

# India



## Power politics at the mercy of vested interests

### Prayas Energy Group

The implementation of the new electricity law is gaining speed, with the prospect of serious and long-term impacts on the national economy and the livelihoods of the disadvantaged sectors of society. Furthermore, the news that the Dabhol project of the infamous Enron corporation is being revived is far from welcome. Unofficial information suggests that Indian taxpayers will pay dearly for a 'second-hand' project unaccountable to the country's democratic institutions.

This article is aimed at presenting an overall picture of recent developments in the Indian electricity sector. During the past two to three years, the Indian power sector has been undergoing momentous changes at a very fast pace. These are going to have long-term impacts not only on this specific sector, but on the entire economy and society as well. Here, events around two crucial issues are covered: (a) the new national law and its institutional, social and economic implications; and (b) the continued controversy over the Dabhol project. The review of events and developments is supported by a brief analysis of the main financial aspects of the Enron project and of the main political aspects of the new law.

### The new national electricity law

The story of the new electricity law starts in the year 2000, when the Ministry of Power initiated the drafting of a new comprehensive bill to update legislation in the power sector within the spirit of 'economic reforms.' The consultant appointed by the government produced many versions of the draft bill, which was introduced in the Parliament in August 2001. The Parliamentary Standing Committee on Energy looked into the bill, and suggested

some changes. The lower house of Parliament (*Lok Sabha*) passed this bill without any amendments in early April 2003. Many amendments were suggested in the upper house of Parliament (*Rajyasabha*), but they were kept pending with the bill being passed in late April 2003. Following Presidential assent, the bill was enacted as the Electricity Act 2003 on 10 June 2003 (see box).

### The E-Act in brief

The Electricity Act 2003 (or *E-Act*) is a document of around a hundred pages and 185 sections, covered in 18 parts. Until its passage, the electricity supply industry in India was governed by three laws: the Indian Electricity Act 1910, the Electricity (Supply) Act 1948 and the Electricity Regulatory Commissions Act 1998. The Electricity Act 2003 replaces these laws and is said to harmonise legal provisions through a comprehensive new piece of legislation, meeting the demands of reform-related issues such as trading and competition. The main features of the E-Act are:

1. Generation of electricity is de-licensed. Thermal generation no longer requires clearance from government agencies like the Central Electricity Authority (or CEA). Only large or inter-state hydroelectric proj-

- ects need such clearance.
2. Captive generation plants can be set up by a group or society to meet their needs without having to seek permission from the local utility or government. The captive plants can be located off-site (far from the consumption point).
  3. The transmission utility at the central and state levels will continue to hold responsibility of co-ordinating planning of the transmission network. These utilities or state governments would look after load dispatch (scheduling of plants, maintenance, etc.).
  4. Private companies can build transmission lines for captive or for common use
  5. Any generating station will get 'open access' to the transmission system at a fee, subject to capacity availability. Such a customer will have to pay a fee to the transmission utility (called a wheeling charge) and certain charges to the 'load dispatch centre.' Bulk consumers, including distribution companies (or DISCOMS), can take advantage of the 'open access' by purchasing the wheeled power. Large consumers will have to pay a surcharge to cover cross subsidies, except in the case of the captive generating stations. The state regulatory commissions (RCs) may permit 'open access' in distribution in phases and can levy a surcharge on users buying power through open access. This will be utilised to cover cross subsidies in that area.
  6. Distribution licensees are free to undertake generation, and generation companies are free to take out distribution licenses. The regulatory commission (RC) can allow multiple licenses in the area of distribution.
  7. For rural and remote areas, 'stand-alone systems' for generation and distribution are allowed. *Panchayats* (local self-government agencies), users' associations, co-operatives, or franchises would also be permitted to manage local distribution, without requiring a license.
  8. Trading of electricity is recognised as an activity that can be taken up after authorisation by RCs. The RCs would issue licenses and fix ceilings on trading margins. Distribution licensees and state governments do not require licenses to carry out trading.
  9. After 'open access' is allowed, consumers can enter into a direct commercial relationship with a generating company or a trader of electricity. In such a case, the price of power would not be regulated, but the transmission charges (called wheeling charges) and surcharge would be.
  10. State governments can unbundle SEBs (State Electricity Boards) and create companies. At a minimum, the transmission activity needs to be separated from SEB. All states should establish regulatory commissions (RC).
  11. An 'appellate tribunal' will be created at the centre for disposal of appeals against decisions of the Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commission (SERCs).
  12. Strict provisions are provided in the new law to deal with theft of electricity.
  13. Tariffs would be established along commercial principles to encourage competition and efficiency. Multi-year tariff formulation is suggested with gradual elimination of subsidies. The electricity consumption of all consumers should be metered (100 percent metering) within a few years. The 'Time of the Day' tariff (changing tariff according to the changing hours of the day) is to be introduced in a phased manner.
- The central government would bring out various policies including, the national electricity policy; the tariff policy; the national policy on stand-alone systems for rural areas; and the national policy on electrification and local distribution in rural areas. The CEA shall prepare the National Electricity Plan.

