

INDIA TO PRIVATISE ALL ELECTRICITY DISCOMS IN UNION TERRITORIES

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NEW DELHI: India will privatise all electricity distribution companies (discoms) in the Union Territories, said power minister Raj Kumar Singh at a digital interaction with industry chief executives on Friday.

Unlike discoms in the states, which fall under the remit of the respective state governments, there is a separate dispensation for discoms in Union Territories, as they are administered directly by the central government.

The government on Wednesday had announced a reform-linked 90,000 crore liquidity injection into fund-starved discoms as part of a 20 trillion stimulus package to revive the economy. These funds, as reported by Mint earlier, will be given to discoms against state government guarantees and are accompanied by a temporary tariff reduction.

The bailout package comes amid India's proposed distribution reforms scheme—tentatively named Atal Distribution System Improvement Yojana (Aditya)—to cut electricity losses below 12%. The scheme aims to ensure continuous supply of power, adopting models such as privatizing state-run discoms and promoting competition.

The National Democratic Alliance (NDA) government has readied a raft of power sector reforms, including implementing the direct benefit transfer (DBT) scheme in the electricity sector for better targeting of subsidies and instilling financial discipline at discoms.

According to draft amendments to the Electricity Act, 2003, which is available on the power ministry's website, the government has pitched for a cost reflective tariff and setting up an Electricity Contract Enforcement Authority to enforce power purchase agreements (PPAs).

There is a growing interest in discoms. Mint reported on 12 May about at least eight investors showing initial interest in buying Reliance Infrastructure Ltd's Delhi electricity distribution businesses.

India's average aggregate technical and commercial loss is at 21.4%. With at least 10 states losing about a third of the power supplied to consumers in distribution losses, their overdue bills have not only hit power producers but have also contributed to stress in the banking sector. Also, the gap between the cost of electricity bought (average cost of supply) and supplied (average revenue realized) for discoms is still substantial in most states and ranges from 2.13 per unit in Andhra Pradesh to 0.09 in Chhattisgarh.

Other measures in the works include a one-time relaxation in working capital borrowing limits imposed under Ujwal Discom Assurance Yojana. Discoms will be allowed working capital borrowings from banks and financial institutions that may be up to 25% of last year's revenues to clear dues to power generation and transmission firms.

The nationwide lockdown has resulted in a fall in electricity demand as commercial and industrial power consumption took a hit many factories shut down. However, household consumption, which accounts for around a quarter of India's power demand, has gone up.

India's power demand touched a record of 176.724 gigawatts (GW) on 26 April last year but has since slumped because of the lockdown, in place since 25 March.

While some economic activities have now been allowed in coronavirus-free zones, electricity demand hasn't picked up.

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