

## ‘SEB’S POLICY- A VITAL ISSUE ON THE EVE OF MSEB’S SPLIT UP

\* **Dr. Arundhati S. Ninawe**

**Introduction** -Power is a crucial infrastructure and essential public utility service, which is useful for economic development and for enhancing the quality of life. To provide and develop conventional forms of energy for meeting the growing needs of society at a reasonable cost are the responsibility of the government. Maharashtra State Electricity Board (MSEB), a one-time profit making power utility, which was perhaps one of the most efficient State-owned electricity companies in the country, is now financially crippled State Electricity Board (SEB) and got split up into four companies. Our annual per capita electricity consumption is average 400 KWH, which is really one of the lowest in the world and when we compared this with China is 850 KWH, USA 12,300 KWH and the average of 1,400 KWH in the middle-income countries.

The issue of MSEB is presented here from management point of view. In reality our problem starts from electricity generation and it is at the crucial stage at its distribution and the extreme case is of the ‘free distribution of the electricity to certain consumers.’

**Review of power energy in India**-Power development in India commenced at the end of the 19<sup>th</sup> century with the commissioning of electricity supply in Darjeeling during 1897, in private sector for urban area only. For rules and regulations directives, The Indian Electricity Act, 1910 ; The Electricity (Supply) Act, 1948, and The Electricity Regulatory Commission Act, 1998, were enacted. Electricity is a concurrent subject at entry 38, in list III of Seventh Schedule of the Constitution of India. The Ministry of Power is primarily responsible for development and production of electrical energy in the country. The Ministry of Power has signed MoU with 27 states and MoA is also signed by all the 27 states in 2003. The installed power generation capacity in the country has increased from 1,400 MW in 1947 to 1,24,287.17 MW as on March 2006, comprising 82,410.54 MW thermal, 32,325 MW hydro, 6190.86 REs and 3,360 MW nuclear. To meet the projected power requirement by 2012, an additional capacity of 1,00,000 MW is required during the 10<sup>th</sup> and 11<sup>th</sup> Five Years Plans. Considering the fact that a large chunk of proportion of the installed

capacity will come from the public sector, the outlay for the power sector has been raised from Rs. 45,591 crore during the 9<sup>th</sup> plan to Rs. 1,43,399 crore in the tenth plan. This would include a gross budgetary support of Rs. 25,000 crore and the remaining Rs. 1,18,999 crore would be internal and from extra budgetary resources. Indian Power Sector has progressed a great deal since independence. Budgetary financial support and centralized supply from large thermal and hydro projects have been the main pillars of this development. Presently more than 20 % of plan funds have been allocated for power sector. But still the country is facing power shortage and over a third of house still do not have electricity connection. Most of the SEBs are in the loss and cannot raise funds for expending the capacity to meet the growing demand. SEBs are heavily subsidized which results in little incentives for efficient generation, transmission and distribution of electricity. Under invested in transmission and distribution facilities by SEB resulted in large losses and several burden on state government budgets.

**A Case Study of MSEB**-Maharashtra State Electricity Board (MSEB) serves the power sector in Maharashtra excluding Mumbai. The Mumbai area is served by three-power utilities- Tata Power Co. Ltd., BSES Ltd., and BEST. MSEB is the largest SEB in the country, which was established in 1960. The generation capacity of MSEB has grown from 760 MW in 1961 to 1,40,09,089 in 2002. The current losses transmission and distribution of MSEB are very high. The main problems faced by MSEB were the gap between demand and supply which was around 40% i.e. 3500-4000 MW, cash loss of a whopping Rs. 762 crores in financial year 2003-04. The massive transmission and distribution losses was nearly 35% during the year 2004-05 and 90.3% lack of efficiency in collections, which is causing colossal losses. While the cost of supply is 3.68 per unit the MSEB collected average 2.97 per unit. Free electricity issue resulted in resulted in heavy losses and still there are four lakhs agriculture connections. Absence in capacity addition, high level of theft with the connivance of all stakeholders, lack

of transparency and accountability are other problems of MSEB. The estimated fund required for the same is Rs. 30,475 crores for next five years. Actually self-sustaining growth of the power sector and its financial viability is essential for the speedy and sustained socio-economic development of the State. This would free up resources for the State Government and enable it to focus on addressing the critical social sectors such as education, healthcare and poverty alleviation. The financial crippled MSEB is got split up into four companies on 7<sup>th</sup> June 2005.

**The SWOT Analysis of Working of MSEB** -The pros and cons of various aspects related to MSEB policy in the light of continuous pressure from various economical, political and social factors requires SWOT analysis of working of MSEB.

**Strengths** -1. Higher power generation installed capacity – 15144 MW 2. Highest number of household consumers – 1.32 crores 3. Highest number of agriculture consumers – 22.44 lakhs 4. Highest number of industrial consumers – 17109 MUs 5. Highest revenue generated – 14067 crores 6. Largest technically trained manpower – 79000 7. MSEB is number one in power generation in the year 2003-04 8. Biggest Transmission and Distribution Network including 400 KV Lines 9. 100 % Villages electrified in the State 10. Energisation of highest number of Agriculture pumps in (2327716) in the country 11. Per capita consumption – 667 KWH (National Average 335 KWH)

**Weakness**-Lack of recovery and collection of bills, un-metered connections, political favours done to certain voter's group or populations and promises made by politicians to strength their

position in public.

**Opportunities**-MSEB will have to adopt futuristic vision and proper planning in all consumer bases. Government of Maharashtra will have to help MSEB to convert opportunities into profitable business and competitive market. Now GoM will have to frame industrial policies to attract other markets like other markets have to be tapped in Karnataka or other state where energy is desperately needed and it is not readily available. All merits of pioneering in power sector on national level can be utilized for rebirth of MSEB in Maharashtra State.

**Threats**- 1. Increasing gap between demand and supply. 2. Negligence towards of maintenance old and outdated infrastructure. 3. Negligence towards the awareness program for efficient use of power. 4. No new investment in projects power for generation, transmission and distribution. 5. Rapid de-industrialization of State and increasing population burden on metros. 6. Subsidies tariff and no efforts for collection of defaulted power bills. 7. Only power generation is insulated by government guarantees. 8. Transmission and distribution can be tapped and are not covered under guarantees.

**Conclusion**- By now, it has become all the more clear that the MSEB is in severe financial crisis. Therefore, it has laid out a set of long-term plans to promote the MSEB's recovery, up gradation and erection of new power projects for the present and future demand-supply gap. These will include capacity addition plans for existing power generation projects, collections recovery; and reliable transmission and distribution.

## REFERENCE

1. [www.power.nic.in](http://www.power.nic.in)
2. [www.powermin.nic.in](http://www.powermin.nic.in)
3. [www.reneingindia.org](http://www.reneingindia.org)
4. [www.nhpcindia.com](http://www.nhpcindia.com)
5. [www.powersearch.cpri.res.in](http://www.powersearch.cpri.res.in)

## Book

1. Dr. Hans de Bruijn, Public duties, rights and responsibilities
2. Gupta G.S, Economic Fluctuations and Stabilization Policies.
3. India 2009, A Reference Annual, Compiled by Research, Reference & Training Division, Ministry of Information & Broadcasting, Govt. of India.