

## Chapter 15

### Insulated Wires: The Precarious Rise of West Bengal's Power Sector

Elizabeth Chatterjee

Forthcoming in Navroz Dubash, Sunila Kale, and Ranjit Bharvirkar (eds.),  
*Mapping Power: The Political Economy of Electricity Distribution in India*  
(Oxford University Press)

#### Introduction

The trajectory of West Bengal's power sector since 2000 has been one of the most distinctive and periodically encouraging of any Indian state.<sup>i</sup> Dismissing New Delhi's prescriptions for power sector liberalization with the line 'one size does not fit all',<sup>ii</sup> in 2005 the coal-rich eastern state embarked upon its own mode of power reforms based on continued but reformed state ownership. Driven by senior bureaucrats within the energy department and the public utility, this technocratic model focused on improved corporate governance and accountability. Rather than attempting to create an arm's-length relationship between utilities and the government through competition or a grafted-on regulator, the reformers hoped to strengthen the utility internally, thereby providing solid foundations for its autonomy.

Between 2006 and 2011 this model proved strikingly successful. Tariffs were consistently revised, rural electrification accelerated, albeit from a low base, and aggregate technical and commercial (AT&C) losses dropped (Figure 2). By 2011 West Bengal had become one of only three states with profitable utilities, topping performance indices.<sup>iii</sup> Yet the sector has subsequently become more troubled. Tariff revisions have failed to keep pace with rising costs,<sup>iv</sup> AT&C losses are escalating once more, and the quality and morale of personnel appears to have declined<sup>v</sup>—although West Bengal continues to outperform many other states.

What explains this reform trajectory? First, why were power reforms successfully initiated? While West Bengal did not have to contend with powerful farmer lobbies, it was a densely populated, nominally communist state with a long history of union activism and popular protest, an unusually high government debt burden, and flagging industrial development—hardly an obvious reform pioneer. Second, why did the reforms' initial performance gains start to plateau?

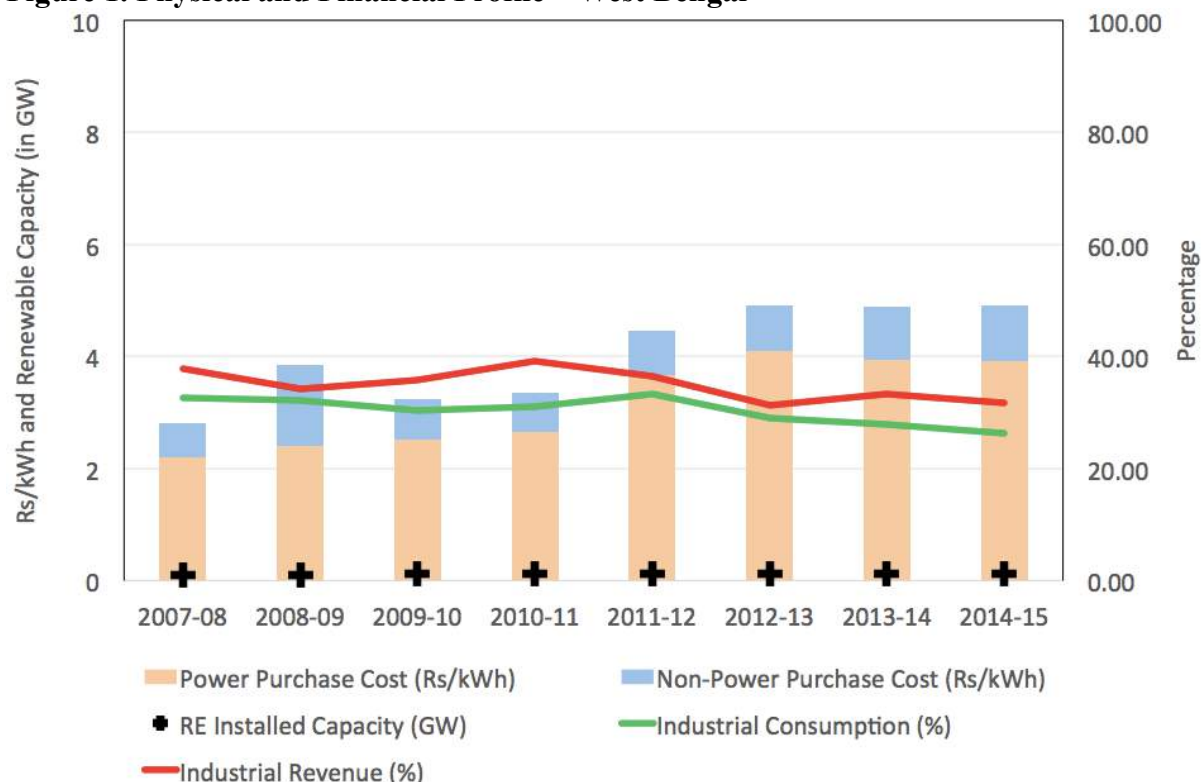
This chapter argues that West Bengal's power reform trajectory is inseparable from the state's wider political scenario, especially the degree of party-political competition. Under (democratic) one-party dominance, regimes may opt to 'tie their own hands' through insulated power governance as the electoral and financial gains from insulation are greater in the *longer term*, offering sustained performance and helping to attract lucrative industry.<sup>vi</sup> The Communist Party of India (Marxist) (CPI(M)) governed West Bengal effectively unopposed between 1977 and 2011 (Table 2). This gave it the perceived strength to tilt towards a long-term strategy that sought to insulate utilities against short-termist political interference.