### **An overview of the impacts of the E-Act**

It is early to comment on the effects of the Electricity Act, as this would depend also on the nature of the policies, which are yet to be finalised. Some key aspects of the potential impact of the E-Act in the coming decade are discussed below:

1. Entry of more players (mostly private, some public) into generation, transmission, trading and distribution.
2. Increase of captive generation, especially 'group captives', set up by groups of industries to meet their power needs. Many bulk consumers would quit state-owned distribution utilities.
3. Many contracts between generators and bulk consumers (of both the private and public type) would be finalised and operated without being subject to public scrutiny.
4. The tariff will change slowly to reflect the cost of service, and cross subsidies will be reduced and final-



ly disappear. State governments may give subsidies in advance if they want to lower the tariff for some consumers.

5. The central government will have a prominent role in the formulation of policies for the sector.
6. The law will end the existence of vertically integrated State Electricity Boards (SEBs).
7. The electricity sector will become more complex with the entry of many more actors and contracts. Group captive, private distribution companies, transmission licensees and power traders will be some of the new actors to enter the stage. Planning, regulation and operation of the electricity systems will become more complex, with 'open access', transmission and distribution tariff, multiple 'supplier-trader-consumer' contracts, and many dispersed systems.
8. Many state-owned utilities will suffer financial deterioration, as they will increasingly serve only small and rural consumers.

Rather than discussing the individual sections of the act and their social and economic impacts in detail, discussion in this section focuses on some salient overall impacts of the law as a whole. It is feared that this new legislation will give rise to a new process of fragmentation of the Indian economy and society into four distinct segments.

The first segment, which comprises large industry, would be the most privileged in the new era. The second segment, that of urban consumers, may become captive customers to a regulated monopoly (owned either by a private party or the government), while the third segment of rural consumers would be the one worst hit by the changes introduced by the new law. The fourth segment is the hitherto ignored population who have never had access to electricity, which is close to half of the total population of the country! As usual, several new schemes to help these poorest of the poor would be announced. But it won't be easy to ensure that these will be implemented effectively.

### **Large industrial consumers: large benefits**

Large industry has been unwilling to pay for the 'stranded costs' in the power sector. These costs consist of large transmission and distribution (or T&D) losses (between 40 to 50 percent for most states), cross-subsidies for agricultural consumers and the high cost of bad contracts with independent power providers (IPPs). The E-Act substantially reduces the burden of these costs on large

industries by allowing them access to new low cost power generation or existing spare capacity anywhere in the country. Moreover, the law also offers an escape route for industry not to pay these costs at all, through a flexible definition of a 'captive power plant.'

