

## Review of National Electricity Policy

### What is the issue?

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- The Standing Committee on Energy recently submitted its report on the review of the National Electricity Policy.

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- The central government had in 2005 released the Policy.

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- With passage of 12 years and rapid changes in the sector, the committee aims at amending the policy considering a holistic view of the sector.

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### What are the notable observations?

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- **Proposed aims** - The aims of the policy included:

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- i. access to electricity for all households by 2010.

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- ii. meeting the power demand of the country by 2012.

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- iii. supplying reliable and quality power in an efficient manner and at reasonable rates.

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- iv. financial turnaround and commercial viability of the electricity sector.

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- **Achievement** - The Committee noted that none of the Policy's objectives could be met within the stipulated timeline.

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- This is because:

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1. four crore households still need to be electrified.
2. the demand for power has not been fully met due to affordability issues despite generation capacities being adequate.
3. power distribution companies' (discoms) financial condition has worsened.

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- **New challenges** - The economic viability of thermal power plants is deteriorating.
- One of the reasons is the competition due to falling solar tariff and its low gestation period.
- Notably, thermal power has been the primary source of energy and its importance cannot be undermined.

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## What are the key recommendations?

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- **Energy Options** - It recommended that development of the power sector should be done in a balanced manner.
- This is with the view that only a mix of energy options could complement each other and help meet the demand.
- **Electrification definition** - As per the current definition, a village with 10% electrified houses is assumed to be electrified.
- Under this definition, 99.4% villages are electrified, but more than 4 crore households still do not have an electricity connection.
- The committee thus proposes to change the definition, to declare a village electrified only when all the households of the village are electrified.

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- Further, no village should be declared as electrified unless at least 80% of the households have an electricity connection.

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- **Coverage** - The current policy of village electrification caters only to below poverty line (BPL) households.

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- It is recommended to amend the policy to include the above poverty line (APL) households as well, who could not afford getting an electricity connection.

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- Further, provisions with regard to the quality of supply and reliability of supply for reasonable time should also be made.

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- **Hydro Power** - The states with hydro potential must focus on its maximum development at the earliest.

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- This is in the backdrop of reducing share of hydro power in the total energy mix.

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- The hydro capacity that was harnessed as of March 2017 is 30% of the hydro power potential in the country.

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- Notably, hydro power plants with a capacity of over 25 MW are classified as non-renewable sources in the country.

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- However, the International Energy Agency classifies hydro power as renewable energy as it is derived from natural processes and replenished at a higher rate than consumption.

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- The committee thus recommended declaring hydro power as a renewable source of energy.

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- **AT&C losses** - The aggregate technical and commercial losses (AT&C) in the country are very high.

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- This is also the major reason behind the distressed condition of the discoms.

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- Markedly, the concept of AT&C losses is flawed as it disguises commercial losses which unlike technical losses can be eliminated completely.

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- The committee thus suggested separating these two components, to rule out the anomaly.

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- **Distribution sector** - The economic viability of the whole electricity sector depends on the distribution sector.  
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- However, given the outstanding debt of the discoms, they are the most financially distressed in the country.  
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- The Ujjwal Discom Assurance Yojana (UDAY), launched in 2015, seeks to achieve the financial turnaround of these discoms.  
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- In this context, the scheme should undergo necessary adjustments and upgradations to address any future challenges in implementation.  
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## Quick Facts

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## AT&C losses

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- AT&C loss is the sum total of technical and commercial losses in the distribution of electricity.  
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- Technical loss depends upon losses incurred from machinery (Transformers), lines and improper maintenance of plant and machinery, etc.  
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- Commercial loss arise due to operational loopholes and is the result of theft & hooking, metering issues, inefficient billing, inadequate revenue collection, non-remunerative tariff structure & subsidies. This is largely avoidable.  
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## 'Electrified' and 'Electricity connection'

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- Programmes like the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) electrified many villages i.e. provided for electricity lines.  
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- However, the number of households that actually used electricity were less.  
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- Until there is power supply available in villages, a household isn't

meaningfully electrified, though it may have an electricity line laid out.

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- Ensuring supply of power is the responsibility of the concerned State power utility.

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- Also, affordability of taking electricity connection is another hurdle for households.

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Source: Prsindia

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