Under increased political competition, by contrast, regime time horizons are shorter. Administrations opt for subsidies that temporarily head off popular resistance at the cost of longer-term financial health. While improved electricity supplies were popular, the CPI(M)'s

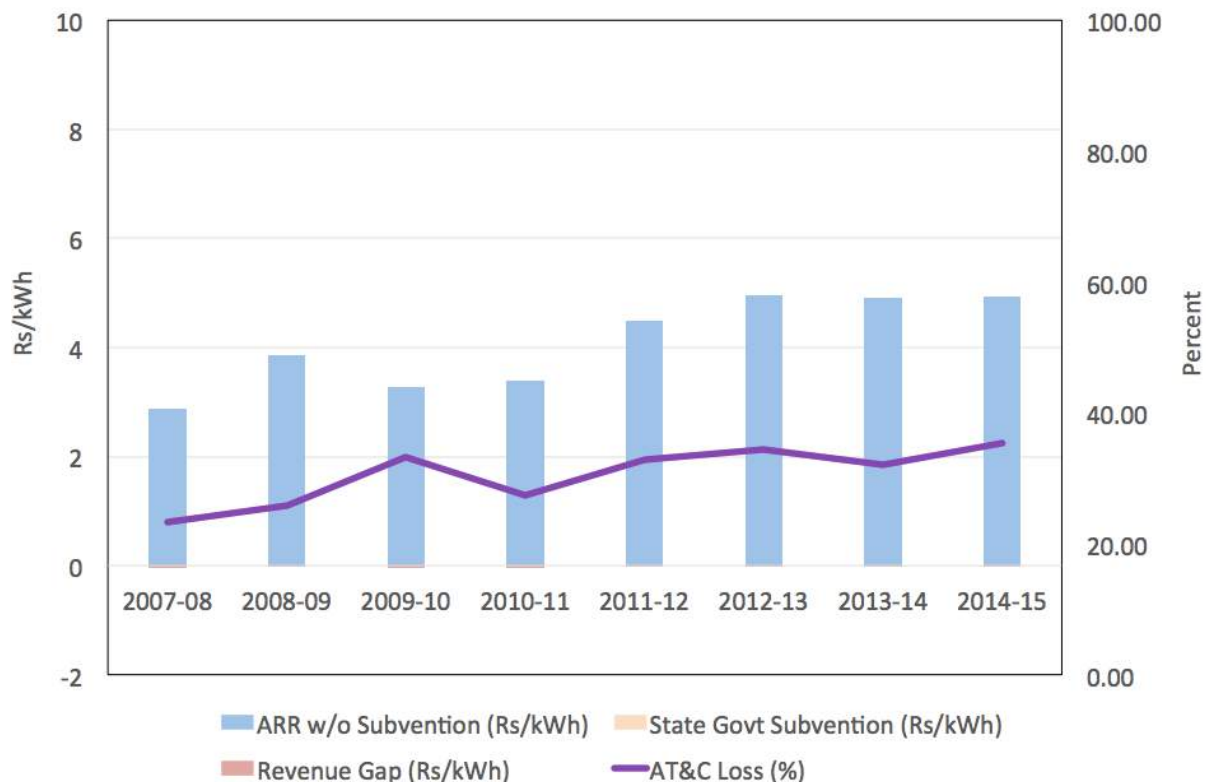
overall prioritization of industry came at the cost of public support. After years of local unrest and declining CPI(M) electoral performance from 2008, 2011 saw the first change in government in 34 years. Over its first term (2011-16) the new Trinamool Congress regime enacted power policy in the shadow of this increased party-political competition, opting for the short-term gains from accelerated rural electrification, populist subsidies, and tolerance of power theft over long-termist governance. Nonetheless, the internally-focused reform path has proven a source of limited but real resilience: the utilities’ new culture and accountability mechanisms appear to have survived somewhat intact, and performance remains above pre-reform levels.

West Bengal’s power experience thus demonstrates, first, that comparatively weak farmer lobbies can help to facilitate reform. Second, it suggests the promise and limits of public sector reform as an alternative to the model of deregulation and privatization advocated by the World Bank in the 1990s and the central government-endorsed Electricity Act of 2003. Third, it illustrates the significance of party-political competition and developments in the wider economy in shaping and undermining power reforms. The following sections explore the prehistory, process, key characteristics, and sustainability of this distinctive model of power reform.

**Figure 1. Physical and Financial Profile – West Bengal**



Sources: CSO. Energy Statistics. New Delhi: Central Statistics office, Ministry of Statistics and Programme Implementation, Government of India, 2010, 2012, 2014 and 2016; PFC. Reports on Performance of State Power Utilities. New Delhi: Power Finance Corporation Limited, 2011, 2013, 2015 and 2016.

**Figure 2. Supply-side Costs and Revenue Recovery – West Bengal**

Source: PFC. Reports on Performance of State Power Utilities. New Delhi: Power Finance Corporation Limited, 2011, 2013, 2015 and 2016.

**Table 1. Timeline of Key Events – West Bengal**

State politics		Power sector events
<ul style="list-style-type: none"> <li>CPI(M) first elected, beginning 34 years of one-party rule (Chief Minister: Jyoti Basu)</li> </ul>	1977	
	1999	<ul style="list-style-type: none"> <li>West Bengal Electricity Regulatory Commission established</li> </ul>
<ul style="list-style-type: none"> <li>Buddhadeb Bhattacharjee becomes Chief Minister, accelerating liberalization</li> </ul>	2000	<ul style="list-style-type: none"> <li>Public sector enterprise reforms initiated</li> </ul>
	2001	
	2002	<ul style="list-style-type: none"> <li>Anti-power theft law passed</li> </ul>
	2003	<ul style="list-style-type: none"> <li>CPI(M) calls for amendments to national Electricity Act</li> </ul>

