

GOVERNMENT OF INDIA
MINISTRY OF POWER

RAJYA SABHA
STARRED QUESTION NO.226
ANSWERED ON 10.08.2026

REFORMS UNDER THE ELECTRICITY (AMENDMENT) RULES, 2026

226 DR. K. LAXMAN:

Will the Minister of **POWER** be pleased to state:

- (a) the key objectives and major reforms proposed under the Electricity (Amendment) Rules, 2026 and the Draft National Electricity Policy, 2026;
- (b) the manner in which these reforms are expected to improve the financial sustainability of the power sector, enhance operational efficiency and ensure reliable, round-the-clock electricity supply to consumers; and
- (c) the steps taken to consult State Governments and other stakeholders before finalising these reforms and to facilitate their effective implementation across the country?

A N S W E R

THE MINISTER OF POWER

(SHRI MANOHAR LAL)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) IN RESPECT OF RAJYA SABHA STARRED QUESTION NO.226 FOR REPLY ON 10.08.2026 REGARDING REFORMS UNDER THE ELECTRICITY (AMENDMENT) RULES, 2026 ASKED BY DR. K. LAXMAN

(a) & (b) : (i) The Electricity (Amendment) Rules, 2026 were notified on 13.03.2026 and introduced amendments to the framework for qualification and verification of captive generating plants. Salient aspects of the Electricity (Amendment) Rules, 2026 are enclosed at **Annexure-I**. No further amendments of the principal rules (The Electricity Rules, 2005) are under consideration.

Electricity (Amendment) Rules, 2026 strengthen the framework for operations of captive generating plants by addressing ambiguities in the captive generation qualification and verification provisions. The amendments, inter alia, clarify ownership requirements by recognising subsidiaries and holding companies within a corporate group, provide greater operational flexibility for group captive projects established through Associations of Persons, streamline the mechanism for verification of captive status for intra-State and inter-State captive consumption, and provide a transparent framework for levy of Cross-Subsidy Surcharge and Additional Surcharge, pending verification. These reforms are aimed at promoting ease of doing business, reducing litigation and regulatory uncertainty, facilitating investment in captive generation, particularly renewable energy projects, and ensuring uniform implementation of the captive generation framework across the country.

(ii) Ministry of Power has prepared the Draft National Electricity Policy, 2026 (NEP 2026) to replace the existing National Electricity Policy, 2005. The draft policy was circulated for stakeholder consultation vide letter dated 20.01.2026. It lays down the roadmap for providing reliable, affordable and quality 24×7 power through a financially viable, efficient and environmentally sustainable power sector, while strengthening energy security. The key objectives of and major reforms proposed under the draft NEP 2026 are enclosed at **Annexure-II**.

Draft NEP 2026 envisages comprehensive reforms across the generation, transmission, distribution and power market segments to improve the financial sustainability, operational efficiency and reliability of the power sector. The key measures, inter alia, include resource adequacy planning with cost optimisation, cost-reflective tariffs, reduction of Aggregate Technical & Commercial (AT&C) losses through phased rollout of smart meters and other technological interventions, strengthening of corporate governance of distribution utilities, promotion of competition through shared distribution networks, deployment of digital technologies including GIS-based asset mapping, and strengthening of the transmission network and grid resilience. These reforms are expected to improve the financial sustainability of utilities, enhance operational efficiency, facilitate greater integration of renewable energy, and ensure reliable, affordable and quality 24×7 electricity supply to consumers.

(c) : Draft NEP 2026 was circulated on 20.01.2026 for comments and suggestions from stakeholders, including State Governments, and was also placed in the public domain, with comments invited up to 19.03.2026. Comments have since been received from various stakeholders, including State Governments, Regulatory Commissions, utilities, industry associations and other interested entities. The draft policy was also deliberated upon during the Chintan Shivir of Ministry of Power held on 22-23 January, 2026 and at the Bharat Electricity Summit held from 19-22 March, 2026.

To examine the comments and recommendations received from stakeholders, a Working Group comprising representatives from Ministry of Power, Central Electricity Authority, Ministry of New and Renewable Energy, Regulatory Commissions and All India Discoms Association was constituted. The Working Group submitted its recommendations to Ministry of Power on 05.06.2026. The draft NEP, 2026 is presently under finalisation.

