

Plenary Lecture: Tariff – Its Importance for Sustainability of Power Sector

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Electricity supply is a service. Utilities should run on “No-Loss-No-Profit and again on Sound financial basis.” This requires proper tariff, as revenue from consumers is the main source of income for any utility. New lines should be constructed on revenue criteria. The revenue earned from these lines should be reasonable to recover the capital, operational, maintenance, and other costs in due time. Again all areas of the country or Utility are to be brought under electrification, i.e., “Area coverage electrification program” irrespective of revenue. The two concepts are contradictory. Again Politicians sometimes commit to provide electricity free of cost to its Consumers (voters) in irrigation areas or to the poor, but who will actually pay for this free electricity.

The tariff is not rational or cost effective. The rich countries sometimes provide subsidy to its Utilities, whereas developing or poor countries are discouraged to provide subsidy because of mismanagement. Cost of electricity and tariffs are not in harmony. Why? The Utilities have to keep the cost at minimum.

Another important aspect is to always procure or install best quality electrical products. Electricity is sometimes considered as Goods and by some as Service. In any case, it is such a product whose quality cannot be ascertained before its delivery to its consumers. We need to provide best quality electricity. Again Electricity is a service, which is required round the clock. For Off Grid areas we need Renewable energy, which is expensive. Best thing will be to provide one time subsidy to them. Often we have to go for Privatization mainly due to inefficient management of state-owned Utilities. In any case, the tariff should be such that the total cost of providing electricity is recovered from total sale of electricity at its minimum possible tariff.

We also need a complete Infrastructure and Energy master plan for the whole country.

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