The provision related to open access and power trading will facilitate this process and lead to rapid flight of these high paying customers from the local distribution companies. As a result, unless state governments intervene, the large cost of historical inefficiencies will be borne only by small customers (small industry, commercial, residential and agricultural customers). This may lead to a dramatic tariff impact on these small customers. Small residential and agricultural customers especially will likely see unprecedented tariff increases (of 100 to 400 percent) in a short period of five to seven years.

It may become practically and politically impossible to implement such tariff hikes for small consumers. The state governments will therefore have to subsidise these customers from their budgets. Even for a state like Maharashtra, the subsidy may extend to 25 to 30 billion Indian Rupees (about USD 570 to 680 million) per year. This change may severely affect the social and developmental expenditure of state governments, which may not be able to assume timely payments of this subsidy due to their current pathetic financial situation. This may then lead to the withdrawal of subsidies or services in loss-making rural areas. It is difficult to see how the rural population will digest this, especially against the backdrop of promises by the planners and politicians and the increasing expectations generated.

### **Urban consumers: captive to private monopolies**

In several urban areas, the private sector is showing an interest in taking up power distribution. At the time of reorganisation of the electricity boards, state governments may decide to give these financially attractive 'cherries' to favoured private players. Despite all the talk of competition, small customers in such areas will remain captive to the distribution utilities in their area. They will have no real choice in the near future. These customers will face all the problems related to the regulated (also private) monopoly. The pace of reduction in the T&D losses and the financial prudence of new investments (in generation and distribution of power) will remain the key aspects to watch in the interests of these consumers. Despite four years of electricity regulatory commissions (RCs), they are yet to be made sufficiently

accountable to people. The private sector is bound to have a higher influence on regulators than the public. It is possible that by hoodwinking and sidelining regulatory commissions these distribution utilities will create 'mini-Enrons.'

### **The plight of rural consumers**

Rural consumers will, however, remain captive to public-owned utilities. These consumers are physically dispersed and have lower levels of consumption and paying capacity. As a result, the revenue potential from rural areas will be lower. Rural areas and rural customers will thus be the least attractive customers for any entity. No private company will enter into these areas therefore, and they will have to be serviced by reluctant public-owned entities. Further, electrical equipment systems and wire-grids in rural areas are already over-loaded, over-stretched and not in good condition. Making such a system efficient would require considerable investment. In a situation where the revenue potential is low and investment requirement high, there is very little possibility that new commercial investments will be forthcoming. With little possibility of getting the required investments from public sources, rural systems will suffer further deterioration. Most rural systems and rural customers would become victims of the vicious cycle of 'low revenue—hence low investment potential—hence low system-efficiency—and hence low revenue potential.'

The fourth segment is that of 'non-consumers,' the population not connected to the power grid. There is hardly any hope that members of this segment—vastly comprised of the most disadvantaged sections of society—would get electricity for their basic needs and livelihoods in the new era following the Electricity Act. This is because of three factors: (a) withdrawal of cross subsidies, (b) precarious financial situation of state governments, and (c) low efficiency and low morale of public sector agencies.

In short, this four-way segregation of society will create islands of prosperity and energy surplus in the vast sea of energy deprivation. This new segregation of society will have severe and long-term implications for the future of the country as a whole. It may result in the rapid and further widening of the energy and economic gap between the 'haves' and 'have-nots,' unless concrete measures are taken and implemented by both central and state governments.

### **The politics of power reforms**

The E-Act has been very controversial from the beginning. Electricity sector workers from all over the country went on strike on 7 April 2003, the day the bill was introduced in the Parliament. There have been many meetings, seminars and press articles with varied views on the Act. By and large, industrial circles welcomed the new Act, whereas the trade unions, consumer associations and state utilities have been critical of many features. Formulation of this Act marks the culmination of a series of steps by which the central government has taken the lead (as opposed to state governments in the earlier era) in power sector policy formulation.

