

**Hon'ble Speaker,**

1. The world over, expenditure allocation in a budget is seen as a clear indicator of the priority accorded to that sector. Seen thus, in all the three budgets of this government so far, power sector is the single biggest item of expenditure, both in investment as well as current spending. Indeed in 2016-17, we have spent Rs. 12,000 crore on power purchases and liquidating past liabilities; which have been accumulated on account of serving power.
2. Despite this high level of public spending, the power situation on the ground--in winter in Kashmir and in summers in Jammu -- hasn't improved. All the money seems like water off a duck back!
3. My first power budget focused on putting in place a roadmap to address and clear the power

purchase liability and put power sector reforms as the core agenda to place the sector on a sustainable path. The second power budget, which was presented only six months back, put in place a transparent accounting system for this sector.

4. We made budgetary provisions for a fully funded investment plan under the PMDP. The investments were singularly directed towards making systemic and capacity improvements in the Transmission and Distribution infrastructure in the state. The sole objective being to supply adequate quality power. .In this year's state budget, I announced a little while ago what could be perhaps a far reaching initiative: the financial restructuring of J&K SPDC and make it debt free with a solid capital base.
5. As I present my third Power Budget, it does gives me satisfaction that the Government has been able to achieve, to a very large extent, the

financial objectives that we had set for ourselves. Till date, the Government has liquidated more than Rs. 4,000 crore of past liability and the balance will be cleared by the end of the financial year. As you can see, we have revised upwards our provisions for the current financial year.

6. I have always maintained that the development of the power sector holds the key to the fiscal autonomy of the State. As stated in my state budget, the power deficit in financial terms is a little more than Rs. 2500 crore after adjusting subsidy element and reasonable T&D losses. If this deficit is taken care of, we would have no budgetary deficit.
7. I can assure this house that as far as power sector and supply is concerned, money is not a binding constraint. As we speak, the Government is ready to buy more power and supply it down the line. But for now that is not the solution. Even if we buy more power today, we cannot carry it

because of transmission and distribution capacity constraints. And these, unlike a money constraint which can be overcome overnight, are hard constraints. Despite adequate resource availability, creating T&D capacity across the state will take time.

8. Unfortunately, last year not much infrastructure creation could be done because of the prevailing situation. Had the last six months of last year not seen the turmoil, we would have been better off this winter. Having said that, there are some home truths; key concerns and policy issues which we need to face and provide answers and policy responses.
9. For a back of the envelope calculation, there are, say, 23 lakh households in the state. Three lakh households are still not electrified. So, we have 20 lakh households consuming electricity. The national average for electricity consumption per household is 3 units of electricity per day.

10. On this basis, J&K should be buying 3200 MUs to provide electricity to its 20 lakh households. Instead, we buy 6400 MUs for the household segment at an average consumption of 6 units per household after accounting for T&D losses of 30 per cent.
11. This is one of the highest in the country, even when compared to hilly States. The point is that the problem is not with buying less power; in fact we are buying more than the average household uses in the country. The problem is in supplying and consuming it.
12. In terms of supply, it is the inadequate and outdated T&D infrastructure and in terms of consuming it is misuse. First, is a case of inefficient transmission distribution and second is the question of efficiency of use.
13. The only solution is investment in T&D infrastructure which we have made provision for but it will take time.

14. In this calculation, we are dealing with physical quantities without money being involved. If we include money into the equation, the situation is a lot worse; a double whammy as it were.
15. For, despite the tariff being one of the lowest in the country, our power collections are consistently one third or one fourth of what is budgeted. It is a fact that a vast majority of users don't pay electricity bills at all or in line with their consumption. At the same time, we promptly pay our telephone, mobile, internet and cable TV bills without bothering for the rate as threat of immediate disconnection is there. We use power indiscriminately for cooking and heating, treating it as a right and a free resource. Is this sustainable in the long run? Certainly not! No matter how much government invests in power.
16. The moot point is, any amount of budgetary support or any amount of additional power infrastructure cannot enable a robust power

supply scenario, unless there is a check on power misuse. Therefore, the answer lies in the prudent use of power and for paying for the power used. No quality service can be free; no demand which is unrestricted and not prudent can ever be met.

