

# 'Private players should be treated as partners in success'

— Rishabh Sethi, Chief Operating Officer, SPML Infra Ltd



SPML Infra Ltd is a leading EPC and PPP player in the water, wastewater and power T&D sectors. Recently, it entered the power distribution sector as a franchisee for the Bhagalpur circle in Bihar.

**Rishabh Sethi**, in this interaction with **Venugopal Pillai**, discusses the rationale behind this business decision, and explains why government support is critical if India aspires for increasing private sector participation in power distribution.

Tell us about the rationale of SPML Infra entering the rather "risky" business of power distribution.

SPML Infra has a rich experience of executing over 600 projects in water, wastewater and power T&D sector. The company is already a prominent player in the water and power sector EPC and foraying into the utilities business was easier than most other companies. Today SPML is developing a number of water and power infrastructures in India and some new projects in the last one year have come in utility segment only. Since SPML was already there in water and solid waste management services, next step was to get into the power distribution and management business. We have taken this step forward to become the prominent player in the power distribution business also similar to our other segments.

**Bihar's power sector is known for being highly inefficient, both technically and commercially. Given this, what was the situation when you took over the Bhagalpur circle?**

The power situation was indeed in dilemma in Bihar with huge technical and commercial losses. In 2005-06, Bihar had only 550 mw of power available for consumers against the requirement of more than 1300 mw. But in the last few years, the power situation in Bihar has remarkably improved due to the present government policies and reforms in power sector. The annual per capita power consumption in Bihar is currently around 100 kwh, against a national average of 717 kwh, according to the CEA general review. The state government is taking right steps in improving the situation and aims to provide 5,300 mw through its different power generation projects and support from the Centre.

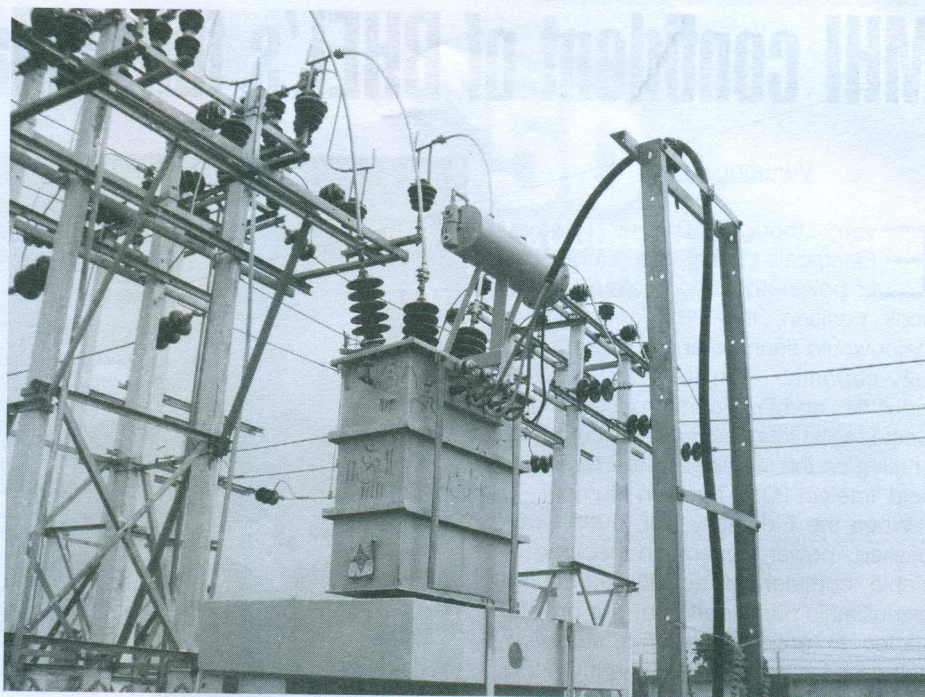
Against this backdrop of reforms, we have taken the responsibility to develop the city of Bhagalpur which has a consumer base of 1,60,000 connections. The franchisee area of Bhagalpur Urban Division is spread over approximately 28 sq. km. Power is being supplied from two grid substations at Kahalgaon and Sabour and service is provided by 15 power substations that requires around 70 mw daily supply to serve the consumers 24x7. But the average daily supply at present is only 30 to 40 mw. We expect this to improve with the additional power generation units being commissioned.

