

Transmission capacity deficit, a looming threat to the Economy: FICCI report

NEW DELHI, September 27, 2013. Inadequate attention to enhancing power transmission capacity, the critical triad in the power value chain along with generation and distribution, threatens to jeopardize India's efforts to raise economic & manufacturing growth and the socio-economic well-being of the people. This grim prognosis is held out by a **FICCI-Booz & Co. report titled 'Power Transmission: The Real Bottleneck'**. The report which outlines challenges in creating transmission capacity in the country along with actionable recommendations to avert a potential, crisis is the culmination of the efforts of the **FICCI Task Force on Power Transmission**.

The grid failure which plunged much of northern India for two consecutive days in July 2012 has unearthed the enormity of the problem and does not augur well for either India's potential as a destination for global capital or the increasing economic footprint of businesses within India. The transmission bottleneck has thus emerged as one of the primary obstacles in the country's efforts to overcome power shortages which currently entail a GDP loss of US\$ 68 billion or 0.4 per cent of GDP.

The fact that despite installed capacity of 225 GW, only 135 GW of peak demand is met in the country highlights the need for capacity creation in Transmission as it has not kept pace with the growth in Generation over the last decade. Sadly, India has stranded power with un-served consumer. Current power shortage accounts for 0.4% of GDP loss which is expected to worsen with new generation plants coming on line over next few years. Current power system is overburdened with 30 of its key transmission lines (3000 Ckm) severely overburdened, requiring immediate capacity augmentation. Further, implementation of True Open Access will increase requirement of Transmission lines manifold. However, project implementation has been witnessing enormous headwinds, with over 120 projects delayed across the country on account of undue delays in obtaining Right of Way & Forest Clearance. PGCIL is severely overburdened with more than 1.2 lakh crore projects and takes an average 6 years to complete projects.

The Government has taken steps in the right direction by opening up the sector to private participation and implementing of Point of Connection (POC) regime. The report has identified further specific policy interventions which are implementable in immediate future and would allow the country to achieve unprecedented capacity target of 12th plan. The report indicates that efficient planning by pruning concept to commissioning period to 40 months, reducing the concentration of excessive projects to a single PSU, and incentivizing use of modern technology will not only allow the country to bridge the gap in Transmission capacity that has been created over last decade but also conserve scarce resources of land and forest.

Additionally, some specific measures like creating a level playing field for private participants with PGCIL in terms of forest clearance and role in planning, adequate redressal mechanism,

stringent qualification norms, and simpler exit norms will attract huge private capital required for the 12th plan.

Much like roads, highways, railways and shipping lanes form the key corridors of global trade and economic growth transporting goods and services, Transmission lines ferry power from the generating stations to various demand centers across the length and the breadth of the country. More importantly, while the failure of any one transportation corridors can be offset by other allied means, the power sector enjoys no such luxury. The fact is that power is a commodity that cannot be imported to meet the shortages within the country.

According to **Dr. Arbind Prasad, Director General, FICCI**, “With a planned generation the capacity addition estimated at 88 GW in the 12th Plan and improved generation with fuel issues getting sorted out for existing capacity, a corresponding increase in transmission capacity is needed to ensure that power generated reaches the end consumer. More than 46% of the total investment required (in excess of Rs 2 lakh crore) has to come from private sector. Clearly, successful PPP in transmission would be vital to meet the huge investment and capacity enhancement target in transmission. The report highlights various reasons which currently saddle the pace of private investments in the transmission sector along with measures to address them.

Mr. Pratik Agarwal, Chairman of the FICCI Task Force on Power Transmission adds “Right planning initiatives can reduce time taken from concept to commissioning by over 30% and encourage use of technology in project execution that will result in high capacity transmission corridors in much lesser time and resources.”

The FICCI Task Force on Power Transmission was constituted in April 2013, to ascertain the key inhibiting reasons for private players and suggest possible solutions towards addressing these issues. The report is a culmination of these efforts and provides a well researched context for bringing the important issues related to transmission sector to the forefront.

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