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Nagging Electricity Crisis

The power ministry has extended the bid submission deadline for installation of the 300-megawatt (MW) Siddhirganj peaking power plant by over a month. The new deadline for submission of bids has been fixed for setting up the gas-based power plant project on turnkey basis at Siddhirganj, some 20 kilometers south east of the capital. The previous deadline expired on March 23.

The state-owned Electricity Generation Company of Bangladesh (EGCB), the implementing authority of this project, has extended the bid submission deadline to ensure better participation, said a company official. This is, however, the second power plant project that got extension of bid-submission deadline during the first three months of the newly elected Awami League-led government.

Augmenting electricity generation across the country to ease the nagging electricity crisis is one of the top agendas of the government as it mentioned in the electoral manifesto.

In February last the power ministry extended the deadline for submission of pre-qualification documents for installing the 450 megawatts (MW) gas-fired Bibiyana power plant by one and a half months.

The deadline for submission of pre-qualification documents for Bibiyana power project is April 23 next. The International Development Association (IDA) of the World Bank (WB) is set to provide US\$350 million as credit for implementation of the 300MW (2X150) peaking power plant at Siddhirganj.

The government has received the credit from the IDA to apply part of the fund to pay for supply and installation of the power plant project, a senior EGCB official said.

The multilateral donor agency approved the IDA credit of \$350 million for installing the Siddhirganj peaking power plant on October 30, 2008.

The WB will also finance the laying of a 60 km natural gas pipeline from Bakhrabad to Siddhirganj that will improve the reliability of gas supply to the Siddhirganj power plant, and an 11 km electricity transmission line to ensure that power generated from the plant can be distributed to consumers. Maturity period for this credit is 40 years with a 10-year grace period. The bid submission deadline for 450MW Bibiyana power plant was earlier extended mainly for non-availability of guarantee from the WB, a senior power ministry official said.

The multilateral donor agency is yet to confirm its commitment although the tender process is in progress, he said. During the first time bidding of the Bibiyana power plant project last year, the WB was committed to provide \$300 million, he added. The ministry scrapped last year's tender as the lone responsive bidder -- the Malaysian Powertek consortium -- offered higher electricity tariff compared to the existing rates charged by big power plants. Frequent power outages, over four hours a day; amid hot and humid conditions have made the life of city people miserable.

Residents alleged that erratic electricity supply is hampering their daily activities and the situation is becoming unbearable day by day although the scorching days of summer are yet to come. They said they are experiencing one to three-hour long power cuts, in cases four to five times a day on an average. Power outages are taking place in unusual time and they have never witnessed such thing, they added. "In our area, power does not go off rather it comes sometimes," Abu Sayeed, a resident of Pirer Bagh of Mirpur area, lamented when asked about the power situation in his area.

"Although we are pretty much used to the load-shedding, things have become utterly intolerable in the past few days or so. Power went off at 12:30am Sunday night and remained off for about an hour," he said, adding that it went out again at 7:00 in the morning. Kabir Ahmed, a resident of East Razabazar, alleged that there was no power for over five hours starting from 11:00am on Sunday, hampering their day-to-day activities severely. Yesterday's situation was also bad as power remained off for two to three hours each time at both day and night, he adds. "We are already facing power cuts every day. God knows what will happen during the upcoming summer," he said.

Shamima Nasrin, another resident of Kakrail, said power is going out every few hours especially at daytime. "Power cuts occur at least two times with duration of one to one and a half hours each after the sun sets. It has become a routine," she said. The examinees of ongoing secondary school certificate (SSC) examinations are the worst suffers of the crisis. "The situation is just becoming unbearable. I cannot concentrate on my studies due to frequent power outages after the evening. I am really worried about my results as my preparation hampers seriously," said an SSC examinee of Malibagh area.

Many worried parents of the SSC examinees have demanded immediate solution to the load shedding. "We want uninterrupted electricity after the evening for at least a few more days during the examination period," a parent said. Residents of Farmgate, Mirpur, Dhanmondi, Kalabagan, Moghbazar, Malibagh, Shahbagh, Mohammadpur, Rampura, Goran, Khilgaon, Shahjahanpur, Uttara and other places in the capital are also experiencing frequent power cuts lasting more than an hour. The erratic electricity supply is hampering production in factories as well as office work. Mechanical engineering shops, computer-compose centres, laundry, motor workshops, and CNG refueling stations are the worst victims of power outages.



