



Power Blackout in India, Part I

Arvind Subramanian explains that the massive power outage in India resulted from several factors, including a bad monsoon and heightened power usage in the northern farm belt.

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Steve Weisman: The power failure in India left more than half the country without electricity this week. Arvind Subramanian of the Peterson Institute is here with me, Steve Weisman, to discuss how it happened and the implications. This is the first of a two-part interview. First, Arvind, why did this power failure happen?

Arvind Subramanian: I think, Steve, the proximate reason is the drought. The monsoon is failing in India this year. It's about 25 percent less than normal. So there is less supply, much more demand and I think as a result, some of the states, especially the agricultural states, were drawing on power beyond what they were entitled to on the grid. And I think the story is that that was allowed by politicians to breach, in a sense, the inbuilt limits in the system. Once they did that, all the triggers went off and the cascading effects happened.

Steve Weisman: Explain how the system of government works in India, for the people who aren't familiar. State governments oversee some of this and they have a relationship with the federal government.

Arvind Subramanian: Power is a state subject. There's more private sector production, but predominantly, it's still public sector production of the states. Especially the distribution is still managed by the state electricity boards -- i.e. there is an electricity board for every state. They're the ones that do the collecting and the accounting and all of that. That's where the real problems are.

However, because some states produce more than they need, and other states are in shortfall, there is a national grid which is a federal-level agency, which then coordinates surplus power and transfers power from surplus states to deficit states. There are multiple levels of intervention at the state level and then at the federal level.

Steve Weisman: What are the sources of power for India -- let's say, hydro versus coal versus oil, which has to be imported?

Arvind Subramanian: The last figures were that thermal is about 80 percent; hydro is about 17 percent; and the rest is nuclear, and all the renewables and so on. So, it's predominantly still coal-based, thermal power production; that's the predominant source of production in India. And that's because we have a lot of coal.

Steve Weisman: What are the prospects for new sources of energy?

Arvind Subramanian: I think there are two interesting developments happening on that side. One, I think that thanks to the civil nuclear agreement with the United States, there is a greater push

towards developing nuclear-based energy. In fact, the state of Tamil Nadu is actually taking the lead in that direction.

On the other side, I think the most promising renewable source might be solar. For example, the Indian government has a target that by 2020, 20 percent of all power will be from renewables. And in the state of Rajasthan, which as you know is a desert and it's very hot, I think is where the promise of solar is greatest.

Steve Weisman: Let's end there, Arvind, and pick up on the second part of the interview on the broader implications. Thanks.

Arvind Subramanian: Thanks to you.

