Draft Electricity Amendment Bill 2025

Introduction

The Draft Electricity (Amendment) Bill, 2025 aims to modernize India's electricity sector by addressing long-standing structural, financial, and operational challenges. India's power sector has expanded rapidly over the past decade, driven by renewable energy growth, rising demand, and increased private participation. To overcome these challenges, the 2025 amendment proposes significant reforms focused on consumer choice, financial discipline, improved governance, and faster integration of clean energy.

Overall, the Draft Electricity (Amendment) Bill, 2025 represents a major step toward building a sustainable, transparent, and market-driven electricity sector aligned with India's long-term energy security and decarbonization goals.

Why the Amendment Was Needed

India's electricity sector has several long-standing issues that affect both consumer and power companies, The 2025 Amendment aims to fix these core problems, mainly:

- Distribution company are running high financial losses, making power supply unreliable.
- Cross-subsidies are too heavy where industries pay more so that agriculture and household pay less.
- Power supply quality is poor in many states due to weak structures and facilities.
- State distribution company have monopoly control reducing competitiveness.
- Renewable energy adoption is uneven slowing the clean-energy transition.
- Tariffs are not revised on time, leading to revenue gaps and increased debt.

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Key highlights of the proposed changes are:

<u>Analysis/Overview</u>: The bill provides legal law and policy breakdown of the bill including market mechanisms and penalties highlight the financial stress distribution company and how the bill proposes to fix it via cost-reflective tariff.

<u>News reporting</u>: The government has released the Draft Electricity (Amendment) Bill, 2025, proposing major changes to modernize the power sector. The bill introduces consumer choice by allowing multiple DISCOMs in one area, strengthens regulatory timelines, and enforces payment security to reduce DISCOM debts. It also pushes for renewable energy, expands smart metering, and imposes stricter penalties for electricity theft. Officials say the reforms aim to create a more reliable and transparent electricity system.

<u>Financial Viability of Distribution companies</u>: The draft bill tries to solve the money problems faced by electricity distribution companies. These companies often suffer losses because the electricity rate they charge is lower than the actual cost of supplying power. The Supreme Court has also pointed out this issue. To fix this, the bill suggests:

- If a DISCOM does not submit its tariff proposal on time, the Regulatory Commission can set the new tariff on its own.

- The new electricity rates must start from April 1 every year, so that companies can recover their costs on time.
- For this, changes are proposed to Sections 61(g), 64(1) and 66 of the Electricity Act.

Section 61(g): This section is proposed to be amended to require the appropriate commission to ensure tariffs reflect supply costs and to progressively reduce cross subsidies. Cross subsidies for Railways, Metro Railways and Manufacturing Enterprises are to be completely eliminated within five years

Section 64(1): An amendment here would allow the appropriates commission to determine tariffs *suo moto* if a distribution licensee fails to submit a timely tariff petition, promoting discipline and timely cost recovery for discom.

Section 66: The Draft Bill includes new provision for integrating renewable energy and pricing externalities for not meeting renewable purchase obligation targets.

<u>Cost-Reflective Tariffs:</u> State Electricity Regulatory Commissions will set electricity tariffs according to the National Tariff Policy. If DISCOMs delay, the commission can revise tariffs on its own. Tariff rates must be announced before the new financial year so companies can recover their costs on time. Big consumers like industries and shops will pay the full cost of electricity, while subsidies for homes and farmers will be paid by the government in a clear and transparent way.

<u>Facilitating the energy transition:</u> To help India meet its clean energy goals, the draft Bill proposes several changes:

- The Central Electricity Regulatory Commission (CERC) will get the power to create and manage new market tools that support clean energy (like special certificates or trading products).
- It introduces compulsory rules for using a certain amount of non-fossil energy (not just solar and wind, but also any clean energy source).
- A new definition of 'Energy Storage Systems' is added. These systems can store energy and convert it between different forms like electrical, chemical, or mechanical.
- **Section 86(1)(e)** is updated so that states must follow non-fossil energy obligations, not only traditional renewables.
- A new **section 142(2)** is added so that there will be penalties if any company fails to meet its Renewable Purchase Obligations (RPOs).

<u>Strengthening Regulatory Governance</u>: The draft Bill aims to make electricity regulators more responsible and efficient. It proposes:

- The Central and State Governments can file complaints if members of CERC or SERCs are not doing their job properly.
- Members can be removed not only for misconduct but also for breaking rules on purpose or showing serious carelessness.
- All regulatory cases must be decided within 120 days to avoid long delays.
- These changes require updating Section 90(2) and adding a new Section 92(6).

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- The Appellate Tribunal for Electricity (APTEL) will have more members 7 instead of 3 so it can handle more cases faster.
- This requires an amendment to **section 112(1)**.

Regulatory Reforms: Important changes include:

- Establishment of an Electricity Council for Centre-State coordination.
- Expanded powers for regulators, stricter accountability, and faster dispute resolution.
- Penalties for non-compliance with clean energy obligations (₹0.35–₹0.45 per unit shortfall).

Conclusion

The Draft Electricity (Amendment) Bill, 2025 is an important step to improve India's power sector. It has big plans, but it will work only if the Central and State governments cooperate, regulators do their job well, and the changes are handled carefully. If everything is implemented properly, the bill can make India's electricity system more secure, cleaner, and more efficient.

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