ANNEXURE REFERRED TO IN PARTS (a) & (b) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO. 226 ANSWERED IN THE RAJY SABHA ON 10.08.2026 REGARDING REFORMS UNDER THE ELECTRICITY (AMENDMENT) RULES, 2026

Electricity (Amendment) Rules, 2026

Key Objectives

1. The captive power framework has been designed to enable industries to reduce their cost of electricity procurement and enhance their competitiveness.
2. Providing a modern and flexible captive generation framework that reflects contemporary corporate structures is essential to promote captive generation, drive future growth in electricity consumption, and support India's transition to a non-fossil fuel-based energy system.
3. Removing ambiguities in the captive generation verification framework is essential to facilitate investment in captive and renewable energy projects, promote ease of doing business, reduce litigation, and establish a transparent, equitable, and uniform framework for verification of captive generating plants across the country.

Major Reforms

1. Ownership Requirements
 - The definition of *ownership* has been clarified by including subsidiary(ies), holding company and other subsidiary(ies) of the holding company of the entity who has established the captive generating station.
 - This has been implemented to reflect contemporary corporate structures where assets are frequently developed and held through group entities for operational and financial efficiency and flexibility.
2. Captive Plant by Association of Persons (AoP)
 - In the case of captive power plants established by an Association of Persons (AoP), each captive user is free to draw power based on their operational requirements. Eligibility for captive consumption is linked solely to the requirement of proportionate consumption aligned with ownership, without imposing disqualification for consumption falling below or above the specific thresholds.
 - This ensures that the group captive model retains its intended flexibility while maintaining compliance with statutory intent behind ownership and consumption criteria.
3. Verification process:
 - State / Union Territory (UT) Governments have been empowered to designate a nodal agency for verification of captive status for intra-state captive consumption i.e., where the captive generating station and the captive consumer (s) is located within the State / UT. The verification will be undertaken in accordance with the procedure issued by the nodal agency.
 - Verification of captive status for inter-state captive consumption i.e., where the captive generating station and the captive consumer (s) is located in different State / UT, will be performed by National Load Despatch Centre (NLDC). The verification will be undertaken in accordance with the procedure issued by the NLDC with the approval of Central Government.

- Any disputes arising out of the verification decision of the nodal agencies shall be placed before a Grievance Redressal Committee to be constituted by the Appropriate Government.
 - This will facilitate streamlined implementation, timely verification of captive status, and improved clarity for captive users, generators, and distribution licensees.
4. Treatment of Cross-subsidy Surcharge (CSS) and Additional Surcharge (AS) pending captive status verification:
- Pending verification of captive status for any assessment period, the cross-subsidy surcharge and additional surcharge shall not be levied, provided that the captive user(s) furnish the requisite declaration.
 - If the generating plant ultimately fails to meet the captive status requirements for the respective financial year, despite having furnished the declaration, the user(s) shall be liable to pay the applicable cross-subsidy surcharge and additional surcharge, together with the carrying cost. The carrying cost shall be calculated at the base rate of the Late Payment Surcharge, in accordance with the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022.
 - This ensures parity, protects the financial interests of distribution licensees, and maintains accountability while still providing relief pending verification.

**ANNEXURE REFERRED TO IN PARTS (a) & (b) OF THE STATEMENT LAID IN REPLY
TO STARRED QUESTION NO. 226 ANSWERED IN THE RAJY SABHA ON 10.08.2026
REGARDING REFORMS UNDER THE ELECTRICITY (AMENDMENT) RULES, 2026**

National Electricity Policy, 2026

Key Objectives

1. Financial turnaround and commercial viability of electricity sector.
2. Ensuring 24x7 availability of reliable, safe and quality power supply, while meeting peak demand and energy requirements.
3. Supply of electricity at competitive prices to achieve the vision of ‘Viksit Bharat @ 2047’.
4. Increase the share of non-fossil capacity to achieve the Nationally Determined Contribution (NDC) targets.
5. Promote competition in procurement and supply of electricity.
6. Increase per capita electricity consumption to 2,000 kWh by 2030 and over 4,000 kWh by 2047, ensuring energy efficiency and responsible usage.
7. Strengthen grid resilience to enable large-scale RE generation and utilisation, flexible operation, and meet climate adaptation and cybersecurity needs.
8. Enhance consumer-centric service and implement demand-side interventions.
9. Strengthen the dispute resolution mechanism in the sector to enable faster resolution and reduce financial burden on consumers.

