

15/11/21 GS-II - Govt policies.

How does the Electricity (Amendment) Bill 2021 promise to unlock the next round of reforms the sector needs? Analyse. (200 words).

The power sector today is seeing increased private participation, a thrust on renewables & other structural changes across the value chain, that calls for a fresh set of rules. And the Electricity Amendment Bill, 2021 focusses on the HCS - Customer, Competition, Compliance and Climate.

Key provisions of the Bill:

i) Direct Benefit Transfer (DBT): It will benefit both state governments & the distribution companies (DISCOMs). DISCOMs being financially distressed, prevented from the modernisation of their ~~infra~~ infrastructure & technology innovation/investment.

ii) Cost-Reflective tariffs: Period of 60 days to adopt the determined tariffs failing which the tariff would be deemed to be accepted.

iii) Reduction in cross-subsidy surcharges: It would reduce the cost of commercial power, enhance competitiveness, attract investments due to reduced industrial tariffs.

iv) Delicensing DISCOMs: Adopting sub-licensee or Franchisee model, will facilitate private firms to enter. Customers will benefit through lower tariffs & improved service. It can attract fresh capital, latest technology, boosting efficiency & reducing AT&C losses.

v) Shifting of the responsibility of fixing Renewable Purchase Obligation (RPOs) & Hydropower Purchase Obligation (HPOs) from states to the centre.

It also prescribes minimum percentage of purchase of electricity from renewable sources of production.

This will greatly incentivise Renewable energy sector.

vi) Establishment of Electricity Contract Enforcement Authority (ECEA): To enforce the performance of contracts related to purchase or sale or transmission of power. It will have a decree of a civil court.

vii) Strengthening the Appellate Tribunal (APTEL) by increasing the strength & giving it the powers of the High Court.

viii) In addition to these, penalties for non compliance, cross border trade in electricity, payment security has also been included in the provisions of the bill.

These changes can potentially make the sector more viable, transparent & investor-friendly, besides helping achieve India's clean energy targets.