

White Paper on Punjab Power Scenario

The Akali- BJP government came to power nine and a half years ago in 2007, by promising to provide cheap electricity and make Punjab power surplus. The Prakash Singh Badal Govt. fulfilled the second half of the promise in such a way, that while doing so, electricity tariffs in 2016 are double of what they were in 2007 (see table i.). Not even a single penny has been spent by GOP on new Generation plants. Consumers are forced to pay for expensive electricity bought from private power companies while government power plants which can produce cheaper electricity are made to sit idle. The government rushed to set up power plants in the private sector without having making an assessment of the power requirements for next 25 years as is the practice. The burden of surplus power is now being borne by the consumers as the state surrenders some 18000 Million Units of power annually. In other words the government is paying private companies to not produce this much of extra electricity.

The Punjab government which is committed to provide free **electricity to farmers** and subsidising the Punjab State Power Corporation Ltd (PSPCL) for the loss, has passed on some of the its burden on this account also onto domestic, industrial and commercial consumers of Punjab through cross subsidies. The following **WHITE PAPER ON PUNJAB POWER SCENARIO**, lists some of the wrongs with the state's power sector and explains how people's money is being misappropriated, mis-utilised and given to private power companies by the Akali – BJP government.

1. **Costly Power Purchase from Private Thermals:**

While announcing the setting up of three private thermals, Goindwal Sahib by Congress government and in Talwandi Sabo and Rajpura by Badal Govt. it was repeatedly stated that power from private thermal plants will be cheaper i.e. from Talwandi Sabo Plant, it will cost Rs. 2.36/Unit, from Rajpura, it will be Rs. 2.89/Unit & from Goindwal Sahib, it will be Rs. 2.69/Unit. It was being advocated that with such cheap power there will be reduction in tariff. However, the realities are very different.

The POWER FROM Talwandi Sabo is costing upto Rs 7.26 and from Rajpura Rs. 4.10 whereas Goindwal Thermal is proving to be a white elephant as government is not purchasing any electricity from it and still paying huge fixed charges. This happened because firstly Power Purchase agreement with these plants were done to favour them. Secondly, post the tendering of these power plants, more concessions were given through the Power Generation Policy 2010, specially designed for new thermal power stations.

Data from recent Tariff order issued by PSERC the rate at which power is purchased from these plants in last two years.

Plant	Year	Power Purchase (MU)	Cost (Rs. Cr.)	Rate Per Unit
Talwandi Sabo (Sterlite)	2015-16	3259	1656	5.08
	2016-17	3236	2348	7.26
Rajpura (L & T)	2015-16	7281	3042	4.18
	2016-17	7364	3015	4.09
Sri. Goindwal Sahib (GVK)	2016-17	Nil	414	-

Why this happened? Generation Policy caused it all:

POWER GENERATION POLICY 2010

In the period 2009-10 power sector developers considered Punjab as a preferred location for setting up thermal power stations because Punjab was short of power and the state itself did not have any new power projects under execution.

Agreements between Sterlite Company of the Vedanta Group for the plant at Talwandi Sabo and with GVK for plant at Goindwal Sahib were already in place, when Larsen and Toubro (L&T) entered the picture with a proposal for the Thermal Plant at Rajpura on a negotiated tariff basis. L&T was informed that under the existing laws, rules and regulations it was not possible to implement its proposal because in particular tariff was to be decided by state power regulator and not by state government. L&T then informed the Punjab government that recently in 2009, Gujarat had notified its Power Generation Policy 2009 and Punjab could similarly notify its own power generation policy which would be binding on the state regulator and provide legal framework for setting up of private thermal projects.

Accordingly a proposal was made for a power policy for Punjab on the basis of the Gujarat policy, but the **Gujarat policy was twisted and distorted so as to make the draft more favourable to the developers and disadvantageous to the home state of Punjab.** It gave the following concessions to Rajpura as well as the earlier approved power plants of Talwandi Sabo and Goindwal Sahib.