The most important political development in the period following the passage of the law was the general elections held in April/May 2004, and the subsequent change in the central government of India. The right-of-centre 'National Democratic Alliance' (or NDA) lost the elections, and the United Progressive Alliance (UPA) led by the 'left-of-centre' Congress party assumed power in May 2004. The support of left parties is quite crucial to the survival of the new UPA government and, hence, it was expected that there would be a review of many NDA-initiated policies. The Common Minimum Program (CMP) of the new government released on 29 May 2004, includes this paragraph:

*The review of the Electricity Act 2003 will be undertaken in view of the concerns expressed by a number of states. The mandatory date of June 10, 2004 for unbundling and replacing the state electricity boards will be extended. The UPA government also reiterates its commitment to an increased role for private generation of power and more importantly power distribution.*

The scope of the proposed review of the E-Act, however, was not made very clear. Left parties demanded various changes in the E-Act. They emphasised the need for differential prices for different sections and opposed the principle of cost-based tariff. In a subsequent address, the new Minister for Power (electricity) argued that there was no need to review the E-Act. He said that his top priorities were rural electrification and power reforms. In line with the E-Act, SEBs were to be unbundled by 9 June, 2004. A fresh timetable for unbundling of electricity boards and corporatising the new entities was announced, however, by the Ministry of Power for seven



states. Himachal, Meghalaya and West Bengal were granted a one-year extension, while Maharashtra, Punjab and Chhattisgarh were given an additional six months to restructure their SEBs. Assam was given two more months to complete the unbundling of its SEB.

In a move that surprised many, the Minister of Power declared in Parliament on 18 August 2004: *“The review of the Electricity Act, 2003, is done and there is no other specific item left for review.”* While addressing members’ concerns regarding the possibility of reviewing the Act, the Minister said that even the Common Minimum Programme was specific only about extension of the mandatory date for reorganisation of electricity boards. He declared: *“we have already reviewed the Act. Those states, which had wanted an extension for re-organizing the electricity board, have been granted extension. 13 states wanted extensions from two to twelve months from June 2004. There is no other specific item of review mentioned in the CMP. If there are any problems during the implementation of the Act, we will look into them.”* He said this piece of legislation took almost three years of consultations across the country (two years before the introduction of the bill and one year thereafter with the Standing Committee of the Parliament). *“The committee also held consultations with stakeholders throughout the country and gave a number of recommendations, most of which were accepted. The Electricity Act, 2003 is a ‘new deal’ and we should implement it with an open mind”*, he told members.

The National Co-ordination Committee of Electricity Employees & Engineers represents power sector workers all over the country. It called for substantial amendments to the E-Act and for retaining the vertically integrated structure of the SEBs. It called, too, for strengthening of the CEA and improving the functioning of the regulatory commissions. It further asked for clarity in the definition of ‘captive’, keeping hydroelectric projects out of the private sector, doing away with ‘unfettered’ open access, deleting the provision for parallel distribution licenses and restricting trading to publicly-owned agencies. The committee presented a memorandum to the Prime Minister on the new law. In a swift move, the Ministry of Power (MoP) gave a point-by-point reply to this memorandum, refuting all arguments and justifying all its actions.

In order to understand the failure to review the E-Act, it is also important to consider the role of the labour movement. The trade union movement in the Indian

power sector is dominated by two labour federations: the Centre for Indian Trade Unions (CITU) and the All India Trade Union Congress (AITUC) — affiliated to the two Communist parties in the country. These trade unions had waged strong resistance to the new act passed in 2003 by the right-wing government of the NDA. The Congress party, which was then the opposition party, had supported the passage of the law, as it had been the pioneer of market-led economic reform policies in the country. The elections in April 2004 saw a new national government led by the Congress party, which was supported (from outside) by these left parties. The support from the left is critical for the survival of the new government. It was hoped that using this as the advantage, the left parties would be able to force the new government to review and roll back many provisions of the new Electricity law, if not the entire Act. The power sector unions were quite confident that they would be able to use their influence (economic and organisational) over left parties to get the Act repealed.

