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Q. Discuss the major challenges that are ailing the power sector in India.

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Approach / Explanation / Answer

- Start the answer by briefly mentioning the problems faced by the power sector in India.
- Discuss the associated challenges pertaining to power sector
- Conclude Suitably.

Answer

The Centre government has time and again stepped in to aid power sector discoms and tackle the problems plaguing the distribution segment. However, without rectifying the major structural problems ailing the power sector, it may be difficult to establish a sustainable power sector in India.

Associated Challenges Pertaining to Power Sector

- **AT&C Losses:** Aggregate technical and commercial (AT&C) losses stem from poor or inadequate infrastructure or on account of theft or bills not being generated or honoured.
- **Cost-Revenue Gap:** The difference between discoms' costs (average cost of supply) and revenues (average revenue realised) is still high.
- **Economic Fallout of the Pandemic:** Amid pandemic, with demand from industrial and commercial users falling, revenue from this stream, which is used to cross-subsidise other consumers, has declined, exacerbating the stress on discom finances.
- **Low Investment:** Owing to the poor financial health of the discoms, there are less new investments in the electricity sector (particularly by the private sector).
- **Fossil Fuel Dominated Energy Generation:** Thermal power based on fossil fuel such as coal, natural gas and diesel accounts for 80% of the country's generation.

- **Magnifying Effect:** In the absence of solutions to these structural problems, paradoxically, the government's push for ensuring electrification of all has contributed to greater inefficiency.

Way Forward

- **Eliminate Cross Subsidization:** High industrial/commercial tariff and the cross-subsidy regime have affected the competitiveness of the industrial and commercial sectors.
- **Covering up AT&C Losses:** To manage the demand for power, it is necessary to introduce 100% metering-net metering, smart meters, and metering of electricity supplied to agriculture.
- **Greening The Grid:** The KUSUM scheme provides a suitable alternative to the power subsidy model in agriculture.
- **Cross-Border Trade:** The government needs to actively promote cross-border electricity trade to utilize existing/upcoming generation assets. The SAARC electricity grid is a step in the right direction.

A solution that has now been pitched forward to deal with the ailing discoms, is the creation of a national power distribution company. However, without addressing the systemic challenges, it is difficult to see how a sustainable turnaround in the financial and operational position of discoms can be engineered.