Discuss the implications of using insolvency bankruptcy code against state government owned electricity distribution companies (200 Words)

Insolvency and Bankruptcy code deals with corporate ~~to~~ firms which are financially unstable and which is bankrupt. It mandates that creditors must take decision within 180 days.

Central Government has recently cautioned that IBC proceedings could be imposed on loss making state discom firms. Since discom firms are service providing firm IBC proceedings over it could cause huge implications

Possible implications

1. Will try to reform financially distressed discoms via states
2. Will yield privatisation efforts through IBC proceedings.

3. Still 47% of discom companies are state owned even after opening to private in 1991 itself

4. Further distribution companies are separate from generation and transmission companies. So when ~~arriving~~ arriving at a solution the ~~tariff~~ tariff rate determination could be problem

Eg: If privatised setting up of tariff to different section of people like agriculture, industrial, household will become tough and difficult

5. Moreover the creditors like transmission and generation companies could find difficult to arrive at solution accepted by both.

6. On the whole during the period of solution making providing service to people will become difficult

What can IBC do?

Possible solution is that IBC could follow US model of Bankruptcy code where regulatory bodies have authority to setup a rate while making solution

Another solution is UK model of restricting the service providers to initiate the process rather first notify to concern authority for initiation approval.