

CHAPTER 7

SCOPE FOR FUTURE RESEARCH / LIMITATIONS

7.1 INTRODUCTION

Future scope of study as well as limitations of the present study are outlined in this chapter.

7.2 SCOPE FOR FUTURE RESEARCH

Financial insolvency of the electricity sector was identified as the Business Problem for this research. This study has concentrated on one aspect of the problem, namely the inability to arrive at a cost-reflective tariff while safeguarding the welfare interest of the poorest segment of customers, and has chalked out a suggested path forward to address these aspects. However, other issues contributing to financial distress of the sector, including revenue inadequacy (disallowance of actual cost by the regulator), popular pressure against tariff increases, collection inefficiencies (technical, commercial and theft losses) are some other malaises affecting the financial health of sector, which were noted during literature review and may form part of future research.

A choice is also apparent in the context of protection of a wider consumer base through cross-subsidy vis-à-vis progression towards cost to serve, particularly for industrial consumers, as observed globally. Lowering of industrial tariff may have significant long-term welfare implications, as there is opportunity for Indian industry becoming more competitive, with longer-lasting welfare potentials. Contextually, it is observed that the Economic Survey of 2015-16 has reflected upon cross-subsidisation, with a view that it should be restricted to only within the residential category, with higher cost being loaded upon higher consumption (with price inelasticity), relieving of burden on industry.

There is scope for future research to evaluate welfare implications of lowering of industrial tariff, with creation of economic wealth.

The analysis of cost-of-supply undertaken in the current study also brings the question of subsidy provision for the smallest commercial segment to the fore, as the cost to serve this segment is also significantly high. Below a consumption threshold, these commercial establishments are merely small units of grocery and local shops, often operated by impoverished shopkeepers. Study on subsidy need for this segment, if any, is left for the future.

Vulnerability, as interpreted in U.K., opens another interesting arena for research, as it expands beyond economic indigence, and tries to bring within its fold other forms of vulnerability like customers of pensionable age, with disability etc., with their own sets of vulnerability issues. Understanding vulnerability in the Indian context, beyond economic poverty, also offers an intriguing scope for future study.

The research also touches upon innovative tariff signalling, once cost-of-supply is achieved, including time-of-the-day (fixed time-slots) tariff, time-of-use (real-time) tariff, interruptible tariff, only-variable-cost or only-fixed-cost tariffs and other bespoke tariff structures, as also promotion of green energy and DSM initiatives, through correct market signals. These aspects provide interesting scopes for future research.

7.3 LIMITATIONS

On the issue of path forward for devising a protection mechanism for the lifeline segment, while a methodology has been suggested through this research, implementation aspects of the same have not been covered in detail due to limitations of scope of the present study. Further research is needed on connected issues, i.e. a mechanism to identify the lifeline segment needing support, through study of consumption patterns across a larger database as well as devising mechanisms for prevention of subsidy leakage, through an objective assessment of the schemes identified through this research (and other schemes, as may be devised), particularly from the implementation aspects.

7.4 CHAPTER SUMMARY

Significant scope for future research has been identified, including development of a mechanism to identify the vulnerable segment of consumers (some suggestions have been offered herein) and analysis of the socio-economic benefits of lowering of industrial tariff by adoption of cost-to-serve principles, with welfare implications across a vast swathe of society.

This study may be concluded with the hope of shedding light on some unchartered issues and chalking out a path forward, which can be adopted, both by policy-makers and future researchers.