Tamil Nadu joins ‘Ujwal Discom Assurance Yojana’

Why in news?

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- Tamil Nadu became the **21st State to join the Centre’s Ujwal Discom Assurance Yojana** (UDAY), aimed at turning around the finances of the ailing power distribution companies.
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- TN also signed the 24X7 Power For All document.
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How Tamil Nadu benefits from this?

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- With Tamil Nadu joining UDAY, 92 per cent of discom debt has been covered under the scheme.
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- Singing UDAY, TN is expected to gain an overall net benefit of approximately Rs. 11,000 crore by way of savings in interest cost, reduction in Aggregate Technical and Commercial (AT&C) and transmission losses, interventions in energy efficiency, and coal reforms.
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- **Under the UDAY scheme, TN will take over 75 per cent of the Rs. 30,420 crore debt** of the State’s distribution company, TANGEDCO.
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- **The State government will issue bonds to finance this debt.** The remaining debt is to be re-priced or issued as State guaranteed discom bonds.
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What happened to DISCOMS?

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- **Distribution Companies (DISCOMs) in the country have accumulated losses of approximately Rs. 3.8 lakh crore** and outstanding debt of approximately Rs. 4.3 lakh crore (as on March, 2015).
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- Thus, they are not able to supply adequate power at affordable rates, which hampers quality of life and overall economic growth and development.
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- In addition, default on bank loans by financially stressed DISCOMs has the potential to seriously impact the banking sector and the economy at large.
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- Thus, **DISCOMs are trapped in a vicious cycle** with operational losses being funded by debt.
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How UDAY will help DISCOMS?

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- The government unveiled UDAY, with the intent to find a permanent solution to the financial mess that the power distribution is in.
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- **Adopting UDAY is optional for States,** but provides the fastest, most efficient and financially most feasible way for providing 24X7 Power for All.
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- It empowers DISCOMs with the opportunity to break even in the next 2-3 years. This is through four initiatives:\n
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    - Improving operational efficiencies of DISCOMs;
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    - Reduction of cost of power;
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    - Reduction in interest cost of DISCOMs;
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    - Enforcing financial discipline on DISCOMs through alignment with State finances.
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- **Operational efficiency improvements** like compulsory smart metering, upgradation of transformers, meters etc.,
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- **Energy efficiency measures** like efficient LED bulbs, agricultural pumps, fans & air-conditioners etc. will reduce the average AT&C loss and eliminate

the gap between Average Revenue Realized & Average Cost of Supply by 2018-19.
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- **Reduction in cost of power** would be achieved through measures such as increased supply of cheaper domestic coal, coal linkage rationalization, faster completion of transmission lines etc.,
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Conclusion:

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- The ultimate benefit of signing the MOU would go to the people of Tamil Nadu.
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- Higher demand for power from DISCOMs would mean higher Plant Load Factor of generating units and therefore, lesser cost per unit of electricity thereby benefitting consumers.
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- Availability of 24x7 power for all would increase the economic activity and improve employment opportunities in the State.
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Source: The Hindu & PIB

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