

Electricity (Amendment) Bill, 2020

May 15, 2020

Source: *The ET*

Manifest pedagogy: The electricity amendment seeks to end the malaise in the production, distribution and transmission. Further, it seeks to revive investments and promote growth in line with the vision of a \$5 trillion economy in the near future.

In news: The Power Ministry has drafted a new Electricity Amendment Bill.

Placing it in syllabus: Infrastructure

Static dimensions:

- Electricity Act, 2003
- Privatisation of discoms

Current dimensions:

- **UDAY scheme**
- T&D losses
- Need for new amendment
- Important features

Content:

Electricity Act, 2003:

- The act covers major issues involving generation, distribution, transmission and trading in power.
- The Act **delicenses power generation completely (except for all nuclear and hydro-power projects over a certain size)**.
- 10 percent of the power supplied by suppliers and

distributors to the consumers has to be generated using renewable and non-conventional sources of energy.

- The techno-economic clearance from the Central Electricity Authority (CEA) has been done away with for any power plant, except for hydro-electric power stations above a certain amount of capital investment.
- The **generators can sell electricity to any licensees or where allowed by the state regulatory commissions, to consumers directly.**
- The **regulatory body can impose a surcharge** to compensate for some loss in cross-subsidy revenue to the State Electricity Boards (SEB's) due to this direct sale of electricity by generators to the consumers.
- The **Act licenses distribution in rural areas** and brings in a licensing regime for distribution in urban areas.
- No person shall

1. transmit electricity; or
2. distribute electricity; or
3. undertake trading in electricity, unless he is authorised to do so by a licence issued by authorised commissions.

- Setting up the **State Electricity Regulatory Commission (SERC)** has been made mandatory.
- An **appellate tribunal** to hear appeals against the decision of CERC and SERCs.
- **Metering of electricity** supplied was made mandatory.
- For rural and remote areas, a stand-alone system for generation and distribution is permitted.
- **Thrust to complete rural electrification** and provide for management of rural distribution by panchayat, cooperative societies, NGOs, franchisees etc.
- Central Electricity Authority (CEA) to prepare the National Electricity Plan.

Privatisation of discoms:

- **Discoms are the weakest link in the electricity value chain.**
- They are **plagued by** low collection, higher power purchase cost, inadequate tariff hikes and subsidy disbursement and mounting dues from government departments.
- The tentatively-named **Atal Distribution System Improvement Yojana (ADITYA) scheme** will help power distribution companies (discoms) pare their losses and effectively monitor electricity consumption.
- The **₹2.86 trillion scheme** aims to ensure continuous power supply to all residents and it **involves adopting models such as** *privatizing state-run discoms and having multiple supply, network and distribution franchisees.*
- The scheme envisages states to approve a roadmap to make discoms viable by **switching to prepaid smart meters within three years** and also clearing their dues.
- It will **specify a trajectory for loss reduction and contain incentives** and disincentives for meeting targets.
- **States with more than 18% aggregate technical and commercial (AT&C) losses can opt for an infrastructure support reform package.**
- This entails choosing an option between running discoms in the public-private partnership (PPP) mode, inducting multiple supply and network franchisees, and working through input-based distribution franchisees.
- It has **set an ambition of reducing electricity losses to less than 12%.**

UDAY scheme:

- The Ministry of Power launched Ujwal DISCOM Assurance Yojana (UDAY) in 2015.
- The **scheme envisages:**
 - Financial Turnaround
 - Operational improvement

- Reduction of cost of generation of power
- Development of Renewable Energy
- Energy efficiency & conservation
- It **allows state governments, which own the DISCOMs, to take over 75 percent of their debt** as of September 30, 2015, and pay back lenders by selling bonds.
- DISCOMs are expected to **issue bonds for the remaining 25 percent** of their debt.
- Maturity period of bonds is 10-15 years.
- Moratorium period is upto 5 years.
- The **borrowing is not included for calculating the fiscal deficit of the State.**
- As of now, **only Odisha and West Bengal have not joined the scheme.**

T&D losses:

- The Transmission and Distribution (T&D) loss is a **metric to assess the health of the electricity distribution** sector.
- It is calculated as the difference between input in the T&D network and sales to consumers.
- **India's T&D losses are almost 20% of generation**, more than twice the world average.
- Electricity losses are the **result of technical inefficiency and theft.**
- According to an analysis **one percentage point increase in T&D loss results in a ₹200-₹400 crore annual increase in costs for the Discoms** in each of the large states.
- By the end of 2013, each of the country's **five regional grids were interconnected** to operate at a synchronous frequency in an effort to more efficiently transfer power from generation sources to load centers.
- In 2014, the government initiated the **Integrated Power Development Scheme to further strengthen urban distribution networks** by installation of information technology-based and tamper-proof energy monitoring,

metering, and accounting systems and equipment.

- UDAY scheme launched has been successful to some extent in reducing T&D losses.

Need for new amendment:

- Some of the **provisions of the Act have become dated and archaic** and needs an update.
- **Policy modifications are needed to address some recurring issues** and to promote further commercial incentive for private players to enter the market in the generation, distribution and transmission of electricity.
- Measures need to be augmented to ease the financial crunch of the Discoms.
- It is necessary to promote a legal and administrative ecosystem which harbours **special attention to renewable energy**.
- Though the **ministry had brought the first draft in 2014** which had an option to consumers to change their service providers like they do for their mobile phone service, the bill lapsed after dissolution of the Lok Sabha.
- The **2nd and 3rd draft bills were brought in 2018 and 2019**.

Important features of the draft:

- The Union power ministry has come out with the draft of Electricity (Amendment) Bill, 2020.
- It seeks to **set up an Electricity Contract Enforcement Authority (ECEA)** having power of a civil court to settle disputes related to power purchase agreements between discoms and power generation companies (gencos).
- The ECEA will **have sole authority to adjudicate matters related to** specific performance of contracts related to purchase or sale of power, between gencos and discoms.
- The decision of the ECEA can be challenged at the **Appellate Tribunal For Electricity (APTEL)** and

subsequently, at the Supreme Court.

- The draft **provides that the cross (power) border trade** shall cover import or export of electricity from India and any other country. The transaction related to passage of electricity through India would be treated as transit between two other countries.
- The draft law provides for **introduction of power distribution sub-licensee or franchisee**, which would not require a separate licence from state commission.
- It calls for **creating a National Renewable Energy Policy** by the central government in consultation with state governments.
- The bill says that there would be no schedule or dispatch of electricity unless there is adequate security of payment as per the contract.
- The bill **enables state as well as central power regulators to specify transmission charges under open access** (earlier both functions were with the central commission).
- The Electricity Act would be **applicable to the entire country**, including the Union Territories of Jammu and Kashmir and Ladakh.

Mould your thought: What are the important features of the draft Electricity Amendment Bill, 2020. Why is the amendment needed?