The Daily Star, 10.03.09

Energy supply the top priority

The government has listed energy supply as its top priority to ensure economic growth, said Tawfiq-e-Elahi Chowdhury, adviser to the prime minister for power, energy and mineral resources yesterday. "We have taken short-, medium- and long-term measures to address the issue," Chowdhury told a meeting of the Foreign Investors' Chamber of Commerce and Industry (Ficci) at a city hotel.

As part of the short-term measures, the adviser said: "Some 70 to 80 million cubic feet of gas will be made available at the end of this month for exclusive use in generating around 350 megawatt (MW) power." The gas will be extracted from Jalalabad field, said Chowdhury, a former top bureaucrat. "The government is also discussing with agriculture ministry on diversion of gas for power generation from the fertiliser production," he said.

Power outage has already started lingering as the weather is getting warmer day by day, triggering a demand rise against declining gas-fired power generation. Gas supply shortfall is causing power generation cut. In addition, demand for power for irrigation has increased significantly.

According to the adviser, Bangladesh now has the capacity to generate 3,700 MW power a day. Captive power plants can generate another 1,000 MW. But Ficci President Waliur Rahman Bhuiyan said the overall demand is 5,300 MW per day against the capacity of 3,300 MW. The adviser admitted the severe power crisis in the country although he said power is the basic line for poverty reduction. "We are an around three-month-old government and can't resolve all the issues overnight," Chowdhury said. He said the government has plan to address the issue in phases. About the medium-term measures, the adviser stressed energy conservation and enhancing efficiency.

"We'll distribute some 15,000 to 20,000 energy-saving bulbs free of cost on a specific day in February next year to help people be aware of its efficient use," he said, adding that the move could save around 10 percent electricity. On the long-term initiatives, the adviser said the government would welcome foreign investment for power generation.

He said Bangladesh Petroleum Exploration & Production Company Limited (Bapex) would be strengthened further to turn it into a capable entity. "Already Tk 100 crore has been approved for Bapex for improving both its software and hardware," he said. The government is also discussing introduction of solar and nuclear energy with potential suppliers, he added. The adviser said there are also talks on developing regional cooperation for SAARC Grid and purchase of hydropower from Nepal and Bhutan. The FICCI president urged the government to take quick decision on power issue as frequent outages play havoc on manufacturing and export sectors.

He also requested the government to withdraw Tk500,000 as renewal fee per year for a licence for captive power generation. Steve Wilson, chief executive of Chevron in Bangladesh and FICCI vice president, said 90 percent of gas here is used for power generation. "But there was no new discovery in the past 10 years," he added.



The Daily Star, 16.03.09

No respite from power outage

No improvement in power supply is visible, as additional gas supply for power generation remains negligible. "We received barely 15 million cubic feet additional gas on Tuesday and Wednesday," said Power Development Board (PDB) Member Alamgir Kabir. "We could generate hardly 70-80MW with this additional gas supply," he added.

PDB yesterday proposed for suspension of gas based fertilizer production in Chittagong Urea Fertilizer Factory (CUFL), which will relieve significant amount of gas for generation and supply of power in Chittagong region. But the Bangladesh Chemical Industries Corporation vehemently opposed the proposal.

The official announcement of giving more gas for generation of power by suspension of two gas-based fertilizer factories is described as a mere 'bluff'. Ghorashal and Palash fertilizer factories were said to be suspending production. But these two factories are already closed for long for overhauling and rehabilitation, officials said.

PDB generated about 3,600 MW electricity against the official demand of 4,625 MW and unofficial demand of more than 5,000 MW. Demand is rising every day with the advent of summer. Load shedding continued as usual across the country with huge power shortage. According to official sources, the government suspended gas supply to the two fertilizer factories in Norsingdi district.

