



DISTRIBUTION UTILITY MEET 2025

INNOVATIVE POLICY AND REGULATORY INTERVENTIONS
FOR DISCOMS' SUSTAINABILITY

Power Foundation of India



Nov, 2025

Distribution Utility Meet

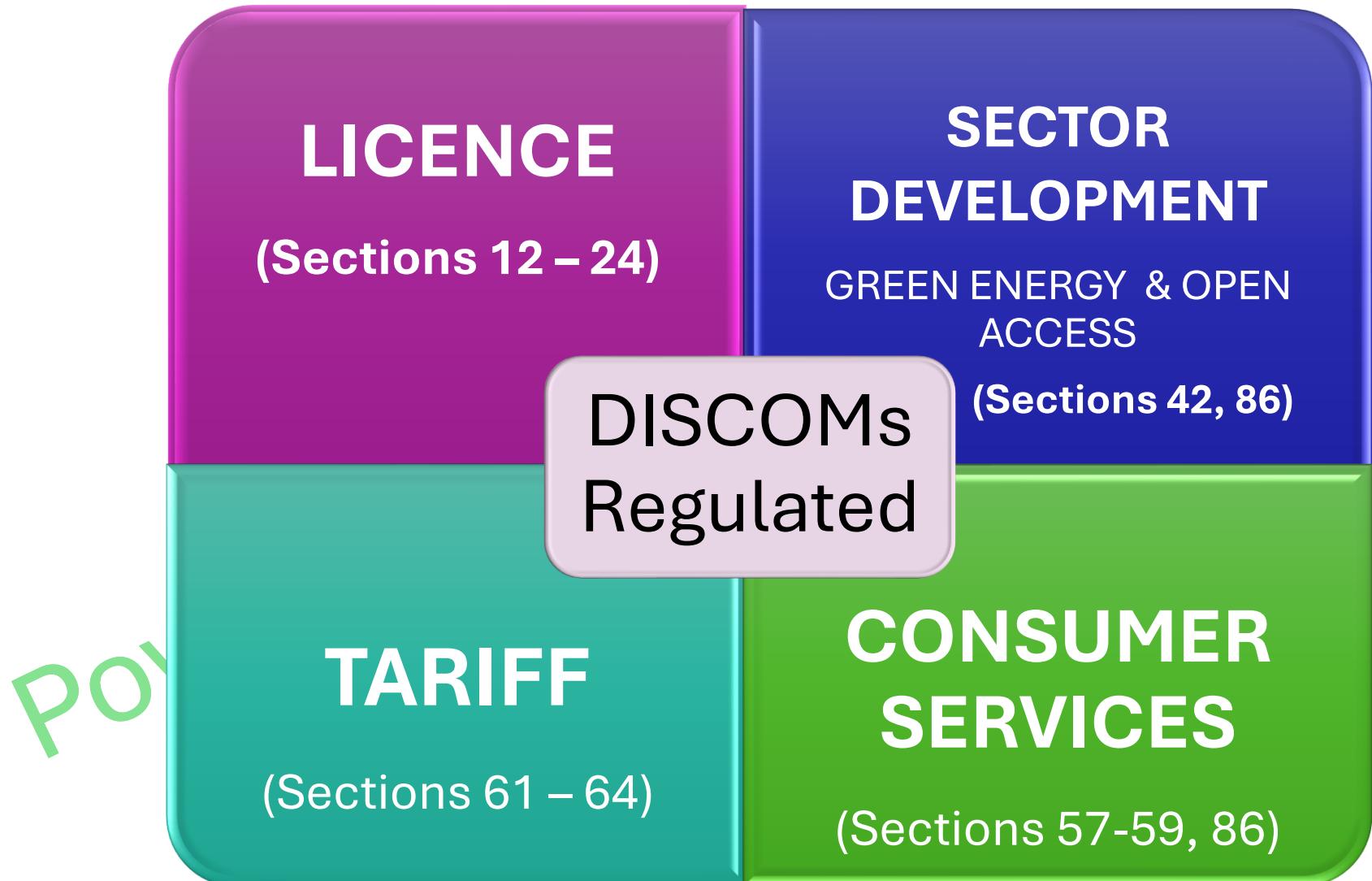
Plenary Session on “Policy & Regulatory Interventions for DISCOMs’ Sustainability”