17. While the Government is committed to ensuring equity in making electricity available, and would be soon launching an ambitious, all encompassing, fast track metering and enforcement framework to check power misuse, the onus also lies on the members of the civil society, all of us here, to educate masses about the necessity of prudent use of power.
18. To address the supply side of power, the Government is conscious of the need of enhancing the capacity of the power Transmission & Distribution infrastructure to cater to the normal growth of load over years. As I would be explaining later, a systemic framework for augmentation of the power infrastructure in the

State has been prepared and got sanctioned under PMDP and various flagship schemes of the Government of India, and is being rolled out. Once implemented, I am confident that the Government will be able to give 24x7 quality, reliable and affordable power to all.

19. For bridging the demand supply gap in power and to address the issues of access, equity and misuse of electricity, as mentioned by me last year, the Government has laid down a 24x7 'Power for All' roadmap. 24x7 Power for All (24x7 PFA) is a joint initiative of the Government of India and the State Government, aiming to achieve 24x7 availability of reliable and quality power to all households, industrial, commercial and all other electricity consuming entities by the end of FY19. It highlights all-encompassing power sector interventions including generation, transmission, distribution, renewable energy and energy efficiency/DSM measures proposed to be implemented during FY16 to FY19. Action on all

fronts - transmission, distribution and generation stands initiated.

20. On the last two occasions, while presenting the Power Budget, I had drawn the attention of the house to the huge and accumulated gap between the power purchase and actual revenue realization. The accumulated liability not only carries a surcharge of 18% per annum, but there is always a threat of disruption of power to the State, by way of “power regulation” by the Gencos, in the event of continued default of timely payments.
21. The total power purchase liability on this account ending 03/2016 was about Rs. 8000 crore, adding the surcharge burden of about Rs. 1260.00 crore per annum. In the last Power Budget, I had announced that a part of this debt would be restructured by raising bonds under ‘UDAY’ (Ujwal Discom Assurance Yojana) and the balance by market borrowings. I am happy to inform that the

debt of Rs. 3537.55 crore has already been restructured under “UDAY”, and the balance Rs. 3500 crore will be restructured through Power Bonds. Such restructuring of the debt will result in twin benefits to the State - there would be net annual saving of about Rs. 1260 crore and we will be able start with a clean slate w.e.f. April, 2017!

22. I have mentioned in my State Budget that the Government has been infusing Plan funds into various State PSUs/Corporations to meet their Capex requirements. However, these are not visible in the Capital base of these Companies to reflect the inherent strength of their balance sheets. Therefore, for all these Corporations, the Plan Funds are being recalled and re-infused as Equity to strengthen the Capital base of these Public Sector Corporations/Enterprises. In case of the J&K SPDC, as on 31.03.2016, the Corporation has received an amount of Rs. 4300 crores approx as the plan funds, in addition to Rs. 793.09 crores given to it for BHEP-I under PMP. Similarly, it has

been selling power to the J&K PDD and as on 31.03.2016 there was an outstanding of about Rs. 2400 crores on this account. I am happy to announce that after adjusting power supply dues, the balance Rs. 1900 crores would be converted into equity, raising the equity contribution of the State Government in the J&K SPDC.

23. The Govt. of J&K has also transferred the ownership of assets/projects of the J&K PDD to J&K PDC, in the year 1995 when the Corporation was formed, on a token value of Rs. 1 against their actual value of Rs. 916.54 crores, at that point time. I intend to go for re-valuation of these projects/assets and treat this re-valued amount as additional equity of the Government in the Corporation. This is expected to add additional Rs. 1000 crores to the equity base of the J&K SPDC. Imagine a company having an equity base of Rs. 3000 crores and remains debt free while having a robust pipeline of projects to be executed. In a matter of two years time, this

company will be in a position to go public, only the second one of the state after J&K Bank.

24. The Government is also finalizing the modalities of opening a Letter of Credit with J&K Bank, for timely payments of the power purchases. This will not only ensure “power security” by taking care of issues of “regulation of power” by Gencos but will also help in reducing the cost of power by avoiding interest burden and availing discounts of Gencos for timely payments. This will further result in annual savings of about Rs. 150 crore.
25. The debt restructuring and streamlining of the power purchase arrangements, as narrated, would result an annual saving of about Rs. 800 crore to the State. This would result in a lower cost of power purchase and resultant lowering of AT&C losses.
26. I had stated in the last power budget speech that reasonable degree of tariff hike from time to time is required to meet the operating cost and serve

the economy with reliable power. The low tariff is one of the reasons of widening gap between actual cost of supply and revenue realization. The last tariff hike in the state was in the FY 2013-14 when it was raised by 8.5 per cent. Prior to that, in FY 11-12 it was increased by 15 per cent and in FY 12-13 by 19 per cent. The State Government had not increased any tariff for the last two years, while the average cost of supply grew at about 7%. While it is nobody's argument that tariff should not be increased, the Government has the responsibility to ensure that the interests of the marginal, vulnerable and the poor are protected and they are protected from tariff shocks.

