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'Common power market needed across country'

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CHENNAI: India must move into a single power market for lowering tariffs and better performance by distribution companies, said Arvind Subramanian, chief economic adviser to the Union finance ministry, at a lecture on 'Cooperative Federalism to Foster Reform: The case of the power sector' on Tuesday.

"At present, the power market is balkanised with states having several tariff slabs. There is also the problem of balancing renewable and thermal units. Power is also not under the Goods and Services Tax regime. Thus even though it is available at a lower cost, it is not passed on to the consumers as many states levy cross subsidy. Cross subsidy hits industrial growth," said Subramanian.

In Bihar, there are about 100 power tariff slabs, including separate tariffs for day and night, he said. Given the strength of cooperative federalism, a common market should be created for power sector to make electricity available at the same tariff across the country, he said.

Owing to availability of renewable power at lower cost on account of subsidies being given to the installations, discoms reduce power purchase from thermal units. As a result, thermal units slide. On one hand, the Centre releases subsidy for renewable power plants to reduce the cost of power for discoms and on the other it has to fund banks that are saddled with NPAs of

poorly performing thermal power plants, he said. Till a balance was achieved between the renewables and thermal units, the government should lower the subsidy for renewable power plants, he said.

Though power comes under the concurrent list, states only manage the sector, he said. Centre has powers to prevent discoms from levying cross subsidy. Regulators have to work out ways to introduce a common tariff for the country, he said. Subramanian recommended introduction of direct transfer of benefits to beneficiaries' accounts in the power sector also.