"These two factories--Ghorasal and Palash--remained closed for long. So, gas supply suspension does not arise," said a senior official of the industries ministry. Ghorasal factory, which consumes bulk supply of gas has production capacity of 3.7 million metric tons urea fertiliser per annum. It remained closed since August 2007 for overhauling and rehabilitation. Recent attempt to resume production in Ghorasal factory on test-run basis failed due to technical reason. Palash fertilizer factory remained closed for the last few months. These two factories consume only 15 million cubic feet gas per day (MMCFD). As they were closed, they did not consume any gas.

"If PDB wants to operate all its closed power plants, then it has to be supplied with additional 170-200 MMCFD gas," said a top PDB official. He said that PDB offered the government to close the CUFL which consumes 52 MMCFD per day. "If the CUFL is closed, then we can get another 52 MMCFD which would lead to a major improvement in the generation side. Because, then we can generate additional 300 MW power in Rawjan and other plants in Chittagong region," the PDB official claimed.



The Daily Star, 19.03.09

Buck up local investors

The caretaker government approved a policy welcoming greater participation of local private entrepreneurs in the power sector and their wider involvement in selling electricity to large consumers.

The Policy Guidelines for Enhancement of Private Participation in the Power Sector, 2008 welcomes foreign private investors as before. But for the first time, it opens up for local investors the same financial incentives offered to foreign investors spelled out in the articles 5 and 6 in the Private Sector Power Generation Policy, 1996.

These incentives include exemption of corporate income tax for 15 years, 12 years duty-free spare parts import worth maximum 10 percent of the original value of the plant, freedom for investors to buy insurance of their choice, tax exemption on royalties, technical know-how, tax exemption on interest on foreign loans, capital gains from transfer of shares, among others. Joining partnership with public sector power entities will be exclusive to Bangladeshi private sector.

The commercial power plants will get preference in developing coalmines and purchasing coal from existing coalmines as per a provision of the coal policy. "Given the fast depleting condition of domestic natural gas, the new [private] power plants shall preferably rely on coal, imported gas, liquid fuel or renewable energy sources..." it says.

The fuel supply or source of energy has to be arranged by developers for commercial power plants. "The idea is we want our local entrepreneurs to be stronger and eventually to take the lead. How long will we keep on depending on foreign investors only?" says a top power ministry official.

"The private power policy 1996 allowed some local private companies to grow. We now have around 15 or so small power companies side by side with large entity like Summit," he adds. The official goes on to say, "We now want to take this to the next level. We believe for the next 10 years we would not need new policy interventions to stimulate private sector participation."

Earlier, local Summit power had struck a partnership with the Power Development Board (PDB) in the Sirajganj 450-megawatt power project which the Khaleda Zia government cancelled in 2004. "At that time, there was no policy framework to support the joint venture. Now this issue has been addressed," the official observes.

Tailored in line with the year 2000 vision of power for all by the year 2020, the policy that was officially notified last month seeks to develop new power plants and rehabilitate some old and inefficient power plants through public-private partnership under Rehabilitate, Own and Operate (ROO) and Rehabilitate, Operate and Transfer (ROT) model.

The private sector will be allowed to supply electricity to the distribution licensees at tariffs determined by the Bangladesh Energy Regulatory Commission (BERC). The policy also says private commercial power plants will find their own buyers to sell electricity and will be free to negotiate the applicable tariffs with large consumers.

Unless specific commitment is made, the government would not guarantee in favour of any fuel suppliers to supply fuel to commercial power plants, it adds. The policy dictates a set of requirements for joint venture partnership with public sector utilities. A special project vehicle will be established to implement and operate such joint venture projects. Such joint ventures will require approval of the board of the respective public sector power utilities and BERC.

The Power Grid Company of Bangladesh and other distribution licensees will provide non-discriminatory open access to their transmission and distribution system for use by any generation licensees. According to the policy, private investors may also build their dedicated transmission line from their power stations to large consumers under the Grid Code.

The policy spells out a set of qualification criteria for private investors that can work under the policy. The private sector will have proven financial capacity to arrange financing for development of power plant, proven experience in developing and operating power plants of same or higher capacity as Independent Power Project (IPP), Rental Power Plant, Small Power Plant or Commercial Power Plant and selling power to large consumers.



Bangladeshnews.com.bd, 06.01.09



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Power crisis cripple industries

Federation of Nepalese Chambers of Commerce and Industries (FNCCI) has drawn the government's attention towards the various problems faced by the industrial entrepreneurs of the Sunsari-Morang Industrial Corridor.