27. In the above backdrop, an average tariff hike of 13.5% has been affected during current financial, from October, 2016. But, as already mentioned, due care has been taken to ensure that no tariff shock is given to consumer categories like Domestic, Non-domestic, Agriculture and Industrial categories where increase is even less than the average of 13.50%.

28. As already stated, the power development department has drawn a comprehensive action plan for reducing the AT&C losses through various measures including feeder improvement/ segregation, consumer metering, installation of smart meters, and a robust enforcement framework. I am happy to inform the house that 100% feeders of State have been metered. The PDD has finalized a fast-track metering plan for 100 per cent consumer metering in next 18 months, including smart metering for high end domestic, commercial & industrial consumers, which would be rolled out soon. I am making a special provision of Rs. 200 crore in the Budget for the financial year 2017-18 towards compliant metering in the State.

## **Power Sector Reforms**

### **Unbundling**

19. The Government in September, 2012, ordered for unbundling of JKPDD and setting up of one

transmission company, two distribution companies (one each for Jammu and Kashmir divisions) and one trading company with the function of a holding company. Accordingly, four companies viz. a) Jammu & Kashmir State Power Transmission Company Limited b) Jammu & Kashmir State Power Trading Company Limited c) Jammu Power Distribution Company Limited and d) Kashmir Power Distribution Company Limited were created.

20. Unbundling will ensure transparency and efficiencies in operation; reduce the costs with concomitant gains to the consumers. However, unbundling continues to be a work-in progress as the newly formed companies are yet to take charge of their respective functions. As stated by me in the last power Budget, the Government is committed to taking the process of unbundling of the Department further without prejudicing the service conditions of any of the employees. In the context of effecting power purchase reforms, and

streamlining the process of power purchases, the Government will be putting the Jammu & Kashmir State Power Trading Company Limited in operation during the current Financial Year.

### **Distribution Reforms**

21. **Rural Electrification Schemes** Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) & Prime Minister's Development Package(PMDP): Government's plans for extending the distribution network to rural areas are mainly covered through works proposed under the RGGVY, DDUGJY & PMDP of Government of India. An amount of Rs. 101.28 crore under RGGVY, Rs. 619.67 crore under DDUGJY and Rs. 781.93 crore under PMDP have been earmarked. The funds will be utilized for electrifying the un-electrified 108 villages in the State, providing electricity to 3.56 lakh un-electrified households and for augmenting

rural power infrastructure. All the projects have been sanctioned, works have been tendered out and the contracts are under finalization. The works shall start soon and will be completed within next 2 years.

22. Further, on the request of many of our legislators and in view of the urgent need for replacement of worn out poles and conductors in the far flung areas of the State, both with a view to augmenting the infrastructure and also preventing accidents, an amount of Rs. 1.00 crore per constituency has already been sanctioned under the PMDP. The DPRs have been finalized in consultation with the legislators and the respective Deputy Commissioners and the work has started in many constituencies. The work is expected to be completed in the next six months.
23. **Urban Electrification:** R-APDRP, Integrated Power Development Scheme (IPDS) and Prime Minister's Development Package (PMDP). Under R-APDRP,

30 towns (19 in Kashmir & 11 in Jammu) have been identified as project areas in J&K state with a population of above 10,000 as per 2001 census. Government of India has sanctioned Rs. 191.25 crore for part-A and Rs. 1,665.27 crore for part-B under the R-APDRP scheme on 90:10 funding. For execution of Part-B of the program, 2 cities and 28 towns have been divided into nine clusters, four in Jammu Division and five in Kashmir Division. The ground level implementation in the key cities has already commenced and the Government of India has allowed extension of the Scheme till March 2018. This will lead to significant improvement in quality of power in these towns, besides, helping in reduction in T&D and AT&C losses. The IPDS scheme covers 86 Statutory Towns under 12 circles. Detailed Project Reports (DPRs) totalling Rs. 450.39 crore covering 12 circles have been sanctioned at a revised cost of Rs. 444.50 crore. Under the PMDP, an amount of Rs. 1144.59 crore has been sanctioned for meeting the balance urban electrification works,

including for the industries and places of pilgrim and tourist importance. All the projects have been sanctioned and works are being tendered out. The works shall start once the contracts are finalized and will be completed within next 2 years.