A comparison of the two policies is as under:

Gujarat Policy

Section 3.4 To avail the benefits of this policy, the developer is required to sell power to state utilities/distribution licensees as per clause 9 and 10 of this policy.

Sr No 9. OPTION FOR POWER PURCHASE BY NOMINATED AGENCY: FIRST RIGHT OF REFUSAL

9.2 When fuel is arranged on recommendations of the state government, then the developer shall supply 20 % of the capacity of the power project to the home state at variable charges. (coal charges only)

Section 11. Invocation of Option/First Right of Refusal

11.3 “ Incase Distribution licensee/nominated utility fails to purchase such capacity invoked under option of purchase/First Right of Refusal within 90 days, developer will be free to sell such capacity anywhere for that year.”

This means that Gujarat government can order the backing down of private sector units if they do not need the entire energy produced, without having to pay **fixed capacity charges** to the private companies.

Provision of Punjab Generation Policy 2010

1. As per clause 9.1 there is no provision of 10% or 20% supply at variable rate from the project to Punjab and instead 70% power is to be supplied at the competitive bidding rate. ‘On first right of refusal but not obligation basis’
2. Clause 11 has been deleted and is completely missing in the Punjab agreement. This is the most glaring example of how the Gujarat power policy has been twisted in favour of the power developer to the detriment of the home state.

In the case of thermal projects the generation tariff is in two parts.

- a. Capacity charges or fixed charges which are incurred irrespective of generation and levied on the basis of availability of units.
- b. Variable charges which means fuel/coal charges which are directly proportionate to the energy supplied.

As is obvious, since para 11 is missing in the Punjab policy, Punjab has to pay fixed capacity charges whenever backing down of units is ordered either at Talwandi Sabo, Rajpura or Goindwal Sahib. In 2016-17 as per the latest tariff order approved by the State Electricity Regulatory Commission, Punjab will have to pay Rs 1871 crores to these three private power plants for power not taken or surrendered by the PSPCL. See following table:

TALWANDI SABO

Total Availability for 2016-17, MUs	11381
Energy purchased (availed), MUs	3237.27
Energy Surrendered, MUs	8144.73
Payment of capacity charge for surrendered energy Rs Cr	Rs 1081 Cr
Overall energy rate Rs per Unit	7.26

RAJPURA

Total Availability for 2016-17, MUs	9828.72
Energy purchased (availed), MUs	7364.69
Energy Surrendered, MUs	2464.03
Payment of capacity charge for surrendered energy Rs Cr	376.25
Overall energy rate Rs per Unit	4.09

GOINDWAL

Total Availability for 2016-17, MUs	2523
Energy purchased (availed), MUs	NIL
Energy Surrendered, MUs	2523
Payment of capacity charge for surrendered energy Rs Cr	413.75
Overall energy rate Rs per Unit	Infinite

As per power purchase figures approved by PSERC for 2016-17 there will be a surrender of 8144.73 MU at Talwandi Sabo, 2464.03 MU at Rajpura and 2523 MU at Goindwal during 2016-17 for which the capacity charges would be paid by PSPCL amounting to Rs 1081 Cr, Rs 376 Cr, and Rs 414 Cr , respectively totalling **Rs 1871 Crore** . This is the final and concrete proof that the government Policy was a huge over reaction to an exaggerated projection of power shortage to give Private Power Producers a benefit to keep getting payment for idle capacity . PSPCL has tied itself into power purchase agreements for 25 years by which PSPCL will be obliged to pay for the capacity backed down. Government of Punjab must disclose the figures, data, and projections of power shortage for next 25 years on the basis of which the projects were approved. The most tragic case is of Goindwal wherein PSERC has approved PSPCL proposal to surrender 100% power in the very first year of its operation while paying Rs 413.75 Cr as fixed capacity charge .

