

GOVERNMENT OF INDIA  
MINISTRY OF NEW AND RENEWABLE ENERGY  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 2864**  
ANSWERED ON 25.03.2025

**FINANCIAL VIABILITY OF DISCOMS**

2864. SMT. KIRAN CHOUDHRY

Will the Minister of NEW AND RENEWABLE ENERGY be pleased to state:

- (a) the manner in which Government is working towards improving the financial viability of electricity distribution utilities across the country;
- (b) the role the renewable energy plays in reducing power costs and enhancing the sustainability of DISCOMs; and
- (c) the manner in which Government plans to strengthen regulatory frameworks for improving cost-reflective power tariffs?

**ANSWER**

**THE MINISTER OF STATE FOR NEW & RENEWABLE ENERGY AND POWER**

**(SHRI SHRIPAD YESSO NAIK)**

(a) As informed by Ministry of Power, the Central Government has introduced several measures to ensure the financial sustainability of the power sector including the electricity distribution utilities (DISCOMs) across the country. The key initiatives include the following:

- (a) Late Payment Surcharge Rules were notified in June 2022 with the objective of providing relief to the DISCOMs, as well as electricity consumers and at the same time Generating companies are also getting assured monthly payments.
- (b) Effective Subsidy Accounting process has been mandated to ensure timely payment of subsidies by the State Governments.
- (c) Tariff Rationalization & Automatic Fuel Cost Pass-Through to ensure that all prudent power purchase costs are transparently included in retail tariffs.
- (d) Other measures include introduction of prepaid smart metering, enforcing rules for cost-reflective tariffs, introduction of Electricity Distribution (Accounts and Additional Disclosure) Rules, 2024, implementation of Revamped Distribution Sector Scheme, additional borrowing space of up to 0.5% of the Gross State Domestic Product (GSDP), revised prudential lending norms for PFC Ltd. and REC Ltd. to support the power sector, etc.

(b) Most of the renewable energy projects are being set up in the country by the private sector developers selected through transparent & competitive bidding process. Tariffs being discovered for solar and wind power projects are comparatively less than tariff for new thermal power plants being set up in the country. Further, in order to make availability of renewable energy at reduced and affordable tariff, Government has taken various measures listed at **Annexure**.

(c) The Ministry of Power has informed that Government has implemented several regulatory reforms, including the following, to ensure cost- reflective tariffs and improve the financial health of DISCOMs:

1. Mandating that the tariff shall be cost reflective and there shall not be any gap between approved Annual Revenue Requirement (ARR) and estimated annual revenue from approved tariff except under natural calamity conditions, provided that such gap, created if any, shall not be more than three percent of the approved ARR.
2. Capping of cross-subsidy surcharges at 20% of the average cost of supply to create a competitive market.
3. Rationalising wheeling charges to prevent revenue shortfalls for DISCOMs.
4. Mandating that the Aggregate Technical and Commercial loss reduction trajectory would be aligned with the trajectory agreed by the respective State Governments and approved by the Central Government under any national scheme or programme.
5. Mandating that all the prudent costs of power procurement, incurred by distribution licensee for ensuring 24x7 supply of electricity to consumers and for meeting requirements as per Resource Adequacy plan is taken into account, provided that the procurement of power has been done in a transparent manner or procurement price has been approved.
6. Permitting reasonable Return on Equity, with the assessment of overall risk and the prevalent cost of capital as per provisions of Electricity Rules.

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**Annexure referred in reply to part (b) of the Rajya Sabha unstarred question no. 2864 for 25.3.2025**

**Measures taken by Government for availability of renewable energy at reduced and affordable tariff inter alia include the following:**

- Permitting Foreign Direct Investment up to 100 percent under the automatic route for renewable energy projects
- Inter State Transmission System charges have been waived for inter-state sale of solar and wind power for renewable energy projects to be commissioned by 30th June 2025, for Green Hydrogen Projects the waiver is till December 2030 and for offshore wind projects till December 2032.
- Setting up of Ultra Mega Renewable Energy Parks, to provide land and transmission to renewable energy developers on a plug and play basis.
- Standard Bidding Guidelines for tariff based competitive bidding process for procurement of Power from Grid Connected Solar, Wind, Wind-Solar Hybrid and Firm & Dispatchable RE (FDRE) projects have been issued.
- Schemes such as Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM), PM Surya Ghar: Muft Bijli Yojana, National Programme on High Efficiency Solar PV Modules, National Bioenergy Programme, New Solar Power Scheme (for Tribal and PVTG Habitations/Villages) under Pradhan Mantri Janjati Adivasi Nyaya Maha Abhiyan (PM JANMAN) and Dharti Aabha Janjatiya Gram Utkarsh Abhiyan (DA JGUA), National Green Hydrogen Mission, Viability Gap Funding (VGF) Scheme for Offshore Wind Energy Projects, VGF for Batter Energy Storage System, etc., have been launched.
- Laying of new transmission lines and creating new sub-station capacity funded under the Green Energy Corridor Scheme for evacuation of renewable power.
- Green Term Ahead Market has been launched to facilitate sale of renewable power through exchanges.
- Transmission Plan for integration of 500 GW renewable energy capacity by 2030.
- Notification of promoting renewable energy through Green Energy Open Access Rules 2022.