### **Power Infrastructure for Industries**

24. In view of inadequate planning and resources, most of the Industrial Estates (IEs) in the state suffer from lack of adequate power infrastructure. To provide a vital boost to the augmentation of power infrastructure for the Industry, a comprehensive proposal for Rs. 366.03 crore was proposed under the PMDP, covering primarily major Industrial Estates (IEs) of Kathua, Samba, Lassipora, Khunmoh and other smaller IEs of the State out of which projects worth Rs. 340.49 crore stand approved so far. Once implemented, this will go a long way in meeting the power supply requirements of the Industry for next 10 to 15 years.

**Special Assistance for Tourist destinations, Heritage sites and Important places of Pilgrimage under PMDP**

25. The lush green meadows, clear water streams and snow covered mountains of J&K State are well known throughout the world and have become a major attraction for the tourists. Similarly, there are many shrines and places of pilgrimage like Hazratbal, Makhdoom Saheb, Dastageer Saheb, Kheer Bhawani, Mata Vaishno Devi, Baba Reshi, Sukrala Mata, Chandi Mata Temple, Shahadra Sharief and many more monasteries and mosques of Leh and Kargil, where lakhs of tourists come to pay their homage. However, the existing power infrastructure in these places requires a lot of improvement. Accordingly, it has been decided to take-up the major tourist destinations in the State like Pahalgam, Sonmarg, Gulmarg, Patnitop and Katra for underground cabling of all electrical network at 33 KV level and LT level and strengthen/augment the power infrastructure and

illumination in the shrines. I am happy to inform the house that an amount of Rs. 25.47 crore has been sanctioned under PMDP-2015 for the purpose. The tendering process has been initiated and the works will be completed during the Financial Year 2017-18.

### **Generation**

26. The state's own installed hydro power generation capacity is 1,419.37 MW comprising of 1,110 MW of Hydro Power based stations, 198 MW thermal (Gas turbine) and 110.96 MW of SHPs. JKSDPC and CVPPL have drawn up a roadmap for systematic capacity addition in the hydro sector.
27. I'm happy to inform the house that as a major thrust to hydro power generation, three important projects, namely, Sawalakot, Kiru and Kirthai have been cleared by the Central Electricity Authority.

## **Small Hydro Electric Projects**

28. It has been recognized that small hydropower projects (upto 25 MW) can play a critical role in improving the overall energy scenario of the State and in particular for remote and inaccessible areas. These have smaller gestation period, low cost to the environment and provide decentralized generation. The Government is committed to encouraging development of small hydro projects both in the public as well as private sector. The Government has recently decided to give the mandate of development of small HEPs upto 10 MW to the Science & Technology Department. This, I am confident, will enable a focussed attention to the mini and micro hydel projects and to enable J&K SPDC to concentrate on the larger projects.
29. I'm also happy to inform the house that against Rs. 2000 crore provided under the PMDP for preparation of DPRs and

implementation/execution of Small Hydel Projects, both JAKEDA and J&K SPDC have identified the projects in the three regions of the State and have posed them to Government of India for requisite approvals.

30. The Hydro Power sector is under distress across the country. The Government is aware that issues relating to the high cost of hydro power generation makes it commercially unviable. This also opens the debate whether we should go more for cheaper forms of energy like thermal or instead of purchasing cheaper power rather than producing costly power through massive investments. All this requires deep deliberations and the Government would soon come out with a comprehensive policy on these.

### **Solar Power**

31. J&K has been sanctioned 200 MW aggregate capacity of Solar Power under the MNRE,

Government of India's Viability Gap Funding (VGF) scheme. The scheme envisages development of Grid Connected Solar Power Plant projects (with a minimum capacity of each project as 10 MW), by the willing Solar Power Developers availing VGF up to a maximum of 1.3 crores per MW. JAKEDA is taking necessary steps for execution of these projects, in coordination with the MNRE, Government of India.