		<ul style="list-style-type: none"> <li>Government of West Bengal forms committee on power restructuring</li> </ul>
<ul style="list-style-type: none"> <li>CPI(M) dominates in Lok Sabha elections</li> </ul>	2004	
	2005	<ul style="list-style-type: none"> <li>Power reform efforts initiated</li> <li>Centre's Rajiv Gandhi Grameen Vidyutikaran Yojana for rural electrification launched</li> </ul>
<ul style="list-style-type: none"> <li>CPI(M) reelected for seventh consecutive time with enlarged seat share</li> </ul>	2006	
<ul style="list-style-type: none"> <li>Violence erupts against pro-industry projects in Nandigram and Singur</li> </ul>	2007	<ul style="list-style-type: none"> <li>Unbundling of WBSEB into WBSETCL (transmission) and WBSEDCL (distribution)</li> </ul>
<ul style="list-style-type: none"> <li>CPI(M) loses many village-level elections</li> </ul>	2008	<ul style="list-style-type: none"> <li>Performance-based incentive scheme and audits introduced in utilities</li> </ul>
<ul style="list-style-type: none"> <li>CPI(M) loses two-thirds of its seats in national elections; Trinamool gains</li> </ul>	2009	
	2010	
<ul style="list-style-type: none"> <li>Trinamool Congress wins state election (Chief Minister: Mamata Banerjee)</li> </ul>	2011	<ul style="list-style-type: none"> <li>Banerjee blocks tariff hikes</li> <li>Deaths discourage crackdown on power theft</li> </ul>
	2012	<ul style="list-style-type: none"> <li>Tariff freeze leads to financial deterioration; government permits hikes</li> <li>Publication of renewable energy policy</li> </ul>
<ul style="list-style-type: none"> <li>Trinamool dominates in local elections</li> </ul>	2013	
<ul style="list-style-type: none"> <li>Trinamool dominates in national elections</li> </ul>	2014	<ul style="list-style-type: none"> <li>Tariff revisions delayed</li> </ul>
	2015	<ul style="list-style-type: none"> <li>Domestic tariffs go up sharply with retrospective effect; sporadic protests</li> </ul>
<ul style="list-style-type: none"> <li>Trinamool decisively re-elected; CPI(M) vote collapses</li> </ul>	2016	<ul style="list-style-type: none"> <li>Tariff revisions delayed</li> <li>WBERC debates ending cross-subsidy payments from industry</li> </ul>

**Table 2. CPI(M) and Trinamool seat share and vote share in West Bengal elections, 2001–2016**

	Election						
	2001 <i>State</i>	2004 <i>National</i>	2006 <i>State</i>	2009 <i>National</i>	2011 <i>State</i>	2014 <i>National</i>	2016 <i>State</i>

<b>CPI(M)</b>	<b>Seat share (%)</b>	49	62	60	21	14	5	9
	<b>Vote share (%)</b>	37	39	37	33	30	23	20
<b>Trinamool</b>	<b>Seat share (%)</b>	20	2	10	45	63	81	72
	<b>Vote share (%)</b>	31	21	27	31	39	40	45

### **Historical background, 1977–2004**

Despite inheriting the largest installed generation capacity of any province at independence, after 1947 West Bengal electrified slowly. Thanks to the state's longstanding reputation for labour militancy, the lucrative industrial consumer base was slow to grow. The West Bengal State Electricity Board (WBSEB) was also structurally deprived of high-paying consumers to bolster its revenues for expansion. Kolkata is served by the private Calcutta Electric Supply Company (CESC), while the industrial belts around Durgapur and Asansol–Raniganj are monopolized by other utilities outside the state government's control. Rural electrification proved especially sluggish, in contrast to western and southern states with wealthy agricultural lobbies.<sup>vii</sup> This urban bias was in part geologically determined—the state's wet, fertile climate meant that irrigation was less of a priority than in drier areas—but it was also politically conditioned.

By the mid-1970s West Bengal's power sector was in a state of crisis, mirroring the state's wider power vacuum. Load shedding extended for up to 12 hours even in Kolkata. A new Left Front government, headed by the CPI(M), began a slow stabilization of the sector—though WBSEB's financial performance remained among India's worst until the end of the century. The CPI(M) would hold power for the next 34 years, winning seven consecutive state elections to become India's longest-serving state administration (Table 2).

The neglect of rural electrification persisted even under this nominally communist regime, despite its loyal rural voter base and famed land reforms. The 2001 census recorded a rural household electrification rate of only 20.3 per cent, well below the all-India average of 43.5 per cent. This neglect suggests the shallowness of the CPI(M)'s pro-poor reforms in practice. Its leadership was dominated by urban, educated, upper-caste elites conscious of the importance of placating urban constituencies and large industrial houses with adequate electricity, even while offering poor voters only modest redistribution.<sup>viii</sup> Its land reforms also helped to prevent the emergence of a wealthy farmer lobby by creating an agrarian class with significantly smaller holdings than their counterparts elsewhere, while its powerful party-state organization in rural areas headed off alternative modes of organization (see below). West Bengal thus largely escaped some of the power sector's canonical problems—notably low tariffs for farmers, which elsewhere led to financial debilitation. Agricultural consumption currently remains under 10 per cent of total load, and more recently the government has enforced agricultural tariff hikes unthinkable in many other states.<sup>ix</sup> Together the CPI(M)'s one-party dominance and the absence of powerful farmer lobbies would provide the preconditions for West Bengal's successful power reforms of the mid-2000s.

### **Technocratic power reforms, 2005–10**

In 1991 the Union government began ‘big bang’ liberalization reforms, with power generation the first major sector opened to private investment. West Bengal was an unlikely liberalizer: its governing elite retained a publicly anti-market ideology, and the stance of its administrations to New Delhi has traditionally been oppositional.<sup>x</sup> Nonetheless, the CPI(M) was more pragmatic than dogmatic, and West Bengal’s dire fiscal situation was becoming increasingly obvious. In the mid-1990s Chief Minister Jyoti Basu (governed 1977–2000) adopted a ‘new’ liberal industrial policy and began to woo private investment. This was accelerated by his replacement, the reformist Buddhadeb Bhattacharjee (2000–11), although the party’s nominally communist ideology favoured public sector reform over outright privatization.

