The Electricity (Amendment) Bill, 2020

What is the issue?

With increasing problems in India's energy sector, the Electricity (Amendment) Bill, 2020 aims to drive the long pending reforms in the power sector.

What are the problems in the power sector?

- Weak distribution sector with aggregate technical and commercial losses (AT&C) hovering around 20%
- Inefficiency of Regulatory Commissions in many states
- Expensive long-term power purchase agreements
- Poor infrastructure
- Leakages
- Weaknesses in State-level tariff policies

What is the Electricity (Amendment) Bill, 2020 about and how will it address the problems?

- The bill is an amendment to the earlier 2003 version of the Act that aims to transform the power sector.
- **Delicensing the power distribution** - It aims to de-license power distribution and increase competition, thereby unleashing next-generation power sector reforms in India.
- It will provide the consumers with an option of choosing the service provider and to switch their power supplier.
- **Dismantling state monopoly** - Union Finance Minister has proposed to open up the distribution sector to end the monopoly of state-run distribution companies.
- **Tariffs** - Cost reflective tariffs are to be provided that will facilitate reduction in cross subsidies.
- Electrical energy should be covered under GST, with a lower rate of GST, as this will make it possible for power generator/transmission/distribution utilities to get a refund of input credit, which in turn will reduce the cost of power.
- **Technological upgrades** - Smart metering and infrastructure advancements will reduce the huge AT&C losses the industry is currently

suffering from.

- DBT of power subsidies - Introduction of DBT of power subsidies will ensure greater transparency and accountability and ensure that the subsidy reaches people who are entitled to it.
- **Promotion of indigenisation** - The reduction in power costs through higher indigenisation will give a boost to the government's Aatmanirbhar Bharat campaign.
- **Strengthening the regulatory regime** - Appointing a member with a legal background in every electricity regulatory commission and strengthening the Appellate Tribunal for Electricity will ensure faster resolution of long-pending issues.
- **Renewable Energy** – The bill encourages roof-top solar plants and imposes penalty for not meeting renewable energy purchase obligations thus stressing the importance of green energy adoption in mitigating climate change.
- **Enforcement Authority** - Creation of an Electricity Contract Enforcement Authority ensures the supervision of the fulfillment of contractual obligations.
- The Electricity (Amendment) Bill will be a game-changer and its early passage is critical to unleash a path-breaking reform for bringing efficiency and profitability to the distribution sector.

Source: The Hindu, PIB

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