



Ministry of Power Releases Detailed Plan to Revamp Distribution Companies

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INTRODUCTION

The Ministry of Power, Government of India (**MoP**) has issued detailed Guidelines for implementation of 'Reform-based Result-linked' Scheme (**Scheme**) for the next five years. The Guidelines dated 20.07.2021 (**Guidelines**) *inter alia*:

- (a) Covers the aspect of funding, development of infrastructure, necessary training and capacity building, etc.
- (b) Focuses on reducing the losses and subsequently decrease the gap between the Average Cost of Supply (**ACoS**) and the Aggregate Revenue Requirement (**ARR**) to revive the Distribution Companies (**DISCOMs**) who have been struggling with debts and power thefts.
- (c) Aims to improve the quality of power supply and ensure reliability.

BACKGROUND AND PRESENT SCENARIO

The huge gap between the cost of electricity and the price at which it is supplied needs to come down, so as to revive the DISCOMs. Further, the gap between the ACoS and ARR in India is on account of frauds, power thefts and lack of inspection, which leads to huge Commercial and Technical Losses.

Even though consumers pay huge electricity bills, they do not have access to a reliable power supply. Power cuts, low voltage and many other similar issues are a common problem in India. The MoP Guidelines seek to tackle the said issues and provide relief to the DISCOMs as well as the consumers.

As per the MoP Guidelines, the Scheme is divided into two parts as under: -

- (a) Funding
- (b) Training and Capacity Building.

Re. Funding

The DISCOMs that have initiated tenders for prepaid smart metering after 01.01.2020 will be eligible for funding. Funding will be approved after proper monitoring and upon achievement of 60% marks in the Result Evaluation Framework. Funding will be released in instalments and Banks will also provide counterpart funding.

The MoP has prepared a budget of Rs. 300 Million for expansion of the Scheme. This will be done by funding various initiatives viz. Smart Meter installation, consultancy support, governance and knowledge building activities, help in providing advanced technology, and building of efficient infrastructure.

The final aim of this Scheme is to bridge the gap between the ACoS and ARR. DISCOMs cannot build efficient infrastructure without monetary help. This is where the Funding comes to their rescue. DISCOMs who fulfil the eligibility criteria of applying for funding under the Scheme will receive financial help for their revival.

Re. Capacity Building

The Scheme mainly aims at reduction of losses, both technical and commercial. Technical losses are incurred due to inefficient technology and weak infrastructure, while commercial losses occur mainly due to power thefts.

Commercial losses can also be reduced by capacity building through installation of Smart Meters which will bring power thefts to an end. This will result in reduction of losses and will not only help DISCOMs, but will also come as a huge relief to the consumers who suffer because of the unreliability in power supply at the hands of consumers who are involved in meter tampering. Capacity Building will help in inspection of meters for tampering and thefts.

Practically, the Scheme is a major step towards helping consumers to have access to reliable and efficient power supply, and will gradually reduce power bills.

Please find link to Guidelines [here](#)

SKV Comments...

The Scheme has come as a huge relief to DISCOMs as well as the consumers. The Scheme, if successful, will ensure smooth supply of power at fair and reasonable costs. This will gradually help the Generating Companies by reducing the burden of generation of power by reducing power loss. It will also help in reviving DISCOMs who will be able to repay the debts they owe to Generating Companies. As such, the Scheme has brought hope to the Energy Sector which has been struggling with financial stress.