With the need to rein in public expenditure paramount, the crucial precursor to electricity reform arrived through the successful divestment of ‘sick’ public sector enterprises (PSEs) from 2000. The same personnel—reformist PSE secretary Sunil Mitra and PricewaterhouseCoopers (PwC) consultants—would provide the core personnel for power reforms. Several lessons from this earlier experience would be applied, such as the importance of financial restructuring and the need to win over employee unions.<sup>xi</sup>

In these reform efforts the CPI(M) was able to draw on its unique organizational strength and the durability of its class coalition, bolstered by a system of local clientelism. Despite never winning more than half of all votes (Table 2), its domination was so absolute that West Bengal was labelled a ‘party-society’.<sup>xii</sup> The CPI(M) was a well-disciplined, cadre-based organization with a centralized hierarchy vesting substantial power in the Chief Minister, who also enjoyed tight links with the senior bureaucracy, fostered in part by the regime’s sheer longevity.<sup>xiii</sup> At the grassroots it combined formal decentralization and local patronage to formidable effect, acting as the sole arbiter of local disputes and assimilating social organizations such as unions into the party-state matrix. Its success rested on its ability to mediate this dual character: the ‘elevated’ domain of centralized, top-down policymaking and the ‘embedded’ domain of dispersed clientelism and corporatism, especially among poor rural voters.<sup>xiv</sup>

This combination of centralized decision-making and embeddedness helped to shape a distinctive reform trajectory. While the party-state gave the Chief Minister the authority to push for major policy change, reformists also argued that it risked hollowing out official institutions; grassroots corruption and high-handedness were becoming serious concerns.<sup>xv</sup> This pushed the regime towards policies that aimed to distance utility decision-making from everyday political pressures. While these would bring practical gains, the move towards apex-led industrial transformation rather than local responsiveness would later come at the cost of popular support.

First drafted in 2000, the Electricity Act finally passed into law in 2003. While nationally communist parties criticized its vision, the Act opened a window of opportunity, enabling reformists to depict changes as externally imposed.<sup>xvi</sup> In 2005, with the reformers’ credibility bolstered by the PSE successes, the Chief Minister shifted Sunil Mitra to the power department with a mandate for reform and a strong hand: WBSEB’s performance had already begun to improve, bringing with it some fiscal breathing space. While privatization and major job losses were ruled out, Mitra’s team otherwise enjoyed wide latitude.<sup>xvii</sup>

While rejecting the Act’s ‘one-size-fits-all’ approach thanks to the disasters that had beset other Indian states as a result of the World Bank’s 1990s blueprint, West Bengal’s reforms

similarly sought to insulate utilities from political influence, albeit in the context of state ownership. Indeed, the reforms emerged incrementally from a months-long critique of previous failures in other states by PwC consultants with first-hand experience. If the Act's solutions emphasized the discipline imposed by competition and independent regulation, the core of West Bengal's reform model was to empower the utilities and improve accountability mechanisms. As a key policymaker explained:

The first step was to isolate the utility—to the extent that the political economy allows—from political interference. We never believed the government would be out of the sector entirely: that's too optimistic given that the sector is government-owned and fulfils welfare goals. But we could keep it slightly at arm's length. You can only do this if you assure the government that the sector will be run well, because politicians have two interests in the sector: (1) the quality of service, and (2) the efficiency of the customer interface. If you falter in either of these the political executive takes note... In any case, both power theft and political interference are often only excuses for inefficiency within the utility itself. So our efforts were driven by internal reforms. All other desirable ends, like good consumer management, follow from this improved accountability system.<sup>xviii</sup>

The *sine qua non* was profitability, both to ensure financial independence from the government and to reassure politicians that the reforms were worthwhile.

Unbundling was merely a means to this end.<sup>xix</sup> Informed by other states' difficulties, the West Bengal team determined that multiple distribution companies (discoms) made little sense without private competition: it would merely exacerbate regional asymmetries and the scarcity of managerial talent. Accordingly, in 2007 WBSEB was split into a transmission utility, the West Bengal State Electricity Transmission Company Limited (WBSETCL), and a single discom, the West Bengal State Electricity Distribution Company Limited (WBSEDCL); a separate generation entity had already existed since 1985.

The heart of the reforms was the imitation of private sector best practices in corporate governance—in particular, 'shadow listing' and the drafting of Articles of Association in accordance with the recently-published Clause 49, the Securities and Exchange Board of India agreement governing listing on the stock exchange. This aimed to institutionalize an arm's-length relationship with the government, notably through the introduction of genuinely independent directors recruited from top-tier executives across India. Behind closed doors even the eventual possibility of divestment was discreetly considered, which would have reinforced the utilities' independence from government even while providing a useful source of public revenue.<sup>xx</sup>

If the first phase of reforms emphasized structure and governance, the second focused on the workforce. Business operations were scrutinized, while detailed job descriptions were drawn up in order to develop clear standards for performance monitoring. The bottom-heavy workforce was gradually slimmed down in favour of high-quality technical staff with increased wages, and the administrative hierarchy somewhat flattened through street-level outsourcing for tasks like bill collection.<sup>xxi</sup> In this process a long campaign to convince mid-level employees of the necessity of reform paid dividends by preventing union activism: 'It was difficult for the bottom level of employees, but we understood the rationale,' explained

an engineering union representative; ‘there has been a culture change against the earlier phase of resistance.’<sup>xxii</sup>

Already precociously computerized, WBSEDCL also opted for technology-aided solutions to remove or tightly monitor ‘the human element’, taking advantage of central funding for automation.<sup>xxiii</sup> Bulk consumers and urban feeders were equipped with remotely readable meters, providing real-time data to improve billing and catch theft, although plans for software-aided resource planning began to lag.<sup>xxiv</sup> Through these measures the reformers sought both to shrink the costly bureaucratic apparatus and improve its accountability and insulation—albeit at the cost of discreet privatization.<sup>xxv</sup>

While the 2003 Electricity Act accorded regulators a key role, throughout these reforms the West Bengal Electricity Regulatory Commission (WBERC, created in 1999) remained supportive but secondary. While soliciting WBERC’s seal of approval, reformers remained wary of political capture within the system of ‘the regulation of government by government’.<sup>xxvi</sup> Nonetheless, in practice WBERC was often strikingly pro-utility, at least while key officials in both institutions were aligned in their technocratic vision for the sector. It consistently revised tariffs upwards between 2007 and 2011, and opted for light-touch annual balancing of the accounts rather than scrutinizing every utility investment decision upfront. Around 2007 WBERC also stopped holding public hearings, which tended to degenerate into chaos, instead taking only written submissions.<sup>xxvii</sup> Surprisingly, some consumer groups endorsed this decision, feeling the public understands too little about electricity to contribute much except kneejerk resistance to even modest tariff rises.<sup>xxviii</sup> Meanwhile, the utilities enjoy heavy representation on WBERC’s advisory committee.

