Regulating Power Subsidies

Why in news?

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An expert panel comprising senior officials from states and industry is studying the ways to reduce leakages in power subsidy.

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How power subsidies are given?

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- Currently, subsidy is calculated as the difference between energy sold and amount collected.
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- State governments give subsidies to power distribution utilities for selling electricity to consumers at less than the procurement cost or for free in some cases.
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- However, subsidy payments by states are not made regularly, adding to the financial woes of distribution utilities.
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- In fair business practice, state electricity regulators declare subsidy amount at the beginning of every financial year and the state governments are obligated to make quarterly payments to electricity distribution companies.
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- But when the subsidy payment is delayed, financial conditions of discoms deteriorate.
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Why the Power ministry has constituted an expert committee?

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- The expert committee, set up by the ministry to suggest ways to increase electricity demand and consumption, is examining subsidising the target consumers in a manner similar to what has been done in the case of LPG cylinders for plugging leakages and bringing down the subsidy burden.
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- The Niti Aayog and industry experts have been advocating the scheme to lower subsidy, prevent its misuse and strengthening power distribution utilities.
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- Under the direct benefit transfer scheme for cooking fuel, LPG cylinders are sold at market rates after which bank accounts of the consumers eligible for subsidy are credited with the amount of subsidy.
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Source: Economic Times

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