CURRENT CHALLENGES

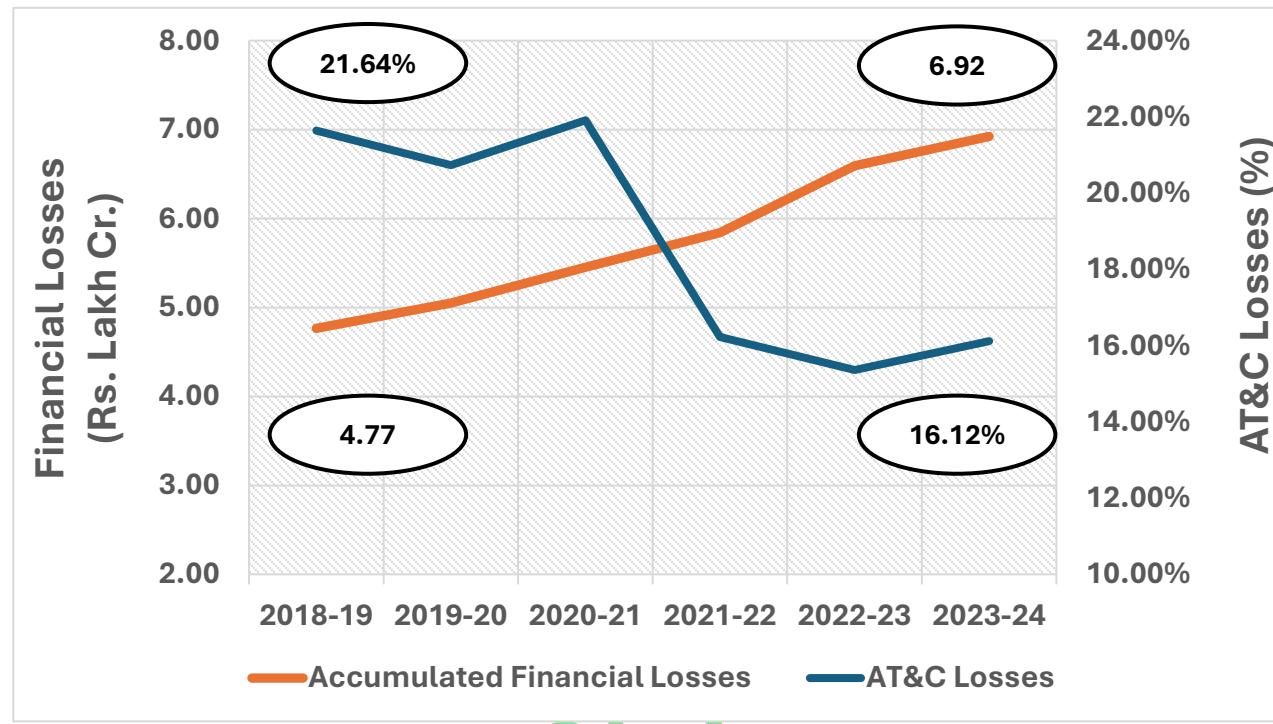
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Distribution Business is Heavily Regulated



Operational improvements but Financial losses increasing



Source: PFC Performance of Power Utilities Reports

- Net worth of DISCOMs has worsened from **Rs. (-) 63,588 Cr. in FY 2018-19** to **Rs. (-) 1,73,365 Cr. in FY 2023-24**
- As per majority Tariff Orders, the Tariff set is Cost-reflective. For instance, FY 2025-26 all DISCOMs except 7 had no approved Revenue Gap.

Distribution Reform Schemes

Scheme	Outlay (Rs. Cr.)
Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	33,000
Accelerated Power Development and Reforms Programme (APDRP)	40,000
Restructured APDRP (R-APDRP)	51,577
Integrated Power Development Scheme (IPDS)	32,612
Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY)	75,893
Pradhan Mantri Sahaj Har Ghar Bijli Yojana (Saubhagya)	16,320
Ujjwal DISCOM Assurance Yojana (UDAY)	State Govt. to take over 75% DISCOM Debt
Revamped Distribution Sector Scheme (RDSS)	3,03,758

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DISCUSSION POINT 1:

WHICH FINANCIAL LOSSES SHOULD BE CONSIDERED ?



