

FROM THE EDITOR'S DESK

Greetings!

India is steadily gaining importance in the world energy scenario. It is already the fifth largest economy and a major energy importer. Even import of coal, the mainstay of the nation's energy resource, is expected to rise. High economic growth in the Asia-Pacific region, including India, is spurring a rapid increase in energy consumption. Total energy use in India has expanded in the past five decades, with a shift from non-commercial energy to commercial energy sources. The trends in production of primary commercial energy in the past five decades indicate coal as the most abundant among all commercial energy sources. The petroleum and natural gas sector has seen significant growth in domestic production and supply. Resource augmentation and growth in energy supply has not kept pace with increasing demand and, therefore, India continues to face serious energy shortages. This has led to increased reliance on imports to meet the energy demand. In 1991, the Indian government opened the avenue for private sector participation in the power sector. Due to the shortage of power, the government offered incentives for Independent Power Producers (IPPs) to enter the generation sector. New technologies that help to efficiently utilise energy, especially electricity, need a long time to be developed. Therefore, it is desirable to identify the key areas and initiate research and development. There is also a need for clarity in the direction in which we wish to move in areas like energy security, research and development, addressing environmental concerns, energy conservation, etc.

The tariff policy is developed in consultation with the State Governments and the Central Electricity Authority (CEA) keeping in view the advice of the Central Electricity Regulatory Commission and suggestions of various stakeholders. Since the Electricity Act of 2003,

the Government of India has issued detailed guidelines for competitive bidding for all future power generation projects, tariff norms for renewable energy, new transmission pricing grid code, etc., and from January 2011, Central/State public sector companies also are expected to compete with the private sector to supply power to the distribution companies through competitive bidding.

Though subsidies are a burden on the government, they are one of the most powerful policy tools in its hands to achieve a range of economic, social and environmental objectives. There are a number of criteria by which a sub-

sidy policy may be appraised in the power sector in India. In the Indian power sector, consumers in each state are divided into five broad categories: domestic, agriculture, commercial, industry and railways. Each of these categories is further divided into sub-categories based on consumption levels. The categories and sub-categories vary from state to state. Even within these sub-categories, some states have different tariff rates for consumers in urban and rural areas.

Power is subsidized for agricultural and domestic consumers through two sources: (i) state support to State Electricity Boards

(SEBs) in the form of subventions or write-off of loans or interest, etc., and (ii) cross-subsidization by charging higher prices from industrial and commercial consumers.

This issue presents a good number of articles by distinguished experts and authors on the 'Economics of the Power Sector', the cover story theme of this issue. A new section, 'Letters to the Editor' that started a few issues ago, continues. We look forward to constructive feedback from our readers on the articles and overall development of the journal under this section. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

