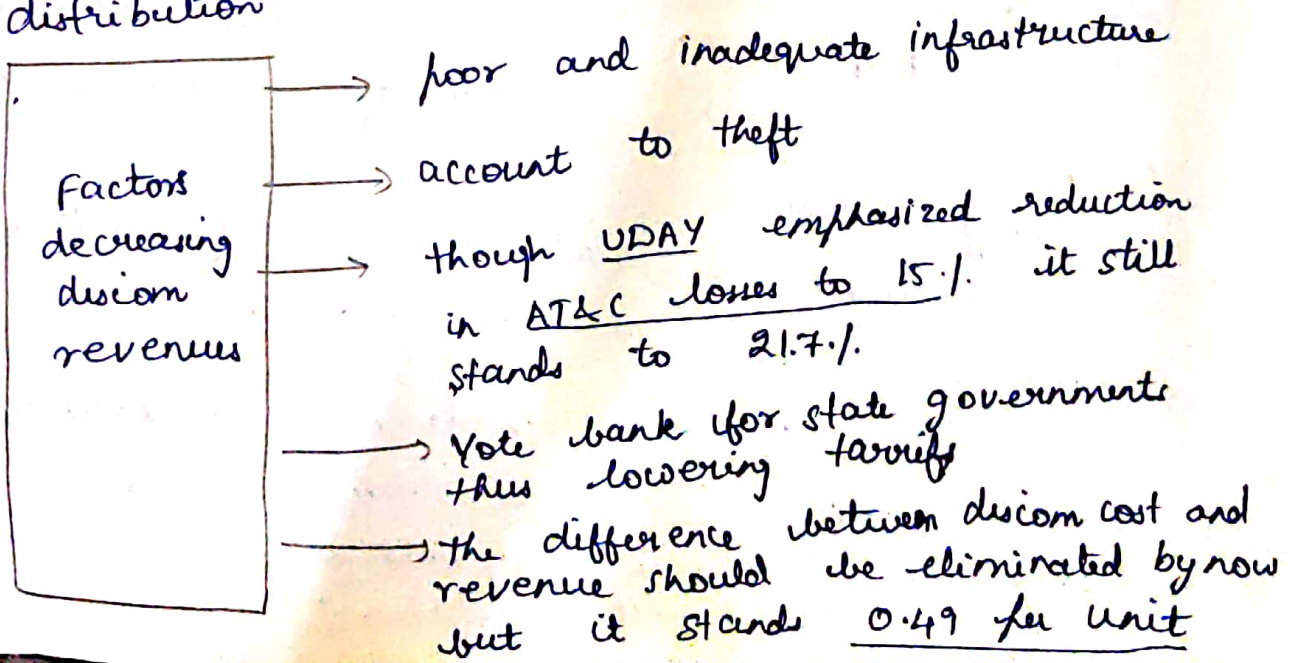


1. Discuss the implication of using insolvency bankruptcy code against state government owned electricity distribution companies?

Insolvency bankruptcy code is to resolve insolvencies, thus using Insolvency bankruptcy code against state government owned electricity distribution companies will make discom sector financially healthy.

Electricity and State

- Electricity is in concurrent list in constitution, still state government plays the critical role.
- The electricity (supply) act 1948, established state electricity board for the operation of generation, transmission and distribution.
- In 1991 though major generation was left open for private, state had their control on discoms.
- 47% of generation is privatized but distribution is under state.



Implication of using Insolvency bankruptcy code

→ Privatizing discoms will be the only solution but states are opposing it.

→ The Centre is with delicensing dist electricity distribution itself.

→ The threat of Insolvency bankruptcy code will mandate state governments to either reform the discoms or privatize it.

→ The successful privatization depends on factors like

- * geography is main determinant for viability

- * NITI Aayog report stated it is difficult to privatize in rural area because of issues in billing, collection etc.

- * State regulators that issue licence and set tariff is independent of state government which is an issue for investors.

Way forward:-

→ The policy must be created that holds the interplay of both electricity regulators and insolvency tribunal.

→ Establishment of National electricity distribution company will be the solution.

Thus imposing insolvency bankruptcy code against state government owned electricity distribution companies will hold state accountable & various reforms will be taken.