Two Parallel Accounts – Huge Variation

States	Regulatory Assets till FY 2023-24 (Rs. Cr.)
Rajasthan	49,842
Delhi	27,200
West Bengal	3,559
Kerala	6,645
Total	87,246
Tamil Nadu	83,000
Total inc. TN	1,70,246

Source: Latest True-Up Orders of DISCOMS

- Audited Accounts or Regulatory Accounts ?
- PFC rates DISCOMs on the basis of Audited Accounts

ACCUMULATED FINANCIAL LOSSES

Audited Accounts
Based on Actuals

(-) Rs. 6.92
Lakh Cr.

(-) Rs. 1.70
Lakh Cr.

Regulatory Accounts
Based on Normative
Parameters

Source: PFC Performance of Utilities & True-Up Orders

Which accounts are a better reflection of performance of DISCOMs?

Variation in Claimed Cost & Approved Cost

- Section 61 (g) - “*that the tariff progressively reflects the cost of supply of electricity*“
- Electricity (Amendt.) Bill, 2025 –Sec 61 (g) “*that the tariff reflects the cost of supply of electricity*” - **WELCOME MOVE**
- Cost-reflective

WHICH COST ?

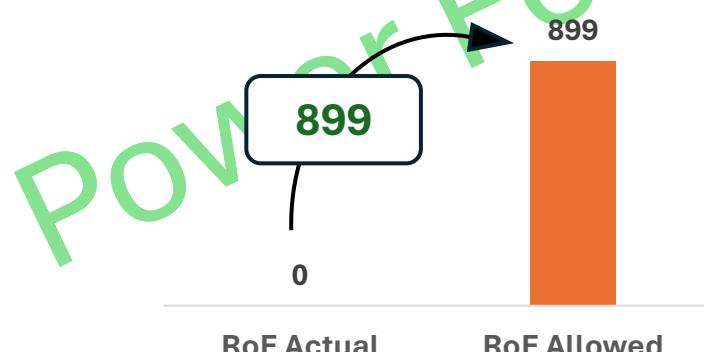
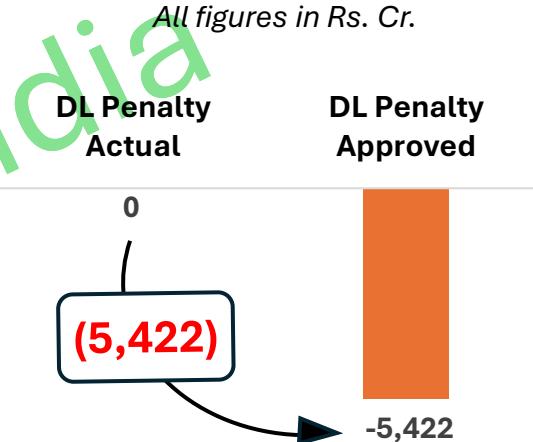
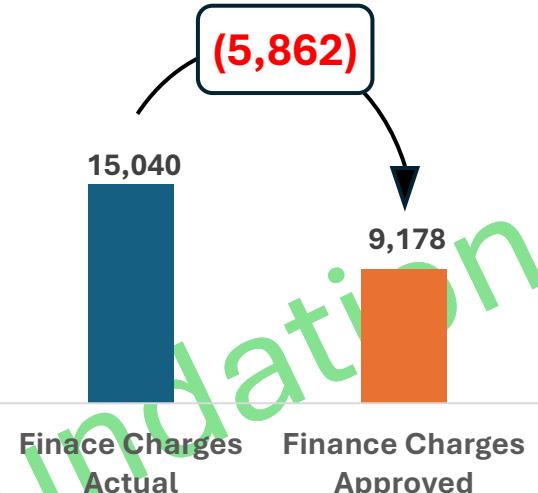
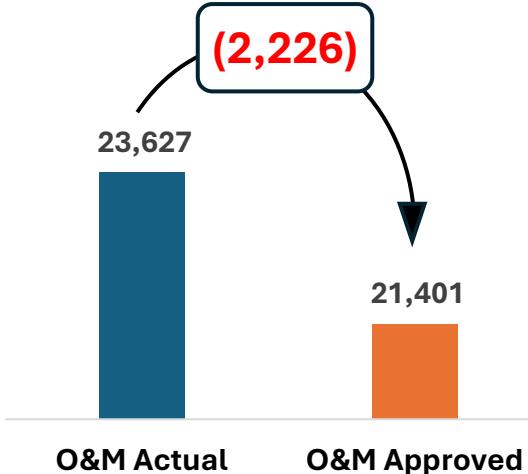
States	Actual Cost (P&L Expenses)	Approved Cost	Actual Revenue (P&L Revenue)	Approved Revenue
Rajasthan	77,611	70,456	77,140	74,288
Kerala	22,336	21,530	21,802	20,798
Tamil Nadu	1,00,080	96,029	98,884	97,758
West Bengal	31,560	30,382	29,905	26,611
Total	2,31,587	2,18,396	2,27,731	2,19,455

