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 an 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 kept open for private, state had their control on discoms.

→ 47% of generation is privatized but distribution is under state.

Factors decreasing discom revenues

→ poor and inadequate infrastructure

→ account to theft

→ though UDAY emphasized reduction in AT&C losses to 15% it still stands to 21.7%.

→ Vote bank for state governments thus lowering tarrifs

→ the difference between discom cost and revenue should be eliminated by now but it stands 0.49 per unit

Implication of using Insolvency bankruptcy code

→ Privatizing discoms will be the only solution
but states are opposing it.
→ Thus Centre is with delicenzing dist electricity
distribution itself.
→ The threat of Insolvency bankruptcy code
will mandate state governments to either
reform the discoms or privatizete 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 ~~in~~dependent 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.