The umbrella organisation of the country's business entrepreneurs said that the industrial sector has been suffering from long hours of load shedding, bandhs and strikes, extortion panic, among others. The association has shown its solidarity towards the phase-wise protests organised by the entrepreneurs of the Sunsari-Morang Industrial Corridor for the last two weeks. The local business entrepreneurs have asked the government to address the problems of power-cut, extortion and strikes.

The association said that the plans of writing the new constitution and initiating the economic revolution would not materialise without improving law and order situation and creating business-friendly environment. The FNCCI urged the government to address genuine demand of the entrepreneurs for creating conducive environment to smooth operate the industries in the country.

It said that the industrial sector has been passing through critical situation due to continued strikes, power shortage, labour related problems and global economic crisis. The FNCCI said that the industries have been forced to reduce around 60 percent production and the cost of production has also increased due to the continuous load shedding. It stated that strikes and bandhs have hindered the products to reach the market on time.



The Gorkhapatra, 14.03.09

Locals Seek Govt's Stance

The concerned people of Dailekh have asked the government to come up with a firm stance on Upper Karnali Hydropower Project within a month. They have warned the government that if it was not serious to listen to the local voices, they would be compelled to force the project to close down. They said this at an interaction which was attended by representatives of Ministry of Water Resources, political parties, local stakeholders' struggle committee and the GMR Energy Limited, an Indian company proposed for the project development. The stakeholders have demanded that the Prime Minister and the Minister of Water Resources should make a conclusive decision regarding the development of the project.

The 300 MW Upper Karnali Hydropower Project is a peaking run-of- the river project located in Karnali River in Achham, Surkhet and Dailekh Districts of Far Western Development Region of Nepal. Bam Bahadur BC, president of the struggle committee, said that the project was against the local people's benefit and the government should make a clear decision on the issues before developing the project.

He said that the government had granted permission to the GMR to develop power without prior agreement of the local people, which was against the country's benefit. He has demanded to scrap the project.

Likewise, the local people said the project should be operated and owned by the government itself. "We are facing increasing power shortages which the government should now realize and go for development of power," they said.

However, the stakeholders, have demanded the project's shares to the local people, and the GMR should supply power to the mid and far western region free of cost. They have also demanded to increase Nepal's share in the electricity to 50 per cent from the existing 12 per cent. On the interaction, Prabin Raj Aryal, representative of the Ministry of Water Resources advocated that Nepal was not able to construct such a huge project, as a result it had been given to the GMR.

A consortium comprising GMR Energy Limited, GMR Infrastructure Limited (GIL) and Italian-Thai Development Project Co. have signed a Memorandum of Understanding (MoU) with the Government of Nepal, for developing the 300 MW Upper Karnali Hydro electric Projects. The project will be developed on a Build, Own, Operate and Transfer (BOOT) basis.

The plant is scheduled to be commissioned by the end of 2015-16. The Government of Nepal has agreed to grant the licenses for generation and transmission of Electricity to JVC for the development and operation of the Project for a period of thirty (30) years from the date of issuance of such licenses on Build, Own, Operate and Transfer (BOOT) basis.

During the validity period of the licenses, JVC shall maintain and operate the project according to generally acceptable prudent hydropower and electricity utility practices and hand over the ownership of the project to the Government of Nepal, free of cost, at the end of such period.



Gorkhapatra, The Rising Nepal, 14.03.09

India Proposes to Sell Electricity

Power Trading Corporation (PTC) of India has written to the Ministry of Water Resources with a proposal to sell 500 MW of electricity to Nepal. PTC has mentioned in the letter it can supply electricity for 20 to 25 years at a cost of IRs. 3.60 per unit (IRs. 3 for the electricity and 60 paise as transmission charge). If Nepal government accepts the proposal the transmission will start within 18 months from now.

Water resource ministry has already forwarded the proposal to the Prime Minister, Vice-Chairman and members of National Planning Commission and Finance ministry officials for contemplation. Water resource secretary Shankar Prasad Koirala said the initial response from all sides is positive.