When the utilities were functioning well, as between 2007 and 2011, this technocratic compact with the regulator worked fairly smoothly. When the discom temporarily bore the burden of political interference (for example, in postponing tariff petitions) and then later sought financial redress via steep tariff hikes, however, WBERC was reluctant to allow it to pass on the cost of its inefficiencies to consumers—as seen below in the recent case of regulatory assets.

The result of these reform efforts remained conspicuously statist. Today transmission and most generation (68 per cent) remains in the hands of the state, as does distribution outside Kolkata and the Asansol–Raniganj belt. Open access to the wires by private generators was allowed in theory, but not in practice: the utilities have so far successfully lobbied the regulator for very high wheeling charges to discourage elite consumer exit, a settlement that industrial lobbies generally tolerate.

For several years the West Bengal model proved strikingly successful on several metrics, from financial performance to rural electrification. From recording annual losses of US\$300 million in 2002, by 2011 West Bengal had become one of only three states with (marginally) profitable discoms, with revenues more than covering the cost of supply (Figure 2). Thanks to its corporate governance reforms, the World Bank named West Bengal’s utilities among India’s best governed, an exemplar of arm’s-length management despite state ownership.<sup>xxix</sup> Board meetings became multi-hour inquisitions, while automation and improved vigilance saw AT&C losses drop dramatically from more than 40 per cent in 2001 to a low of 23.2 per cent in 2007-8. In the Government of India’s first formal assessment, WBSEDCL accordingly received an ‘A’ grade.<sup>xxx</sup>



As the quality of service began to rise, the goalposts shifted in line with increased consumer expectations and sensitivity to even short disruptions; a relatively new 24x7 imaginary has swiftly come to dominate in urban areas.<sup>xxxix</sup> Both WBSEDCL and CESC thus devote increasing resources to improving consumer services.<sup>xxxix</sup> This should not be overstated: in many rural areas supply remains uneven, and newly connected households often embrace electricity only warily until they assess its financial impact. In such areas slow connections, aggressive disconnections, and billing problems continue.<sup>xxxix</sup>

Even so, rural electrification has been especially dramatic. Drawing on a heavy central subsidy injection, the CPI(M) administration belatedly initiated rapid rural expansion. Between the 2001 and 2011 censuses the proportion of rural households using electricity as their primary light source doubled from 20.3 to 40.3 per cent, with connections rising from 3.57 million to 8.57 million. Nonetheless, this came too late to prevent the popular backlash against the CPI(M)'s pro-industrial reforms. By 2008 more than half of Bengali villages would be in opposition hands, and in the 2009 national elections the party lost two-thirds of its Lok Sabha seats (Table 2).

### **Intensifying party-political competition, 2011–16**

The Left Front had banked heavily on the hope that improving the investment climate, including through reliable electricity, would bring dividends. Its elitist, technocratic governance style may have begun to deliver in the power sector, but the general pro-industry tilt came at the cost of the CPI(M)'s overall moral and political credibility. After 34 years in control, it lost the elections of May 2011. A post-poll survey of voters suggested that the CPI(M) was voted out not because of its governance record, but for betraying its pro-poor ideology—most notoriously through coercive state land acquisition at Nandigram and Singur in 2007.<sup>xxxix</sup>

In its place, the Trinamool Congress swept to a majority (Table 2), winning over much of the Left Front's hitherto resilient base of small cultivators alongside its existing supporters from the urban lower-middle classes. Yet the newly competitive political space posed quite different challenges. This and its lower-class voter base helped to shape the new administration's populist stance towards the power sector. For much of its first term it prioritized pro-poor expansion through channels both formal (accelerated rural electrification) and informal (apex-level attempts to reduce tariffs, and the tolerance of theft coordinated by local satraps).

Some elements of this populism were desirable: in the five years following 2011, the number of electricity connections in the state nearly doubled to 16.37 million. Thanks to heightened party-political competition, the government nonetheless remained sensitive to popular opinion, especially around elections. Upon taking office new Chief Minister Mamata Banerjee felt she had little choice but to block tariff revisions, and WBSEDCL's finances rapidly began to deteriorate.<sup>xxxix</sup> WBERC similarly delayed releasing the annual tariff order due in April 2016, just before the most recent state elections, when the Trinamool Congress again emerged with the largest number of seats. Pressure was often indirect: 'I never received a phone call from the chief minister or anything like that,' explained one former regulator. Instead, both WBSEDCL and CESC moderate their tariff petitions before elections.<sup>xxxix</sup> The hikes that were belatedly permitted could not keep pace with the increasing cost of employee salaries, interest payments, or power procurement, as West Bengal found itself locked into expensive contracts with central generator NTPC Limited. Belated revisions meant tariffs

lurched abruptly upwards, antagonizing consumers already facing some of the country's highest tariffs.

After around 2013, when several reformers had formally exited the sector, the decline of governance was exacerbated further by a widely perceived decline in the quality of personnel—virtually as a matter of policy in order to make the utilities and regulator more tractable.<sup>xxxvii</sup> WBERC was left with only one member and without a chairman for almost two years, though during this time it fought a rear-guard action against institutional decline (see below). Several interviewees raised questions about the quality of its new members. WBSEDCL also struggled to find second-generation champions to take on the less glamorous work of reform sustainability in the face of interference. As a senior bureaucrat declared: 'The utilities are not at all independent. We are poking them at least eight times a day, eight hours a day!'<sup>xxxviii</sup>

Moreover, Trinamool is not the disciplined, cadre-based machine that the CPI(M) was, for all its flaws. United by opposition to the CPI(M) rather than a coherent platform, and virtually 'synonymous with' Mamata Banerjee, the party is more loosely structured and weakly coordinated.<sup>xxxix</sup> Beyond populism, as one former official explained, 'there are problems that Mamata cannot control: political will won't stretch downwards to solving problems of disconnections or theft'.<sup>xl</sup> AT&C losses had begun to climb as early as 2009 as the CPI(M)'s dominance had begun to wane, and continued to rise under Trinamool (Figure 2); recent central reports accordingly criticized WBSEDCL's declining collection efficiency.<sup>xli</sup> Many interviewees thus now characterize the power sector's problems as a law-and-order situation.

