

# Bill Summary

## The Electricity (Amendment) Bill, 2022

- The Electricity (Amendment) Bill, 2022 was introduced in Lok Sabha on August 8, 2022. The Bill amends the Electricity Act, 2003. The Act regulates the electricity sector in India. It sets up the Central and State Electricity Regulatory Commissions (CERC and SERCs) to regulate inter-state and intra-state matters, respectively. Key provisions under the Bill are:
  - **Multiple discoms in the same area:** The Act provides for multiple distribution licensees (discoms) to operate in the same area of supply. The Act requires discoms to distribute electricity through their own network. The Bill removes this requirement. It adds that a discom must provide non-discriminatory open access to its network to all other discoms operating in the same area, on payment of certain charges. The central government may prescribe the criteria for determining the area of supply.
  - **Power procurement and tariff:** Upon grant of multiple licenses for the same area, the power and associated costs as per the existing power purchase agreements (PPAs) of the existing discoms will be shared between all discoms. To meet any additional power requirements, a discom may enter into additional PPAs after meeting the obligations of existing agreements. Such additional power need not be shared with other discoms. Under the Act, in case of multiple discoms in the same area of supply, the SERC is required to specify the maximum ceiling for tariff. The Bill adds that the SERC will also specify a minimum tariff for such cases.
  - **Cross-subsidy Balancing Fund:** The Bill adds that upon grant of multiple licenses for the same area, the state government will set up a Cross-subsidy Balancing Fund. Cross-subsidy refers to the arrangement of one consumer category subsidising the consumption of another consumer category. Any surplus with a distribution licensee on account of cross-subsidy will be deposited into the fund. The fund will be used to finance deficits in cross-subsidy for other discoms in the same area or any other area.
  - The Bill specifies that the above matters related to the operation of multiple discoms in the same area will be regulated in accordance with the rules made by the central government under the Act.
- **License for distribution in multiple states:** As per the Bill, the CERC will grant licenses for distribution of electricity in more than one state.
- **Payment security:** The Bill provides that electricity will not be scheduled or despatched if adequate payment security is not provided by the discom. The central government may prescribe rules regarding payment security.
- **Contract enforcement:** The Bill empowers the CERC and SERCs to adjudicate disputes related to the performance of contracts. These refer to contracts related to the sale, purchase, or transmission of electricity. Further, the Commissions will have powers of a Civil Court.
- **Renewable purchase obligation:** The Act empowers SERCs to specify renewable purchase obligations (RPO) for discoms. RPO refers to the mandate to procure a certain percentage of electricity from renewable sources. The Bill adds that RPO should not be below a minimum percentage prescribed by the central government. Failure to meet RPO will be punishable with a penalty between 25 paise and 50 paise per kilowatt of the shortfall.
- **Selection committee for SERCs:** Under the Act, the Chairperson of the Central Electricity Authority or the Chairperson of the CERC is one of the members of the selection committee to recommend appointments to the SERCs. Under the Bill, instead of this person, the central government will nominate a member to the selection committee. The nominee should not be below the rank of Additional Secretary to the central government.
- **Composition of Commissions and APTEL:** The Bill increases the number of members (including the chairperson) in SERCs from three to four. Further, at least one member in both the CERC and SERCs must be from law background. Under the Act, Appellate Tribunal for Electricity (APTEL) consists of a chairperson and three other members. The Bill instead provides that the APTEL will have three or more members, as may be prescribed by the central government.

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