The ongoing problem of power outage for long hours can be resolved within 18 months if a political consensus is created to purchase electricity from India. High voltage cross border transmission lines need to be constructed to import electricity in large quantity. If the proposal is accepted cross-border transmission lines will be constructed from Muzzafarpur of India to Dhalkebar of Nepal. PTC's proposal mentions India will construct the transmission lines up to Nepal border and Nepal should construct the transmission lines from Nepal border.



Nepalnews.com, 24.03.09

Supply or not, NEA charges demand fee

The Nepal Electricity Authority (NEA) has been collecting Rs. 10.5 million daily in demand fees from industries even though they have not been getting the amount of electricity they have applied for.

A survey conducted by the Morang Trade Association (MTA) of 77 large industries in the Morang-Sunsari corridor revealed that they paid Rs. 7.46 million as demand fees. There are more than 500 large and small industries in the corridor. The factories are paying a demand fee even though they are not being supplied enough electricity to operate fully, said Dinesh Golchha, president of the MTA.

He added that small industries which consumed less than 100 KV of electricity were forced to pay more than Rs. 10 million as demand fees. The NEA charges Rs. 190 as a demand fee for each KV of electricity even if no power is consumed. Industries have been protesting from the last week of February demanding that the fee be scrapped.

Aarहित Multifibre which consumes 1,850 KV of electricity has to pay Rs. 351,500, Pashupati Iron with a consumption of 1,050 KV has to pay Rs. 199,500, Dhan Laxmi.

Synthetic with a consumption of 2,700 KV pays Rs. 513,000, Aarti Strips with a consumption of 1,400 KV pays Rs. 279,300 and Hulas Wires with a consumption of 1,544 KV pays Rs. 293,360 as demand fees. If the NEA were to provide electricity to the corridor 30 days a month, then the total electricity consumption would come to 3,9273 KV.

Rakesh Surana, electricity coordinator for the corridor, said that the industries receive electricity for only 300 hours a month but they are made to pay demand fees for the whole month. The demand fee for 300 hours of power a month comes to about Rs. 3.1 million, he added. Surana said that a few industries and hotels had been made to pay demand fees for more power than what they actually consumed.



Kantipuronline, 16.03.09



- **Rajasthan to get Rs.316 crore for power sector**
– The Hindu
- **Rajasthan plans to buy 2,000 MW power to meet shortfall in 12th Plan**
– The Hindu

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Rajasthan to get Rs.316 crore for power sector

The Union Government has sanctioned a grant of Rs.316 crore to Rajasthan for implementation of the power sector reforms programme in 87 towns with a population of over 30,000. The Union Power Ministry has approved the scheme worth Rs.459 crore, of which Rs.143 crore will be borne by the State Government. According to an official release, the Union Government has stated that the grant would be converted into loan unless the programme is completed within the next three years. The three public sector power distribution companies have already launched the reforms in their respective areas.

The desert State will be getting the funds under an ambitious Accelerated Power Development and Reforms Programme of the Power Ministry aimed at reducing the transmission and distribution losses significantly during the 11th Five Year Plan period. The APDRP envisages an expenditure of Rs.10,000 crore across the country.

Discoms' share

A high-power committee of the Power Ministry approved the grant to Rajasthan after the chairman of the Jaipur, Ajmer and Jodhpur power discoms, R. G. Gupta, made a presentation of the road map for utilising the funds to speed up the programme currently being executed. The three discoms will contribute Rs.143 crore from their resources for the scheme's implementation, while a State-level data centre in Jaipur and a disaster management centre in Jodhpur will be established at a cost of Rs.95 crore.

The release said all offices and institutions of the discoms would be computerised and consumer service centres established in Jaipur, Ajmer and Jodhpur. Besides, all sub-divisions, divisions, circles and headquarters of the discoms will be connected to the data centre.



The Hindu, 22.02.09

Rajasthan plans to buy 2,000 MW power to meet shortfall in 12th Plan

The Rajasthan Government has started making preparations in advance to meet the demand for power projected to go up by about 5,000 MW during the 12th Five Year Plan period and has invited the country's leading power sector companies for sale of 2,000 MW electricity to Rajasthan. The Rajasthan Rajya Vidyut Prasaran Nigam organised a pre-bid conference after getting permission from the State Electricity Regulatory Commission to get the proposals from major private power producing companies. Representatives of over a dozen power companies attended the conference.

