

# Punjab units hit by high power costs

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**S**mall and medium enterprises (SMEs) in Punjab are in a bind due to the escalating cost of power. The state government proposes to levy a cross-subsidy over the open access (the industry draws power from outside the state at a tariff that is lower than the prevailing power tariff in the state).

The power tariff payable by industry in Punjab is ₹5.80 per unit — the highest in India. According to Amarjit Goel of Modern Steel, this is unviable for industry, and particularly for power-intensive industries. He added that induction furnaces in Punjab have been running at only 50 per cent capacity due to the unviable cost of power in the state.

The Punjab State Electricity Board was bifurcated in April 2011 into the Punjab State Power Corporation Limited and Punjab State Power Transmission Limited. As a result, the tariff for industry was raised by 51 paise per unit at one stroke, as the

state electricity board was running massive losses of about ₹4,000 crore per year.

Besides, industry is required to pay 13 per cent electricity duty and octroi at 10 paise per unit.

“Punjab is the only state in India that charges octroi on electricity for industry. Our counterparts in Himachal Pradesh pay ₹2 per unit less than us and this makes us uncompetitive,” said Goel.

Bhagwan Bansal, a cotton ginner from Bhatinda who is a member of the industry panel of the Punjab State Electricity Regulatory Commission, said that industry in Punjab is paying the cost of the political compulsions of the policy makers. He said the industry panel had recommended that the Regulatory Commission should introduce a tier system to contain the burgeoning power subsidy to the agriculture sector, amounting to about ₹3,000 crore per year.

“A complete waiver of the power charge was proposed for small and marginal farmers with a landholding of six acres, with half rate for those with land-

holdings of 6-15 acres and no discount for farmers with a landholding of above 15 acres. The proposal was completely ruled out,” he added.

Industry in Punjab paid ₹4.72 per unit of electricity until the rate was revised to ₹5.80 per unit in April 2011. The number of SMEs has been dwindling in Punjab due to lack of support from the state government.

Senior officials in the industries department refused to comment, but some sources said that about 50,000 units had either closed down or were on the brink of closure due to the lack of a congenial environment for the growth of the manufacturing sector.

The industry associations are now gearing up to come together on a common platform and place their problems before the state government.

Some players in the textiles sector have gone in for energy-saving technologies to reduce their power bills. But this cannot offset the steep rise in tariff, said an entrepreneur from Ludhiana.