



Electricity Amendment Bill, 2022

For Prelims: Electricity Amendment Bill, Seventh Schedule

For Mains: Significance of Power Sector, Amendments under Electricity Bill, Role of Subsidies

Why in News?

Recently, **the Electricity (Amendment) Bill 2022** was introduced in [Parliament](#) amid protests and later sent to the [standing committee](#) for further deliberation.

- Many **power engineers** protested the Bill across the country, in states like Tamil Nadu, Telangana, Rajasthan, and others.

What is the Electricity (Amendment) Bill 2022?

- **About:**
 - **The Electricity Amendment Bill, 2022** aims at giving **multiple players open access to [distribution networks of power suppliers](#)** and also allowing **consumers to choose any service provider**.
- **Implication:**
 - The Bill seeks to amend **Electricity Act 2003:**
 - To facilitate the **use of distribution networks** by all licensees, under provisions of **non-discriminatory "open access"** with the objective of **enabling competition, enhancing efficiency** of distribution licensees for improving services to consumers and **ensuring sustainability** of the power sector.
 - To facilitate **non-discriminatory open access to the distribution** network of a distribution licensee.
 - To make provisions vis-à-vis **graded revision in tariff** over a year besides **mandatory fixing of maximum ceiling and minimum tariff** by the appropriate commission.
 - To convert the rate of punishment **from imprisonment or fine to fine**.
 - To **strengthen functions** that will be discharged by the regulators.

What are the Protestor's Arguments Against the Bill?

- **Federal Structure:**
 - [The Constitution](#) lists 'Electricity' as Item 38 of [List III \(Concurrent\)](#) of the **Seventh Schedule**, so both the **Central and state governments** have the power to make laws on this subject.
 - With the proposed amendments, the [federal structure of Indian polity](#), a part of the ['basic structure'](#) of the Constitution of India, is being violated.
- **Electricity Subsidy:**
 - **Free power for farmers** and [Below Poverty Line](#) population will go away eventually.
- **Differential Distribution:**

- Only **government discoms or distribution companies** will have universal power supply obligations.
 - Therefore, it is likely that **private licensees** will prefer to supply the electricity in **profit-making areas** - to industrial and commercial consumers.
 - Once this happens, **profit-making areas will be snatched** from government discoms and they will become **loss-making companies**.

How will this Bill impact the Power Employees & Consumers?

- **Monopoly of Private Players:**
 - It will lead to a major loss for government distribution companies, eventually helping to **establish the monopoly of a few private parties in the country's power sector**.
- **Operational Issue:**
 - About 80% of the cost of supply is on account of power purchase, **which will be the same for all distribution licensees operating in an area**.
 - Having different retailers will **open a plethora of operational issues**.
 - By bringing in more retailers or distribution licensees, **the quality of service or price is not going to be any different**.
- **Hit on Consumers:**
 - **As per a report of UK auditors**, due to adoption of such faulty models the consumers **had to pay in excess of 2.6 billion pounds**.
 - The cost of such transfers was **charged to the ordinary consumer**.
 - While the private companies failed, **consumers were hit the most**.

What is the Government's Rationale for the Bill?

- Government has maintained that **no provision in the bill reduces powers of the states** to regulate the **power distribution sector, payment of power subsidy**.
- The government has indicated that **multiple discoms can already exist in the same area** and the **bill only simplifies the process** to ensure that competition leads to better operations and service.
- The government has maintained that it had **consulted every state and many associations** in writing, including a separate written assurance to the Agriculture Ministry, **that there is nothing anti-farmer in the bill**.
 - The bill allows the use of **additional cross-subsidy** that is collected from industrial and commercial users in one area, for subsidising for the poor in other areas.
 - With **India aiming to achieve 50% of its installed power capacity from renewables** by 2030, the government is of the view that the push for **Renewable Purchase Obligations (RPOs) mentioned in the bill will augment India's power demand**, which is expected to double in the next eight years while moving to achieve green targets fixed as per the [Paris and Glasgow Agreements](#).

Way Forward

- Being a subject of **Concurrent List of Indian Constitution**, recommendations from **states should be taken into consideration** for effective implementation of the provisions of the bill.
- Provision related to **subsidies should be put up in an elaborate manner** to eliminate any scope of confusion/ conflict.
- **Regulations for private players** should be brought in to avoid differential distribution.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. Which one of the following is a purpose of 'UDAY', a scheme of the Government? (2016)

- (a) Providing technical and financial assistance to start-up entrepreneurs in the field of renewable sources of energy
- (b) Providing electricity to every household in the country by 2018
- (c) Replacing the coal-based power plants with natural gas, nuclear, solar, wind and tidal power plants

over a period of time

(d) Providing for financial turnaround and revival of power distribution companies

Ans: (d)

Explanation:

- Ujwal DISCOM Assurance Yojana (UDAY) was launched by the Ministry of Power. It aimed to help to make state electricity distribution companies (DISCOMS) financially and operationally healthy so that they can supply adequate power at affordable rates.
- It envisages financial turnaround, operational improvement, reduction of the cost of generation of power, development of renewable energy, energy efficiency and conservation.
- The scheme seeks to impact financially and operationally sound DISCOMs, increased demand for power, improvement in Plant Load Factor (PLF) of generating plants, reduction in stressed assets, availability of cheaper funds, increased capital investment, development of renewable energy sector.
- Therefore, option (d) is the correct answer.

Source: IE

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