

## UJALA DISCOM ASSURANCE YOJANA (A STUDY OF UTTAR PRADESH)

*Dr. Ruchi Dwivedi,  
Assistant Professor  
Arya Mahila (P.G.) College,  
Shahjahanpur*

### ABSTRACT

*Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies of India (DISCOMs) initiated by the [Government of India](#) with the intent to find a permanent solution to the financial mess that the power distribution is in. It allows state governments, which own the discoms, to take over 75 percent of their debt as of September 30, 2015, and pay back lenders by selling bonds. Discoms are expected to issue bonds for the remaining 25 percent of their debt. UDAY was launched to turn around power distribution companies (discoms), which are generally inefficient state government monopolies that are struggling financially. The scheme was announced by [Piyush Goyal](#), Minister of State (IC) for Power, Coal & New and Renewable Energy in November 2015. Till now 27 states/UT have joined this scheme with Mizoram being 27th state to join. Aim of the present study is to through light on objects, components and performance of UDAY in Uttar Pradesh.*

**Keywords** : UDAY, DISCOM

### INTRODUCTION

UDAY (Ujwal Discom Assurance Yojana) has been launched to improve financial and operational efficiencies of power distribution companies (DISCOMs). It envisages to reduce interest burden, cost of power and AT&C losses. Consequently, DISCOM would become sustainable to supply adequate and reliable power enabling 24x7 power supply. UDAY has inbuilt incentives encouraging State Governments to voluntarily restructure their debts. These incentives include taking over of DISCOM debt by the States outside the fiscal deficit limits; reduction in the cost of power through

various measures such as coal linkage rationalization, liberal coal swaps, coal price rationalization, correction in coal grade slippage, allocation of coal linkages at notified prices; priority/additional funding through schemes of MoP & MNRE; and, reduction in interest burden. UDAY is different from earlier restructuring schemes in several ways including flexibility of keeping debt taken over outside fiscal deficit limit, reduction in cost of power and a series of time bound interventions for improving operational efficiency. UDAY provides for measures that will reduce the cost of power generation, which would ultimately benefit consumers.

The Union Finance Ministry has approved the proposal of four states for the issuance of Ujjwal Discom Assurance Yojana (UDAY) bonds. These four states are Uttar Pradesh, Rajasthan, Jharkhand and Chattisgarh. These states account for around about 35 per cent or around 1.5 lakh crore rupees of the outstanding loans of State electricity distribution utilities in the country. These bonds will be issued by these states as per the UDAY Scheme which allows state governments to take over 75 per cent of power distribution companies (DISCOMs) debt and pay back lenders by issuing bonds. The scheme also provides that remaining 25 per cent of the debt to be paid back through discom-issued bonds. Total discom debt in the country amounts to Rs.4.3 lakh crore. So far total 16 states have agreed to join UDAY Scheme and last one to join were Manipur and Tripura. Six states have signed the UDAY contract with the Union Government. The scheme is designed by the central government but has to be acted upon by the state government. Though it is not compulsory for the state government to join the scheme, most have. Three-fourths of the debt of the discoms are to be taken over by the state govt and issue uday bonds which can then be used to raise money to pay off the banks. The remaining 25% of the discom debt will be dealt within one of the two ways (1) conversion into lower interest rate loan by the lending banks or (2) funded by discom bonds backed by state guarantee. In return discoms are supposed to follow better practices and curb losses of transmission. The state government is also expected to fix power tariff keeping in mind the costs. There is a website and mobile app designed by union power ministry to monitor and then rate the discoms on their efficiency based on 14 parameters.

So far there has been mixed results. While transmission losses has been curbed and record number of LEDs have been sold, pricing of power tariff is still decided by reasons of polity rather than economy. There are also inherent flaws in the scheme as well which makes its success difficult. Without adequate investment in distribution, discoms will continue making losses.

Financial restructuring alone cannot generate resources especially when this restructuring has been done at one point and the rest of the value chain like generation and transmission has been left which are huge profit making entities.

## OBJECTIVES

- ✚ Financial Turnaround Power Distribution Companies.
- ✚ Improving operational efficiencies of DISCOMs.
- ✚ Reduction of cost of power generation.
- ✚ Energy Efficiency and conservation.
- ✚ Development of Renewable Energy.

