatively fresh look at the sector with some interesting insights and frank criticism. This book is an edited and updated version of a longer doctorate thesis that the author had submitted in 2007.<sup>1</sup>

### **What the Book Has**

Written like a story, with only a few figures and tables, the book presents a political history of the Indian electricity sector from Independence till 2003, when the Electricity Act was enacted. The first two chapters introduce the importance of the sector, trace its history with an all-India perspective and clearly state what the book is about:

This is not an analysis of the technical challenges of Indian electricity sector. Rather I focus on political factors that help to explain state-wise variation in rural electrification and in turn how these patterns shed light on divergent experiences with utility privatisation in the 1990s... I take an approach that is qualitative, comparative and historical (p 17).

The titles of the chapters clearly indicate the sociopolitical nature of the book – Electricity as India's "Strategic Railway", Maharashtra and the politics of selective rural development, extractive industrialisation and limited electrification of Odisha, social movements and electric populism in Andhra Pradesh and Conclusion: electricity for all. Chapters 3, 4 and 5 tell the story of Maharashtra, Odisha and Andhra Pradesh. The last chapter briefly covers three more states (Punjab, West Bengal and Tamil Nadu) and developments after Electricity Act 2003. A good feature is that each chapter ends with a short conclusion, which summarises the key insights.

## **The National Story**

In the first two chapters, the author begins by elaborating the importance of electricity. It has important material consequences by transforming work and production. Outside work, it transforms the quality of life. From the political eye, electricity is a symbol of modernisation. It is also an important part of the “infrastructure state”. Kale says that historically the state has used military, public works and railways as its arms. For 20th century states, electricity is the technology to wield its power, just as railways was in the 18th-19th centuries. The author then proceeds with the history of the electricity sector, beginning with the debates in the Constituent Assembly. At the time of Independence, private companies provided electricity to urban industry centres like Calcutta, Bombay, Madras and Mysore. Table 2.1 in the book gives the details in 1944 and it can be seen that 67% of the installed capacity was concentrated in Bengal, Bombay, Madras and Mysore. This urban and private domination started changing after Independence. Even in 1951, only one-third of the electricity was produced by public utilities, though by the 1970s public utilities were producing 80% of the electricity.<sup>2</sup>

The architects of the Constitution, including B R Ambedkar, believed that electricity had an important role in removing poverty through supporting industrialisation. They also argued for major roles of the central government and public sector in electricity, just as in railways, with no immediate profit motive. Soon after Independence, most private companies were nationalised and state electricity boards (SEBs) were set up to speed up the spread of electrification.<sup>3</sup> It may surprise many to know that even in 1966, the tariff for industry was the lowest and its percentage of the total consumption the highest. As shown in Table 2.4, industry tariff was 5.4 paise/unit compared to 10.1 for irrigation and 23 for residential consumers. And the percentage of consumption by industry was the highest at 73.8% compared to 6% for irrigation and 7.8% for residential. Rural electrification was not a thrust area and hence it was low in the industrialised states like Maharashtra, Gujarat and West Bengal in the 1960s.

Rural electrification for agriculture pump set energisation gathered momentum in the mid-1960s coinciding with the green revolution. Measures like a flat tariff for irrigation were introduced and the Rural Electrification Corporation was set up. It is to be noted that during these post-Independence decades, the debate was around electricity for development (through industry or agriculture) and enhancing the role of public utilities. All this changed with the onset of the electricity sector reforms in the 1990s when such debates were missing, due to the change in political climate. This reform process culminated with the Electricity Act 2003. This Act and the increasing role of central institutions (generation, financing, policymaking, etc) enhanced the role of the central government compared to state governments. The increasing role of private companies resulted in the sector moving further away from the nationalist vision of electricity becoming the “strategic railway”.

## **Story of Three States**

The next three chapters cover Maharashtra, Odisha and Andhra Pradesh (now broken into two states). In Maharashtra, for many decades after Independence, the Mumbai area, with many industries around was the primary consumer of electricity (accounting for 58.8% of the total sales in 1972). But the Maharashtra State Electricity Board focused on rural electrification,

perhaps due to the political power wielded by the sugar farmer and cooperative lobby. There were high plan allocations for electricity, helping to speed up rural electrification, which slowly picked up in 1970s. But the progress of electrification has not been uniform, with better progress in western Maharashtra, among medium and large landowners and those linked to cooperatives. Kale also briefly covers the controversial Dabhol Power Company of Enron, without which no story of Maharashtra can be complete.

As for Odisha, the focus of electrification has been on big extractive industry with no attention to agriculture or rural areas. Kale attributes this to the absence of farmer and rural lobbies exercising political power, whether the Congress Party or Janata Dal were in power. The Plan allocation for electricity was low and industrialisation was also slow, perhaps due to the absence of agriculture surplus as present in Maharashtra or Gujarat. Odisha was the first state to undertake electricity sector reforms with support from the World Bank, which were initiated when the Janata Dal was in power and this continued even when the Congress took charge after the next elections. Reforms did not result in benefits to the majority, with little reduction of T&D losses, slowing down of rural electrification, problems with distribution privatisation, and increase in tariff of small consumers etc.

