

Draft Electricity Amendment Bill: Centre crosses federal boundaries

The Centre seems more concerned over profitability of private solar power companies than protecting consumer interests

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The Union and state governments function within a federal framework as provided in the Constitution. Though electricity is on the Concurrent list, it is historically the states that have played a dominant role in electrification. The Centre should therefore tread cautiously in tilting this delicate balance of authority, when it comes to the draft Electricity Amendment Bill, 2020.

One of the amendments seeks to set up an Electricity Contract Enforcement Authority (ECEA) to “enforce the performance of contracts”.

This is, apparently, in the context of some state governments attempting to renegotiate contracts signed by their predecessors for buying electricity from solar power plants. The purpose of this is to reduce the unit cost of electricity for the consumer.

Contract management is not new to the country and there are enough statutory provisions that cover it in different sectors of the economy.

The Centre seems more concerned about the profitability of private solar power companies rather than protecting consumer interests, looking at the circumstances that prompted it to come up with such an amendment.

Its intervention in this matter is highly imprudent. By proposing such an amendment, the Centre has certainly crossed the Lakshman rekha (boundaries) of federalism.

The move to use direct benefit transfer (DBT) to send subsidies to consumers through their bank accounts – instead of passing them on through the pricing mechanism – is debatable.

A significant number of the accounts of electricity consumers in the unorganised sector are dysfunctional and DBT is not the best option in their case.

The cost-plus-pricing approach of regulatory commissions fails to filter out inherent inefficiencies of utilities and tends to inflate electricity tariffs as well.

In view of this, subsidised tariffs may be a better option from the consumer's point of view. The proposed amendment to institutionalise DBT as a sacrosanct system is, thus, not a prudent one.

Forcing state utilities to purchase a certain proportion of their electricity supplies from renewable energy sources may not be appropriate when they are more expensive than alternate sources.

The Centre should subsidise green electricity itself – if it is so anxious to promote it – by granting incentives / concessions to the suppliers, instead of imposing a rigid regime on states.

An amendment of this kind introduces an element of moral hazard that will lead private green energy suppliers to profit at the expense of the consumers.

The whole exercise of amending the Electricity Act gives one the impression that the states lack financial prudence and it is the Centre that must force discipline on them.

The Centre should realise it is guilty of as much fiscal imprudence as the states: Its failure to transfer resources to states on time according to established resource transfer arrangements has brought states under fiscal stress.

It will be wrong on the part of the Centre to display a self-righteous attitude and bring in far-reaching statutory changes that cut at the root of federalism.

To rush through such changes at a time when the states and public face the novel coronavirus disease (COVID-19) crisis is inexplicable.

I feel the proposed amendments are not backed up by the sufficient application of the mind. The Centre should therefore refrain from going ahead with this amendment.