Following grid collapse: Indian bourgeoisie demands privatisation of power sector

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After India's north, eastern and northeastern electricity grids collapsed early last week, sections of big business are demanding reforms in the energy sector, like privatisation and subsidy cuts, while expressing concerns about the power outage's impact on India's "super power" ambitions.

The grid collapse cut power to almost 700 million people—more than half of the country's population—for several hours, in 21 Indian states and Union territories including the national capital, New Delhi. It paralysed transport and critical workplaces, such as hospitals and mines.

Authorities have yet to give exact reasons for the blackout. The Congress-led United Progressive Alliance (UPA) government has appointed a three-member panel to investigate the grid collapse and offer recommendations.

Power Secretary P. Uma Shankar suggested that certain states might have been drawing more power than their allocated levels. If this is the case, it only reveals the utter inadequacy of power generation capacity to meet demand. This is all the more damning, as one third of India's population still has no access to electricity at all.

Chandrajit Banerjee, the director of the Confederation of Indian Industry (CII), a major industrial lobby, worried that the power failure had given the world "a very negative image of India, when already sentiments about the country are low on account of the current economic situation."

Banerjee is concerned that the grid collapse will undermine India's ability to attract global investment, amid an economic crisis in India provoked by the growing global recession. India's growth declined to 5.3 percent in the first quarter of this year, from an average of over 8 percent between 2004 and 2011.

The Indian rupee has undergone a record fall, further accelerating inflation, and India faces a growing budget deficit. The credit rating agency Standard & Poor's has warned India that it could lose its investment-grade rating.

The demands of finance capital were articulated in an article in the *Washington Times*, titled "India's energy sector needs private capital." It wrote, "Improving the performance and efficiency of this sector will require immense investment.… To encourage investment, its entire energy and electricity sectors must undergo pricing revisions that adequately reflect market prices. Starting with the pricing of fuels, the government must stop subsidising (directly and indirectly) the cost of energy and electricity."

The article specifically refers to supply of electricity to India's farmers, who pay subsidised prices for the electricity used to run their water pumps.

What the *Washington Times* article demands is ending electricity subsidies to farmers and also increasing tariffs to market level—opening up a bonanza for investors, who can reap gigantic profits by jacking up electricity prices. Such proposals for transforming the energy sector into a profit-making business will further cut off workers and rural people from access to electricity.

Commenting on power outages, the CEO of Reliance Infrastructure Ltd, Lalit Jalan has demanded a more cohesive energy policy and stringent grid management to avoid further such incidents. He said: "Clearly there is a need to have an integrated energy [plan], which has been mooted for a long time."

Jalan's concern is how to secure an uninterrupted power supply for corporate India, demanding "a more cohesive energy policy and stringent grid management". He also suggested a so-called islanding system for New Delhi, like what exists for India's financial capital in Mumbai, ensuring that New Delhi will continue to have power despite any failure of the broader grid.

Reliance Infrastructure has interests in the power sector, as country's largest private electric utility, providing power to 30 million in Mumbai and New Delhi. India's power generation sector has been open to private capital since 1991, when the then-Congress government initiated economic reforms to integrate country's nationally regulated economy into global economy.

Now, private companies, like Reliance or Tata Power, account for 27 percent of India's total power generation. Power transmission and distribution are still mostly in the hands of government's firms. Big business needs to open these sectors to private capital, to extract large enough profit margins to attract investors.

Gokul Chaudhri, a partner with New Delhi-based BMR advisors, pushed for further opening of the electricity sector to private capital: "I think we had the benefit of some amount of policy reforms in the mid-1990s and the late 1990s, the benefits of which accrued in the better part of the last decade. But, if you look at the last several years, there has been a complete absence of any sort of framework that will allow growth and investment in the power sector."

The consequences of the blackout would have been even worse if millions of people and companies had not used their own diesel-operated backup generators during the power failure. Most private companies and better-off sections of the population have bought such devices, after frequent power cuts by state electricity authorities, particularly during hot summers.

Microtek, an Indian company that sells power backup inverters, claims to have 100 million customers. Company vice president Manoj Jain said: "Every year in the summer months, demand peaks and there are power failures, so most middle-class families purchase an inverter. That's why we're in business."

The Indian bourgeoisie's failure to develop sufficient power generation, transmission and distribution has undermined its claims to being a budding global power. The *Economic Times*, an Indian business daily, titled one article on this subject, "Superpower India, RIP".

As an indication of the impact of these frequent power cuts, World Bank statistics show that India lost 6.6 percent of sales due to power outages in 2006, the last year statistics were available. In contrast, China lost 1.3 percent of sales in 2003, the last year data was available.