Major Reforms

1. Resource Adequacy (RA): To ensure required capacity expansion through decentralized advance planning, DISCOMs and SLDCs shall prepare RA plans at utility and state levels, in accordance with the regulations of State Commissions. CEA will prepare a corresponding national plan to ensure adequacy at the national level.
2. Financial Viability & Economic Competitiveness:
 - Tariffs must be linked to a suitable index for automatic annual revision which operates if no tariff order is passed by the State Commission.
 - Tariffs should progressively recover fixed costs through demand charges to avoid cross-subsidisation between the tariff components as well as among various categories of consumers.
 - Exemption of cross-subsidies and surcharges on manufacturing industry, railways and metro railways to increase the economic competitiveness of Indian goods and reduce logistics cost.
 - Strengthening of dispute resolution mechanism to reduce burden on Regulatory Commissions, enable faster dispute resolution and reduce financial burden on consumers.
3. Renewable Energy Generation & Storage:
 - RE capacity addition through market-based mechanisms.

- Installation of storage by distribution licensee on behalf of consumers at large to get benefit of economies of scale and by bulk consumers themselves to facilitate adoption of Distributed Renewable Energy (DRE) sources.
- Trading of surplus energy from DRE as well as storage by consumers themselves (P2P) or through aggregators.
- Parity between RE and conventional sources in scheduling and deviation by 2030.
- Market-based deployment of storage, use of emerging Battery Energy Storage System (BESS) technologies, domestic manufacturing of cells and other components of BESS and demand side incentives like VGF for BESS and pumped storage projects.

4. Thermal Generation:

- Integration of storage, and repurposing of older units for grid support to enable greater renewable energy integration.
- Exploring possibility of direct utilization of the steam generated from thermal plants for applications such as district cooling or industrial processes for optimum utilization.

5. Nuclear Generation:

- In line with the provisions of SHANTI Act, 2025, adoption of advanced nuclear technologies, developing Modular Reactors, setting up Small Reactors, and use of nuclear energy by commercial and industrial consumers to achieve 100 GW by 2047.

6. Hydro Generation:

- Accelerated development of storage-based hydroelectric projects for flood moderation, irrigation, and water as well as energy security.

7. Power Markets:

- A strong regulatory framework for market monitoring and surveillance to prevent collusion, gaming, or market dominance.

8. Transmission:

- Adoption of latest technologies and suitable compensation for land use to address Right of Way (RoW) challenges.
- Utilization-based framework for allocation of transmission connectivity, along with appropriate regulatory mechanisms to ensure optimal use and prevent speculative holding of connectivity.

9. Distribution:

- Measures to achieve single-digit AT&C losses.
- Shared distribution networks to enhance competition and efficiency, while eliminating the requirement of duplication of network.
- Establishment of a Distribution System Operator (DSO) to facilitate sharing of network and integration of distributed renewables, storage, Vehicle-to-Grid (V2G) systems.

10. Grid Operations:

- Functional unbundling of State Transmission Utilities (STUs) and creation of independent state-level entities to manage SLDC operations and transmission planning functions.
- Alignment of State Grid Codes with Indian Electricity Grid Code specified by CERC

11. Cybersecurity:

- Establishment of Robust cybersecurity framework.
- Mandatory storage of power sector data within India to ensure data sovereignty and system resilience.

12. Data Sharing:

- Sharing of operational and market data under a framework prescribed by the Central Government.
- Ensuring real-time visibility of Distributed Energy Resources to DISCOMs and SLDCs.

13. Technology & Skill Development:

- Transition to indigenously developed SCADA system by 2030.
- Development of domestic software solution for all critical applications in the power system.