Andhra Pradesh (AP) had a high Plan allocation for electricity, but till around the 1970s, the primary focus was on industry. It was the farmer agitations in the 1970s that led to more allocation of resources for rural electrification. Coastal Andhra has extensive rice cultivation (similar to sugar in western Maharashtra) and these farmers wielded political power. Reforms were initiated in AP under the government of Chandrababu Naidu with support from the World Bank in the mid-1990s. There was an extensive tariff hike and concessions to industry, which were opposed by the opposition parties. Naidu, who was seen as the most vocal advocate of economic liberalisation, was not able to take reforms (a regular tariff increase, distribution of privatisation, etc) to its full conclusion. Finally, Naidu lost the elections in 2004 and one of the first steps of the new Congress government was to introduce free power for agriculture. Both Maharashtra and AP, two states with successful rural development, were thus paradoxically locked into providing high agriculture power subsidies to those who perhaps no longer needed them.

## **Electricity for All**

This chapter has interesting short pieces on Punjab (high Plan investment for power and rural electrification, focus on agriculture, but has developed water overuse issues), Tamil Nadu (good groundwork by British, had non-brahmin parties in power, there was decentralisation, high rural electrification and use by agriculture) and West Bengal (low Plan allocation, industry focus, no rural or agriculture focus even though the CPI(M) was in power from 1977, the Left Front's focus was mostly on land reform and panchayats). There is also a brief coverage of events after the Electricity Act 2003, though the author admits that this needs another book. She concludes by saying that "electricity for all" can be realised only if there is also political mobilisation from below, along with restructuring from above.

## Why We Need More Such Books

The book is based on extensive research and numerous trips to India when the author met many electricity sector actors. It is indeed a good outside outsider's view of the sector from a young researcher – someone outside the power sector and living outside the country for long. Hence it has its charm – presenting a wide canvas with a spread in time and space, with no obvious push for any one view, having no jargon, etc. This book is more than welcome, particularly given the vacuum in existing analysis of the electricity sector and is useful for any student of the Indian power sector. We often hear that political science students are asked to limit their research to caste politics or some such area, and hence it is good to see such a study on the power sector, a key infrastructure sector. Having spent more years outside the country, the author is able to present a comparative perspective and some insights which insiders may not have. One could say that such analysis is better done by people rooted in India. Studies by rooted researchers may be more nuanced and such researchers may stay engaged with the sector for a longer time. But considering the shortage of analysis, it will not be correct to push this point.

Before we conclude, a few words on areas for improvement. Some crucial aspects are missing or not covered in detail. There is very little on the role of electricity regulatory commissions, civil society organisations (other than political parties, trade unions, farmer associations) or the politics of allocation of central resources (power, fuel, hydro projects, financing, transmission capacity, etc) – all of which have played crucial role in shaping electrification. Regulatory commissions have been an important addition during the reform period. They were new to India, provided spaces for public participation and had the challenge of arms-length regulation of public and slowly growing number of private utilities. The potential of this new institution of governance is not covered in the book.

In addition to the obvious political actors, many civil society organisations have played a significant role in shaping the policies and democratising sector governance. This has been through techno-economic analysis, well-researched regulatory and policy interventions and capacity building of consumers towards enhancing informed participation. There is limited coverage of this story. The issue of power to agriculture is brought out, but topics like absence of reliable data on electricity consumption, linkages with water, agriculture produce market, pricing, etc, find no mention. The rural electrification challenge in an all-India context also calls for some more elaboration. Why is the access problem concentrated in the northern and eastern states? Considering the high importance given to financial health in the reform process, why should distribution companies focus on rural electrification, which is a loss-making proposition? There are also some factual errors like Kurnool in AP being referred to as a coastal district. But so long as there remain limited efforts at analysis by researchers rooted in India, we must encourage such efforts. If there are a few gaps, we must work to fill them.

## Notes

1 The doctoral thesis is equally long with 300 pages and interestingly has a chapter on Delhi, which is (surprisingly) not included in the book. This thesis “Power Steering: The Politics of Utility Privatization in India”, University of Texas, Austin is available at: <http://www.lib.utexas.edu/etd/d/2007/kaled56445/kaled56445.pdf>

2 This trend of domination of public utilities in electricity was reversed with the sector reforms and now the share of public utilities has reduced to about 64%.

3 This seems to have happened after a lot of debate. The author quotes a member of the Constituent Assembly saying that complete nationalisation is not advisable and it is better to get support of the private industry also to support electrification (p 74).