

**INSTITUTE FOR SUSTAINABLE DEVELOPMENT
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To
The Director (R&R-I)
Ministry of Power
Government of India
Shram Shakti Bhavan, Rafi Marg
New Delhi

Sir,

Comments on Draft Electricity (Amendment) Bill, 2025

Ministry of Power has published the Draft Electricity (Amendment) Bill 2025 on 9.10.2025 for suggestions/comments. MoP claims that the amendments proposed will ensure a financially resilient, environmentally sustainable and globally competitive power sector supporting the needs of Viksit Bharat @2047. A dream towards such a power sector is very essential. But, on going through the proposals, the power sector being the mother of all industries and the basic need of the common man, we have many apprehensions on many of the proposals.

Electricity sector in general and electricity distribution sector in specific is a natural monopoly. As per section 14 of Electricity Act 2003, licence can be granted to two or more persons for distribution of electricity through their own distribution system within the same area. After 22 years, the Central Government has realised that creation of such a competition in electricity distribution can never be materialised. From 2014 onwards a series of amendments were proposed by the Central Government, all were withdrawn following the resistance from electricity employees, farmers and the people in general. Electricity Act Amendment Bill 2025 is the latest one in the series. There are many justifications and claims given by the Central Government in support of the provisions in the Bill. But, it is very clear that the main intent is to provide entry to private players in electricity distribution when the present provisions in the Act have failed to provide that. The poor consumers and the priority sector are presently enjoying the benefits of cross subsidy to get electricity at affordable price. The main objective of the proposed amendment is to end this and allow private players to make profit by cherry picking bulk and high paying consumers, whereas the public sector will have to bear the losses and social obligations.

Effective supervision and prompt action by regulatory mechanisms, for which there are provisions in Electricity Act 2003, is the right approach to ensure organisational efficiency, consumer satisfaction, financial viability, environmental sustainability and

social commitment in power sector, which is essentially a natural monopoly. Instead of strengthening these mechanisms, introduction of privatisation in the name of Viksit Bharath @ 2047 can be viewed only as an attempt to dismantle the integrated and socially driven electricity sector built over decades and to hand it over to private players at their will for profit making.

As per sixth proviso to section 14 of Electricity Act 2003, “appropriate commission may grant a license to two or more persons for distribution of electricity through their own distribution system within the same area”. This is now proposed to be amended to include shared distribution system in accordance with the framework specified by the commission and the amendment in section 42(1) mandates non discriminatory open access to be provided by the existing licensee to his network, to the new licensees. This provides the freedom to the new licensees to provide supply to any consumer of his choice giving wheeling charges to the existing licensee for use of its network. As per second proviso to section 62, the Commission is to fix only the maximum ceiling of tariff in such cases. Naturally, the new licensee may fix highest possible tariff for low paying/low consuming consumers so that they resort to the incumbent license. New licensee may provide freebies or a tariff lower to the ceiling tariff to the bulk/high paying consumers so that they may remain with the new licensee. This creates a situation that the incumbent licensee is left with low paying consumers whereas the new licensee gets the opportunity to cherry pick high paying/bulk consumers. The after effect of this is that the tariff of the consumers like domestic and agricultural consumers supplied by the incumbent licensee will increase considerably in the next tariff revision. If this doesn't happen, the finances of the incumbent licensee will be affected which will badly reflect in the maintenance and upgradation works of the electricity network. Correspondingly, the quality of supply to all consumers including that of the new licensees will be affected. Also, since the new licensee do not own any asset, they can easily run away any time and their consumers will be stranded. Another point is that, whenever there is a supply failure to a consumer of the new licensee, the incumbent licensee (who owns and maintains the line) as well as the new licensee (who is responsible for the supply of the consumer) are likely to shirk their responsibilities making the consumer run in between them to get his complaint rectified. Essentially this amendment opens up a choice to the new private licensees on the consumers rather than a choice of supplier to be exercised by the consumers.

Another effect is that, due to the possible switching of consumers from one licensee to another, the PPAs of the licensees will be stranded and advance planning etc becomes impossible. Such changes may make the load generation balance of the licensees at stake and the surplus or deficit created by such issues is likely to increase the cost and hence the tariff. Hence the new changes are not going to reduce cost as claimed, but only increase it.

In the explanatory note, the sharing of network proposed in distribution is compared with that existing in transmission. In fact, there is no comparison between these two. The consumer demand in distribution may not be visible to the original licensee in the event of a consumer changing distribution licensee. The reliability of the system

may be affected if the new licensee, on the zeal to attract new consumers, flout the loading restrictions, leading to voltage fluctuations, increase in interruptions or both. It may not be practical to adopt a mechanism as in the case of transmission system to work out the security constrained loading, optimum loading etc. in distribution lines on account of the sheer number of lines and the complexity of the network. For instance, at distribution level, back feeding facility is the method used instead of (N-1) security level adopted in transmission and controls on transmission system as implemented from RLDC/ SLDC through substation operator is not possible in distribution system since switching facilities (Air break switch/ RMU etc.) will not be there in distribution system as it is there in a transmission system.

There is nothing to be gained by the amendment allowing multiple licensees in an area, other than creation of a group of private aggregators. The amendment will stand in the way of the very objective of developing and maintaining efficient, co-ordinated and economical distribution system. It will jeopardise standards of performance and quality of supply and service will be adversely affected. It will increase the tariff of poor consumers and priority sectors, for allowing profit making by private players.

Apart from privatisation, another intention revealed in many amendment proposals is concentration of power at the Centre, bypassing parliamentary and public scrutiny leading to erosion of federal principles of the Constitution of India.

The above observations and suggestions may please be considered to suitably modify the amendment proposals.

Yours faithfully,
For InSDES,

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