

**GOVERNMENT OF INDIA
MINISTRY OF POWER**

**LOK SABHA
UNSTARRED QUESTION NO.4535
ANSWERED ON 27.03.2025**

REFORMS IN POWER SECTOR

**4535. SMT. D K ARUNA:
SHRI EATALA RAJENDER:**

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

- (a) whether the Government is working on the power sector reforms in consultation with States and would incentivize electricity distribution reforms and augmentation of intra-state transmission capacity by States and if so, the details thereof;
- (b) whether the Government would improve the financial health and capacity of electricity companies and also additional borrowing of 0.5 per cent of Gross State Domestic Product would be allowed to States contingent on these reforms; and
- (c) if so, the details thereof and the progress made along with the funds sanctioned and utilized, district and State-wise including Telangana?

A N S W E R

THE MINISTER OF STATE IN THE MINISTRY OF POWER

(SHRI SHRIPAD NAIK)

(a): Government of India (GoI) has been supplementing the efforts of States/ distribution utilities through various reform measures with the objective of having a financially viable and sustainable power sector (distribution segment in particular).

In line with the recommendation of the Fifteenth Finance Commission (15th FC), GoI launched the scheme of allowing additional borrowing space of 0.50 per cent of Gross State Domestic product (GSDP) to States for a four-year period from FY 2021-22 to FY 2024-25, conditional on them undertaking financial and operational reform measures. Key reforms undertaken by the participating States under the scheme are as follows:

- i. Publication of audited annual & quarterly financial accounts.
- ii. Non-creation of Regulatory Assets (or uncovered losses or any other similar provisions).
- iii. Tariff subsidy accounting and payment as per Section 65 of the Electricity Act, 2003.

- iv. Subsidy disbursement by State Govt. against loss incurred by distribution utilities in graded manner.**
- v. Issuance of tariff & true-up orders.**
- vi. Preparation and submission of Energy Accounts to Ministry of Power.**

Other initiatives taken to improve financial and operational efficiencies of the distribution utilities:

- i. Revamped Distribution Sector Scheme (RDSS): Government of India launched the scheme in 2021 to help Distribution Utilities improve quality of supply of power through operational efficient and financial viable distribution sector. The scheme is designed to nudge the States/UTs and their utilities to undertake necessary reforms for desired results. Based on performance of the utility against various parameters, the funds are released under the scheme.**
 - ii. Late Payment Surcharge Rules notified in 2022: Since the implementation of the Rules, the total legacy dues of Central Sector utilities have reduced from around Rs. 1.4 lakh crores in Jun'22 to around Rs. 18,857 crores in March'25. The current dues are also, generally, being paid regularly. This has helped reduce late payment surcharges levied on Utilities.**
 - iii. Effective Subsidy Accounting: Rules and Standard Operating Procedure issued for proper Subsidy Accounting and their timely payment.**
 - iv. Tariff Rationalization & Automatic Fuel Cost Pass-Through: To ensure that all prudent cost for supply of electricity is passed through, rules have been notified.**
 - v. The Electricity Distribution (Accounts and Additional Disclosure) Rules, 2024, to improve transparency in accounting.**
 - vi. Additional prudential norms for lending by Power Finance Corporation Limited and REC Limited.**
- (b) : Owing to the positive impact of the scheme and its scheduled completion by FY 25, the need for its continuation and scale-up has been recognized in the Union Budget, FY 26. The scheme of allowing additional borrowing to States has been extended so as to incentivise the States for adoption of electricity distribution reforms and augmentation of intra-state transmission capacity.**
- (c) : The funds are not sanctioned under the scheme but based on GoI allowing for additional borrowing space of 0.5% of GSDP, the States raise necessary borrowing so as to meet their financial requirements.**

Details of additional borrowing allowed under the scheme as on 24.03.25 are as under:

Sl. No.	Name of the State	Amount (in Rs. Cr)			
		2021-22	2022-23	2023-24	2024-25
1	Andhra Pradesh	3,716	5,858	6,709	7,986
2	Assam	1,886	2,473	2,702	-
3	Himachal Pradesh	251	-	-	-
4	Kerala	4,060	4,263	4,866	6149
5	Manipur	180	-	213	-
6	Meghalaya	192	-	-	-
7	Odisha	2,725	-	-	-
8	Punjab	-	-	-	1976
9	Rajasthan	5,186	6,122	7,996	7,088
10	Sikkim	191	170	156	-
11	Tamil Nadu	7,054	5,775	9,656	-
12	Uttar Pradesh	6,823	-	-	-
13	West Bengal	6,911	8,352	7,276	-
	Total	39,175	33,013	39,574	23199