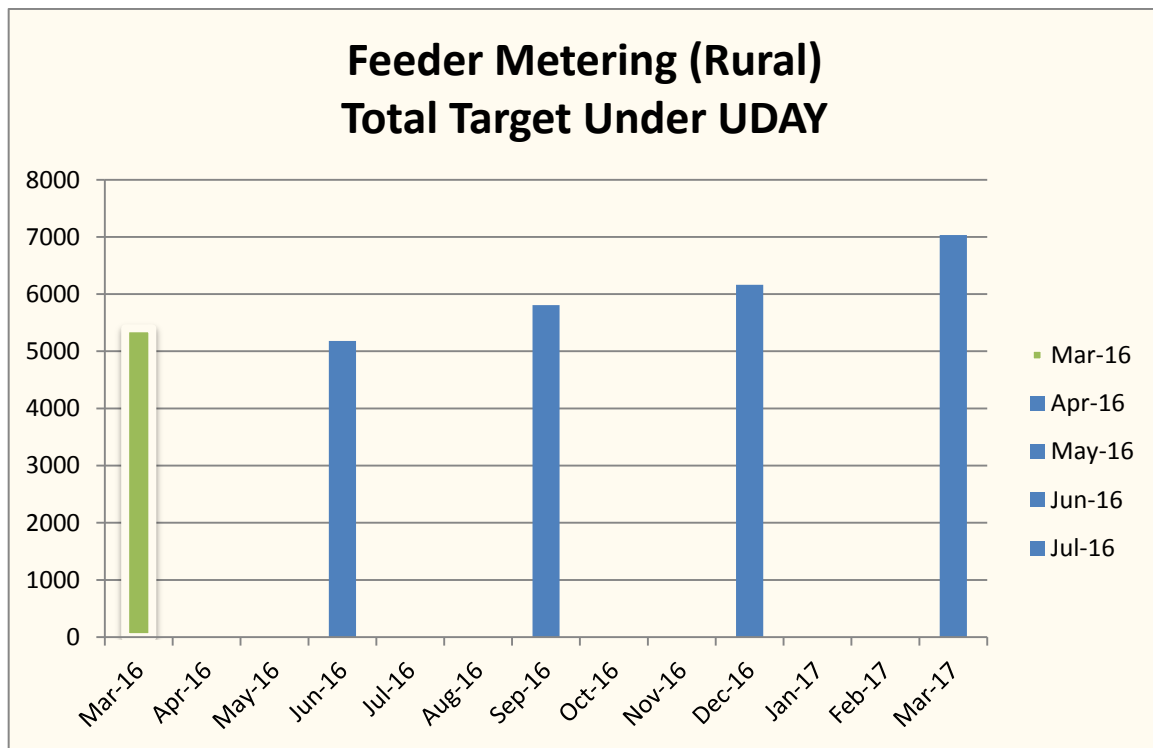
## COMPONENTS

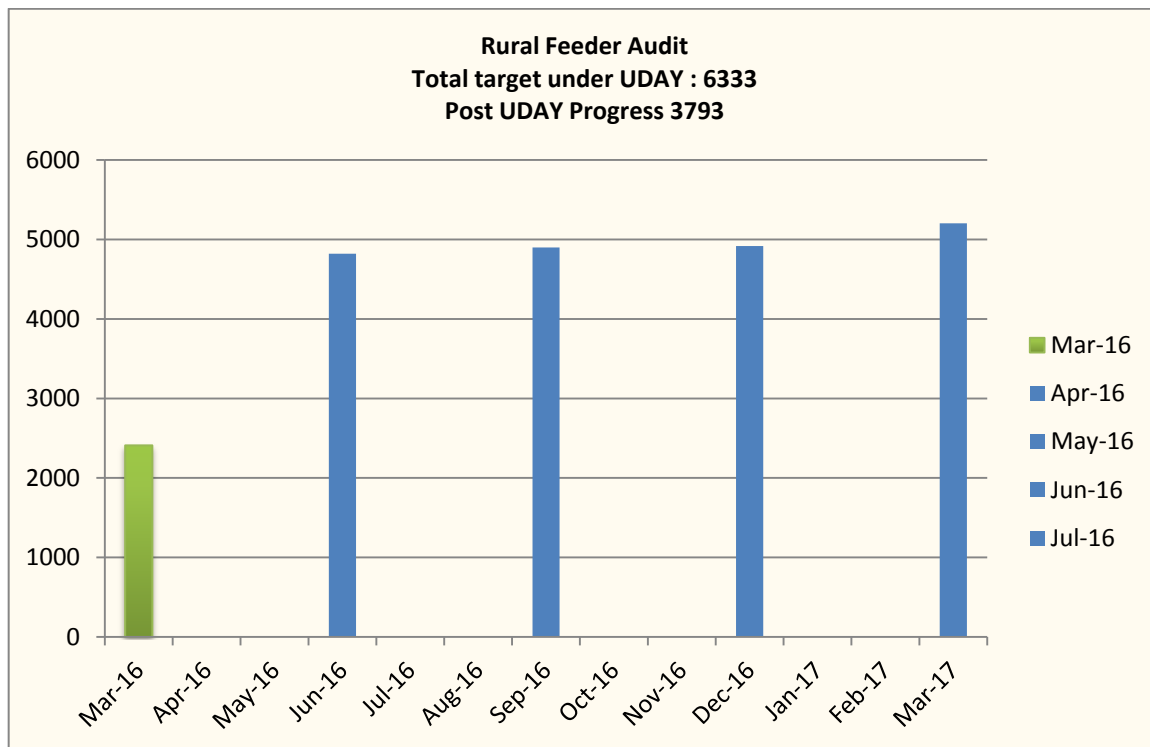
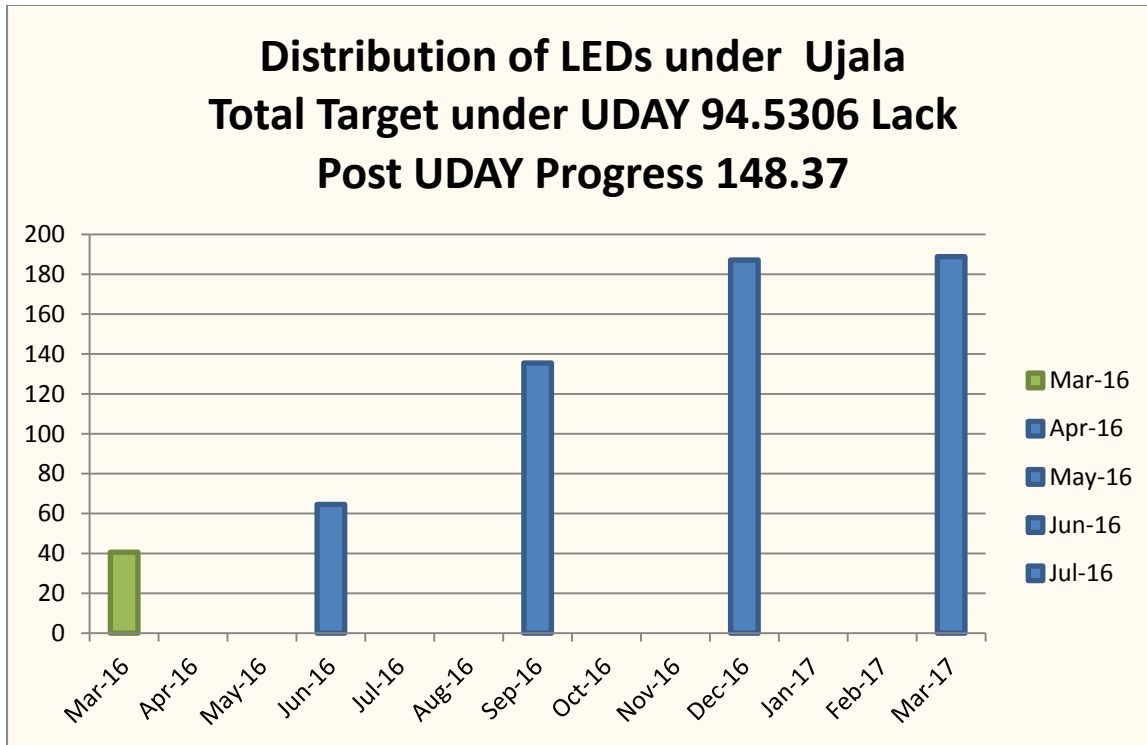
- ✚ States to take over 75% of DISCOM debt over two years. States will issue non-SLR including SDL bonds in the market or directly to the respective banks / Financial Institutions (FIs) holding the DISCOM debt.
- ✚ States were required to fund future losses of discoms in a graded manner, starting from 5 per cent in 2017-18 and going on to 10, 25 and 50 per cent over the three years till 2020-21. Reducing losses through efficiency improvements and tariff adjustments to cover reasonable costs Performance.
- ✚ The performance of UDAY has yielded mixed results.
- ✚ States have issued bonds more than around 1.66 lakh crores & reduction in interest cost has already started. Cost of power is also on a downward trend.