This confidence resulted in abandoning resistance activities. The unions opted for relying largely on the ‘parliamentary’ politics of pressurising the new government to get the Act repealed. There were two aspects of the law that had prompted resistance from various quarters. One set of concerns was about the implications of the law for the consumers and ‘non-consumers’, especially from poorer sections of society. The other set of concerns related to the interests of employees and trade unions. There were certainly some common concerns to both these sets, which formed the common agenda. The unions pledged their support for the concerns of the consumers and citizens.

Gradually, however, it was realised that the new government, despite its vulnerabilities, was not ready even to consider seriously a review of the law. This may be due to pressure from vested interests benefiting from the new law, who continued to have a very strong influence over the new government led by the Congress party. Or, this may be because of the strong ideological commitment of the new Prime Minister and Finance Minister to the agenda of market-led economic reforms. Furthermore, the left parties had many other important issues on their plate on which they wanted favourable responses from the new government. It was somewhat easier for them to convince the new government on these (or other) issues than it was in to achieve a review, much less repeal, of the electricity law.

Finally, the agenda of the left-affiliated power sector unions was whittled down from the demand to repeal or review the law to the demand for extension of the deadline for mandatory implementation of a few provisions in the new Act. These provisions related to the unbundling of the state-owned utilities, which had implications for the very survival of some of the unions. The unions were successful in getting the deadline for implementation of this mandatory provision extended. Many state governments led by the Congress Party, like the government of Maharashtra, ignored the extension, however, and went ahead with the planned unbundling. Unfortunately, the trade unions in the state or their federations at the national levels had no choice but to swallow the bitter pill.

### **Continued controversy over the Dabhol project**

The Enron or Dabhol Power Company's (DPC) energy project has again been in the media limelight, this time for the news of its revival. The efforts towards its resurgence are shrouded in secrecy and there is hardly any official information available to the public about this matter. Such complete secrecy makes it impossible to come out with a detailed critique of the revival formula. A combination of various factors, such as the scale of the deal, the track record of governments in this matter, and the complete lack of transparency, do, however, require detailed discussion of various issues involved. For the purposes of this article, the discussion is restricted to the following issues: (a) the background of the project, (b) the trap involved in this type of deal with transnational corporations, and (c) the cost of the revival package.

#### **The background of an ill-famed project**

The Dabhol Power Company (DPC) and its huge energy project were promoted by the infamous Enron Corporation, along with two other American multinational companies: GE and Bechtel. It came into being on the basis of a power purchase agreement (PPA) between the DPC and the MSEB (the state electricity utility of Maharashtra), which was signed first in 1993. The PPA did two very damaging things: (a) it imposed heavy tariffs on consumers, by guaranteeing Enron assured revenue flows of high magnitude; (b) it laid out a full-proof legal trap for the Indian utility and governments, which made it impossible for them to get out of the agreement, without paying excessively exorbitant penalties. The PPA

was cancelled by the state government after the change of power to the opposition parties in 1995's state elections. The new government, however, soon re-negotiated the PPA, with conditionalities that made it even worse than the earlier contract.

The project started its operations in 1999 and soon the cost per unit of electricity shot up to Rs. 7.5 (about 20 US cents). This created a big public outcry. Then, the state government's utility (MSEB) decided to 'rescind' the PPA in the middle of 2001, which resulted in the closure of the plant. In a few months, the Enron scandal erupted in the USA and the company was liquidated. In 2004, Enron's claimed equity in DPC (65 percent equity in the project with 2189 MW capacity) was purchased subsequently by GE and Bechtel for the paltry sum of USD 20 million.

Since the closure of the plant, the government of Maharashtra adopted the strategy of leaving the matter to the central government. The Indian financial institutions and the government at Delhi made several and diverse attempts to revive the project. GE and Bechtel continuously blocked all efforts at revival, however, with obstinate demands of hefty upfront payments. They effectively held the governments and people of India to ransom, using the punitive provisions in the PPA as a threat.

