Performance of UDAY

What is the issue?

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Even after two years of UDAY scheme electricity discoms continue to perform poor, urgent reforms are needed address this.

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What is the UDAY scheme?

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- Ujwal Discom Assurance Yojana (UDAY) scheme was launched by the Centre in 2015.
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- It aimed to rescue the trembling State electricity distribution utilities (discoms).
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- Twenty-seven States and Union Territories signed up for UDAY which freed the discoms from the burden of debt that they carried.
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- It committed States to assume a share of the losses of the utilities beginning from fiscal 2016-17.
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What are the demands of states on UDAY?

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- The share of Discom losses that states have to bear will grow from 5 per cent in 2016-17 to 10 per cent this fiscal, and eventually to 50 per cent by 2019-20.
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- The discoms continue to be in trouble, unable to pay generating companies for their supplies.
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- Around 21,000 MW of private coal-fired generation capacity is under stress

due non-payment of debts by discoms.
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- Discoms of States such as Tamil Nadu, Madhya Pradesh and Maharashtra have defaulted on their Power Purchase Agreements (PPA) obligations.
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- These states are also forcing the Centre to consider options such as giving more powers to regulators to penalise discoms.
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What are the basic problems in Indian electrification?

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- **Income mismatch -** There is a mismatch between the revenues and expenses of the discoms.
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- The average revenue realised by discoms per unit of electricity distributed by them is Rs.3.76 while their cost of supply is Rs.5.01 a unit, which is a deficit of Rs.1.25 a unit straightaway.
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- **Subsidies -** The increasing base of rural electricity supply is highly subsidised and non-remunerative.
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- Latest scheme Saubhagya, which promises free connections to village houses has created anxieties among the states.
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- By which the supply will be billed and it will be at a subsidised rate, the States are puzzled of subsidising the supply.
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- **Power loss -** There is an inability to control aggregate technical and commercial (AT&C) losses, it is around 22 per cent that is double the global average.
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Way forward

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- The status of UDAY is not surprising because it was an effective scheme to address the symptoms of the disease but not the disease itself.
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- Pilferage of power, free agricultural supply, inefficient PPA are the reasons

for the unrest situation faced by the discoms.
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- Thus State governments have to take the issue of Discom health seriously and reform their ways of functioning.
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Source: Business Line

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