32. JAKEDA has finalized the State's Rooftop Solar Power Plant Policy, after obtaining comments/suggestions from the line departments, general public and relevant stakeholders. The policy is being notified soon. A few Rooftop Pilots of 203 kwp aggregate capacity have also been rolled out to demonstrate the efficacy of the scheme in the state. Once the policy is notified, the large scale deployment of the Rooftop Solar Power Plants in the State is expected to de-stress the existing PDD network by way of decentralized generation.

## Wind Energy

33. The National Institute of Wind Energy (NIWE), an autonomous institute of the MNRE, has identified a potential windy site at village Bidda, in District Reasi which has a potential of 25 MW. JAKEDA has made arrangements to exploit the available potential of 6 MW at the site in the first phase, as a pilot project with the financial support of the MNRE (under the Ministry's Wind Demonstration Scheme). The project is estimated to cost approximately Rs. 46 crore. The work on the project is expected to start during the FY 2017-18.

## ENERGY EFFICIENCY

34. In my last Budget, highlighting the importance of energy efficiency, I had announced that as a concrete first step towards promoting energy efficiency culture across the state, our Government has decided to launch **Unnat Jyoti by Affordable LEDs for All (UJALA)** programme to be implemented across the State in collaboration

with Energy Efficiency Services Ltd.(EESL), a PSU under the Ministry of Power, Government of India. Under the Scheme, five high quality LEDs of 9W each are being made available to 16 lakh registered domestic consumers at a subsidized cost of Rs. 20 each. I am happy to inform that the scheme has a been a great success and so far 46 lakh LED bulbs have been distributed and 8.5 lakh consumers have been covered under the scheme in the last four months. UJALA has helped to promote high quality LED lighting in the domestic sector by overcoming the high initial/entry cost barrier. To take the energy efficiency movement forward, in addition to the 9W LED bulbs, the Government will also make available LED tube lights, energy efficient fans and other appliances for the benefit of common consumers, in the FY 2017-18.

35. I had also announced that the street lights in two Municipal Corporations of Jammu and Srinagar and other Municipalities across the state would be

replaced in a phased manner with energy efficient smart LED lights with full metering and dedicated feeders/phase wires, including O&M on an annuity based model. I am happy to announce that the Housing & Urban Development Department, along with the PDD has worked out the detailed modalities in consultation with the EESL and the project would be completed in the Financial Year 2017-18.

36. As announced in my last Budget, EESL has initiated energy auditing of government offices and implementing use of energy efficient LED lighting in government buildings across the State. Few Government Buildings, including Civil Secretariat, High Court, and Super Speciality Hospital have already been taken up and fitted with energy efficient LED lighting. All the government buildings would be covered in the next two years.
37. I am fully conscious of the fact that the onus of promoting the energy efficiency culture across the

state lies on the Government. While the high initial cost of the energy efficient appliances/devices usually deters their use, the overall energy savings achieved during their lifetime use more than offsets the initial cost. As the Government has to lead by example, I announce that from the FY 2017-18, the State Government, along with all its corporations/agencies, will procure only energy efficient LED lamps/ tube lights, super efficient fans and other 5 star rated energy efficient appliances and devices for all its requirements. The life cycle costs of these equipment are the lowest and they would reduce operational costs for the Government and enable us to secure the best value for money.

38. I am making a provision of Rs. 100 crore in the Budget for FY 2017-18 towards “Energy Efficiency Initiatives”.

## **Training and Human Resource Management**

39. The Power sector transformation demands major changes in the roles of technical/managerial personnel at various levels as it involves a number of complex and intricate issues. The manpower involved will need to be equipped with specific inputs in terms of knowledge, skills and attitude to enable them to play their changed roles effectively.
40. I am therefore making a provision of Rs. 2.00 crore in the Budget for FY 2017-18 for the training needs and Human Resource Development of the Power Development Department.

## **Safety Net for the Casual/Need Based Workers of the PDD**

41. There are thousands of casual/ need based workers, engaged over a period of time by the Department, who support the regular employees in providing electricity supply to the last

consumer. These workers, many a times at a grave risk to their lives, have been giving assiduous service and support to the Department. The Government is working out a comprehensive policy for all such casual/ need based workers across various Departments for these workers in the PDD, especially in view of their job related risks.