Vidyut Prasaran Nigam chairman and managing director Sudhansh Pant told the prospective sellers about the power scenario, including the demand and supply situation, in future through a presentation. The public sector power transmission company has invited bids from power producers till June 1 and announced that the process for power purchase would be completed by August 31 this year.

The power companies represented at the conference included Reliance Power, Cairn Energy, Tata Power, Genus Power Trading Corporation, GAR, Athena, Sofia Power Company, PriceWaterhouse Cooper, Bhaskar group, Feedback Ventures and Adani group.

Mr. Pant said the demand for power in the desert State was likely to escalate to 16,050 MW by the end of 2016-17 during the 12th Plan period. "For meeting this phenomenal upsurge in demand, the State needs to have an installed capacity of 21,400 MW," he added. In addition to the plans for setting up three super critical thermal power projects of a total capacity of 4,000 MW, the State Government has taken the policy decision of purchasing 2,000 MW power. Mr. Pant pointed out that the Nigam, besides buying 1,000 MW electricity throughout the year, would additionally purchase 1,000 MW between October and March to meet the increase in demand during the rabi crop season.

Electricity can be purchased from a powerhouse situated in any part of the country. Mr. Pant said the Nigam would only consider the proposals of companies willing to sell at least 100 MW. Power Finance Corporation CEO N.D. Tyagi responded to the queries of the representatives of power companies and clarified their doubts. The chairperson of the three discoms in the State, R.G. Gupta, Special Energy Secretary N.P. Gangwar and senior officials of the State Government's power companies attended the conference.



The Hindu, 25.03.09



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West Bengal power department plans renewable power

The West Bengal power department plans to introduce a penalty clause on power distribution companies failing to source and wheel out least 10% of the power distributed from renewable sources. Talking to reporters on the sidelines of the 18th International Photovoltaic Science & Engineering Conference & Exhibition (PVSEC), State Power Minister Mrinal Banerjee said: "We plan to increase the minimum volume of renewable power that a distributor mandatory needs to source and wheel to consumers from 4.8% now to 10% in the next three years."

As the minimum level is raised to 10%, the state is likely to introduce a penalty clause in case utilities fail to source the minimum required from renewable energy sources," said Mr S P Gon Choudhury, Special Secretary, West Bengal Power Department. Currently, a distribution company has to mandatory source 4.8% of power from renewable energy sources. However, the government has not introduced any penalty clause since the state does not generate the necessary volume for these utilities of source.

"West Bengal State Electricity Distribution Co (WBSEDCL) wheels about 20,000 million units per year. But it is unable to even meet the statutory 4.8% requirement (read: 960 million units) due to paltry renewable energy linked generation levels. However, with Rs 5000 crore of investments expected to flow into the state's renewable energy sector, generation capacity from renewable sources is slated to rise to meet the higher 10% requirement by 2012. It is estimated that the demand for power by 2012 will touch 26,000 mw while generation from renewable sources is slated to be at least 2600 mu by that time," said Mr Gon Choudhury.

"As generation capacity from green sources becomes sufficient, we will implement the penalty clause in case utilities do not source at least 10% of power supplied to consumers, from renewable sources," he added. "West Bengal is one of the states that have announced a policy for solar energy, where the government pays Rs 10 per unit of power generated from solar energy, and this is the reason for so many private companies has shown interest in setting up units in the state.

"The state has already attracted a total investment of Rs 4000 crore in the solar power segment all of which is slated to go on stream by 2012. Of this, about Rs 2,600 crore have been in the solar equipment manufacturing segment including solar photovoltaic cells and modules. The investment has come from companies like Bhaskar Polysilicon (Rs 2000 crore), Vikram Solar (Rs 200 crore) and Webel SL Energy (Rs 100 crore). The balance has gone into setting up of 30mw solar energy generation capacity from companies like Videocon Industries, Astonfield, Hyderabad-based Titan group of industries," said Mr Gon Choudhury.

