

Electricity Amendment bill, 2021

August 10, 2021

In news- The Union government is facing stiff resistance over the Electricity (Amendment) Bill, 2021 even before it is introduced in Parliament.

Key features of the bill-

- The Amendment **aims to de-license power distribution and facilitate private companies' entry allowing them to compete with state-owned power distribution companies (DISCOMS).**
- Once enacted, it will **allow consumers to select a distributor of their choice.**
- The bill strengthens the regulators- Central Electricity Regulatory Commission (CERC), State Electricity Regulatory Commission (SERC).
- It also includes the **appointment of a member from a law background in every Commission**, strengthening of APTEL (Appellate Tribunal For Electricity).
- The bill has a provision for Renewable Purchase Obligation (RPO), which obligates DISCOMS to buy a certain percentage of electricity from renewable energy sources, as a percentage of the total consumption of electricity.
- It also lays a penalty for the non-compliance of RPO.
- Penalty for contravention of the provisions of the Act has been increased up to Rs 1 crore.
- There is the provision of a **universal service obligation fund**, which shall be managed by a government company.
- This fund shall be utilised to meet any deficits in cross-subsidy.
- In case of supply through pre-paid meters, security deposit will not be required.

Current status of Power distribution

Power distribution in most of the country is currently controlled by state-owned distribution companies with some cities including Delhi, Mumbai and Ahmedabad being exceptions where private players operate power distribution. Discoms are however struggling with high levels of losses and debt.

Concerns raised by the states-

- Several states have expressed concern that private players' entry could lead to 'cherry-picking'.
- This means the private distributors may choose to supply electricity only to commercial and industrial consumers and may shun residential and agricultural consumers.
- This will be detrimental to state-owned discoms who will be left only to serve residential and agricultural needs.
- The states are also concerned with higher penalties for failure to RPO rule and the load dispatch provision.