# Need to Cure Discoms' Health

## What is the issue?

With the threat of climate change looming, nations have to relook and reconfigure their energy sourcing basket to ensure it is Clean and Green.

## What is the status of energy consumption in India?

- According to **The Energy Statistics India 2021** report published by **MoSPI**, India is one of the largest producer and consumer of coal in the world.
- The consumption of energy from Coal and Lignite was highest which accounted for about 45.34% of the total consumption during 2019-20 followed by Crude Oil (32.76%) and Electricity (14.3%).

## What efforts have been taken to diversify the energy basket?

- India has been carving out its own strategy to make energy produced from other sources including renewable more accessible.
- **Amendments to Energy Conservation Act, 2001** – It aims to enhance the demand for renewable energy at the end-use sectors such as industry, buildings, transport etc.
- It defines minimum share of renewable energy in the overall consumption by the industrial units or any establishment.
- There will be provision to incentivise efforts on using clean energy sources by means of carbon saving certificate.
- The proposed amendments would facilitate development of carbon market in India and prescribe minimum consumption of renewable energy either as direct consumption or indirect use through grid.
- This will help in reduction of fossil fuel based energy consumption and carbon emission to the atmosphere.
- **Bail-out option -** The government has tried the bail-out option — UDAY and the recent ₹900 billion injection into the Discoms.
- **Draft Electricity Act -** The government tried to plug the holes through
    - Direct Benefit Transfer
    - Cost reflecting tariffs

    - Mandatory filling of average cost of supply (ACS)-average revenue realised (ARR) annually
    - Contract enforcement
- **COP26 pledge** – In the CoP26, Prime Minister Narendra Modi announced enhanced targets for India to combat climate change.
    - Increase India's non-fossil fuel energy capacity to 500 gigawatt (GW) by 2030;
    - By 2030, meeting 50 per cent of its energy requirements from renewable sources;
    - Reducing its total projected carbon emissions by 1 billion tonne from now till 2030;
    - Bring down the carbon intensity of its economy to less than 45 per cent by 2030;
    - Achieving its target of net zero by 2070.

## What are the challenges in successful implementation of the government measures?

- The success depends on how the distribution utilities (Discoms) which are the weakest link in the power space respond to the reform measures.
- The Centre's earlier attempts at strengthening the distribution side has not really succeeded.
- Since the Centre has not involved the States and Discoms directly, successful deregulation of the sector is under suspicion.
- The gvernment's bail-out option hasn't really made any change on the dues the Discoms owe to the power generators.
- The draft Electricity Act has also hit resistance from the Discoms.
- According to the Central Electricity Authority (CEA), in 2019, India, will increase the electricity generation from renewable to roughly 12% by 2021.
    - It means that India need to increase this further to meet the 50% electricity generation target by 2030.
- The solar energy installed capacity in the country has to go up to 280 GW and wind energy capacity to 140 GW to achieve the target set in the COP26 Summit.

## What has to be done regarding the telecom sector?

- Without fixing the health of the Discoms the solar target is tough to reach and process may not be easy.
- Capacity addition and the last mile connect are the twin objectives that

needed focus.

- The other option is to take a route which eliminates the critical involvement of Discoms in the sale of power.
- The government is leaning towards trading of power (exchange-focused) but needs to keep a keen eye on it turning speculative.
- The government is trying to introduce the market mechanisms but that is new for the Indian power sector but it has to be understood to reach the lofty target by 2030.

**Reference**


1. https://www.thehindubusinessline.com/opinion/need-to-cure-discoms-health-first/article37460301.ece


