

The Performance of Indian Power Sector for Pre and Post-Reforms Period

Sanjay Tupe and K Narayanan

This paper analyses pre and post-reform performance of Indian power sector. The averages of the physical indicators of two periods have been compared and tested for differences if any, using independent t test. We find that average consumption rate of electricity used for agricultural, domestic and commercial purposes have improved. However, the electricity used for industrial sector has shown a declining trend during the reform period. Other important findings emerge from the study are: average transmission and distribution losses increased during the reform period much faster than the pre-reform period; the energy generation mix remains dominated by thermal power; the share of private sector into total power generation capacity has improved marginally by 2.5 per cent; the share of hydro power has declined from 29.50 to 16.52 per cent; and energy generation by nuclear source remains the same during the reform period.

I Introduction

The power sector reform process began in Chile in 1980s for the first time in the entire world followed by privatisation of power sector in Argentina during 1989. The beginning of power sector reforms in these two countries is described as a “Southern Cone Model” of privatisation of electricity business in the western countries. Thereafter, U.K. Electricity Act was enacted for making a formal law of power sector reforms in July 1989. This law has opened up electricity business to private sector in U.K. for the first time. One of the important provisions of this law was to initiate the process of restructuring of the power industry prior to its sale to investors or bidders (Kannan and Pillai 2002).

In the decade 1980s, World Bank created Structural Adjustment Loan (SAL) to meet the global fiscal crisis. On the other hand, International Monetary Fund's (IMF) New Structural Adjustment Facility (NSAF) was also proposed to provide medium term assistance to developing countries for sorting out Balance of Payment (BOP) crisis faced by them. These two facilities made possible and also created necessary background in developing countries for introducing

Sanjay Tupe, Faculty in Economics, B.Y.K. College of Commerce, Nashik 422005, India, email: sanjaytupein@yahoo.co.in

K Narayanan, Professor in Economics, Department of Humanities and Social Sciences, Indian Institute of Technology, Bombay, Powai, Mumbai 400076, India.