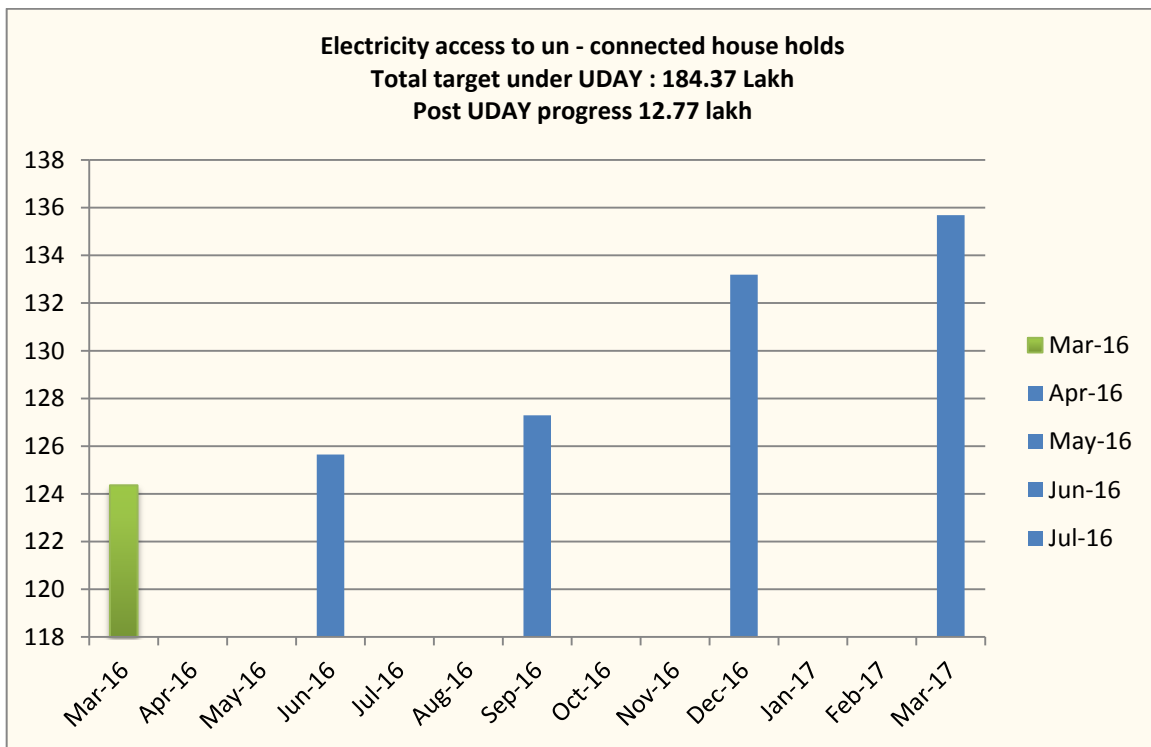
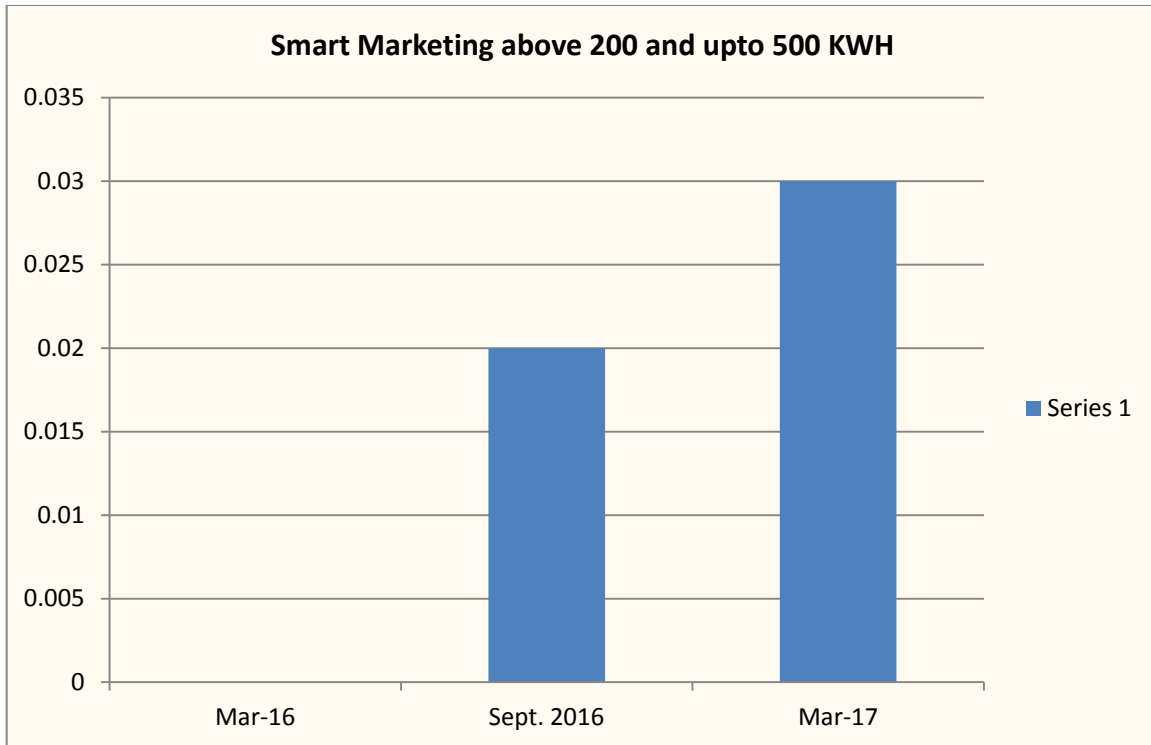
✚ States like Jharkhand have been caught in debt burden and has been unable to pay DVC for the power purchased. Also states like Bihar & Haryana have fulfilled only small part of their commitments as a result of which DISCOMS are reporting losses. In absence of new PPAs, there has been lack of utilization which has affected the profits of the generation companies and their ability to service their debt to banks.