Source: FY 2023-24 Audited Accounts & True-Up Orders. Note: Date for WB is for latest True-Up of FY 2022-23

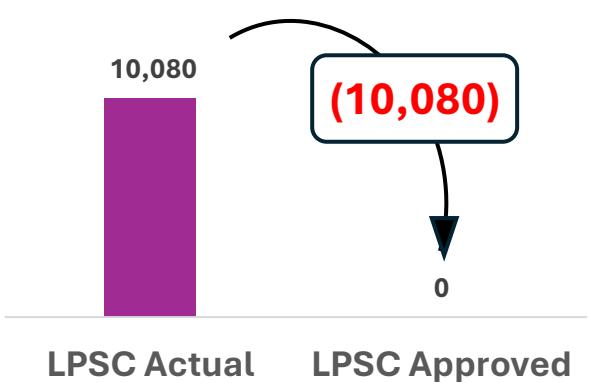
When we talk about Cost-reflective Tariff – which Cost should be considered?

Fundamental Differences exist between the two Accounts (1/2)

Key differences for 4 States (Rajasthan, Kerala, Tamil Nadu & West Bengal)



LPSC for 4 States (Uttar Pradesh, Madhya Pradesh, Karnataka & Kerala)



Source: Latest True-Up Orders &
Audited Accounts of DISCOMs

Fundamental differences exist between the two accounts (2/2)

- Normative Collection Efficiency targets
- Past receivables can distort the actual picture
- In Uttarakhand, Rs. 1409 Cr. of dues have been pending for more than 5 years.

In few States, like Delhi, during True-Up if,

C.E. Actual < C.E. Target

DISCOMs are penalized

Case Study : Uttarakhand FY 2023-24

Particulars	FY 2021-22	FY 2022-23	FY 2023-24
Approved C.E.	99.15%	99.15%	99.15%
C.E. with Arrears	98.14%	98.99%	99.14%
C.E. w/o Arrears	93.85%	93.82%	95.28%

Ageing of Receivables

Category	<1 Yr	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total
Domestic	98	82	1	48	89	532	851
Commercial	1	3	3	1	33	236	276
L.T. Industry	1	5	0	3	2	30	41
H.T. Industry	-45	-14	0	6	41	165	153
Mixed Load	1	1	2	1	2	2	9
Private Tubewells	17	25	13	11	22	124	212
Railways	6	0	0	0	0	0	6
Govt. Public Utilities	18	9	57	123	174	320	700
EV Charging Stations	0	0	0	0	0	0	0
Total	97	111	76	192	363	1,409	2,249

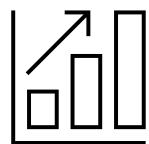
Source: FY 2023-24 True-Up Petitions

Inefficiencies of DISCOMs

Act & Tariff Policy mandate Competition &
Efficiency – **Performance Based Regime**



Punitive disallowances by Regulators separate
efficient DISCOMs from inefficient DISCOMs



Financial signal for DISCOMs to perform better

Power
Policy

**Which cost (audited / approved) should be considered for
determining COST-REFLECTIVE TARIFF ?**

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DISCUSSION POINT 2:

WHAT WILL BE THE IMPACT OF SUPREME COURT JUDGEMENT ON LIQUIDATION OF REGULATORY ASSETS ?



Supreme Court has directed liquidation of RA

- SC judgement dtd. 6th August 2025 has directed **liquidation of existing regulatory assets within four years starting from 1/04/2024**
- Will result in huge Tariff hikes

PFI Analysis

Expected Tariff Hike

Scenario 1: No Carrying cost on RA after FY 2025-26 levels

Year	Delhi	Rajasthan	West Bengal	Kerala
FY 2025-26	65%	30%		T.O. issued before judgement
FY 2026-27	63%	28%	8%	16%
FY 2027-28	61%	26%	7%	16%

