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High power cost drives SEZ to replace state as power supplier

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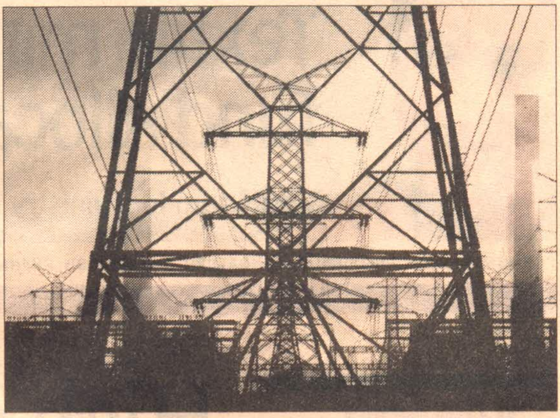

New Delhi, Dec 27: With industrial consumers bearing the burnt of high power costs in the form of cross-subsidy imposed by the state-run power discoms even in the special economic zones (SEZs), Power Trading Corporation (PTC) India has joined hands with a multi-product SEZ in Indore for distribution of 80 MW power in a first-of-its-kind arrangement. The company has availed the 'deemed licensee' status of the SEZ, which allows it to replace state with any other agency as the designated discom.

As *FE* reported earlier, the discoms in nearly all states charge the industrial consumers over twice as much per unit of electricity as the domestic ones to finance subsidies to the agriculture sector and the less privileged domestic consumers. This, however, reduces the competitive ability of the manufacturing unit with tariff as high as ₹10/unit in some of the industrialised states.

"The manufacturers and other businesses set up shop in an SEZ to reduce their overall input cost. However, high power cost can dent some of the savings, especially for those involved in metal works as power cost could constitute as much as 40% of their expenditure," Rajib K Mishra, director, marketing and business development, PTC India, told *FE*. Assuming ₹8/unit as the power cost for such an industry, even a reduction of ₹1/unit in the energy bill could bring down the input cost by over 10%.

PTC India, which has a base of nearly 500 bulk consumers, will execute the distribution business through its subsidiary PTC Retail. While the firm would look for similar opportunities in over 200 SEZs across the country, Mishra said it wasn't easy to convince the SEZ management which is manned by a state government official, to give up their high-end consumers. Going ahead, the company could also look at roping in the defence establishment.

"With our foray into the distribution business, we are also preparing for the eventual separation of carriage and content in the distribution business as proposed in the amendments to Electricity Act, 2003. This will allow several licensees to compete for the same area of operation," Mishra added.

Though the Union government introduced the amendments in Parliament in 2014 to introduce competition in the crucial segment of power business, it is not being pursued with much intent even after the standing committee report because of opposition from several states.

The high power cost for bulk consumers has already driven away railways from the state-owned discoms' fold. The national transporter has secured several commitments for half the cost levied by discoms earlier. Railways' dependency on states will further reduce as its Nabinagar thermal power plant in association with NTPC comes on stream early next year.