

Press Brief

Draft Amendment in the Electricity Act, 2003 to Introduce some key Reforms in the Power Sector

Supply of quality power at affordable prices is essential for sustained growth of the economy of the country. For further development of the power sector, Ministry of Power has issued draft proposal for amendment of Electricity Act, 2003 in the form of draft Electricity Act (Amendment) Bill 2020 for comments / suggestions from Stakeholders on 17th April 2020. Comments / observations / suggestions have been invited from stakeholders within twenty one days.

Major amendments proposed in the Electricity Act are as follows.

Viability of Electricity Distribution companies (Discoms)

- (i) **Cost reflective Tariff:** To eliminate the tendency of some Commissions to provide for regulatory assets, it is being provided that the Commissions shall determine tariffs that are reflective of cost so as to enable Discoms to recover their costs.
- (ii) **Direct Benefit Transfer:** It is proposed that tariff be determined by Commissions without taking into account the subsidy, which will be given directly by the government to the consumers.

Sanctity of Contracts

- (iii) **Establishment of Electricity Contract Enforcement Authority:** A Central Enforcement Authority headed by a retired Judge of the High Court is proposed to be set-up with powers of the Civil Court to enforce performance of contracts related to purchase or sale or transmission of power between a generating, distribution or transmission companies.
- (iv) **Establishment of adequate Payment Security Mechanism for scheduling of electricity** - It is proposed to empower Load Dispatch Centres to oversee

the establishment of adequate payment security mechanism before scheduling dispatch of electricity, as per contracts.

Strengthening the regulatory regime

- (v) **Strengthening of the Appellate Tribunal (APTEL):** It is proposed to increase the strength of APTEL to seven apart from the Chairperson so that multiple benches can be set-up to facilitate quick disposal of cases. It is also proposed to further empower the APTEL to enforce its decisions.
- (vi) **Doing away with multiple Selection Committees:** It is proposed to have one Selection Committee for selection of Chairpersons and Members of the Central and State Commissions and uniform qualifications for appointments of Chairperson and Members of Central and State Electricity Regulatory Commissions.
- (vii) **Penalties:** In order to ensure compliance of the provisions of the Electricity Act and orders of the Commission, section 142 and section 146 of the Electricity Act are proposed to be amended to provide for higher penalties.

Renewable and Hydro Energy

- (viii) **National Renewable Energy Policy:** It is proposed to provide for a policy document for the development and promotion of generation of electricity from renewable sources of energy.
- (ix) It is also proposed that a minimum percentage of purchase of electricity from hydro sources of energy is to be specified by the Commissions.
- (x) **Penalties:** It is being further proposed to levy penalties for non-fulfilment of obligation to buy electricity from renewable and/or hydro sources of energy.

Miscellaneous

- (xi) **Cross border trade in Electricity:** Provisions have been added to facilitate and develop trade in electricity with other countries.

(xii) **Franchisees Distribution sub licensees:** Many States Distribution Companies have been assigning the task of distribution of electricity in a particular area or city to Franchisees / Sub-Distribution Licensees. However, there was a lack of clarity regarding the legal provisions related to this. It is proposed to provide that the Distribution Companies, if they so desire, may engage Franchisees or Sub-Distribution Licensees to distribute electricity on its behalf in a particular area within its area of supply, however, it will be the DISCOM which shall be the licensee, and therefore, ultimately responsible for ensuring quality distribution of electricity in its area of supply.
