

CABINET APPROVES 3.03 TRILLION POWER DISCOM REFORM SCHEME

Relevant for: Developmental Issues | Topic: Government policies & interventions for development in various Sectors and issues arising out of their design & implementation incl. Housing

New Delhi: The Cabinet Committee on Economic Affairs (CCEA) on Wednesday approved the marquee 3.03 trillion power distribution company (discom) reform scheme, wherein the [Centre's share](#) will be 97,631 crore.

The reforms-based result-linked power distribution sector scheme, to be applicable till 2025-26, was announced in the union budget presented earlier this year and will subsume programmes such as the Integrated Power Development Scheme and the Deen Dayal Upadhyaya Gram Jyoti Yojana.

The funds will be released to discoms subject to them meeting reform-related milestones, with state-run Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) nominated as nodal agencies for implementation of the scheme.

Mint reported about the contours of the scheme on 16 December last year. While announcing the relief package in the wake of second wave of coronavirus pandemic, finance minister Nirmala Sitharaman on Monday said that the Centre's share towards the discom reform scheme will be 97,631 crore.

"The Scheme seeks to improve the operational efficiencies and financial sustainability of all DISCOMs/ Power Departments excluding Private Sector DISCOMs by providing conditional financial assistance to DISCOMs for strengthening of supply infrastructure. The assistance will be based on meeting pre-qualifying criteria as well as upon achievement of basic minimum benchmarks by the DISCOM evaluated on the basis of agreed evaluation framework tied to financial improvements," the government said in a statement.

Briefing reporters after the CCEA meeting, power and new and renewable energy minister Raj Kumar Singh said that with the scheme being a conditional one, the discoms will only be able to access it once they work on their plans and meet targets.

The ambitious scheme aims to bring down India's average aggregate technical and commercial loss from the present level of 21.4% to 12-15%, and gradually narrow the deficit between the cost of electricity and the price at which it is supplied to 'zero' by 2024-25. The reforms are also aimed at improving the reliability and quality of power supply.

The scheme involves a compulsory smart metering ecosystem across the distribution sector—starting from electricity feeders to the consumer level, including in about 250 million households. Also, loss reduction measures such as separate feeders for agricultural and rural household consumption will be put in place.

"It is proposed to install approximately 10 crore prepaid Smart Meters by December, 2023 in the first phase," the statement said.

Singh said that discoms will have to create separate energy accounts. Power discoms are the weakest link in the electricity value chain, plagued by low collection, increase in power purchase costs, inadequate tariff hikes and subsidy disbursements, and mounting dues from government

departments.

Singh said that the scheme will enable discoms to work with cutting edge technology and the state governments will have to commit to reduce their losses.

"Artificial Intelligence would be leveraged to analyze data generated through IT/OT devices including System Meters, prepaid Smart meters to prepare system generated energy accounting reports every month to enable DISCOMs to take informed decisions on loss reduction, demand forecasting, Time of Day (ToD) tariff, Renewable Energy (RE) Integration and for other predictive analysis," the statement said.

Singh said that only 57 towns in the country have supervisory control and data acquisition (Scada) systems. The plan is to have Scada in all urban areas and distribution management system (DMS) in 100 urban centres.

"The scheme has a major focus on improving electricity supply for the farmers and for providing daytime electricity to them through solarization of agricultural feeders. Under the scheme, works of separation of 10,000 agriculture feeders would be taken up through an outlay of almost 20,000 crore, which would be highly beneficial to the farmers who would get access to dedicated agriculture feeders providing them reliable and quality power," the statement said.

Singh added that India is the leader in Sustainable Development Goals (SDG) 7 that calls for "ensuring access to affordable, reliable, sustainable and modern energy for all."

The union government is also working on a raft of measures including ethanol blending with fossil fuels, green mobility, battery storage and green hydrogen to help reduce pollution and facilitate commitments made at COP-21, the UN Climate Change Conference held in France in 2015.

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