



Performance of UDAY

What is the issue?

\n\n

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

\n\n

What is the UDAY scheme?

\n\n

\n

- Ujwal Discom Assurance Yojana (UDAY) scheme was launched by the Centre in 2015.

\n

- It aimed to rescue the trembling State electricity distribution utilities (discoms).

\n

- Twenty-seven States and Union Territories signed up for UDAY which freed the discoms from the burden of debt that they carried.

\n

- It committed States to assume a share of the losses of the utilities beginning from fiscal 2016-17.

\n

\n\n

What are the demands of states on UDAY?

\n\n

\n

- 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.

\n

- The discoms continue to be in trouble, unable to pay generating companies for their supplies.
\n
- Around 21,000 MW of private coal-fired generation capacity is under stress due non-payment of debts by discoms.
\n
- Discoms of States such as Tamil Nadu, Madhya Pradesh and Maharashtra have defaulted on their Power Purchase Agreements (PPA) obligations.
\n
- These states are also forcing the Centre to consider options such as giving more powers to regulators to penalise discoms.
\n

\n\n

What are the basic problems in Indian electrification?

\n\n

- **Income mismatch** - There is a mismatch between the revenues and expenses of the discoms.
\n
- 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.
\n
- **Subsidies** - The increasing base of rural electricity supply is highly subsidised and non-remunerative.
\n
- Latest scheme Saubhagya, which promises free connections to village houses has created anxieties among the states.
\n
- By which the supply will be billed and it will be at a subsidised rate, the States are puzzled of subsidising the supply.
\n
- **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.
\n

\n\n

Way forward

\n\n

\n

- 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.
\n
- Pilferage of power, free agricultural supply, inefficient PPA are the reasons for the unrest situation faced by the discoms.
\n
- Thus State governments have to take the issue of Discom health seriously and reform their ways of functioning.
\n

\n\n

\n\n

Source: Business Line

\n\n

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative