

Impact of UDAY Yojana on Performance of Power Distribution Companies

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Abstract:

In the 21st century every industry somehow related to power sector, from small nails manufacture to the big ships in every sector we need power. So there is a need of today to do a strategically manage the power sector companies. The output of power sector companies depends on various sector like the natural resources availability in abundance, the geographical area and most important the nature of the employer and employees towards each other and towards the future of companies.

From last some decades, the power distribution companies had gone through a great loss, so in November 2015, government started a scheme “UDAY” scribed as Ujwal DISCOM Assurance Yojana. Under this scheme government wants to find the permanent solution of the debt mess of power distribution companies, and allow the state government to own or to take over the 75% of their debt starting from September 30, 2015 and now DISCOM’s has to only issue bonds for 25% only. Due to this debt problem of distribution companies of the Rajasthan has solved to some extent and debt decreases from 27.3% to 23.6%.

As every state has some different problems according to their geographical area, so this scheme is not compulsory for all the state, but in many of the UTs and states electricity distribution companies facing this debt problem. Except Orissa and West Bengal, all the states and UTs are part of this scheme. Before UDAY scheme debt on distribution companies had high due to which their performance also get affected and debt on companies is due to a lot of reasons.

Keyword: Power Sector, UDAY, DISCOM

Introduction:

21st century is the economic century where all the focus is on the economy of a country. We all know that India is 2nd most populated country of the world. It is obvious that India needs resources in abundance to fulfil basic needs of the country people but the natural resources are limited and one of such type of resource is coal. Coal is non renewable resource and power sector is depends on it to maximum. As we know that after the independence, in early 1970's main focus goes from agriculture to industrialization so that India can come up as a better economy country of the world. In the 21st century every industry somehow related to power sector, from small nails manufacture to the big ships in every sector we need power. So there is a need of today to do a strategically manage the power sector companies. The output of power sector companies depends on various sector like the natural resources availability in abundance, the geographical area and most important the nature of the employer and employees towards each other and towards the future of companies. Every industry we need electricity, then India started power sector in public partnership but at that time in our country 80% population lived below poverty line which force government to provide the electricity to poor at subsidies. Now the focus shifted to power distribution companies rather than on power producing companies. In power distribution companies , several committee formed , several board formed and many employees engaged in the management team to manage the performance appraisal and performance of the power distribution companies. Years passed and debt of power sector companies increases day by day. Due to the difference in demand supply ration and due to decreases of the coal in the country became the main reason of the debt of the power sector companies. So on 5th November 2015 under Ministry of Power Government of India launched "Ujwal DISCOM Assurance Yojana (UDAY)". The scheme envisages the power sector companies in terms of the financial turnaround, their operational improvement, in reduction of the cost of power generation, helps in development of the renewable energy and also helps in better energy efficiency and conservation.[1]

Review of Literature

Every theory has its own history and its present always depend on the history. Reviewing of literature gave us the idea about the work already done in the area we going to research. It also makes an outline of the ideas we going to follow in our research work.

Chanda, Roy (2013) “Assessment Of Distributed Generation In A Deregulated Power Market Scenario In India” in this article studied that to improve the efficiency and effectiveness of power sector, a number of new entrants will have to be introduced in the sector of production of power as cheaper tariff plan will be introduced by those companies for establishing themselves in this field. They will ultimately achieve this by reducing the cost of production of generation of electricity especially through decreasing the losses in the field of transmission and distribution.[2]

A.D.Little(2013) “Restructuring Debts of Discoms' for Sustainable Power Growth “according to this studies that there are number of factors which ultimately can enhance the efficiency and effectiveness of distributing companies in electricity sector. Some of these important factors include transparent regulation of tariff, delegation of decision making, reliable supply of fuel, more participation of private players, conduction of regular operational audits and implementation of incentives for the employees related to efficiency in operations.[3]

Soham Ghosh (2012) “Loss Reduction and Efficiency Improvement: A Critical Appraisal of Power Distribution Sector in India” studied that the mindset, of the policy makers who are responsible for ongoing reforms in power sector has rightly been shifted towards the up gradation of the sub-transmission and the distribution system. This paper further studied that ongoing power sectors reforms have been able to improve the efficiency of the organizations dealing in power thereby reducing Aggregate Technical and Commercial Losses. Finally this may also contribute in the process of overall development of the country.