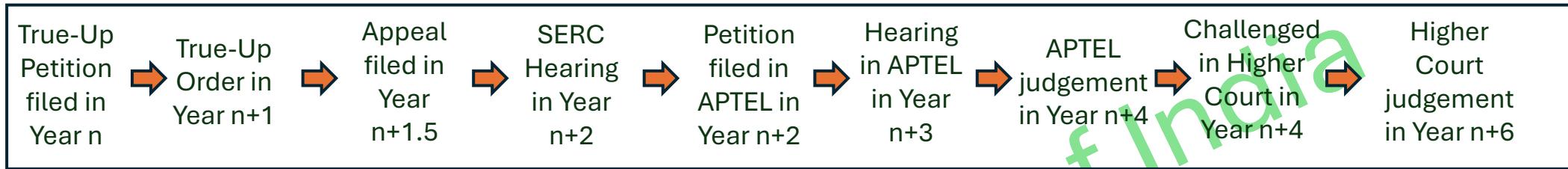
Expected Tariff Hike

Scenario 2: Carrying cost on year wise balance RA, post liquidation

Year	Delhi	Rajasthan	West Bengal	Kerala
FY 2025-26	65%	30%		T.O. issued before judgement
FY 2026-27	70%	31%	8%	16%
FY 2027-28	76%	31%	8%	17%

Carrying Cost further aggravates Regulatory Assets

- A True-Up Order challenged in higher courts can take 6-7 years to get judgement



DISCOMs remain cash-strapped throughout

- Carrying Cost typically ranges from 11% – 13% and is COMPOUNDING IN NATURE**
- An Order in favour of the DISCOMs would mean carrying cost of 6-7 years further added

Illustration

Assuming Carrying Cost of 11%	Initial Regulatory Assets (Rs. Cr.)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
		11,100	12,321	13,676	15,181	16,851	18,704

- Electricity (Amendt.) Bill, 2025 : “The Appellate Tribunal shall consist of a Chairperson and [not more than seven] other members.” – **WELCOME MOVE**

Ways to Reduce case load and improve efficiency in disposal of cases

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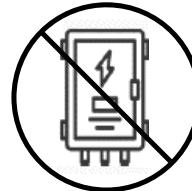
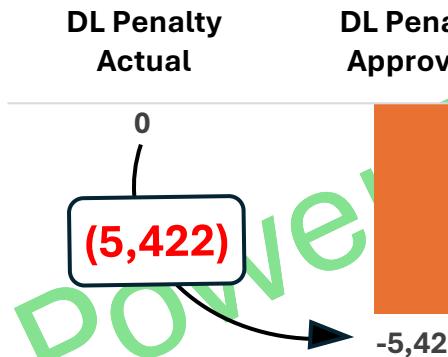
DISCUSSION POINT 3:

HOW TO RESOLVE THE PERSISTING PROBLEM OF UNMETERED SALES ?



Improper Energy Accounting

- Huge Unmetered Sales persist
- DISCOMs are also claiming **new unmetered connections** -> Against MoP (RoC) Rules, 2020
- Results in **improper Energy Accounting**
- Energy Balance based on estimations & hence Distribution Losses do not reflect actual figures



PFI Analysis

State	Unmetered Sales (MU)	% of Total Sales
Tamil Nadu	15,909	17%
Punjab	12,681	21%
Madhya Pradesh	28,149	39%
Maharashtra	39,561	30%
Total	28,590	27%

Source: FY 2023-24 True-Up Petitions

Are all India Distribution Losses really 13%, or more / less ?
Measures to Expedite Metering ...

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DISCUSSION POINT 4:

WHAT WILL BE THE IMPACT OF DE-REGULATING INDUSTRIAL CONSUMERS >1MW ?



If de-regulated, HT C&I Consumers will likely purchase costlier power (2/2)

CHALLENGES FOR C&I CONSUMER

Currently, **no legal mechanism for shedding long-term PPAs**.

Even if such a provision is made viable, **DISCOMs would choose to shed costlier PPAs to reduce costs**.

The same costlier capacity which is freed up will be purchased by de-regulated C&I consumers

CHALLENGES FOR DISCOM

PPAs signed including sales of >1MW consumers. If they move out, fixed cost of these PPAs still to be paid

LT/HT Sales ratio impacted. Distribution losses of HT consumers less – overall DL less. But once >1MW gone, DL will increase

Lose large portion of Revenue -> default in debt servicing

New Cost of Power Purchase

PPC from Exchange + Wheeling Charge

AP- DISCOMs	Sales (MU)	APPC (Rs./kWh)
Current APPC	71721	4.96
Costlier PPA equivalent (1 MW)	21186	5.79
Balance Power	50535	4.40

Existing Cost of Power Purchase

APPC + O&M Expenses + Interest on Finance Charges & Working Capital + Depreciation + Return on Equity

C&I Consumers	Other Consumers
ABR ?	ABR ?
Impact of lower PPA goes	Cross Subsidy goes
Benefited through no components of ARR	Revenue Neutrality- Subsidy increases

Will de-regulating consumers > 1 MW be a GAME CHANGER?

