

# RBI didn't power this crisis – Faulty government power policy responsible for soaring NPAs

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The [RBI](#) has hit the nail on the head when it says the government's favouring of state-owned utilities is what has caused the severe stress in the power sector. Had there been a level-playing field, with both public and private sector firms participating in a bidding process, some Rs 2.5 lakh crore of investments may not have been in as much trouble. Instead, NTPC was allowed to enter into power purchase agreements for some 40,840 MW of capacity—on a cost-plus basis—assuring it a minimum return on its equity. Chhattisgarh, for instance, was buying electricity from NTPC's Mauda plant at Rs 5.94 per unit in 2015-16 while the approved purchase price for private sector players was Rs 2.99 per unit. With NTPC not having to compete in a bidding process, private sector utilities found it that much harder to ink PPAs, with the result that, now, 40,000 MW of capacity is stressed.

What is unfortunate is that despite the colossal damage—banks may need to write off more than `1 lakh crore of loans—the government doesn't seem to be learning from the past. The draft tariff policy, once again, proposes to spare PSUs like NTPC from competing against its private sector peers. It recommends that, in the case of any new capacity added to an existing project, or in the case of a central/state PSU, the tariff can simply be determined by the regulator. For all other projects—read: private sector plants—the price of power is to be discovered through a bid.

Meanwhile, NTPC continues to add capacity at costs that are higher than the industry average of `6.5 crore per MW, even though there is so much stranded capacity or power plants that don't have PPAs. In some instances, such as the Bongaigaon unit in Assam, the cost is as high as `9 crore per MW. The higher cost of generation means the states are paying more to procure the power; the Bihar power regulator, for instance, approved a tariff of `4.96 per unit for the state utility to procure power from NTPC's Barh plant in 2017-18. However, the same utility was paying GMR Kamalganga only `3.17 per unit. As a result of this, even while AT&C losses of SEBs are coming down, they are unable to pay their bills—as FE recently reported, discoms owe a clutch of 23 gencos around `44,000 crore. The only way to fix the current power-NPA crisis is to get regulators to raise tariffs so that private producers get paid while, at the same time, ensuring that PSUs, like NTPC, are not favoured and are forced to compete with the private sector.