Cropper, Limonov, Malik, Singh (2011) “Estimating the Impact of Restructuring on Electricity Generation Efficiency: The Case of the Indian Thermal Power Sector” in this article studied the impact of reforms in the Indian electricity sector on the generation performance of state-owned power plants. The study analyzed that there has been a significant increase in the availability of electricity generating units in the states in which unbundling and restructuring of the state electricity boards have been occurred well before Electricity Act of 2003. It also revealed that due to a corresponding reduction in forced outages there has been an increase in availability at these electricity generating units (EGUs). As per the study there is no evidence in favor of an impact of unbundling and restructuring on average capacity utilization for improvements in thermal efficiency.[4]

Rajeev Anantaram (2010) “The Development of the Power Sector in India: Issues and Prospects (ARI)” found that power sector in India have touched height and have attained dynamism spirit after the initiation of recent legislation in the shape of electricity acts and amendments in the existing rules & regulations governing electricity. The possibility of a return to autarchy under pressure from household lobbies is equally unlikely as Indian private companies in power sector are also successfully competing with the foreign power companies in all sphere of electricity sector. The issues which have previously been discussed can be daunting but to impart a high degree of transparency and to have a level playing field, the regulatory era is evolving and is being amended. This paper further revealed that there is an urgent need for reforms minimizing the chances of political disruption. This augurs well from an investor’s point of view that is willing to stand alongside an evolving regulatory era, which will harvest rich dividends in the future to come.[5]

Tongia (2003) “Power Sector Reform India – The Long Road Ahead” indicated several vital components for successful reform. For starters, initial assumptions must be genuine and precise, as must targets for the participants. This was one of the major failures in Orissa, where the losses were considerably higher than thought, and the growth of paying customers did not emerge. In addition, there wants to be continued government support for reforms, ranging from things varying from anti-theft legislation, to managing SEB unions, to overcoming public obstruction in general. In addition, if the newly corporatized (or privatized) entities are to behave like companies, any gap between average tariff and average cost of supply must be met through clear government subsidies (which, ideally, should be target driven and time-bound).[6]

Paras Malhotra & Shivraj Singh Negi, “Power Sector Reforms in Delhi-An enquiry into outcome of reforms, claims of power sufficiency and the road ahead” in this working paper research focused specifically on Delhi. Especially its outcomes and conclusions after implementation of privatization in the Power sector in Delhi. The paper further studies the power reforms undertaken by the Government of Delhi analyzing the results of these reforms in the power sector and to check the Delhi government claims as regards to sufficiency in power by the year 2010. The study also suggests futuristic thoughts regarding next stage of reforms. The study indicates that, if the proposed power plants are commissioned in time and energy efficiency measures are adopted to curb the demand of electricity, Delhi will be self-sufficient in power. It further reveals that the demand-supply gap has to be eliminated for

proper execution of next stage of power sector reforms. Further to raise overall customer satisfaction level in the Delhi region, entire power sector system should bear more pressure on different fronts.[7]

Subhes C. Bhattacharyya (2007) “Power sector reform in South Asia: Why slow and limited so far?” in this article identified that there is hardly any significant contribution of a successful power reform in the South Asian developing countries despite some initiations of power sector reforms implemented in the 1990s. It further revealed that no substantial progress has been achieved by these countries often under the influence of pressure of external lending agencies. This paper also provides a summary of efforts in the shape of reforms in power sector in 5 South Asian countries by using an institutional economic framework for identification of the key factors responsible for the success of reforms in the field of power sector. Some of the important factors have also been identified along with their possible effects on the process of power sector reforms in South Asia. These factors comprised of poor comprehensive acceptance, high resistance to change, weak transition management and instability of policy makers. The paper also identifies that instability at political level has affected the power sector reforms thereby resulted into implementation of hard decisions. Power sector viability has also been affected by the poor progress of power reforms. It also revealed that due to slow progress in power sector reforms investment in this sector and performance are already affected .[8]

