



The Power Problem

Brickwork Ratings, Bengaluru, 9 November 2021: With the lockdown-related restrictions on the economy being progressively relaxed owing to the declining COVID-19 cases and over 100 crore vaccinations administered, the economy has seen a fast-paced revival. October has seen a sharp acceleration in both, the manufacturing and services sectors, with the PMI index increasing to 55.9 from 53.7 in the previous month and the services PMI touching the highest in the last 10 years at 58.4 from the previous month's index of 55.2. The acceleration in economic activities has led to a sharp increase in demand for power. However, power supply could not keep pace with increasing demand, resulting in severe power shortages recorded in a number of states.

The aggregate power shortage recorded in October was 1200 million units, the highest in the last five years. Among the states severely affected by a severe power shortage were Gujarat, Haryana, Jharkhand, Punjab and Rajasthan. The power shortage in Gujarat was 215 million units, the highest in 10 years and 113 million units in Haryana, the highest in nine years. These two are states with a large manufacturing base. The other states with a severe power shortage included Rajasthan (241.7 million units) and Uttar Pradesh (137.2 million units).

The power shortage was primarily due to inadequate coal supply to 135 thermal plants. Although the stock position has improved compared to the mid-October situation, on 5 November, as many as 32 plants had the coal stock lasting less than four days! Heavy rains in coal mining areas constitute one reason for the shortfall in supply. The union minister for coal also alluded to the sharp increase in international coal prices, leading to 38% decline in imports, with quite a few power generating units with imported coal shutting down. At a time when the economy is geared to accelerate, ensuring adequate power supply is important. The union coal minister has urged Coal India Ltd. to make efforts to ensure at least 18 days' coal stock, and hopefully, power generators and suppliers will not allow the problem of coal shortage constraining power supply to recur in future.

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