As a result of these trends, since 2011 WBSEDCL has wrestled with mounting debts, increasingly resorting to short-term borrowing to finance even everyday operations.<sup>xlii</sup> In 2016 its credit rating was downgraded, the ratings agency citing rising regulatory assets, uncertainties around tariff revisions, and high T&D losses.<sup>xliii</sup> In place of tough political choices the administration has opted for optimistic technical fixes like rural feeder segregation, though agricultural consumption remains minimal.<sup>xliv</sup> Technology is still cast as a prophylactic against 'the human element' at the street level, through smart grid pilots and big data analytics to identify theft—no matter that the 'human element' of apex-level political interference may persist.

Yet signs of reform resilience remain. Not all power bureaucrats have simply bowed to political pressure. While the high-calibre first generation of reformers are no longer formally connected to the sector, they continue to provide a watchful eye and an unofficial source of advice to the struggling second generation.<sup>xlv</sup> Against the tariff freeze of the Trinamool regime's first months, the old reformers mobilized to intervene via the Chief Minister's trusted lieutenants, warning of imminent power cuts.<sup>xlvi</sup> As load shedding began to make itself felt, Banerjee agreed to tariff revisions and nominally foreswore further political interference.<sup>xlvii</sup> Reformers saw this as a victory for long-term thinking, although it suggests that reform sustainability has relied on the personal commitment and authority of individuals rather than thoroughgoing institutionalization.

The regulator has also provided a source of modest resistance, despite attempts to degrade its operations. WBERC took a stand on the issue of regulatory assets, alleging that WBSEDCL's on-paper profits relied on misclassifying a significant sum that ought not be extracted from consumers because it stems from discom inefficiencies. A respected discom board member similarly resigned over such creative accounting. Even within the beleaguered discom, the

effects of corporatization have continued to resonate with utility staff. Managers still envisage their enterprise as ‘a professionally managed organization, not a government entity’, even if they remain realistic about the negotiated character of their independence, and new staff appear to have internalized reformed professional norms.<sup>xlvi</sup>

Nor has political interference been as heavy-handed as in some other states. Officials still generally serve out their tenures and tariff rises have belatedly occurred. In any case, it is possible to overstate the contrast with the CPI(M): power theft was already rising again before 2011 (Figure 2) and still remains well below pre-reform levels. West Bengal’s deterioration is thus only relative. As one reformer argued: ‘From the outset we always had doubts about sustainability. It’s true that the sector is not at the level it rose to, but it is considerably better than the level that we started at.’<sup>xlix</sup>

Structural changes may eventually encourage the Trinamool administration to take up a more long-termist approach. The 2016 elections returned it with an even more decisive mandate (Table 2), supported by mass defections of CPI(M) local cadres. The decisive confirmation of five more years in power and the collapse of the CPI(M) vote may mark at least a temporary end to the period of intense party-political competition, thus increasing the leadership’s perceived latitude for long-term decision-making. In theory, then, the administration will be more likely to move away from dispensing short-term sops and towards a sustained development agenda.

There are both electoral and fiscal reasons to believe this might occur. First, Bengali voters appear to reward infrastructure provision. A 2016 post-election survey suggested that Trinamool won on the back of its perceived dedication to economic development, with voters particularly emphasizing discernible improvements in electricity and roads.<sup>l</sup> This fits with a body of political science scholarship which suggests that rising consumer expectations may encourage a shift away from short-term clientelism to rewarding more sustained and programmatic ‘good governance’—such as ‘24x7’ power over cheap but unreliable supplies.<sup>li</sup> With 100 per cent household electrification imminent, power sector officials widely acknowledge that policy objectives must shift from basic provision to *quality* of supply. Efficient management will therefore become a rising priority.

Second, structural factors may once again override party ideology. As for the CPI(M) in the early 2000s, the drive for industrialization and private investment has again become paramount to provide jobs and, not least, to burnish government revenues in this most debt-ridden of states. Trinamool has thus rehabilitated the CPI(M)’s old hope: that quality electricity can lure in industry and so boost growth. This supports the case for reducing political interference in the sector. There is even discussion of dropping electricity cross-subsidies altogether, although this remains politically unlikely and discom finances continued to deteriorate through 2017.<sup>lii</sup>

Electrifying an industrialized Bengal may be a pipe dream, in any case. Despite robust overall economic growth, the declining industrial share of electricity consumption and revenues suggests that improved power supplies have not succeeded in attracting industry (Figure 1). Electricity alone cannot provide a silver bullet for West Bengal’s political economy; industrialists and others call instead for broader policy shifts, especially on land acquisition and other infrastructural bottlenecks.<sup>liii</sup> Such policy areas have proved far less amenable to Buddhadeb Bhattacharjee-style apex-down technocratic solutions. Without such lucrative industrial consumers, though, the power sector’s future itself now lies in doubt. As

one donor agency official lamented: ‘Can an island of excellence survive where everything else sucks?’<sup>lv</sup>

## Conclusion

West Bengal’s power reform experience sheds light upon a number of aspects of electricity reforms in India. First, it provides lessons about the political preconditions necessary both for successful and sustainable institutional change. Comparatively weak farmer lobbies provided the precondition for reform. Changing levels of party-political competition and the ensuing shifts in policy strategies—and, secondarily, the ruling party’s organizational characteristics—have proved instrumental in determining the sector’s trajectory. One-party dominance facilitated a technocratic mode of reform, while party-political competition shifted the policy onus back towards short-term particularist handouts. Second, West Bengal’s power reforms under public ownership provide encouraging signs that public sector reform can provide a viable alternative to liberalization—but also show the limits of such an isolated ‘island of excellence’ in transforming a state’s economic trajectory.