Objectives of the impact of UDAY yojana on power distribution companies

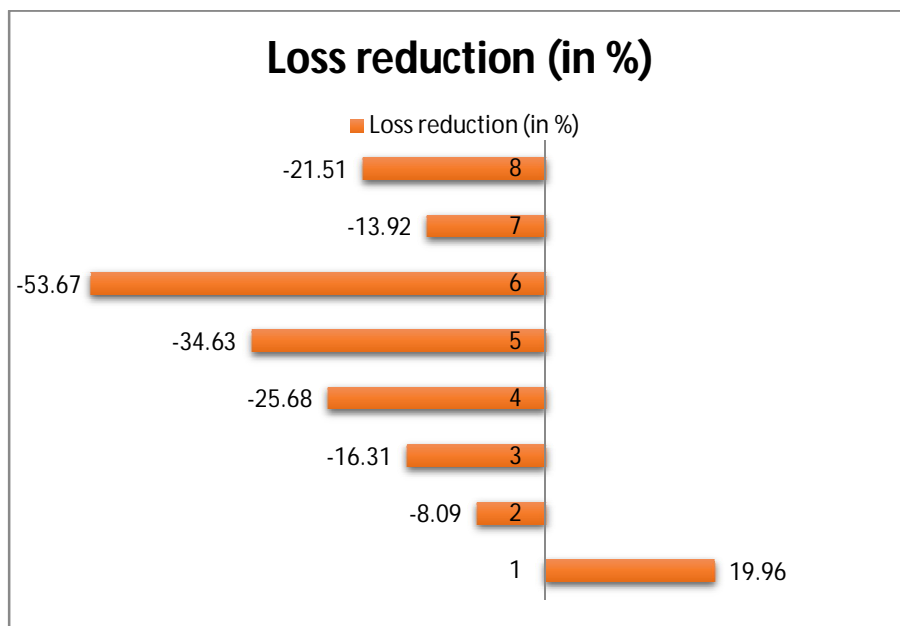
There are some specific objectives behind the research to determine the impact of UDAY yojana on debt of power distribution companies:

- To evaluate the impact of uday yojana on performance of power distribution companies.
- To compare the performance of power distribution companies.
- To analyse the current scenario of power distribution companies.
- To identify the future prospect of power distribution companies

Data Analysis:

When we compare the data of two years then we can state that the reduction in loss percentage in the Rajasthan more rapidly. In year 2017-18 the loss reduction percentage of Rajasthan is 53.67%. [9]

States	2016-17	2017-18	Loss reduction (in %)
Punjab	1989	2386	19.96
Maharashtra	2794	2568	-8.09
Madhya Pradesh	5751	4813	-16.31
Jammu Kashmir	4532	3368	-25.68
Tamil Nadu	5787	3783	-34.63
Rajasthan	11241	5208	-53.67
Uttar Pradesh	7689	6619	-13.92
Total	51340	40295	-21.51



Graph 1: Loss reduction table of power sector companies of different states.

The reduction in the losses as discussed above is due to increased bill payment by consumers (due to the new policy of power sector for consumers), reduction in power theft and strict monitoring of the utilities. Under UDAY scheme, state governments have to take over half the debt of utilities in 2015-16 and another 25% in 2016-17. So three-fourth of the total debt settled by the government and remaining by the distribution companies.

In power sector, power distribution is the weakest in the power sector chain which had an effect on the power generation companies and on Coal India Ltd. So here in Rajasthan there are three main power distribution companies that are JVVNL Jaipur, AVVNL Ajmer, JdVVNL Jodhpur. We focused on the effect of the UDAY Yojana on power distribution companies of Rajasthan and how the reduction in loss% occurs.

