

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES, Dehradun

End Semester Examination, December 2021

Program: MBA Power Management **Semester – 1st**
Subject (Course): Power Sector Structuring & Functioning **Max. Marks: 100**
Course Code : PIPM-7002 **(Total Pages -3)** **Duration: 3 hrs**

SECTION – A (Each question carries 2 marks) Total Marks in section A = 20 Marks

1. The Electricity Act 2003 is not applicable in -----.
2. Name Power Ministers of Union Govt. and Govt. of Uttarakhand.
3. What is renewable energy target for India in 2022 and 2030?
4. What is current generation capacity in India? How much units India has approx. generate in the financial year of 2020-21.
5. What do you mean by CERC and CEA?
6. What is Power Trading as per the Electricity Act 2003?
7. Expand CUF and PLF.
8. Electricity Act has 18 parts and 185 sections. (True / false)
9. What do you mean by IPP and ARR?
10. What are SHR and GCV?

SECTION – B (Each question carries 5 marks) Total Marks in section B =20 Marks

Attempt all four questions

1. Analyze “World-Bank Model” for power reform in the developing country after explaining it.
2. Examine changes proposed in National Electricity Policy or National Tariff Policy in 2021.
3. Give five main points of Indian Electricity Act 1910.
4. Why Solar Energy Price is coming down in India? Give major reasons.

OR

Write different components of Capacity Charge for a TPP.

SECTION – C Attempt all questions 30 Marks = 3 X 10 marks

1. Determine tariff for a 500 MW Hydro-plant located in Uttarkhand assuming all parameters and norms as per UERC.
2. Explain growth and development of power sector in India since independence.

OR

Explain and critically evaluate statement with at least three examples –“Power sector is moving from monopoly to competition”.

3. Explain salient features of Electricity Act 2003.

SECTION – D Case Study Attempt both questions 30 Marks = 2 X 15 Marks

B K Chaturvedi committee for reforms in distribution sector

The Planning Commission has set up a committee headed by B K Chaturvedi to help restore the financial health of the utilities. The real aim of the committee headed by BK Chaturvedi is to facilitate private investments in power distribution. Former cabinet secretary BK Chaturvedi is notoriously known for many recommendations against public interest, mostly favouring corporates. Chaturvedi recently headed a government panel, which, in early August 2008, suggested ways to reduce the government's oil subsidy bill that included upward monthly revisions of fuel prices. The recommendations have not found favour either with the oil ministry or public in general. The Committee also comprises representatives from the Ministry of Finance, the Reserve Bank of India and officials from the state governments. "The committee would suggest measures to improve the financial health of power distribution utilities," Chaturvedi said. It would prepare a report in the next 6 months, before the start of the 12th Five Year Plan Period (2012-17), so that the suggestions can be incorporated in it. "We will ensure that there are no defaults on payments... before the start of the 12th plan, we would put the mechanism in place," Chaturvedi said.

Finance Minister Pranab Mukherjee, at the National Development Council meeting, had asked the states to raise electricity charges to improve the financial health of power distribution companies. They are facing difficulty in raising fund from banks on account of poor balance sheets. Some of the distribution firms have not raised tariffs for 10 years and their total losses are estimated to be Rs 70,000 crores. Meanwhile, the Ministry of Power has proposed that the state governments would consider converting loans due from them to the distribution utilities as state government equity to ensure capital infusion and improvement in net worth of the utility.

Earlier, a Task force also headed by Planning Commission member BK Chaturvedi on operationalizing open access has invited opposition from various corners. In its report, the task force has suggested amendment to Electricity Act 2003 to make it explicit that power supply by a generating company to a distribution licensee includes supply through an electricity trader. It has also suggested pricing cap and trading margins for inter-state trading of electricity.

The task force has also suggested maximum trading margin to be allowed to a single trader. In yet another contentious recommendation, the task force has suggested that the government should allow release of Accelerated Power Development and Reforms Programme (APDRP) assistance to states that enable consumers to exercise their right to open access. The power ministry has opposed this as the revised APDRP has already been approved by the Cabinet.

The Shunglu Committee was headed by Mr. V.K.Shunglu who is the former chairman of CAG (Comptroller Auditor General). The committee prepared reports on other issues including the CWG scam. The Prime Minister has asked the ministers to take action on the finding of the reports. In its draft report on the financial position of Distribution utilities on the following key areas are taken into account:

- Review of accounts of State Electricity Boards(SEBs) and distribution companies
- Review the financial position of State Electricity Boards(SEBs) and distribution companies
- Losses incurred and projected distribution losses
- Review of electricity tariff
- Assess system improvement measures
- Examine geographical and spatial compulsions and determine their operations
- Review organisational and managerial structure
- Recommend plan of action to achieve financial viability

The Distribution sector is the worst performing sector in the Indian Power Sector and is the bane for numerous problems ranging from investments to retail power supply directly or indirectly.

Key Recommendations by Shunglu committee -

Regarding the distribution sector the main observations of the committee are:

- Committee has said that the distribution utilities should be heavily penalised if they fail to submit annual revenue requirement and the tariff revision proposal to the regulator.
- The report has suggested stern measures because several state power regulators have not been carrying out annual tariff revisions, mandated by the Electricity Act. Non performing regulators may be sacked.
- The committee has suggested that if the accounts of utilities have been audited then the regulators should allow the utilities to make up for the tariff gap through raising electricity tariffs adequately e.g. Andhra Pradesh and Maharashtra.
- Penal action recommended against utilities where accounts of discoms are not audited eg. Bihar and Uttar Pradesh.

The committee is worried about the working capital of Rs one lakh crore that distribution utilities have raised to bridge the widening gap between realisation and expenses. The committee has suggested that if this has been audited by statutory auditors, the regulators should allow the utilities to make up for these gaps. Once the Comptroller and Auditor General (CAG) submits its report, the regulators should clear the expenses incurred, it says.

- 1. Analyze & Evaluate suggestions given BK Chaturvedi Committee in your own words.**
- 2. Write major points of Shunglu Committee report with your views for implementation.**