Until 2011 power policy was shaped under the one-party dominance of the CPI(M), unhampered by party-political competition and with opposition from farmers and unions largely contained within the CPI(M)’s powerful machinery. The CPI(M) leadership’s bureaucratic centralism and industrial vision combined with its rising mistrust of the lower party-state to produce a pragmatic but statist effort to depoliticize power. The resulting reforms were technocratic and centred on internal governance changes, capacity building, and technology-aided process streamlining. While rejecting outright privatization, they incorporated some elements of private-style management: corporate governance norms, frontline outsourcing, and independent directors and consultants.<sup>lv</sup> The goal was to foster improved accountability and financial and operational independence from the government, both at the apex and by ‘reducing the human element’ in day-to-day operations.

However, improved power performance was inseparable from the state’s broader political economy. The ‘good governance’ gains from the CPI(M)’s technocratic turn could not compensate for the perceived betrayal of its socialist ideology. Upon replacing the CPI(M) in 2011, the Trinamool Congress inherited a far more obviously competitive political scenario. Aiming to retain voters, it therefore shifted power policy in a pro-poor, ‘populist’ direction, weakening (though not ending) utility independence. In this way, party-political competition and the time horizons of power governance appear inversely related. The technocratic, utility-centred mode of power reforms proved only somewhat resilient under this renewed political pressure, although West Bengal continued to perform better than many of its counterparts. Today the sector’s future is precariously balanced. Trinamool’s decisive electoral victory in 2016 may eventually herald a return to long-termist power policymaking. Yet this study suggests that the electric ‘island of excellence’ will continue to be buffeted by wider economic and political currents.

---

<sup>i</sup> This chapter uses ‘West Bengal’ rather than ‘Bengal’, as at the time of writing the state’s name change had not been formally approved. The author is grateful to the 35 individuals who gave so generously of their time and insights in July and August 2016, and to the Confederation of Indian Industry for permission to observe their 2016 Energy Conclave in Kolkata. All the interviews quoted below were carried out by the author on a not-for-attribution basis.

---

<sup>ii</sup> This phrase recurred both in interviews and contemporary assessments; see PwC, *West Bengal Power Sector Reforms: Lessons Learnt and Unfinished Agenda*, Report 68330 (PricewaterhouseCoopers; AusAID, 2009), 16; World Bank, *India: Organizational Transformation of State-Owned Enterprises: Case of West Bengal Power Sector; Outcomes from Knowledge Sharing Workshops* (internal memorandum: World Bank, 2009), 3.

<sup>iii</sup> Sheoli Pargal and Sudeshna Ghosh Banerjee, *More Power to India: The Challenge of Electricity Distribution* (Washington, DC: World Bank, 2014), 94.

<sup>iv</sup> While the official data represented in Figure 2 appears to show that tariffs are meeting costs, this relies on a disputed classification of some losses as future receivables. See discussion of the dispute between the utility and the regulator over regulatory assets for more information.

<sup>v</sup> Interview with former power official, Kolkata, 7 August 2016; interview with regulator, Kolkata, 12 August 2016.

<sup>vi</sup> On the relationship between political competitiveness and politicians' spending on clientelistic policies (at least until economic growth shifts increasing numbers of voters to prefer good governance instead), see Steven Wilkinson, 'Explaining Changing Patterns of Party-Voter Linkages in India', in *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition*, ed. Herbert Kitschelt and Steven Wilkinson (Cambridge: Cambridge University Press, 2007), 110–140.

<sup>vii</sup> Sunila S. Kale, *Electrifying India: Regional Political Economies of Development* (Stanford, CA: Stanford University Press, 2014).

<sup>viii</sup> Atul Kohli, *Democracy and Discontent: India's Growing Crisis of Governability* (Cambridge: Cambridge University Press, 1990), 267; Kale, *Electrifying India*, 170–5.

<sup>ix</sup> Aditi Mukherji, 'Political Ecology of Groundwater: The Contrasting Case of Water-Abundant West Bengal and Water-Scarce Gujarat, India', *Hydrogeology Journal* 14, no. 3 (2006): 392–406.

<sup>x</sup> Aseema Sinha, *The Regional Roots of Developmental Politics in India: A Divided Leviathan* (Bloomington, IN: Indiana University Press, 2005).

<sup>xi</sup> Interview with former senior power sector official, Kolkata, 11 August 2016; interview with former consultant, Kolkata, 12 August 2016; Stephen J. Mast, 'Communication, Coalition-Building and Development: Public Enterprise Reform in West Bengal and Orissa States, India,' in *Governance Reform under Real-World Conditions: Citizens, Stakeholders, and Voice*, ed. Sina Odugbemi and Thomas Jacobson (Washington, DC: World Bank, 2008).

<sup>xii</sup> Dwaipayan Bhattacharyya, *Government as Practice: Democratic Left in a Transforming India* (Delhi: Cambridge University Press, 2016), 123–154.

<sup>xiii</sup> Interview with former senior discom official, Howrah, 5 August 2016; interview with former senior power official, Kolkata, 11 August 2016.

<sup>xiv</sup> Dwaipayan Bhattacharyya, 'Left in the Lurch: The Demise of the World's Longest Elected Regime?' in *Handbook of Politics in Indian States: Regions, Parties, and Economic Reforms*, ed. Sudha Pai (New Delhi: Oxford University Press, 2013); Bhattacharyya, *Government as Practice*.

<sup>xv</sup> Surajit C. Mukhopadhyay, 'Left Front Win in West Bengal: Continuity, but Also Change,' *Economic and Political Weekly* 36, no. 22 (2001): 1942–44.

<sup>xvi</sup> For example, they claimed that such reforms were an essential condition for the State government's forgiveness of WBSEB's debts; interview with former senior power official, Kolkata, 11 August 2016.

<sup>xvii</sup> It is important not to overstate the depth of support for the power reforms in the CPI(M)'s upper ranks, however. In 2004 Bhattacharjee's own power minister publicly argued that State

governments, not regulators, should determine tariffs. Reform bureaucrats describe having to circumvent their own power ministers; *ibid.*

<sup>xviii</sup> Interview with former senior utility official, Kolkata, 5 August 2016.

