4. Draft Electricity (Amendment) Bill 2025

The Ministry of Power has released the Draft Electricity (Amendment) Bill, 2025 to reform India's power sector and strengthen distribution companies (discoms)

Draft Electricity (Amendment) Bill, 2025

Background and Objective - The Draft Bill seeks to modernize India's power sector by introducing cost-reflective tariffs, phasing out hidden cross-subsidies, and promoting private sector participation.
Aim - To create a transparent, financially viable, and competitive electricity market while ensuring equitable access for households and agriculture.
Alignment - The proposals are consistent with the National Tariff Policy and India's clean energy and net-zero commitments.

Key Proposals

A. Cost-Reflective Tariffs
Tariff Determination - State Electricity Regulatory Commissions (SERCs) to set tariffs aligned with actual costs. SERCs can revise tariffs suo motu, avoiding delays.
Timely Publication - Tariff orders must be published **before the start of the financial year** for proper cost recovery.
Impact on Consumers - Industrial and commercial users will eventually pay tariffs reflecting actual costs. Subsidies for households and agriculture will be funded transparently, possibly via Direct Benefit Transfers (DBT).
B. Phase-Out of Cross-Subsidies
Current Scenario - Industrial users pay above-cost tariffs to subsidize cheap or free electricity for households and farmers.
Proposal -

1. Five-year gradual phase-out of cross-subsidies.
2. Replacement of hidden subsidies with direct fiscal support/DBT, improving financial viability and market transparency.
3. Large consumers may buy power directly from generators, bypassing discoms.

C. Private Sector Participation
Private players allowed to operate in any area using shared infrastructure, challenging the monopoly of state discoms.
Expected Outcomes -

1. Lower tariffs due to competition
2. Improved service quality
3. Introduction of smart grids and advanced energy management

Renewable Energy Compliance - Mandatory consumption obligations with penalties of **₹0.35–0.45/kWh** for non-compliance.
D. Exemptions and Incentives
Discoms exempted from universal service obligations for open access consumers >1 MW.
Industrial Incentives - New manufacturing units exempt from cross-subsidy charges for five years.
Transport Sector - Railways and metro systems receive exemptions to improve operational efficiency.

E. Governance and Oversight

National Electricity Council - Chaired by the Union Power Minister, with state ministers as members, to coordinate policy.
Accountability Measures - CERC and SERC members can be removed for wilful violations or gross negligence.
Cybersecurity - Central Electricity Authority to frame measures for the integrated power system.

Implications of the Bill

Fiscal Transparency - Hidden subsidies removed, promoting accountability, though short-term deficits

may increase.
Industrial Competitiveness - Cost-reflective tariffs reduce industrial burden, enhance efficiency, and attract investment.
Consumer Empowerment - Open access and private participation improve competition and service quality.
Targeted Welfare - Subsidies remain for the poor and farmers, delivered transparently via DBT, reducing leakages and discom losses.
Sustainable Transition - Renewable energy obligations and market-based instruments align with green energy goals.

Challenges

Fiscal Pressure - Direct subsidy payments may increase state deficits.
Implementation Delays - Bureaucratic inefficiencies can slow down DBT and tariff revisions.
Equity Concerns - Private players may prioritize urban and profitable areas, risking weaker rural service.

Conclusion

The Draft Electricity (Amendment) Bill, 2025 represents a decisive reform toward -

1. Transparent and cost-reflective tariffs
2. Competitive market structure with private sector participation
3. Financial sustainability of discoms

Striking a balance between efficiency and equity, the Bill aims to create a modern, sustainable, and resilient power sector in India.
Source - https - //www.business-standard.com/industry/news/electricity-amendment-bill-2025-power-tariff-reforms-industrial-rates-125101000933_1.html