In the Gujarat policy, the developer has to supply 20% of the power to Gujarat at variable cost depending on whether the coal is arranged by him or on recommendation of Gujarat government. It implies that fixed charges of this power are not payable by the state government. By contrast in case of Punjab there is no concession or advantage to Punjab by way of 20% supply without levy of fixed charges. In case of Rajpura thermal plant and Talwandi Sabo thermal plant the coal linkage was given on the recommendation of the Punjab government and if the Gujarat pattern was adopted by Punjab, the state would have got 20% power from these projects without paying fixed capacity charges. But because the Punjab policy was distorted to give favour to the developer at the cost of Punjab, there is no such provision in the Punjab policy.

An assessment of loss to Punjab due to the denial of 20 % concession (without capacity charges) is made under.

Rajpura Thermal Thermal Power Plant

- Capacity 1400 MW
- Fixed charges Rs 1.45 per unit
- Energy @ 20% of capacity over one year = 2306 Million Units
- Corresponding Fixed Charge @ Rs 1.45 per unit = Rs 334 crores

Talwandi Sabo Thermal Plant

- Capacity 1980 MW
- Fixed charge Rs 1.35 per unit
- Energy @ 20% of capacity over one year = 3261 Million Units
- Corresponding fixed charges @ Rs 1.35 per unit = Rs 440 crores

So, by not having the clause for giving 20% power at variable cost (without fixed charges) **PSPCL has incurred the burden of Rs 774 crores per year** which is the benefit given to developers/owners of Talwandi Sabo and Rajpura thermal power plants.

The Aam Aadmi Party government will firstly, order an inquiry into the circumstances under which Punjab power policy was heavily tilted in favour of private Developers even though the example of Gujarat policy was available. Secondly, we will review this policy and the Power Purchase Agreements (PPA) with private power plants in the best interests of the people of Punjab.

2. **In addition** the annual fixed cost incurred by the three state run thermal power plants namely at Bathinda, LehraMohabbat and Ropar on account of loan servicing and miscellaneous expenses is approximately Rs **1100 crores**. They will incur this expenditure irrespective of whether they run at full capacity or not. Out of their total capacity to generate more than 17000 MU annually, they will be generating only 7308 MU in 2016-17 so that the state can buy more power from expensive private producers.

Rs 1871+774+ 1100 crores = Rs 3745 crores

As a result combined average cost of electricity supply has gone up from 329.94 paise/unit in 2006-07 to 597.95 paise/unit in 2016-17

The 2010 Power Policy clearly states that its aim is to bring down cost of power. People of Punjab deserve to know why the opposite of that has happened. Why are they being made to bear this burden. Aren't the above facts the reason why electricity tariff has steadily doubled since 2007? Who approved it, and who benefits?

The Myth of Agricultural Subsidy

The Government of Punjab is committed to pay Rs 5196 crores as subsidy in 2016-17 to the PSPCL for free electricity to farmers. But it is an open secret in the state's power sector bureaucracy that more than 80% of this amount is being recovered from domestic, industrial and commercial consumers among others. Here's how:

- Total power supplied to agricultural sector - 11327 MU
- Government paying subsidy @ - 458 paise/ unit
- Average cost of supply in 2016-17 - 597.95 paise/unit
- Difference not paid by government is -140 paise/unit

Less subsidy being paid is: 11327x 140 paise = Rs 1585 crores

This amounts to 50 paise/unit across the board for all the consumers.

See table ii. Given which shows that Industry and Commercial consumers are paying the maximum cross subsidy. For instance Large Industry which has just been given a small rebate of 11 paise/unit cross subsidises agriculture to the tune of 11.67%.

b. In addition, the PSPCL charges 18% Electricity duty of which 5% is for Infrastructure Development Fund. This amounts to Rs **2650 crores**.

It has been a long standing demand of people that this money should be spent on augmenting and strengthening the power supply infrastructure but the money is deposited directly into the state treasury and used by the state government elsewhere.

So, Rs 2650 crores + Rs 1585 crores = Rs 4235 crores.

