



Power

From Privatisation to Competition

At a Glance

Findings

- ❖ The Delhi Electricity Regulatory Commission (DERC), created by the Electricity Regulatory Commission Act, 1998 is the regulatory authority for the power sector in Delhi. Its responsibilities include determination of the tariff for electricity (wholesale, bulk, grid or retail), determination of the tariff payable for the use of transmission and promotion of competition, efficiency and economy in the activities of the electricity industry.
- ❖ In January 2001, the Delhi Vidyut Board (DVB) was divided into six successor entities: one holding company, one generation company (GENCO), one transmission company (TRANSCO) and three distribution companies (DISCOMs).
- ❖ Private DISCOMs are offered a Return on Equity (RoE) of 16% post-tax.
- ❖ Instead of creating competition between DISCOMs, the privatisation process has led to the creation of private monopolies.
- ❖ Rationale for privatisation: Transmission and Distribution (T&D) losses of DVB increased from 7% in 1953 to over 50% in 2000. Commercial losses of DVB increased from Rs 207 crore in 1993 to Rs 1,103 crore in 2000.

Reforms

- ❖ Ward-level Power Consumer Associations should take responsibility for contracting out power distribution services to private players. Competition among the firms and the threat of termination of contracts would drive down tariffs and increase efficiency.
- ❖ The provisions of the Central Electricity Act, 2003 should be effectively implemented and enforced, so that open access to the trans-

mission and distribution grids and power trading can be facilitated. This would also allow for setting up of captive power plants without any restrictions.