

Workshop on UDAY Scheme: Implementation Strategies and the Way Forward

Date: April 11, 2018

Venue: India Habitat Centre, New Delhi

UDAY is an inclusive reform package to improve the efficiency of DISCOMs in both cost and revenue aspects. The scheme has helped sensitise states and DISCOMs about the need for reforms to ensure long-term financial sustainability. After the launch of UDAY, the sector has shown some improvement in terms of reduction in DISCOMs' accumulated losses, AT&C losses and revenue gap.

The Center for Study of Science, Technology and Policy (CSTEP), in association with Shakti Sustainable Energy Foundation (Shakti Foundation), organised a workshop to release a report on *Strategic Roadmap for Implementation of UDAY*. The CSTEP report was released by Dr Arun Kumar Verma, Joint Secretary-Distribution, Ministry of Power (MoP); Shri M.R. Sreenivasa Murthy, Chairman, 6th State Pay Commission, Government of Karnataka; Mr Deepak Gupta, Head-Power Sector Programme, Shakti Foundation and Dr Anshu Bharadwaj, Executive Director, CSTEP. The distinguished experts shared their insights on UDAY and discussed the following ideas to further improve the efficiency of DISCOMs:

- There should be a localised solution for each DISCOM, based on its requirements and applications.
- Human interface in the metering process has to be improved by skill training or substituted with innovative technologies such as smart metering. Such technologies might have a long payback period, but they are viable in the long term.
- To ensure an improved institutional structure of DISCOMs, field-level employees must have better role clarity and be accountable for their tasks.
- There is a distinct lack of micro-planning at the distribution level. Identifying the deficiencies in the system will help DISCOMs optimally plan their investment, thereby improving their operational efficiency.
- 'Feeder as a cost centre' is a significant recommendation of the CSTEP report; this should be incorporated immediately, at a high priority. It will help segregate technical and commercial losses and, in turn, reduce AT&C losses.
- Power banking could be an essential tool to optimise power purchase costs. A power banking arrangement between Haryana and Rajasthan saved DISCOMs in the two states about INR 50 lakhs.
- 211 subdivisions with AT&C losses greater than 40% have been selected for monitoring and analysis. If these sub-divisions are able to reduce their losses to 20%, a 2.5% reduction in AT&C losses could be achieved at the national level.

Panel Discussion- Efforts undertaken in the distribution sector at the state level

The panel discussion on 'Efforts undertaken in the distribution sector at the state level' was moderated by Mr Ranjit Bharvirkar, Senior Associate and India Program Director, Regulatory Assistance Project (RAP). Dr Navroz K. Dubash, Senior Fellow and Coordinator, Centre for Policy Research (CPR); Mr Daljit Singh, Director of Research, Centre for Energy, Environment &

Resources (CEER); Mr Shantanu Dixit, Group Coordinator, Prayas Energy Group; Ms Vibhuti Garg, Associate and Senior Energy Specialist, International Institute for Sustainable Development (IISD) and Mr Arindam Ghosh, Senior Advisor, KPMG were the eminent panellists.

The panel discussion illuminated the following key points, among others:

- The absence of tariff rationalisation and delays in the payment of subsidies are some of the major challenges faced by various DISCOMs. The regulatory commissions should enforce the regular preparation of financial records and filing of tariff petitions.
- There is an urgent need to improve the power procurement practices of DISCOMs and to increase awareness among stakeholders on the need and benefits of resource planning.
- Appropriate systems and processes should be established for data collection and monitoring.
- State-wise action plans should be drafted to address chronic issues such as AT&C losses, power purchase cost, etc., along with suitable recommendations and roadmaps.
- Rigorous analyses are necessary to remove data inconsistencies.

Concluding Remarks

While UDAY has helped address perennial issues in the sector, state governments and DISCOMs must undertake suitable policy measures for ensuring sustainable long-term growth. With the increase in operational complexity caused by the growth of renewable energy and emerging technologies such as rooftop photovoltaics, open-access mechanisms and electric vehicles, effective policy measures are urgently required. Considering these challenges, civil society organisations could work towards providing suitable action plans/roadmaps and help DISCOMs implement these action plans for stable, balanced and sustainable growth.