After the new central government came to power in May 2004, efforts to revive the mothballed project got a new lease of life. A high-power Group of (senior) Ministers was appointed to design and oversee execution of the revival package. It is currently rumoured that the deal is almost finalised. The Government of India, foreign lenders to the project, and one American (equity-holding) corporation have reportedly agreed to the terms of the contract. There is hardly any official information available to the public, however, on this purported deal.

#### **The trap of international arbitrations**

One of the main intriguing issues uncovered during the whole Enron saga is how multinational corporations take advantage of international treaties and international arbitration, by playing on the weaknesses and susceptibilities of governments of developing countries. The two American multinational corporations (GE and Bechtel) have initiated more than six arbitration procedures in different countries, under different legal provisions, against one single action of 'rescinding' the contract by MSEB.

Enron, GE and Bechtel had secured insurance against



'political' risks from OPIC, an American state agency for the promotion of investments by American firms in foreign countries. After the closure of the project, GE and Bechtel went to OPIC claiming that the government of India had appropriated their assets. After some proceedings, OPIC paid compensation equivalent to USD 57 million to both companies. Now OPIC is recovering this money from the Indian government. It is noteworthy that the Indian agencies — though they are the affected parties — do not even have access to the petitions in the OPIC-GE (+Bechtel) arbitration; never mind having a chance to present their case. It does not end here. The equity of bankrupt Enron was finally bought by GE, but through its Dutch subsidiary. The GE subsidiary in The Netherlands promptly initiated an international arbitration against the Government of India under the Indo-Dutch bilateral treaty. It appears that the Dutch subsidiary of GE (and not from any other country) was chosen because the treaty between India and The Netherlands was more suitable for GE's tactics. The corporations are also claiming an expropriation of assets by the government of India under the Indo-Mauritius economic treaty, through their Mauritian subsidiaries. Here, they are arguing that contract abrogation was done for 'political' reasons.

This process illustrates how government agencies from developing countries lack the functional agility as well as the tactical and strategic planning necessary to tackle such trickery by multinational corporations. They do not have experienced staff; they lack co-ordination among different departments; their consultants change frequently; and the political bosses understate the complexity of issues involved. Often, these agencies fail to find competent professionals and lawyers to fight their cases in the arbitration procedures, as the corporations 'reserve' these lawyers by paying hefty 'retaining' fees. The above-mentioned lacunae, many times, prove very costly. For example, the statements made by ministers — who are often oblivious of the gravity and nature of the arbitration proceedings — for domestic political convenience may be used by the multinational against the governments, causing serious damage.

In short, the Enron controversy is a demonstration of the modus operandi adopted by some 'rogue' multinational corporations in duping developing countries. These corporations use all available means to get the unaccountable political bosses in developing countries to secretly sign contracts that are hopelessly one-sided and

predatory in profit 'gouging.' To make these contracts legally ironclad, conflict resolution through international arbitration is made mandatory in these contracts. Once such a contract is signed, it is the beginning of the end for the interests of consumers and taxpayers. These corporations then raise loans and seek insurance against 'political' risks from government agencies in their 'home' countries. This then brings into the fray the governments of developed countries that have great economic and political muscle to use against the governments of 'erring' developing countries.

The corporations continue to fleece the consumers and taxpayers of the country as long as the project is in operation. Once the project buckles under the weight of the predatory profit-flows, the corporations move in for a final kill. They start making claims to international arbitration and use international and bilateral treaties to pressurise the governments and political bosses of the 'victim' country. The political bosses are too vulnerable to the blackmail and, to save their own skins, they agree to another secret deal giving a huge purse of benefits to these corporations as a parting gift.

It is interesting to note that dozens of developing countries are currently defending themselves in several arbitration procedures initiated by many American and European multinational corporations on issues concerning the provision of public services.

