

Bill Summary

The Electricity (Amendment) Bill, 2014

- The Electricity (Amendment) Bill, 2014 was introduced in Lok Sabha on December 19, 2014 by the Minister of Power, Mr. Piyush Goyal. The Bill seeks to amend the Electricity Act, 2003. Primarily, it seeks to segregate the distribution network from the electricity supply business. It also seeks to introduce multiple supply licensees in the market.
- **Segregation of distribution and supply:** Under the Act, the distribution licensee both distributes and supplies electricity to the consumers. The Bill creates a supply licensee who would be authorised to supply electricity to consumers. The distribution licensee will distribute electricity and enable the supply of electricity. The Bill also provides for the transfer of the supply license from the distribution licensee to the supply licensee.
- **Distribution:** Under the Act, the distribution licensee is required to supply electricity at the consumer's premises within one month of receiving a supply request. Under the Bill, a distribution licensee shall provide a connection to enable the supply of electricity within 15 days of receiving a request application. The Bill creates an Electricity Distribution Code which shall be specified by the State Regulatory Commission. The code will provide for the recovery of electricity charges, intervals for electricity billing, disconnection of services on non-payment of bills, etc.
- **Supply:** The Central or State Regulatory Commission may grant multiple supply licenses within the same area of supply. At least one of the supply licensees should be a government company or a government controlled company. The Bill enables consumers to choose to buy electricity from several supply licensees. Consumers can also switch suppliers by giving a notice. The Bill amends the Electricity Supply Code to provide for only supply related matters and removes from it the matters related to distribution.
- **Tariff:** With respect to distribution, the Central or State Regulatory Commission shall determine the tariff for distribution of electricity. With respect to supply, the State Regulatory Commission shall determine the tariff. Prices for the supply of electricity shall be market determined subject to a ceiling price that shall be announced by the respective Commissions.
- **Renewable energy:** The Act does not define renewable sources of energy. The Bill defines renewable energy sources to include hydro, wind, solar, bio-mass, co-generation from these sources, geothermal and other sources as notified by the central government. The Act provides for a National Electricity Policy. The Bill provides for an additional National Renewable Energy policy. The Bill seeks to promote generation of renewable energy through tax rebates, generation linked incentives, etc.
- **Penalties:** The Bill increases the penalties for licensees for failure to comply with directions of the Central or State Regulatory commission. Under the Act, penalties for all companies are up to Rs 15 lakh at the central level and up to Rs 5 lakh at the state level. The Bill increases these to Rs 10 crore and Rs 1 crore respectively. For companies generating renewable energy, the penalty will be up to Rs 1 crore and Rs 10 lakh at the central and state levels respectively.
- **Conditions of service of members:** The Bill reduces the term of office for the chairperson or other members of the Central or State Regulatory Commission from five years to three years. The Bill also allows for re-appointment of the chairperson and members for one more term in the same capacity in which they had earlier held office.
- **Smart Grid:** The Bill defines a Smart Grid as an electricity network that uses information and communication technology to generate, transmit and distribute electricity efficiently. It seeks to promote provision of electricity through Smart Grid. The Bill also provides for the installation of smart meters for proper accounting and measurement of the consumption and metering of electricity.

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