

**GOVERNMENT OF INDIA  
POWER  
LOK SABHA**

UNSTARRED QUESTION NO:3564  
ANSWERED ON:16.04.2010  
REFORMS IN POWER SECTOR  
Mahto Shri Baidyanath Prasad;Sharma Shri Jagdish

**Will the Minister of POWER be pleased to state:**

- (a) whether the Thirteenth Finance Commission has recommended to increase the power tariff in order to bring about reforms in the power sector;
- (b) if so, the details of the recommendations made by the Commission in this regard;
- (c) whether the Commission has also given suggestions to improve the functioning of the various institutions in the power sector;
- (d) if so, the details thereof; and
- (e) the reaction of the Government thereto?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF POWER (SHRI BHARATSINH SOLANKI)

(a) to (d): Yes, Madam. The Thirteenth Finance Commission in Chapter IV under paragraph 4.38 has observed that, 'The power sector in most states is beset with high technical and commercial losses, irrational power tariffs and inefficient distribution and transmission infrastructure, resulting in huge losses' The Commission in Chapter VII under paragraph 7.105 (iii) has further observed that, 'Absence of timely tariff increases has increased the gap and has impaired utility operations further. Some states have not raised tariffs for the past eight to nine years in spite of increasing deficits'.

The Commission has given a number of recommendations in regard to power sector. Some of the main recommendations are :

# Reduction in T&D losses and collection efficiency improvement need to be considered by the utilities on a large scale.

# Measures undertaken by the States for improvement of operating efficiency need to be scaled up significantly in all states.

# The remaining states that are yet to unbundle their boards should consider it at the earliest. Eventually the load despatch function needs to be made completely autonomous with improved functioning on the lines suggested by the Pradhan Committee set up by Government of India.

# A strong implementation focus needs to be brought about for development of hydro projects. The states have a particular role to play since the free power that accrues can result in substantial benefits to them.

# On the thermal power front, there is a need to locate the projects more efficiently.

# The states need to initiate more competitive procurement processes.

# In addition, regulatory institutions need to be strengthened and following are required:

(i) Tariffs should be linked to service levels and performance improvement. Tariff reforms (including Multi-year Tariff implementation as required by the Act) need to be expedited.

(ii) Institutional strengthening and corporate governance of utilities needs reinforcement. Unbundling of utilities, a statutory requirement, should not be deferred any further.

(iii) Public sector companies, whether they have raised funds from the market or not, should follow the provisions of the Company Law in finalising accounts, appointment of independent directors, appointment of audit committees, and implementing the Guidelines on Corporate Governance issued by the Department of Public Enterprises.

(e): Electricity is a concurrent subject. The Electricity Act, 2003 delineates the powers of the Central Electricity Regulatory commission (CERC) and the State Electricity Regulatory Commissions (SERCs) clearly. The Electricity Regulatory Commissions including CERC are mandated to issue guidelines/regulations under the Electricity Act, 2003 in discharge of their functions.