There are following reasons due to which the government need to take initiative to start UDAY yojana to make the DISCOM's debt free.

- Technical and aggregate losses of companies are very high.
- Due to inability to revise the tariffs.
- Increase of the subsidy burden on the DISCOM's
- Subsidization by Industry to the consumers and farmers.
- Billing inefficiencies
- Buy expensive power to tide over short term deficit and this is continue eating the benefit of the companies [11][12].

JdVVNL DISCOM Data Analysis:

Performance of any object, sector can be determined or find out only by the analysis of its previous data and on basis of that data, the future can be predicted depending on the hypothesis. So here I analysed the data for Jhodhpur DISCOM to get a overview of the effect of the Uday yojana on the debt of the DISCOM.

Here are some facts and figures provided by the company to the Government of India:

- DISCOM had a revenue deficit of Rs 5,229 Crores during FY 2013-14 and Rs 4,146 Crores in FY 2014-15.
- Losses reached to Rs 26,736 crores at the end of FY 2014-15 and outstanding debt reached to Rs 25,877 crore.
- Interest and financial cost burden of nearly Rs 1.69 per unit in FY 2014-15 significantly higher than the national average cost burden Rs 0.44 per unit.
- So Jodhpur DISCOM signed a MoU with GoI and GoR to improve the operational and financial efficiency and to enable the financial turnaround of the DISCOM.
- Government of Rajasthan take over Rs 12,938.20 Crore (50% of outstanding debt) of DISCOM in FY 2015-16 and Rs 6,426.26 Crores (25% of outstanding debt) in FY 2016-17.

- Facilitating through Ministry of coal, to increase in supply of coal to Rajasthan Rajya Vidyut Utpadan Nigam Ltd (RVUN) and also ensure the rationalisation of the coal linkages.
- Rationalising coal prices based on the Gross Calorific Value (GCV).
- Facilitating NTPC to provide support for improving operational efficiencies of the state generating units.

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Previous year's discom's loss to be taken over by GOR	0% of the loss of FY 2014-15	0% of the loss of FY 2015-16	5% of the loss of FY 2016-17	10% of the loss of FY 2017-18	25% of the loss of FY 2018-19	50% of the loss of FY 2019-20

- Government of Rajasthan shall take over the future losses of DISCOM in a graded manner and can fund the losses as above.[10][12]

Steps to be taken to reduce the Losses on ground Level:

As government take over the debt, but if the problem at the ground level can be solved then the rate of increasing debt can be decreased or minimized. Here are some ways by which the losses can be controlled.

- Replacement of street lights with the LED's
- GOR shall takes steps for improving efficiency of generating plants of RVUNL.
- GOR shall endeavour that all operational targets are achieved.
- GOR shall review the performance of DISCOM on monthly basis due to which the holes in the DISCOM can be find out.
- Organising “name and shame” campaign to control the power theft.
- Organising campaign to create awareness towards fair and limited use of electricity.

- Prepared loss reduction targets at Zonal level.
- Implementing performance monitoring and management system for tracking the meter replacement, loss reduction and day to day report to higher management.
- A DISCOM policy of 100% Distribution Transformer (DT) metering and 100% feeder metering by June 2018.
- Energy audit should be done time to time.[13][14][15]

Conclusion:

Uday Yojana started by government to reduce the interest burden, to reduce the cost of power, and to reduce the losses of the power distribution, to improve the operational efficiency with the aim to reduce the difference between the average cost of supply and average revenue to zero by FY 2018-19. Along with this DISCOM also targeted to reduce its AT & C losses to 15% by the end of 2018-19. Main reasons of losses are transmission, theft, and meter deficiency and for reduce this, the awareness should be started from the ground level.

In the coming years, the debt of the DISCOM's reduced with the future insight that DISCOM's provide the 24X7 electricity to all the households and to provide the same to the farmers.

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