

2. How India is Tackling the Power Problem

India is continuing to make massive investments in new-capacity construction. It is clear, however, that India's power shortages will not be solved solely through additions to generating plant. Such projects will need to be accompanied by efforts to upgrade and modernize existing generating plant and fuel supplies, address the inadequacies of T&D systems and grid operations, resolve the financial weakness of the SEBs, and take steps towards energy conservation and demand-side management to reduce the energy-intensity of consumption and flatten the peak-load curve.

In recent years, the Central Government and a number of States have taken steps to come to grips with these various difficulties. Under the threat of cut-off from Central power supplies, many SEBs are reforming their tariff and distribution policies, and directing more investment into upgrading transmission and distribution facilities.

The World Bank and other international agencies are providing support for these reforms, and have punished laggards by cancelling previous loans.

The States that appear to have made the strongest commitment to reform are Orissa (see Box 2.1), Haryana, Uttar Pradesh, Rajasthan and Andhra Pradesh.

Box 2.1

Orissa: Pioneering electricity reform

The relatively poor east-central state of Orissa has launched what the World Bank calls "a radical program of reform" to restructure and privatize its power sector. Essentially, the State aims to withdraw from utilities operation, and leave the field to privately-managed power companies operating in a competitive but regulated power market.

The SEB has been converted into a regulatory agency. Its existing generation, transmission and distribution facilities have been made commercially independent, and are now being privatized (in thermal generation and distribution) or opened to private participation (hydro generation and transmission). Electricity tariffs are being raised in annual increments.

The World Bank is ready to lend US\$ 350 million as part of a US\$ 2 billion package to support Orissa's power restructuring.

In September, the Chief Minister announced power generation projects totalling 10,000 MW, for which private developers are invited to bid. Orissa has the lowest-priced coal in India. The projects would be mainly large pit-head plants. Huge investments in transmission facilities will be required to carry this much power.