## POST UDAY UTTAR PRADESH IMPROVEMENT TREND

Depicts the cumulative/quarterly progress, in absolute terms, achieved by the State distribution sector during post UDAY period ( shown through green bars in the graph). The pre-UDAY position as on 31.03.2016 is shown through blue bar in the graphs. Target Under UDAY depicts the balance number of any parameter to be achieved as on 31.3.2016 (i.e. Total Units minus achievement till 31.3.2016)







## ASSUPMTION

1. In case of non-feeding of quarterly AT&C loss and GAP targets in the portal by the Discoms/State, yearly target given in the MoU for the relevant year shall be considered for all four quarters. Similarly in absence of quarterly targets of other financial parameters,  $\frac{1}{4}$  of all Income/Expenditure related figures given in the MoU for the relevant FY shall be considered.
2. In case the Discom has not shared/entered data in respect of any of the Parameters, the progress tubes will show 'No Data' and no marks shall be assigned. Moreover, where Discoms have entered zero target for a particular period (say 1st half-year of 2016-17) against any operational parameters, then also no marks shall be assigned and the progress tubes will show 'No Targets'.
3. In case of P&L statement, Utilities showing positive Net Income (i.e. showing Profit) and in case of ACS-ARR Gap, Utilities where ARR is more than ACS, shall get 50% of the assigned marks against these parameters as a measure of efficiency irrespective of the target achievement. For remaining 50% marks and for all other cases, marks will be assigned based on target and achievement of respective quarter.
4. In case of Payables parameter, if Payable figure is less than or equal to 90 days of yearly power purchase amount (annualized based on the quarterly figures) then full marks will be assigned otherwise zero. Similarly in case of Receivables parameter, if Receivables outstanding figure is less than or equal to 90 days of yearly turnover amount (annualized based on the quarterly

figures) then full marks will be assigned otherwise zero.

## CONCLUSION

There is a need for the states to step their commitments under the scheme. States facing debt issues should introspect and restructure their financial arrangements to reduce their deficit. Also new PPAs should be signed in order to boost the power demand utilize the unused power. The discoms, along with the railways, are among the few generally large and inefficient government monopolies that need reform. Change in the discoms can be further complicated by the fact that these are state government controlled. Under Uday, states have committed to transformative operational improvements in the next three-four years. The political will to raise tariffs and improve billing and collection is likely to be tested. But technological improvements, like in metering and feeder line separation, should help and the merging of discom losses with fiscal deficits a few years down the line should improve the success rate.

## REFERENCES

- ✚ Website of Press Information Bureau & Ministry of New and Renewable Energy, ICRA (<http://www.icra.in/>)
- ✚ Various documents of the Ministry of Power References:
- ✚ Various documents of the Central Electricity Regulatory Commission
- ✚ Various documents of the Power Finance Corporation Ltd.
- ✚ State Finances A Study of Budgets of 2015-16: Reserve Bank of India
- ✚ News reports from Business Standard, The Economic Times and Mint

---

Copyright © 2017 *Dr. Ruchi Dwivedi*. This is an open access refereed article distributed under the Creative Common Attribution License which permits unrestricted use, distribution and reproduction in any medium, provided the original work is properly cited.