<sup>xix</sup> *Ibid.*

<sup>xx</sup> Interview with consultant, Gurgaon, 30 August 2016.

<sup>xxi</sup> Interview with senior discom manager, Kolkata, 18 August 2016.

<sup>xxii</sup> Interview with engineers' union representative, Kolkata, 18 August 2016. Nonetheless, the interviewee raised fears about limited oversight of the newly outsourced lower tiers.

<sup>xxiii</sup> On the extent and limits of these innovations within 'Stelcorp' (as WBSEDCL is renamed), see Ritam Sengupta et al., 'Exploring Big Data for Development: An Electricity Sector Case Study from India', Development Informatics Working Paper No. 66, University of Manchester (2017).

<sup>xxiv</sup> Interview with consultant, Gurgaon, 30 August 2016.

<sup>xxv</sup> WBSEDCL engineers have raised concerns about both frontline outsourcing and dependence on Tata Consultancy Services to manage enterprise software; interview, engineers' union representative, 18 August 2016.

<sup>xxvi</sup> Phone interview with donor agency official, 3 August 2016; interview with former senior discom official, Howrah, 5 August 2016.

<sup>xxvii</sup> Interview with former regulator, Kolkata, 31 July 2016.

<sup>xxviii</sup> Interview with consumer group representatives, Kolkata, 3 August 2016.

<sup>xxix</sup> Sheoli Pargal and Kristy Mayer, *Governance of Indian State Power Utilities: An Ongoing Journey* (Washington, DC: World Bank, 2014), 29–33, 82.

<sup>xxx</sup> Ministry of Power, *State Distribution Utilities First Annual Integrated Rating* (New Delhi: Government of India, 2013).

<sup>xxxi</sup> Interviews with CESC managers, Kolkata, 30 July and 2 August 2016.

<sup>xxxii</sup> Often criticized by Kolkata consumers, CESC's very healthy profits partly stem from its overperformance against WBERC targets set with reference to the state discom. While currently enjoying a monopoly, its senior managers see a competitive scenario as inevitable, and hope to have developed both superior efficiency and a loyal consumer base when it arrives; *ibid.*

<sup>xxxiii</sup> Interviews with consumer group representatives, Kolkata, 3 August and 9 August 2016.

<sup>xxxiv</sup> Bhattacharyya, 'Left in the Lurch', 228; *Government as Practice*, 224.

<sup>xxxv</sup> Interview with former senior discom official, Howrah, 5 August 2016; interview with former senior power official, Kolkata, 11 August 2016.

<sup>xxxvi</sup> Interview with former regulator, Kolkata, 31 July 2016; interview with regulator, Kolkata, 12 August 2016.

<sup>xxxvii</sup> Former power official, personal communication to author, 11 August 2016; interview with regulator, Kolkata, 12 August 2016.

<sup>xxxviii</sup> Interview, Kolkata, 19 August 2016.

<sup>xxxix</sup> Mukulika Banerjee, 'Populist Leadership in West Bengal and Tamil Nadu: Mamata and Jayalalithaa Compared', in *Regional Reflections: Comparing Politics across India's States*, ed. Rob Jenkins (New Delhi, Oxford: Oxford University Press, 2004), 298, 304; Bhattacharyya, 'Left in the Lurch', 229.

<sup>xl</sup> Interview with former power official, Kolkata, 11 August 2016.

<sup>xli</sup> Ministry of Power, *State Distribution Utilities Fourth Annual Integrated Rating* (New Delhi: Government of India, 2016), 32 and *State Distribution Utilities Fifth Annual Integrated Rating* (New Delhi: Government of India, 2017), 33. In 2016 WBSEDCL received an overall 'B+' grade, like the majority of mediocly performing discoms, falling further to a 'B' in 2017.

---

<sup>xlii</sup> *Ibid.*

<sup>xliii</sup> ICRA, ‘WBSEDCL rating’, last accessed March 2016,

<http://www.icra.in/Files/Reports/Rationale/West%20Bengal%20-R-29032016.pdf>

<sup>xliv</sup> Interview with former power minister, Kolkata, 10 August 2016.

<sup>xlv</sup> Interview with former senior discom official, Howrah, 5 August 2016; interview with former senior discom official, Kolkata, 7 August 2016.

<sup>xlvi</sup> Interview with former senior discom official, Howrah, 5 August 2016; interview with former senior power official, Kolkata, 11 August 2016.

<sup>xlvii</sup> *Ibid.*

<sup>xlviii</sup> Interviews with senior discom manager, Kolkata, 18 August 2016; phone interview with donor agency official, 3 August 2016.

<sup>xlix</sup> Interview with former senior discom official, Howrah, 5 August 2016.

<sup>1</sup> Shreyas Sardesai and Suprio Basu, ‘Poor Dump Left for Trinamool, Muslims Solidly Behind Didi’, *Indian Express*, 22 May 2016.

<sup>li</sup> Wilkinson, ‘Explaining Changing Patterns’, 132–40. A study of rural Bengal also found that providing one-time benefits did not succeed in winning voter loyalty, while recurring benefits and broad-based changes did; Pranab Bardhan et al., ‘Local Democracy and Clientelism: Implications for Political Stability in Rural West Bengal’, *Economic and Political Weekly* 44, no. 9 (2009): 46–58.

<sup>lii</sup> Interview with regulator, Kolkata, 12 August 2016; interview with former discom manager, Kolkata, 7 August 2016; interview with senior power bureaucrat, Kolkata, 19 August 2016.

<sup>liii</sup> Now that reliability has improved, industrialists do not consider electricity a primary issue; interview with industry lobbyist, Kolkata, 8 August 2016.

<sup>liv</sup> Phone interview, 3 August 2016.

<sup>lv</sup> For a larger-scale example of this trend, see Elizabeth Chatterjee, ‘Reinventing State Capitalism in India: A View from the Energy Sector’, *Contemporary South Asia* 25, no. 1 (2017): 85–100.