Punjab state abolished Octroi in 2006. But Punjab is perhaps the only state in the country that levies a 10 paise/unit as Octroi on electricity in urban areas.

c. In spite of this, the government does not pay the PSPCL its share of subsidy on time and there are huge arrears. Against the total subsidy across all categories of Rs 5873 crores payable in 2015-16 the government has paid only Rs 4847 crores i.e. Rs 1026 cr. paid less. During 2014-15, less subsidy paid works out Rs 779. In 2016-17. Further ***only Rs 500 crores has been paid in the April to June period against Rs. 1864 Cr . Total subsidy pending from Government of Punjab to PSPCL is Rs 2598 Cr. (1234 Cr. upto 2015-16 + 1364 Cr. 2016-17 upto July).***

Is it fair to make other consumers pay for free electricity to farmers? Why is the government shirking its responsibility? IF GOP pays subsidy in FULL and timely, then rates for all the categories of consumers can be reduced substantially.

The Aam Aadmi Party government will honour the commitment to give free electricity to farmers and not shirk its responsibility towards any other category of consumer.

Non Recovery of Rs 1230 crores Liquidated Damages from Private Power Plants

According to the long term Power Purchase Agreement (PPA) signed by PSPCL with private thermal power plants, incase any unit is not commissioned by its scheduled commercial operation date (COD) then the private companies will have to pay Liquidated Damages (LD) to the PSPCL. None of the three units of Talwandi Sabo Thermal Power Plant were commissioned within schedule. At the rate of Rs 317 crores per unit, the Plant owes **Rs 951 crores to the PSPCL**.

Similarly, Goindwal Sahib Thermal Plant by the GVK group also failed to Commission its two units by 2013 and did so only this year. However, the **Rs 279 crores LD** has not been recovered from the company so far.

Incidentally, PSPCL recovered Rs 10 crores from Rajpura Thermal Plant of L&T for delay in commissioning of its 1st unit in 2014.

Not just is this a loss of public money, but due to non commissioning of these plants on time, consumers faced power cuts and PSPCL had to purchase electricity from outside the state which cost more. PSPCL also suffered the loss of interest on this amount.

The question is, Who Benefited? This needs to be investigated and accountability fixed.

Scam in Rs 1717 crores Centre scheme to strengthen distribution network.

The Akali –BJP government routinely claims that it has provided surplus power to the state, but people in urban and rural areas still have to suffer major power interruptions frequently. This is because the distribution system which is meant to take the load of additional power has not been timely strengthened and augmented proportionately. In July 2009 Government of India loaned Rs 1717 crores under the RAPDRP (Restructured accelerated power development reforms programme) introduced by the Centre to strengthen the distribution system in Punjab. 50% of this loan was to be converted into a grant if the work was completed within three years.

Contracts were awarded to firms at much higher than market rate. Among the three firms to whom the work was awarded is A2Z owned by the family of chief minister's son in law AdeshPratapKairon. The work was delayed to such an extent that it is not complete even now. An expert committee of the PSPCL had suggested that PSPCL should itself supply critical material to maintain quality and to lower costs. The suggestion was ignored. Payment terms were changed to favour the firms. A subsequent **demand for enquiry into award of tenders**

for works and delay in execution was also made by the Engineers Association but no action. It is estimated that the PSPCL suffered a loss of Rs 437 crores in the award of this work as PSPCL awarded total works for Rs. 1717 Cr. against departmental cost of Rs. 1280 Cr. as per PSPCL own base rates, thus paying Rs. 437 crore extra. Proof of this was submitted to the government to initiate the enquiry. An example so show how higher rates were paid is as under:

ITEM	PSPCL DEPARTMENTAL RATES(RS)	RATES GIVEN TO APDRP FIRMS (RS)	%AGE HIGHER
100 KVA Transformer	85,319	1,23,223	44%
200 KVA Transformer	1,67,526	2,28,543	36%
Pillar box for Meters	8,509	12,582	48%

Not only has the delay in execution led to higher tariff for electricity consumers of Punjab but has led to financial loss due to non-conversion of loan into grant, delay in reduction of losses and also resulted in poor quality of supply. The project was scheduled to be completed before July 2015 which has not been completed so far.

Chief Minister Prakash Singh Badal was himself the power minister at that time and a high level investigation is needed to probe the role of Mr Kairon's company which subsequently abandoned the work. There appears to be a clear conflict of interest by Mr Badal in awarding the contract to his own son in law.

