

1. Is the Ujwal Discom Assurance Yojana (UDAY) an all-encompassing solution for power sector woes? Critically evaluate its performance. (250 Words)

Answer:

Background:-

- UDAY was launched in 2015 and is aimed at reviving electricity distribution companies (discoms), improving demand and, in the process, resolving the woes in the sector. Scheme aims at financial turnaround and revival of Power Distribution companies (DISCOMs) and ensures a sustainable permanent solution
- It allows power DISCOMs in selected states to convert their debt into state bonds as well as roll out number of measures to improve efficiency at power plants
- It improves operational efficiencies of DISCOMs, Reduce of cost of power, Reduce interest cost of DISCOMs, Enforce financial discipline on DISCOMs.
- **Improve operational efficiency** by swapping of coal linkages, monitoring technical and commercial (AT&C) losses, smart metering and feeder separation in states

Performance of the scheme:-

- It took off well, **with a large number of states joining the scheme**. Several states took over the debt of their utilities, **improving their liquidity situation**. **Anecdotal** evidence also suggests an improvement in the power supply situation.
- **Power transmission**
- Government's UDAY scheme has helped debt-laden discoms of 24 states to reduce losses to Rs 369 billion in 2016-17 from Rs 515.9 billion in the previous financial year.
 - The participating states have achieved an **improvement of one per cent in Aggregate Technical & Commercial (AT&C or distribution) losses** and Rs 0.17 a Unit in the gap between Average Cost of Supply and Average Revenue realised in 2016-17
- UDAY can smoothen the power off take distribution process.
- **It talks about cost-side efficiency such as immediate reduction of interest service burden**, reduction in fuel cost through coal swapping, time-bound loss reduction, etc.
 - **Reduction in interest cost has benefitted discoms finances**
- On the revenue side, **it talks about a strict discipline of quarterly fuel cost adjustment**, annual tariff increase, taking regulators on board and finally including discom losses in the FRBM limits for the states.
- **UDAY has potential to unclog the entire power chain as operational efficiency improvements to reduce the distribution losses from around 22 per cent to 15 per cent** and eliminate the gap between average revenue and average cost by FY19.

Concerns:-

- **With the stuck projects remaining sizeable and the threat of bad loans looming large**, questions are now being raised about the efficacy of the UDAY scheme.
 - It cannot drive demand beyond a certain point. Much of the NPA (non-performing asset) or bad loan resolution in the power sector is beyond UDAY
- With the benefit of hindsight and more data, analysts are realizing that UDAY's ability to resolve the sector's woes may well have been overestimated

- Like the previous two bailout packages in 2001 and 2012, UDAY too insisted on reducing AT&C losses to a respectable 15 per cent. **But the figures show discoms utilised funds to clear the balance-sheet without much attempt to improve efficiency low.**
- Over and above the prevailing maladies in the distribution system **rising share of renewable energy (RE) is increasing the average cost of supply, as it is displacing consumption of low-cost coal.**
- By allowing the fiscal deficit number to be breached the entire FRBM (Fiscal Responsibility and Budget Management Act) paradigm is being officially violated.
- The bonds issued are essentially held by the same entities that had lent funds to the State electricity boards (SEBs).
- The interest received is lower by at least 4-6 per cent; this means that there is a loss of income. Intuitively, it can be seen that every ₹1 lakh crore of UDAY bonds issued involves a loss of up to ₹6,000 crore for banks and FIs that have lent money to them.
- There is no guarantee that there will not be future losses as there is no retribution if the State electricity boards choose not to reform. In fact, this has been kept out of the purview of the scheme.
- By also mandating that State governments have to progressively take over the losses of their SEBs, **the Centre has put the onus on the States to deal with the problem.**

Way forward:-

- Reduction in project costs through dedicated PPAs (power purchase agreement) and supply of low-cost fuel can help salvage them.
- To address the NPA issue, the discoms need to sign more of medium- and long-term Power purchasing agreements, with a differentiated procurement strategy for base load and peak load.
- With the improvements on the coal side already imminent, firm off take agreements will significantly help bring large parts of this ailing capacity back on track.

PRACTICE QUESTIONS

Answer the following Questions

1. It is said that Winston Churchill was a war criminal and a blinkered imperialist untroubled by the oppression of non-white peoples. Do you agree? Critically comment, especially considering his role in India's struggle for Independence. (250 Words)
2. Post 1857, for peasants the fight was not much against colonialism. Analyse. (250 Words)