**What is your plan of reviving the Bhagalpur circle? What has been the achievement so far?**

When SPML took over the city, the aggregate technical and commercial (AT&C) losses were 20 per cent and 50 per cent respectively. Our plan is to cut losses due to theft and reduction in T&D loss to increase billing efficiency. SPML has partnered with IBM as the technology partner for IT enabling services including billing and collection. With the help of technology and efficient infrastructure at place, SPML is now working to reduce theft and ensuring constant power supply. The company has a target to bring the T&D losses down to 15 per cent in immediate future and work on it further to get it at negligible level.

We have already connected a number of new houses. New lines, new

infrastructure is in place and a number of reforms have been undertaken; the process is continuing. We are also doing regular awareness campaigns among the consumers for effective usage of electricity and conservation. Over 300 employees of SPML are working to service about 1.6 lakh metered consumers in Bhagalpur. Our 24x7 consumer helpline is functioning to lodge the complaints round the clock. The call centre can be reached at any time to register complaints, request for new connection, billing, payments, faulty meter replacement and other facilities. Consumers need not to stand in a long queue at the bill collection counters to pay their monthly electricity bill which was the situation earlier. The fault finding and repairing mobile vans are into service by 24x7 for ensuring the smooth power supply and immediate replace and repair of any faults developed.



**In your view, what support should a private distribution franchisee (DF) be provided by the state government or the state power utility?**

We feel that government or state power utility should change their attitude towards private players and treat them as their partners in achieving the goals. They should understand that the private players are their support to help in achieving 24x7 power initiative and to reduce the work burden of the state utilities by bringing in the much needed efficiencies.

However, these efficiencies need to be coupled with timely execution of state programs, central programs, PFC funding, MP/MLA funds, RGGV Yojana, RAPRDRP etc., which has been the intent of every distribution franchisee agreement till date across the country. However once a private player enters the business, there are lack of support from the government agencies. This must change and private utility players should be seen as a partner in augmentation to the system of the state.

**There is a view that the joint venture route is more effective than the private DF model. What is your opinion?**

There are different distribution models in the power sector depending upon the nature of activities. Different cities have different dynamics and will have different approaches. However state intervention is extremely critical for any success in power utility business.

**Overall do you think that India has succeeded, at least moderately, in its attempt to privatise the power distribution sector?**

India has a long way to go to achieve this. Privatisation is a beginning and one of the only successful models which have

been implemented world wide and India also has to adopt the same practice as in developed countries like USA, UK etc. In India we still have several states yet to open up to power reforms. A few success stories are there where private player has brought in large scale of changes and effectively reduced the losses thus making the state utility richer.

**How can government improve the level of private sector participation in the power distribution sector?**

One of the main reasons for losses in the sector is low investment in the T&D sector in comparison to the generation. Then there are technical losses due to overloading on old and aged infrastructure, substations, poor repair and maintenance of existing equipment and inadequate installation of capacitors. The commercial losses are also high due to low metering, billing and collection. Theft, pilferage, tampering of meters is very common and low accountability of work force makes it difficult to control. The lack of power accounting and auditing also contribute to ATC losses. These situations are prevalent in every state and as mentioned before, the turnaround in the power distribution sector would only be possible with private participation and using the efficiency of the private players along with the timely execution of the state programs. Without the intervention of the state, private players cannot survive in the power distribution sector.

**After the Bhagalpur circle, has SPML Infra bid for more circles pan-India? Please summarise your plans and goals in the power DF business.**

We are committed to play a larger role in the utility sector of India, be it water, power, waste and soon gas sectors. And SPML is ready to expand its DF business further. ■