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**DISCUSSION POINT 5:
JUDICIOUS ENERGY TRANSITION**



Real Cost of VRE still high

- While bid prices for VRE projects have fallen, in reality, the cost is low due to several promotional measures – must-run status, waiver of transmission charges, RPO targets
- Additionally, the **problem of intermittency** - not an ideal replacement for thermal plants
- Solution to intermittency – BATTERY. But, delivered cost of energy from battery is very high**

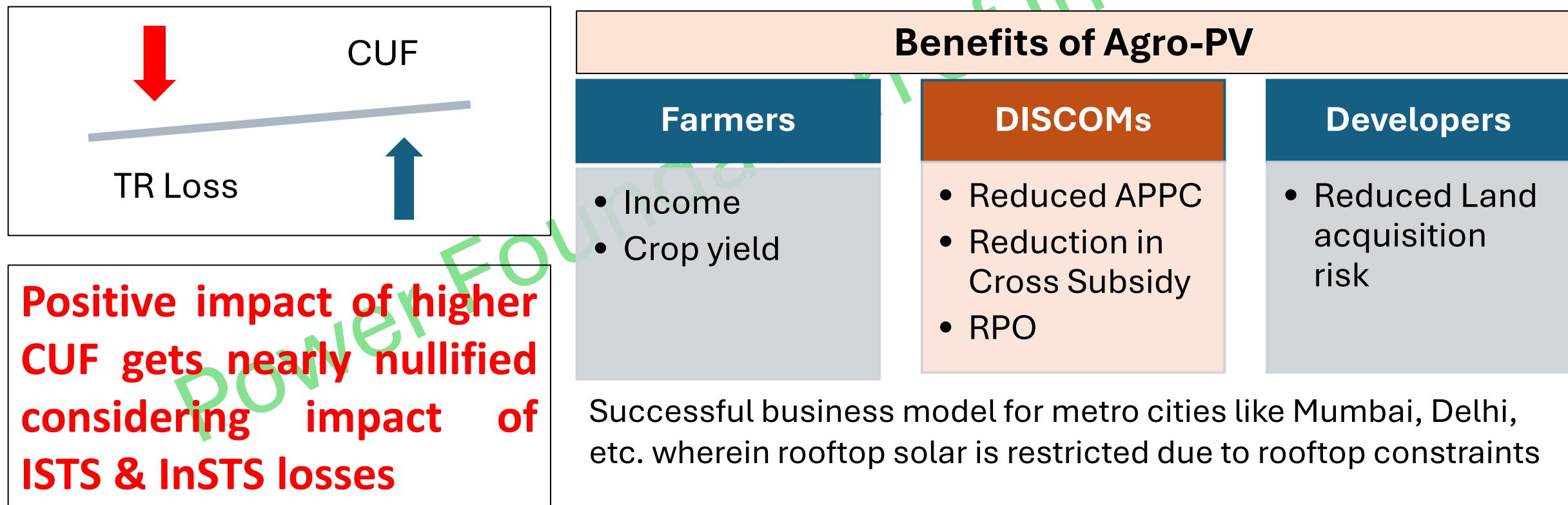
Particulars	UoM	Value	
Capacity Charge	Rs. Lakh/ MW/ month	1.775	RVUNL
Round-Trip Efficiency	%	85	1 GW / 2 GWh
Charging Cost	Rs./kWh	2.80	BESS Tender
LCOE	Rs./kWh	6.9	

- As RE matures, important to reduce promotional measures so that actual cost becomes visible and provides **correct price signals**
- RE projects commissioned **after 30th Jun'28 – no ISTS waiver** **WELCOME MOVE**

