Performance of UDAY

What is the issue?

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UDAY has started to yield results, but it needs to step up work in slow progressing states.

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What is the status of UDAY?

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- The central purpose of UDAY is to improve the financial health of state-owned power distribution companies.
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- This goal is supposed to be achieved by improving operational performance, reducing the aggregate transmission and commercial (AT&C) losses, and bridging the gap between the average cost of supply (ACS) and average revenue realisation (ARR) of discoms.
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- The AT&C losses and interest cost have all started decreasing, resulting in a 40 per cent reduction in the revenue-cost gap.
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- The average AT&C losses have come down to 20 per cent in 2017 from 23 per cent in 2014.
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- That states have a lot of ground to cover to meet the 15 per cent target by 2019.
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What is status of poor performing states?

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- There are still eight states, including Chhattisgarh, Bihar, Uttar Pradesh, Rajasthan, Haryana, and Jammu & Kashmir, where the situation has not

shown much improvement.
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- In fact, the AT&C losses have actually grown after these states joined the debt-restructuring scheme.
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- Besides the AT&C losses, even the difference between the power procurement cost and the selling price has gone up.
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- In states such as Uttar Pradesh, Rajasthan, Punjab, Haryana, Jharkhand, and Tamil Nadu this gap between the ACS and ARR ranges from 0.26 to 2.55.
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- Despite this slippage, the average ACS-ARR gap was reduced to 0.46 in 2017 from 0.76 three years ago.
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- Unless these laggard states show a sustainable improvement in the financials of their discoms, UDAY may find it difficult to achieve its final goal at the national level.
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Source: Business Standard

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