

**ASSOCHAM**

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**STUDY**

**Free electricity @ what cost?**

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## **Supply of free power to farmers causing losses of Rs. 3000 crore per annum to two states: AEP**

Atleast Rs. 3000 crore is costing to two electricity boards of Punjab and Tamil Nadu annually for supply of free power to the farmers, assuming that the electricity was being transmitted at the prevailing domestic rates on a system of 2HP, which otherwise could have been gainfully utilized in augmenting generation of electricity, strengthening the transmission and distribution system, according to the study undertaken by the Assocham Eco Pulse (AEP).

The AEP study on “**Free electricity @ what cost?**” says the state electricity boards of Punjab and Tamil Nadu are incurring huge losses and facing the problem of supply deficits with -10.1 per cent and -4.9 per cent respectively for the period April-July 2008-09.

The state governments of Punjab in 2001-02 and Tamil Nadu in 2004 respectively announced the supply of electricity at totally free cost to the farmers. It has been observed that, the state owned power boards since then are incurring huge losses, while passing the burden to other category of consumers. Even the industries are regularly complaining that they are increasingly becoming uncompetitive vis-à-vis their counterparts in other states.

“In the true sense, neither the interest of the farmers nor of the states is served, with free power supplied as the power made available is inadequate, unreliable and poor quality thereby making states unpopular and unattractive for investment”, said Mr. Sajjan Jindal, President, ASSOCHAM.

**Loss incur on providing free power supply to the agriculture sector**

<b>S.No.</b>	<b>State</b>	<b>Losses incurred (Rs. Crore per annum)</b>
1	Punjab*	1,975
2	Tamil Nadu**	1,140
	<b>TOTAL</b>	<b>3,115</b>

\* (@ the prevailing domestic price= 3.68 per unit)

\*\* (@ the prevailing domestic price= 4.75 per unit)

Punjab supply power to the agriculture sector about 8 hour/day. The state with the policy of free power supply to the farm sector and 12.32 lakh energized irrigation pumpset/tubewells are set to incur losses amounting Rs. 1,975 crore per annum at the prevailing domestic rate of 3.68 per unit for a power supply of 2HP to the sector.

Likewise, the southern Indian state namely Tamil Nadu provides 14 hour/day electricity supply to its agriculture sector. The state have almost 3.14 lakh energized irrigation pumpset/tubewell, its policy of free cost of power to the sector is leading to incur huge losses amounting Rs. 1,140 crore per annum at the prevailing domestic rate of 4.75 per unit with a power supply of 2 HP to the farm sector.

The question arises says the Assocham chief, who should pay for the losses when almost all the states electricity boards are in plight of filling the demand-supply gap of electricity? State governments that are offering electricity to the farm sector at free cost is hampering the farm production along with timely, cost-effective supply of power jeopardizing industrial progress.

The India agriculture sector according to Mr. Jindal alone accounts for about 27 per cent of the total electricity consumption, and with states offering free supply of electricity to the farmers are absorbing a portion of the cost from other

category of consumers. The industrial sector which is already paying heavy rates for power supply is unable to fetch 24 hours flow of electricity.

The widening gap between demand and supply of power leads in fluctuating voltage, scheduling of the supply is also creating hurdles in setting up of industrial unit in rural areas. Supplying low-voltage power burns out farmers' pump sets and state electricity board transformers that take months to get replaced. The burden of losses is shifted to the domestic and industrial sectors who are already paying heavy bills for electricity supply.

The farmers misuse the free electricity for non-irrigation purposes along with excess mining of groundwater resources resulting in the lowering of the water table. They keep boring deeper in search of water by installing deep pumps using heavy duty motors consuming more power and laying foundation for more serious long-term problems.

Large amount of funds are used in distribution and transmission of free supply of power, are spent at the cost of other developmental activities. The state governments are already facing power deficits and an added expenditure on free power acts as a burden on the whole nation, and jeopardize the growth of the states in all respects.

**Since political parties have started the process of drafting the Election Manifestoes for atleast six states due for election, Assocham decides to bring facts before the nation- Mr. Sajjan Jindal, President, Assocham**