### **The real costs of revival**

Though there is no official information available on the deal to be sealed soon, bits and pieces of information have emerged. According to the information we can glean, the 'negotiated' capital cost of the four-year old project comes to around USD 2.3 billion, which includes the following: (a) payment of around USD 580 million to GE and Bechtel, (b) retiring or buying out the foreign debt of around USD 750 million, (c) Indian debt of around USD 850 million, (d) other costs to the tune of USD 150 million for assets preservation and interest during construction.

In addition, the Indian government will offer tax concessions such as exemptions from various import duties for equipment and liquefied natural gas (LNG), and forgo the custom duties dues of Dabhol (about USD 74 million). Further, governments will suffer the loss of MSEB's equity in DPC worth USD 193 million. Then there is the loss of interest to Indian financial institutions, which also needs to be considered. The 'negotiated' total

cost of the project to the Indian governments thus goes up to USD 2.57 billion, apart from the foregone interests by the Indian financial institutions.

On top of all this, the Indian government has reportedly acknowledged potential liabilities of unresolved claims on Dabhol by LNG suppliers and the tanker company worth USD 450 million. It is likely that the LNG supply contract will be awarded to these companies in lieu of these claims. These costs could have been higher if the Indian government had had to bear the full burden of: (a) Enron's equity of USD 553 million, which has been reduced to its purchase costs of USD 20 million, and (b) interest foregone by foreign financial institutions.

Even if only the total 'negotiated' cost to Indian governments of USD 2.57 billion to be paid for this four-year old, 'second-hand' project is considered, it is about 30 percent higher than the total capital cost of an equivalent 'new' project (excluding the potential higher cost of LNG supply). This is the cost Indian people and taxpayers are paying for the Himalayan blunder made by the country's political bosses.

In this whole process, the government of India is settling one of the largest international claims in India. While doing this, the government has not bothered to follow basic norms in checking the claimed figures. Such inaction is another source of suspicion over the manner in which the government is trying to seal this deal.

In such a scenario, even if we stick to the 'costs' of Rs. 100 billion to be levied on the project, the project may not be viable unless there are provisions for substantial additional subsidies. This would most probably come through low-cost, long-term debts from public financial institutions such as Life Insurance Corporation (LIC), which are often treated like domestic milk cows by Indian politicians.

The history of reforms in India points at another possibility. Once this project is cleaned up and new power purchase agreements (PPAs) are tied up — at the huge public cost described above — the project becomes a very attractive gold mine. This value is not rooted only in its present generation capability and the present assets of the project. The location and structure of the project is such that significant expansion could be subsequently carried

out in a highly profitable manner. Furthermore, the location, the specialised jetty and the LNG facilities constructed at full capacity (twice that required for the present project), and the size of the project would make it a highly strategic asset for any integrated energy company, giving it unparalleled advantage for creating market dominance. Thus, there is great danger that this new gold mine with its clean slate would be the target for acquisition by predatory corporations - indigenous or foreign - with support from the rhetoric of privatisation and the ever-willing politicians.

### Concluding remarks

Focusing on the changes engendered by the new law, the scenario appears to be gloomy. Implementation of the law is gaining speed, as new policies are being formulated. Various implications of the new law discussed in this article would finally result in serious and long-term impacts for the electricity sector, the economy and society, especially the disadvantaged and marginalised consumers and 'non-consumers.'

Furthermore, the news that the Enron/DPC project is being revived is not an occasion for a sigh of relief. Unofficial information suggests that the Indian taxpayers will be paying significantly more for a 'second-hand' project as compared to an equivalent 'new' project, thanks to the shenanigans of the unaccountable political bosses and their crony bureaucrats. If the politicians are allowed to get away with it this time, there is a danger that this strategically critical project—after a financial and legal clean-up at huge public cost—would be offered on a platter to a private player. The question is whether Indian democracy has the means to stop the politicians on rampage.

### Note

This chapter is based on a database and a series of publications produced by Prayas during the past five years. For a complete account of relevant sources of information and further analysis on the issues addressed here, see the Prayas website: <<http://www.prayaspune.org>>.