State's electrifying Rs 5000 cr annual loss

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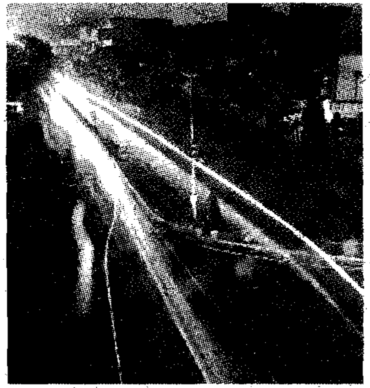
Additional output unlikely to help unless power theft is checked

Maharashtra is reeling under a severe power crisis. Demand outstrips supply. True, additional power generation capacities - often at much higher costs - are likely to become available from next year. But with demand also soaring, the state could continue to experience load shedding next year too. The Maharashtra Electricity Regulatory Commission (MERC) believes that load shedding for up to 32 hours for industry is inevitable. There could be another solution - curbing power theft. But that requires political will.

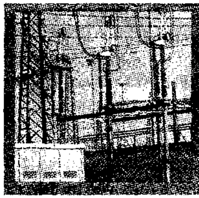
The government claims that the crisis was the result of poorly planned additional power generation capacity. But the truth is a lot more sinister. The reason why the state is reeling under a power crisis is because it has actually abetted power theft and has been inept at curbing distribution losses (often a euphemism for clandestine diversion of power).

The findings (see table) released by Prayas, an NGO engaged in a lot of pioneering work relating to the power sector, on March 14 at an open-house discussion reveals this. It points out that instead of reducing transmission and distribution (T&D) losses to 18% as agreed to in an MoU it signed with the Centre, the state's power distribution company has been able to reduce losses only by 2% each year. Even in 2010, T&D losses are projected to be 30.5%!



Faultlines

- **Maharashtra has** failed to meet the targeted 18% T&D loss as agreed in an MoU with the Centre
- **The CAG** report says each percentage of T&D losses deprives the state of Rs.230 crore of profit
- **All power** theft is not reflected as losses on the books of power distribution companies



Distribution loss

Year	2006	2007	2008	2009	2010
Transmission Loss (%)	4.5	4.9	4.9	4.9	4.9
Distribution Loss (%)	35.0	33.0	31.0	29.0	27.0
Total T&D Loss (%)	37.9	36.2	34.3	32.4	30.5

Source: Prayas

Comment

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A fact highlighted by the recent report of the Comptroller & Auditor General (CAG) which found that T&D losses ranged between 32.58% and 39.55% annually between March 2001 and March 2006. The CAG report also said each percentage of T&D losses deprived the state of Rs.230 crore of profit. Thus, at the lower end of T&D losses (32.58%-18% x Rs.230 crore), the state allowed Rs.3353.4 crore to leak out each year. At the higher end, the state lost Rs. 4956.5 crore annually! And as generation capacity increases, the huge percentage losses could translate into annual losses of over 7,000 crore.

This theft takes place in three ways.

First, it is by stealing power from any unmetered line - street lamp cables or transmission lines. This remains the largest contributor to T&D losses.

Second, it is by deftly allowing industrial or commercial units to consume power using residential power connections. Thus, commercial units invite much lower residential tariffs.

Third, it could be by allowing industrial or commercial units to get power through agricultural power connections. Since power for agricultural purposes invites the lowest tariffs, many industrial and commercial units use this type of power in connivance with the authorities.

Frighteningly, 'theft' of power through the last two methods is not reflected as losses on the books of power distribution companies. This means consumption of electricity by the domestic sector will show up to be larger than it actually is. Likewise, the consumption of agricultural power would also get inflated. If one were to add these 'misdeclarations' to the losses, they could easily tot up another Rs.2,000 crore annually.

The worst sufferers, as always, are honest full-tariff paying industrial and commercial units when load shedding takes place. But more on that in these columns next week. rnb@yes2etl.com