

Standing Committee Report Summary

National Electricity Policy – A Review

- The Standing Committee on Energy (Chair: Mr. Virendra Kumar) submitted its report on the Review of the National Electricity Policy on August 10, 2017. The central government had released the Policy in February 2005. Key observations and recommendations of the Committee include:
 - **Achievement of objectives:** The aims of the Policy included: (i) access to electricity for all households by 2010, (ii) meeting the power demand of the country by 2012, (iii) supplying reliable and quality power in an efficient manner and at reasonable rates, and (iv) financial turnaround and commercial viability of the electricity sector. The Committee noted that none of the Policy's objectives could be met within the stipulated timeline. It pointed out that: (i) four crore households still need to be electrified; (ii) while generation capacities are adequate, the demand for power has not been fully met due to affordability issues; and (iii) financial condition of the power distribution companies (discoms) has worsened.
 - **New challenges in the sector:** The Committee noted that the fall in solar tariff and its low gestation period is posing a threat to the economic viability of thermal power plants. While the growth of solar energy is good for the sector, thermal power has been the primary source of energy in the country and its importance will not reduce in the coming years. It recommended that development of the power sector should be done in a balanced manner where various sources of energy complement each other. 12 years have passed since the notification of the Policy, and with rapid changes in the sector, it should be amended by considering a holistic view of the sector.
 - **Access to electricity:** As per the Policy, the key development objective of the power sector is supply of electricity to all areas, including rural areas. The Committee noted that a village with 10% electrified houses is assumed to be electrified, as per the definition of an electrified village. Currently, 99.4% villages are electrified, but more than four crore households in the country still do not have an electricity connection. It recommended that the definition of village electrification should be changed to declare a village electrified only when all the households of the village are electrified. Further, no village should be declared as electrified unless at least 80% of the households have an electricity connection.
 - The Committee noted that the current village electrification policy only caters to below poverty line (BPL) households. However, there may be above poverty line (APL) families who may not be able to afford getting an electricity connection. It recommended that the policy be amended to include both BPL and APL households. The connection charges to APL families could be exempted, discounted or charged in Equated Monthly Instalments. Further, provisions with regard to (i) the quality of supply and (ii) reliability of supply for reasonable time should also be made.
- **Electricity generation:** The Committee observed that in the recent years, the generation capacity in the country has increased. However, the share of hydro power in the total energy mix has decreased from 25% in 2007-08 to 14% currently. The hydro capacity that was harnessed as of March 2017 is 30% of the hydro power potential in the country. It recommended that states with hydro potential must focus on its maximum development at the earliest. Further, since renewable energy sources are intermittent in nature, hydro power can be used as a balance to support the grid and even out the fluctuations in supply.
- Currently, hydro power plants with a capacity of over 25 MW are classified as non-renewable sources. The Committee noted that the International Energy Agency classifies hydro power as renewable energy since it is derived from natural processes that are replenished at a higher rate than they are consumed. The Committee recommended declaring hydro power as a renewable source of energy.
- **Electricity distribution:** The Committee noted that the economic viability of the whole electricity sector depends on the distribution sector, which is currently the most financially distressed in the country. The aggregate technical and commercial losses (AT&C) in the country are still high, and are the major reason behind the distressed condition of the discoms. The Committee also noted that the concept of AT&C losses is flawed as it disguises commercial losses which unlike technical losses can be eliminated completely. It recommended that these two components must be segregated.
- **Financial health of discoms:** The Committee noted that the total outstanding debt of the discoms was around Rs 4 lakh crore in 2014-15. The Ujjwal Discom Assurance Yojana (UDAY), launched in 2015, seeks to achieve the financial turnaround of these discoms. The Committee noted that interventions in the past with similar objectives have failed due to certain reasons. It recommended that necessary calibrations may be made in the scheme as and when need arises to address any new issues that crop up during its implementation.

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