OPINION: On-ground revamp can Make the new DISCOM scheme work

The measures for mitigating distress are well known to DISCOM officials, policymakers, and regulators. The trick lies in ensuring effective implementation of the scheme by establishing accountability of the officials concerned.

In yet another attempt to rescue the power distribution sector, the central government launched a new "reforms-based result-linked" scheme in this year's Union Budget.

With an outlay of INR 3,03,758 crore over five years—including an estimated central grant of INR 97,631 crore—the scheme aims to create an efficient distribution sector for reliable power supply to consumers. It looks at bringing down the aggregate technical and commercial (AT&C) losses to 12–15%, and close the revenue gap by 2024–25, besides developing institutional capabilities through training and capacity-building measures.

Earlier attempts

Over the years, several structural reforms have been undertaken by the central and state governments to redress the problems of the distribution sector, the most recent being the Ujwal DISCOM Assurance Yojana (UDAY) in 2015. However, despite these revival attempts, the sector continues to reel under heavy losses (total accumulated losses of distribution utilities stood at INR 4.88 lakh crore, as of 31st March 2019).

What the new scheme says

The revamped scheme, which replaces UDAY, is similar to it in objectives but differs noticeably in dealing with the provision of financial assistance to distribution companies (DISCOMs). In a first, the scheme puts performance at the centre. As such, financial assistance to DISCOMs is contingent upon their performance, determined using a transparent scoring matrix.

Unlike UDAY—where states were required to take up 75% of the debt liability from DISCOMs and fund at least 50% of the future losses (if any)—the new scheme says nothing about clearing off DISCOMs' books. Instead, it mandates that funding will be available to DISCOMs only if they meet the pre-specified qualification criteria

(aligned to best management practices). Further, even where they fulfill this criteria, funds will be disbursed only after the targeted performance parameters are met.

The new scheme also involves stringent evaluation and monitoring mechanisms for DISCOMs—something that had been missing in earlier schemes, including UDAY. Qualified DISCOMs would be evaluated on the basis of their action plans for reducing losses and improving operations. For this, a result-evaluation matrix comprising four basic categories (financial stability; the outcome of infrastructure works; progress of works under metering and distribution infrastructure; and policy and structural reforms) will be formulated. The matrix will have key performance indicators (KPIs) under each category, on which the DISCOMs will have to score at least 60 marks to become eligible for funds.

Making it work

The new scheme has the potential to nudge DISCOMs to pull up their socks, leading to lasting improvements in their operational efficiency and financial health. However, without substantial revamps at the implementation level, this is unlikely to happen. Strengthening on-the-ground execution—by building accountability and enabling transparent data disclosure protocols-—acquires greater importance in light of the upcoming renewable energy (RE)-driven transformation of the power sector, and the associated challenges.

Prepaid smart metering, feeder and DT metering, and feeder separation are the primary pillars of DISCOMs' operational efficiency. Past initiatives have not made much progress due to implementation bottlenecks. Hence, for the new measures to work, their effective implementation will be key. Here are some suggestions on how this can be done:

Prepaid smart metering

The scheme provides a total outlay of INR 1.5 lakh crore for the installation of 25 crore smart meters, prioritising areas with high losses. For utilising this well, consumers need to be made aware of the use of meters. Awareness drives will help in ascertaining customer preferences and help the utility develop a focussed implementation plan for the next five years. Further, recharging facilities for consumers (cellular connectivity for online recharge; point-of-sale kiosk/shops for recharge coupons) need to be expanded to the remotest parts of rural India. DISCOMs need to also employ data analytics to utilise the recharge-pattern data for demand forecasting to manage the demand and power purchases effectively and

identify theft and pilferage in the distribution network.

Feeder and distribution transformer (DT) metering

The scheme proposes to take up metering at the feeder and DT level with communication features. Currently, while 100% feeder metering has been achieved, DT metering is only 60%. A study carried out by the Center for Study of Science, Technology and Policy (CSTEP) in 2018–2019 for three Karnataka DISCOMs indicated that issues such as defective DT meters, poor maintenance, lack of mapping of new consumers to DTs, and third-party outsourcing of DT meter reading without periodic validation of data by DISCOM officials among others were responsible for low DT metering percentage.

To achieve 100% DT metering, the KPIs of operational-level DISCOM officials should be linked to the implementation targets for DT metering, along with suitable performance incentives. The on-field staff should utilise a geoanalytics-enabled visualisation platform for effective tracking of DT locations and updating them with new consumers. Proactive maintenance of DT meters also needs to be ensured. Further, an online system (such as the Distribution Transformer Lifecycle Management System) is suggested to track the life-cycle performance of DTs. Finally, strict compliance with DT-level energy audit, and standardised formats for data capture and logging would help in making the operations more efficient.

Feeder Segregation

Under the feeder-separation initiative, dedicated feeders were created to supply electricity to agricultural and non-agricultural consumers separately, for better load management and reliable power supply to rural households as well as agricultural consumers. For these benefits to reach the consumers, a cost-benefit analysis of the feeder-segregation initiative of the concerned state should be carried out beforehand. Pre- and post-impact assessments are also necessary to understand the benefits of this initiative, in terms of lesser interruptions, enhanced collection, better energy auditing, etc. Learnings from pilot projects should be assessed before mass implementation. Next, unauthorised load connections during the peak agriculture season should be checked, and camps to regularise such connections should be conducted. Further, investments from billing and collection processes should be channelised towards efficient maintenance and anti-theft drives.

The bottomline

Every few years, a scheme attempts to reform the distribution sector, without much success. Interestingly, the measures for mitigating distress are well known to DISCOM officials, policymakers, and regulators. The trick lies in ensuring effective implementation of the scheme by establishing accountability of the officials concerned.

The new scheme—with a firm focus on performance as a pre-requisite for fund release—has set the stage for willing DISCOMs to revive themselves. Let’s hope this opportunity won’t be missed, and the distribution sector will not need any more salvaging!

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