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**Reforms in the  
Indian Electricity Sector :  
Resisting the World Bank Model**

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Slide 2

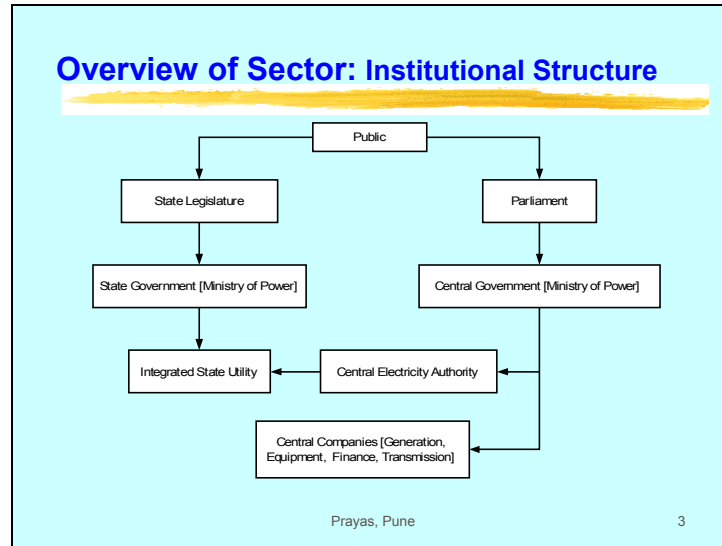
**Reforms in the Indian Electricity Sector:  
Resisting the World Bank Model**

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- ☒ Overview of the Electricity Sector
- ☒ Three Crises in the Sector
- ☒ The World Bank Prescription
- ☒ Critique of the World Bank's Prescription
- ☒ Recent Developments: "Unleashing"  
Privatization
- ☒ The Desirable Path

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Overview of Sector: Achievements		
Parameter	1998-99	Growth (times) Between 1950-99
Installed capacity (MW)	94,000	55
Total consumers ('000)	78,500	52
Irrigation pumps ('000)	12,000	571
T&D network ('000 km.)	Over 5,000	172
Villages electrified	Over 500,000	163
Per capita usage (kWh/yr)	~ 340	22

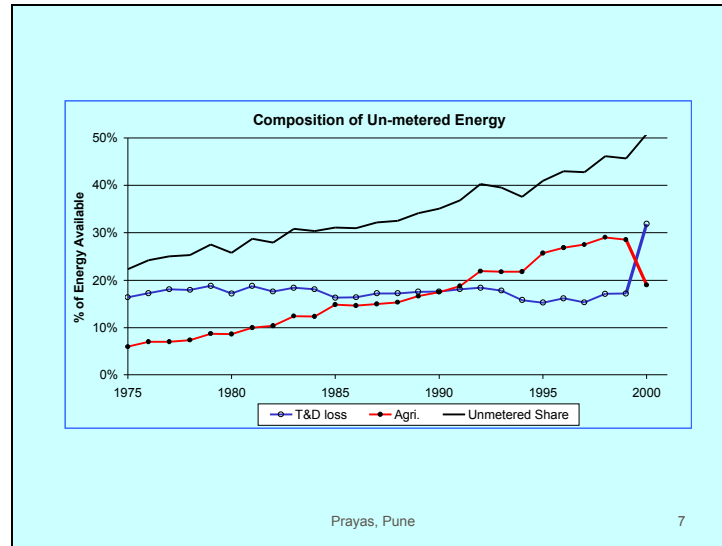
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Overview of Sector: Failures	
☹ Unfulfilled Promise of Universal Access	(nearly half houses yet to be electrified)
☹ Energy and Peak-Power Shortages	
☹ Low Plant Utilization	
☹ Staggering Losses	
☹ Poor Metering & Energy Accounting	
☹ Increasing Unmetered Energy	(High T&D Losses and Theft)

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**Three Crises in the Sector**

- ☒ Financial Crisis (Utilities and Governments)
- ☒ Crisis of Performance
- ☒ Crisis of Governance
  - ☒ Control of Vested Interests on Decisions and Execution
  - ☒ Breakdown of Mechanisms for Transparency, Accountability, and Participation (TAP)

**= Crisis of Governance**

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## The World Bank Prescription

- ⊗ Structural Changes
  - Unbundling, Privatization, and Independent Regulation
- ⊗ Other Features
  - Govt Ownership      ⊕ Private Ownership
  - Budgetary Support    ⊕ Private Capital
  - Self-reliance          ⊕ Globalization
  - Cross-subsidy        ⊕ Cost-based Pricing