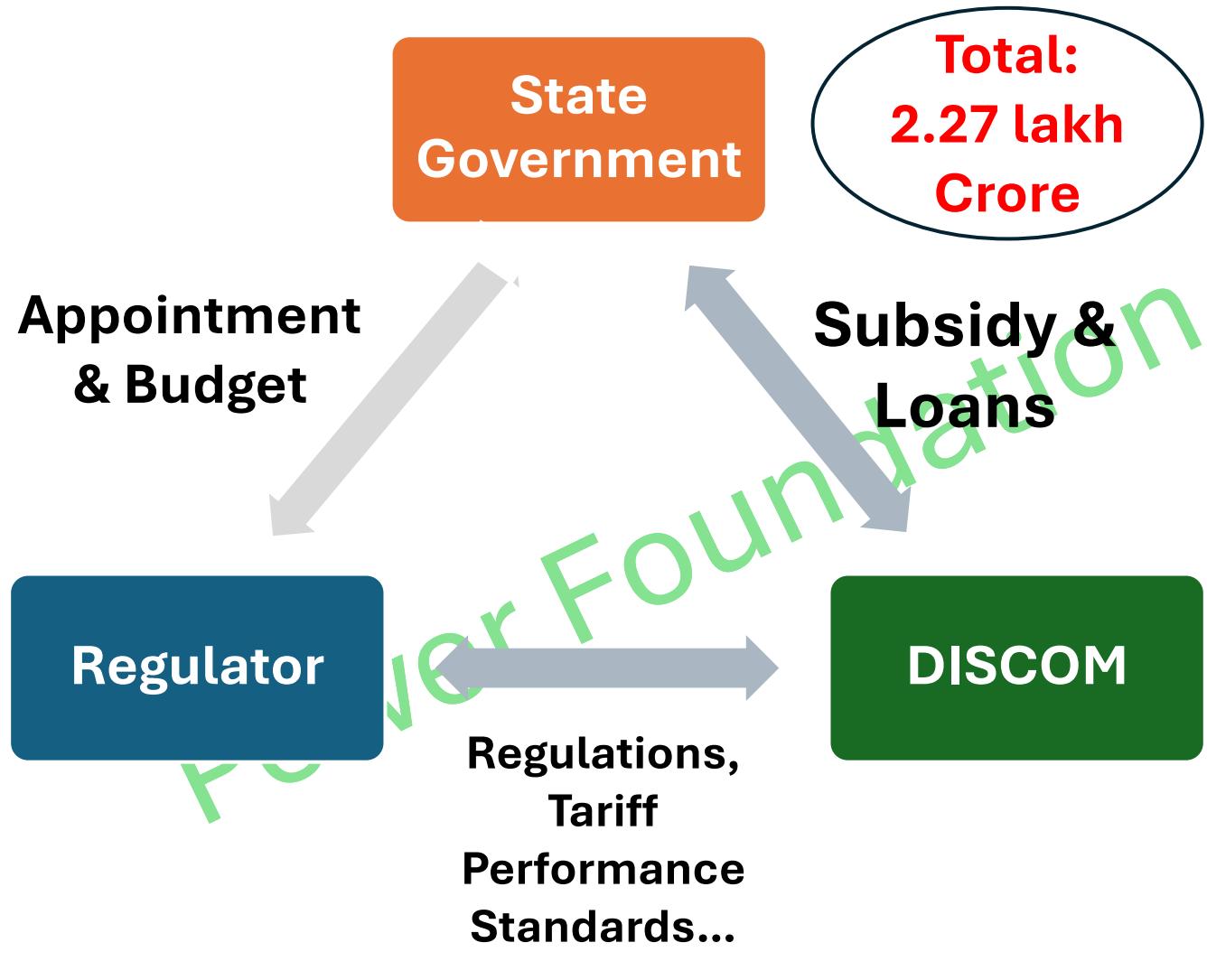
Energy Transition comes at a cost and hence should be judiciously utilised

Agro-PV – PFI ANALYSIS

- Modification - National RPO : **13 GW** (20% of the **DRE target (4.5%)** with escalation of 2%) < 10 MW
9 GW (1% of **Other RPO target (34.02%)** with escalation of 0.5%) > 10 MW
- Feed – in - Tariff : Rs 3.67/kWh to Rs. 5.49/kWh for CUF ranging from 25% to 17%



Interplay of key bodies needs to be more cohesive



State Government

- Timely Payment of Subsidy

Regulator

- Normative parameters in line with ground reality
- Timely issuance of Tariff Order

DISCOM

- Meet normative parameters
- Timely filing of Tariff Petition
- Strategic Power Procurement
- Increase operational efficiency
- Levy monthly FPPAS as per Regulations

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Thank You!