

## The Electricity (Amendment) Bill, 2020

### What is the issue?

With increasing problems in India's energy sector, the Electricity (Amendment) Bill, 2020 aims to drive the long pending reforms in the power sector.

### What are the problems in the power sector?

- Weak distribution sector with aggregate technical and commercial losses (AT&C) hovering around 20%
- Inefficiency of Regulatory Commissions in many states
- Expensive long-term power purchase agreements
- Poor infrastructure
- Leakages
- Weaknesses in State-level tariff policies

### What is the Electricity (Amendment) Bill, 2020 about and how will it address the problems?

- The bill is an amendment to the earlier 2003 version of the Act that aims to transform the power sector.
- **Delicensing the power distribution** - It aims to de-license power distribution and increase competition, thereby unleashing next-generation power sector reforms in India.
- It will provide the consumers with an option of choosing the service provider and to switch their power supplier.
- **Dismantling state monopoly** - Union Finance Minister has proposed to open up the distribution sector to end the monopoly of state-run distribution companies.
- **Tariffs** - Cost reflective tariffs are to be provided that will facilitate reduction in cross subsidies.
- Electrical energy should be covered under GST, with a lower rate of GST, as this will make it possible for power generator/transmission/distribution utilities to get a refund of input credit, which in turn will reduce the cost of power.
- **Technological upgrades** - Smart metering and infrastructure advancements will reduce the huge AT&C losses the industry is currently

suffering from.

- DBT of power subsidies - Introduction of DBT of power subsidies will ensure greater transparency and accountability and ensure that the subsidy reaches people who are entitled to it.
- **Promotion of indigenisation** - The reduction in power costs through higher indigenisation will give a boost to the government's Aatmanirbhar Bharat campaign.
- **Strengthening the regulatory regime** - Appointing a member with a legal background in every electricity regulatory commission and strengthening the Appellate Tribunal for Electricity will ensure faster resolution of long-pending issues.
- **Renewable Energy** - The bill encourages roof-top solar plants and imposes penalty for not meeting renewable energy purchase obligations thus stressing the importance of green energy adoption in mitigating climate change.
- **Enforcement Authority** - Creation of an Electricity Contract Enforcement Authority ensures the supervision of the fulfillment of contractual obligations.
- The Electricity (Amendment) Bill will be a game-changer and its early passage is critical to unleash a path-breaking reform for bringing efficiency and profitability to the distribution sector.

**Source: The Hindu, PIB**