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## Critique of World Bank's Prescription ..1

- ⊗ Myopic interpretations of crisis and diagnosis
  - ⊖ Preoccupation with Financial Crisis
  - ⊖ Sole Emphasis on "State-Control" & "Public Ownership" as the Root Causes
- ⊗ Anti-democratic Process of Determining the Model
  - ⊖ Hasty: "Unleashing Privatization"
  - ⊖ Inadequate Debate and Public Participation
  - ⊖ Absence of Sound Analyses

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### Critique of World Bank's Prescription ..2

- ☒ Sabotage-Prone and Susceptibility to Economic Capture
  - ⊖ Non-mandatory TAP
  - ⊖ Information asymmetry
  - ⊖ Lack of (technical, financial, managerial) capabilities to handle high-level of complexities
  - ⊖ Incentive for regulatory capture to privatized utilities is high
  - ⊖ Increased demands on weak, unprepared CSIs

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### Critique of World Bank's Prescription ..3

- ☒ Impact on Development
  - ⊖ Electricity (& Water) as Key Development Input
  - ⊖ World Bank Tariff Philosophy--Oblivious of Developmental Needs
    - ⊖ Treats Electricity as Commodity (while tariffs increase)
    - ⊖ Inadequacies of "Cost-Based Pricing" & "Life-Line Tariff" Principles

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### Critique of World Bank's Prescription ..4

- ⊗ Impact on Democratic Rights
  - ⊖ Takes Electricity out of the Realm of "Public Affairs" and "Public Control"
    - ⊖ Conceptualising Electricity as a Private Good
    - ⊖ Substituting State by Technocratic and Legalistic Regulatory Process
  - ⊖ Thus, Limiting Capabilities of People to Influence Decisions & Execution

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### Critique of World Bank's Prescription ..5

- ⊗ Implications
  - ⊖ Lack of public confidence in reform process & lead actors
    - Ⓢ conflicts
  - ⊖ Delay in action = increasing losses
    - Ⓢ Limiting possible benefits to dis-advantaged sections

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**Recent Developments:  
"Unleashing" Privatization**

- ⊗ Maharashtra Reforms: Cracking under Pressures & Weaknesses
  - ⊖ Pressures from Different Quarters
  - ⊖ Internal Weaknesses of the CSIs
- ⊗ Electricity Bill 2000
  - ⊖ Limited Participation
  - ⊖ The Bulldozing of the State Sector
  - ⊖ The Complex, Open-Ended Model

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**The Desirable Path - Elements / Features ..1**

- ⊗ Effective, Public-Controlled, Sabotage-Safe Regulation
  - ⊖ Autonomy of Regulatory System
  - ⊖ TAP (Complete Transparency, Direct Accountability to Public, and Meaningful Public Participation)
- ⊗ Development-Conducive Content
  - ⊖ Developmental Tariff
  - ⊖ State-Support
  - ⊖ Comprehensive Support for Efficiency Improvements

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**The Desirable Path - Elements / Features ..2**

- ⊗ Democratic / Public Control in an Effective Manner
  - ⊖ Accepting electricity as a development input
  - ⊖ Adequate scope for the state as a policy-maker
  - ⊖ TAP-*ing* of the Policy-making process
  - ⊖ Role/Capability Building of CSIs
- ⊗ Required Capabilities
  - ⊖ Ability to deal with fundamental issues (such as environmental sustainability, price-stability, technological upgradation, sectoral efficiency)

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**The Desirable Path - Open, Participatory (Democratic) Process for Deciding Model ..1**

- ⊗ Need for an Appropriate Process
  - ⊖ Bringing in different standpoints and collective wisdom of Society
  - ⊖ Avoiding Conflict, Creating Public Confidence and Consensus

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**The Desirable Path - Open, Participatory (Democratic) Process for Deciding Model ..2**

☒ Critical Features of the Desired Democratic Process (California Model)

- ☒ Sound Diagnosis (In-depth Analysis & Public Debate)
- ☒ Identification & Assessment of Options Available (Comprehensive Study & Public Debate)
- ☒ Evolution of the Design of the Model (Public Debate & Legislative Sanction)

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**The Desirable Path - e.g. Maharashtra Process**

☒ Brief Background of the Case 1 of 1999

☒ Role played by Prayas Energy Group

☒ Results

- ☒ Beginning of the process of addressing the grotesque inefficiencies in positive manner
- ☒ Public Acceptance and Confidence Building

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