IT Hub Survives on Diesel

The West Bengal government-owned power utility, which was to supply power to Infospace, has not been able to lay cables, forcing the IT park to burn 110,000 liters of diesel a month even with as few as 1,500 people working. Infospace, an information technology (IT) park in Kolkata being built by Unitech Hi-Tech Structures Ltd—an arm of the Unitech Group—is perhaps the only special economic zone, or SEZ, in the country which is running entirely on diesel generators. On completion in the next two-three years, the 4.5 million sq. ft IT park, which is estimated to cost Rs1,200 crore, will house up to 45,000 professionals.

The IT Park, which runs four 1,250kVA generators and has four more as back-up, has obtained a special licence from the state government to store up to 40,000 litres of diesel. But pollution is the key concern, and Unitech has hired specialists for the maintenance of the generators, according to an Infospace official.

Only two companies—Capgemini and Genpact Ltd have moved in so far, and at least two more leading software services firms Tata Consultancy Services Ltd and HCL Technologies Ltd have booked spaces. The first phase of the IT Park was launched in August. Genpact is likely to be Infospace's biggest tenant, having already booked 750,000 sq. ft, according to the Infospace official. As more companies move in, Unitech is worried that it would have to burn more diesel to generate power for its tenants, and what is worse is that there is no certainty about when New Town Electricity Supply Corp. or NTESC—the company that was to supply power to Infospace—would be able to connect the IT Park to its grid.

Though Unitech expects power supply to begin by the end of this month, Moloy De, chairman of the West Bengal State Electricity Board, which controls all state government-owned power companies, refused to commit a deadline for establishing power distribution infrastructure in Rajarhat, an extension of Kolkata where Infospace is located. De said power cables could not be laid in Rajarhat, which is being developed on the lines of Gurgaon as a hub for IT companies, because locals wouldn't let power utilities erect distribution towers on their land.

The West Bengal government, however, has been wooing companies to the state promising cheap and abundant power. Average power tariff in Kolkata, at around Rs3.90 per unit, or 1kWh, is the cheapest among all metros. The state government-owned power utilities, however, have not been able to scale up distribution infrastructure to supply power in extensions of the city such as Rajarhat. Power generated by burning diesel costs Infospace Rs9 per unit, whereas power from NTESC would have cost Rs5 per unit. The Rs4 per unit additional cost is being passed on to tenants, even if partly, because it has been factored into the monthly maintenance cost, which ranges from Rs12-24 per sq. ft, according to the Infospace official. The cost of power would have significantly gone up had Infospace not been an SEZ and enjoyed tax breaks on diesel. According to the Infospace official, the IT park buys diesel directly from companies such as Indian Oil Corp. Ltd and Bharat Petroleum Corp. Ltd and it costs 25-30% less because of tax waivers granted to SEZs.

"The building (Infospace) has the uniqueness of providing 100% power back-up to ensure business continuity for IT companies," said Prasoon Mukherjee, chairman of Unitech Hi-tech Structures, playing down the inconvenience of having to run generators round the clock. But the Infospace official said Unitech, which has already spent Rs550 crore on the project, might not have launched the IT park without power supply had it not committed delivery to high profile tenants such as Capgemini and Genpact.

Teething Problems in Power Sector Reforms

The West Bengal State Electricity Transmission Company Ltd received the excellence in power sector reforms award from the Union government recently. Malay Kr Dey, chairman and managing director of West Bengal Transmission Co and Distribution Co spoke to Indronil Roychowdhury in details about the country's teething problems in the transmission and distribution segment.

How far have the reforms in the power sector been successful?

The desired result has not come as yet. Reforms in the power sector were worked out in a situation when most of the power utilities across the country were reeling under mounting losses. The quality of power supplied to the consumers was poor and the service inefficient. So following the Electricity Act of 2003 many states started the reforms process. The process kicked off with three notions. First, nothing can happen in the public sector so the ownership be shifted from government to the private sector. Second, the state electricity boards with the generating utilities are too big to be covered. So break them into smaller entities so that governance can improve.

Third, you need to bring competition and possibly the transmission business needs to be segregated from power purchase and sales business. Now the Electricity Act of 2003 talked of unbundling the utilities by segregating them into generation, transmission and distribution companies. It also pointed out that by unbundling a single board, a number of distribution companies can be created. It did not talk about privatisation. But many states like Delhi and Orissa after unbundling the state electricity boards, formed a number of distribution companies (Delhi 3, Orissa 4) and unbundled them.

