

A decade on, Electricity Act's key sections still not notified

Given how certain industries tend to lend themselves to natural monopolies, regulation is always a tough business since bringing in competition is near impossible. While the complete absence of mobile phones when such services were introduced in 1995 allowed competition to flower, the same couldn't be said of the landline business monopolised by PSUs MTNL and BSNL—they owned the copper wire going into subscriber homes and weren't willing to allow competitors access to this. To an extent, this also applied to mobile phones since, when few had mobile phones, the calls they made were to landlines—what if BSNL/MTNL didn't allow the calls to go through to their subscribers? This was resolved by the telecom regulator through mandatory interconnection rules specifying the charges to be paid, and periodic reduction in this.

This magic formula of introduction of competition in natural monopolies is precisely what the government tried to replicate in the power sector through Electricity Act 2003. Given the power lines coming into customer homes and offices are owned by individual power companies, how can competition be brought in? The Act laid out a time-frame—5 years—in which everyone with a 1 MW consumption (typically a mid-sized shopping mall) would be allowed open access. These customers could opt to buy electricity from a different supplier who would pay the owner of the powerlines a “wheeling” charge as well as a cross-subsidy surcharge to take into account the large subsidies in the sector, with the provision that the latter would fall over a period of time. After the 1 MW customers got freedom of choice, this would be allowed for even smaller customers. Open access, sadly, never took place till 2011 as state electricity regulators didn't force the issue, content to allow existing utilities, often owned by state governments, to enjoy their monopolies. In 2011, the power ministry finally passed some rules to enforce this. Even after this, however, there is no clarity on how many 1 MW users have access to such facilities since there is no database on this. Indeed, states like Rajasthan, Punjab and Madhya Pradesh have even passed orders that restrict such open access. Why open access, a vital tool to force competition and improve efficiency, is not made an integral part of the current power debt recast remains a mystery.