

Standing Committee Report Summary

The Electricity (Amendment) Bill, 2014

- The Standing Committee on Energy (Chairperson: Mr. Kirit Somaiya) submitted its report on the Electricity (Amendment) Bill, 2014 on May 7, 2015. The Bill was introduced in Lok Sabha on December 19, 2014. The Bill amends the Electricity Act, 2003. Key observations and recommendations of the Committee include:
 - **Segregation of distribution and supply:** Under the Act, one distribution license is issued for maintenance of the distribution network as well as supply of electricity. The Bill provides for separate licences for maintaining the distribution system (distribution licence) and for the supply of electricity (supply licence). The Committee recommended that more clarity should be provided about the level and manner of implementing such segregation. Broad and flexible guidelines should be framed giving the states due scope to align these guidelines as per their conditions.
 - **Supply:** Under the Bill, the Central or State Regulatory Commissions may grant multiple supply licenses within the same area of supply and consumers can choose their supplier. The Committee recommended that granting of licenses should not be left completely to the discretion of the Commissions. Some well defined parameters should be laid down to reduce the discretionary and arbitrary powers of Commissions. These parameters should also divide the consumers for supply on the basis of their status, cross-subsidies paid to them, and nature of technical and commercial losses.
 - The choice of selecting the area of supply should not be left entirely to the private supply licensee. Areas in which subsequent supply licensees could be allowed should be progressively notified in consultation with all concerned stakeholders.
 - **Needs of the consumer:** The Committee observed that no details have been provided on: (i) options available to consumers with regard to choice of supply licensee, (ii) transfer of supply based on the consumer's choice, and (iii) the cost involved in such choice and transfer. It recommended providing clarity on such issues.
 - **Provider of last resort (POLR):** The Bill provides that electricity will be supplied by a POLR if the supply licensee chosen by a consumer (i) ceases to be a supply licensee, or (ii) is suspended for any reason. The Committee observed that the government supply licensee may end up becoming a last resort supply licensee invariably. It recommended that this concept and responsibility should be applicable to all supply licensees. The universal supply obligation should be mandatory for all supply licensees. This would ensure a level playing field for all supply licensees.
 - **Intermediary company:** State governments will transfer the existing power purchase agreements (PPAs) and procurement arrangements from the distribution companies to an intermediary company. The intermediary company will then allocate these PPAs to the supply licensees. The Committee observed that the creation of an intermediary company by unbundling of the distribution function is a replication of the existing scenario. It will add to the transaction cost without any value to the consumers. The framework for allocation of the PPAs should ensure transparency and be framed in consultation with all stakeholders.
 - **Open access:** The Act allows for open access only for consumers of 1 MW and above. Open access enables consumers to buy power from any source through non-discriminatory access to the transmission and distribution lines. The Bill proposes to allow open access for consumers below 1 MW as well. The Committee recommended that all the charges for such consumers should be rationalized. Open access transactions should be monitored to ensure that it is an attractive option for customers.
 - **Renewable energy:** The Bill provides that any generating company, establishing a coal and lignite based thermal generating station, after a date as notified by the central government, will be required to establish a renewable energy generation capacity as prescribed by the central government. This capacity will not be less than 10% of the thermal power installed capacity. The Committee recommended keeping the renewable generation obligation at five percent. This is to address the issue of the intermittent nature of the production of renewable energy.

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