

## Review paper on Troubling Power sector

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**Abstract**— The puissance sector is stuck in a vicious cycle. The renaissance must commence with recuperating the financial health of the Discoms. Most of the quandaries of the potency sector emanate from the poor health of the Discoms. Launched in 2015, "UDAY" (Ujwal Discom Assurance Yojana) was to provide much needed mitigation to these Discoms. However, it provided only an ephemeral mitigation, UDAY itself was a brilliant conception.

**Keywords**— UDAY- Ujwal Discom Assurance Yojana. Discoms-(Distribution Company). AT&C- aggregate technical and commercial. ACS- average cost of supply. DT- distribution transformer. Non-performing assets (NPAs).

### I. ISSUE OF POWER SYSTEM IN INDIA

The potency sector is stuck in a vicious cycle and hence the renaissance must start with recuperating the financial health of the Discoms. Non-performing assets (NPAs) among power-engendering companies are mounting. There is a shortage of coal. Plant load factor (PLF) is down to 58%. Distribution companies (discoms) are in a deplorable shape and incipient power purchase accedences (PPAs) are few and far between.

### II. THE VICIOUS CIRCLE SURROUNDING THE POWER SECTOR

The pricing of potency leaves Discoms in India with a peculiar dilemma, wherein the more they sell, the more they lose. Poor financial condition of the Discoms made them to inductively authorize less power from the puissance engendering companies (Gencos) in the form of Power purchase acquiescents. This in turn is impacting on the financial stability of puissance engendering companies. The poor financial condition of the Discoms has resulted in mounting dues of more than Rs. 36,000 crores that they have to pay to Gencos. As Gencos are not getting their dues from Discoms they are unable to pay conventionally to Coal India where the dues have gone beyond Rs. 10,000 crores. The banking industry too is saddled with the adscititious quandary of potential NPAs on account of non-performing Gencos. Thus there is a vicious circle that has afflicted the energy sector and if the issues are not addressed expeditiously, there could be a solemn crisis at hand that can impact the entire economy. The Discoms got on board and utilised the facility of transferring the debt to the State regime. This established an amendment in their financial health with some of them even exhibiting profits. However, this transfer of the debt burden to the States can hurt them in the near future. Last year's Economic Survey revealed that "due to these bonds, the States' Gross Fiscal Deficit to GDP Ratio got incremented by 0.7 per cent".

#### 2.1 UDAY SCHEME

UDAY provides for the financial turnaround and renaissance of Power Distribution companies (DISCOMs), wherein states were to surmount 75% of Discom debts as on September 30, 2015. This was to provide fiscal space to the Discoms and "improve" their balance sheets. However, Most of the Discoms failed to carry out mandates which includes critical activities like reduction of AT&C losses, elimination of Average Revenue Realized (ARR) & Average Cost of Supply (ACS) gap, feeder metering, price rationalisation etc. AT&C loss is the distinction between energy input units into the system and the units for which the payment is amassed. Out of all UDAY States, 13 have genuinely reported higher Aggregate Technical & Commercial (AT&C) losses as compared to antecedent year. Also, the 2018 Economic Survey revealed that due to these bonds, the States' Gross Fiscal Deficit to GDP Ratio got incremented by 0.7%. Thus the fundamental issues remain unaddressed and most of the Discoms perpetuate to be in trouble. On account of such poor financial condition of Discoms, no incipient power purchase acquiescents (PPAs) are being floated even though there is demand for puissance.

### III. CONCLUSION

Improving the financial health of Discoms should start with resolving issues like separate feeder lines, auditing, strong action against defaulters and irrational pricing mechanisms. Other states can learn from the successful models, such as in Gujarat, and make out their own plan through intensive discussions with all the stake holders. Coal production will need to be ramped up substantially and the Coal Project Monitoring Group will need to be activated to facilitate faster clearances. A high-level empowered committee needs to be set up to examine each stressed projects, empowered to settle disputes and work out a rehabilitation package. Finally, the governmental push for the renewable energy sector should not burden the power generating companies with the rising cross-subsidisation of electricity. Cross subsidization is the practice of charging higher prices to one group of consumers to subsidize lower prices for another group. Promoting renewable energy is laudable, but this has to be borne by the society (through taxation) and not by the entities that are already in trouble.

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