Purchasing expensive coal from M/s Adani Enterprises Ltd while own coal mine is on fire

The three thermal power plants owned by the government namely at Bathinda, LehraMohabbat and Ropar faced unprecedented shortage of coal when a captive coal block allotted to Punjab, at Pachhwara in Pakur district of Jharkhand was de- allocated by the Supreme Court in September. 2014. In March 2015 the Central government re-allocated 38 of these mines to public sector undertakings engaged in thermal power generation. Among them is PSPCL, which got back its Pachhwara coal mine. However, instead of finalising the process of extracting coal and resuming supply of cheap fuel to its three power plants the Punjab government began to import expensive coal from South Africa through M/s Adani Enterprises Ltd. It imported **6 lakh Metric Tonnes at a cost of Rs 500crores** in the last one year.

At the same time a fire broke out in the coal mine last year which was somehow put off. For the last five months another fire is raging in the mines and is burning up coal in the precious coal seams. Journalists in Pakur who have reported the fire incident, say that no effort is being made to put out the fire. Punjab government is presently buying inferior and relatively expensive fuel for its power stations from Coal India Ltd. Coal from captive mine costs 30 % less on account of less rate and better quality. Instead of getting cheaper coal from its own captive mine Punjab is purchasing costly power from private thermals and outside sources through short term purchases. Punjab is suffering a loss of Rs 600 to 800 crore annually due to non-operationalisation of coal mine.

The question is, that when the state has its own coal mine in Jharkhand, why should it import coal from M/s Adani Enterprises Ltd? Punjab's power plants are running on coal from South Africa while its own coal field is repeatedly catching fire. Why?

Massive theft of power in constituencies of top Akali leaders

Though electricity rates doubled in Punjab from 2007 to now, top Akali leaders took care to ensure that influential (specially Akali supporters) consumers in their own areas did not have to pay these high rates. They can steal electricity without fear from enforcement wing / flying squads of the PSPCL who have been told not to check these areas. Though officially T&D losses in Punjab are 15%, the following table from a Government of India document in UDAY scheme, shows above 30% losses in areas represented by Chief Minister Prakash Singh Badal and his family.

DIVISION	LEADER	2014-15	2015-16
Badal	Parkash S.Badal	44.38%	40.04%

Malout	Parkash S.Badal	42.67	37.55
Jalalabad	SukhbirS. Badal	32.27	29.05
Amritsar Suburban	Bikaram S. Majithia	44.10	38.81
Patti	AdeshPartap S. Kairon	41.59	36.60
RampuraPhul	Sikandar S. Maluka	32.46	31.20
Bhagta Bhai	Sikandar S. Maluka	29.26	27.85
Ajnala		45.28	39.85
Gidderbaha		34.89	31.40
Batala Suburban		39.63	35.67
Tarn Taran City		30.69	28.12
West Division Amritsar		37.78	35.01
PSPCL Overall	Total Punjab	16.66	16.16

The question is, why are influential people from these areas allowed to steal electricity at the cost of honest paying consumers in places like Ludhiana Focal point 3.32% or Gobindgarh 3.67% and many other divisions where losses are in single digits? Are Akali supporters more equal than others in Punjab today? More seriously, who is paying for the electricity stolen by them?

Power consumers of Punjab are being burdened extra as under:

- Costly Power purchase from private thermals–2500 Cr. Annually
- Shutting down of own thermal Plants - 1100 Cr. Annually
- Non operationalisation of captive coal mine - 800 Cr. Annually
- Less subsidy payment of AP - 1495 Cr Annually
- Imposition of ED, IDF etc. -2650 Cr. Annually
- Non recovery of penalty from private thermals–1230 Cr.+ Interest
- Scam in APDRP higher rates to private firms - 437 Cr.
- Open Theft of electricity in VIP area ---
- This results in higher loans hence interest payment on account of Late payment of subsidy by GOP.
- This is why electricity rates have doubled in the last nine and half years.

Aam Aadmi Party