While Delhi was a success story, Orissa was a failure. Orissa was the first state to start reforms. But so far as distribution is concerned, Orissa is lagging behind. There is a lot of blame-game going on. Private operators are unhappy and one of them has virtually run away. The regulator there has not been fair in deciding the tariffs. There have been problems both from the government as well as the private players' side.

Some other states, notably Andhra Pradesh and Karnataka, took some reforms measures even before 2003. Andhra Pradesh and Karnataka formed four distribution companies each. But West Bengal and Maharashtra adopted another model where the governments formed a single distribution company. In other words, there are various models. But if you look at the end result, there is no empirical evidence to support a particular model or the three assumptions.

But isn't there any model that has proved better than the others?

If you look at the reduction in distribution losses, many states like Andhra Pradesh, Gujarat and West Bengal have reduced losses significantly. But none of them have privatised. On the other hand, Delhi, after privatising its distribution companies, has made fair improvements in reducing distribution and transmission losses. Tamil Nadu, which didn't even restructure and still continues to be Tamil Nadu State Electricity Board, is one of the better utilities. In Assam, after forming three distribution companies, the government found these are not viable. Now they have amalgamated them into one. So there is no empirical evidence about a 'correct' model.

How far can reduction in transmission and distribution losses help tide over the financial losses of the distribution companies?

It's true that the distribution segment is losing money heavily and most utilities have to depend on the government grants to run, which is around 2.6% of the GDP. We all recognise that in the distribution segment we have very high transmission and distribution losses and high aggregate technical and commercial losses. But transmission and distribution losses in India are basically a euphemism for inefficiency and theft. The basic requirement is governance and there is no investment driven solution.

Governance in the distribution segment means ensuring certain measures, such as first going for feeder metering, then putting meters in the distribution transformers and ensuring that there is 100% consumer metering. Go for efficient computerised billing system and data capture system. So immediately you know what the real extent of the losses is. In the distribution business the figures we get now are assumption based. So if you get correct data, you know how much of power has been put into the system and how many units you have been able to bill and collect. Once you do that you know the real gap geographically.

We have electronic meters now, which are very intelligent. These meters not only capture the energy input-output data, they also capture technological parameters like the interruption data, the voltage data, the interactive power data and all other relevant data. Once you analyse these data you can find the low hanging fruits. Suppose you find a transmission and distribution loss of 70%. All that you have to do is to make the local manager accountable. Tell him that he is in charge and authorities have a certain input-output figure. The local manager will have to reduce the losses, or he will have to face the music. Things will move.

Then at the distribution-transformer level, power is supplied through three phases. When you supply power to consumers, the current load should be equal in three phases. Otherwise technical losses will go up and someone will get power at a high voltage, some at a low voltage in the same locality.

These are very simple things we don't do. No investment is required to rectify these problems; it is only finding out the root causes and rectifying them.

But why isn't there a practice of collecting the correct data?

There are certain maladies that have developed over the time. Distribution companies are selling power to the consumers and so it is imperative to know how much the company is selling to which consumer. Every consumer should be given a properly functional meter. The meter should give an accurate reading and should be read correctly. But in most cases this is not done. We have a concept of table reading across the country, which means instead of going to the consumers' premises to take the meter reading; some data are cooked up on whose basis the bills are made. Typically the bills are on the lower side because if it is on the higher side the consumer will raise hue and cry. Such practices mean losses for the company.

You are saying proper data collection and reduction in transmission and distribution losses can help turn around loss-making distribution companies?

That is one of the important components of reforms, which have been not taken care of. The restructuring of state electricity boards were aimed at making the system commercially profitable. If you create a number of distribution companies, the mix of consumers is not evenly distributed. To be clearer, all geographical areas in a state are not equally developed. Take West Bengal. It has five zones. The Beharmpore zone has the worst consumer mix. Industrial consumers are on the lower side; agricultural and domestic consumers form the bulk. Now if we had created five distribution companies for five zones like many states did, two companies would have been profit-making and three would have been perpetually loss-making.



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