Energy governance framework in the context of the energy transition

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Existing challenges
Weak planning, drafting and implementation

• Lack of comprehensive approach
• Repeated DISCOM bailouts
• Poorly designed and drafted policies
• Power purchase planning by DISCOMs
• Little attention to implementation and
  independent oversight
• New Coal Distribution Policy, 2008
• Supporting productive loads
• Accelerated depreciation in wind
• Compliance to environmental norms
Weak institutions

• Weak institutional design
• Insufficient capacity
• Unwillingness to exercise mandate

• PNGRB
• Bureau of Energy Efficiency
• Coal Controllers’ Organization
• Most regulatory agencies
• Pollution control boards
• Electricity Regulatory Commissions
Insufficient competition

• Coal: *de jure* monopoly for ~40 years, *de facto* monopoly even after
  • Serious accountability issues
  • Introduction of MDOs

• Thermal power
  • A few ‘big’ players control majority of stake

• Coal and oil-gas block auctions
  • Decreasing number of bidders per block

• More or less happy exception (so far): Solar PV
Silo-based approach

• ~$\frac{2}{3}$ of coal consumed in the country for power generation; ~$\frac{2}{3}$ of power generation comes from coal
• Still, policy dissonance between these sectors
  • Coal allocation policy
  • 175 GW renewables + 1 billion tonnes coal

• Finance, power and coal sectors
  • The NPA / stressed assets problem
  • Plants with dubious coal linkages
  • Plants without linkages and/or PPAs
Entrenched interests

• The meta-problem?

• MoUs in the IPP era
• Contracts being awarded just before new legislation/policy
• Discretionary coal block allotments
• Diluting sanctity of contracts
Emerging challenges
Changing nature of electricity distribution

• Rapid change in sector economics – renewables, soon storage
• Changing role of DISCOMs

• Current scenario
  • Responsible for wires and supply
  • Universal supply obligation
  • Dominant grid user
  • State demand ≅ discom demand

• Large consumers will migrate away
• Cross-subsidy will shrink
  • DISCOM finances further stretched
• Will impact small consumers hardest

• Emerging scenario
  • Provider of wires
  • Supplier of last resort
  • Grid balancing
  • Meeting energy needs of small consumers
‘Just transition’ away from coal

• Transition is inevitable
  • But unplanned transition could be chaotic

• Labour force in the coal sector

• Revenue / employment in coal-bearing states
  • Coal mining as well as thermal power generation

• Social infrastructure

• Indian Railways’ business model
Other issues

• Greater role of electricity markets
  • Regulation and rules of the game

• Integrating variable renewable energy
  • Forecasting and scheduling
  • Cost allocation / sharing
  • Ancillary services markets etc.

• Storage technology
  • Technology and market development
Thank you
Suggestions for way forward
Ideas for way forward

• No easy way out
• Suggestions necessarily broad and ‘motherhood’ in nature

• Accountability of stakeholders
  • Adherence to performance parameters
  • Well-defined contracts and adherence to them

• Transparency and information symmetry
  • Will enhance accountability, competition, public engagement
Ideas for way forward ...

• Institutional strengthening
  • Institutional design
  • Institutional capacity

• Planning and monitoring
  • Evidence-based planning
  • Credible, independent monitoring
  • Agile approach – fine-tuning

• Comprehensive approach
  • Greater coordination and synchronization among sectors
  • Joint monitoring and oversight
Ideas for way forward ...

• DISCOMs