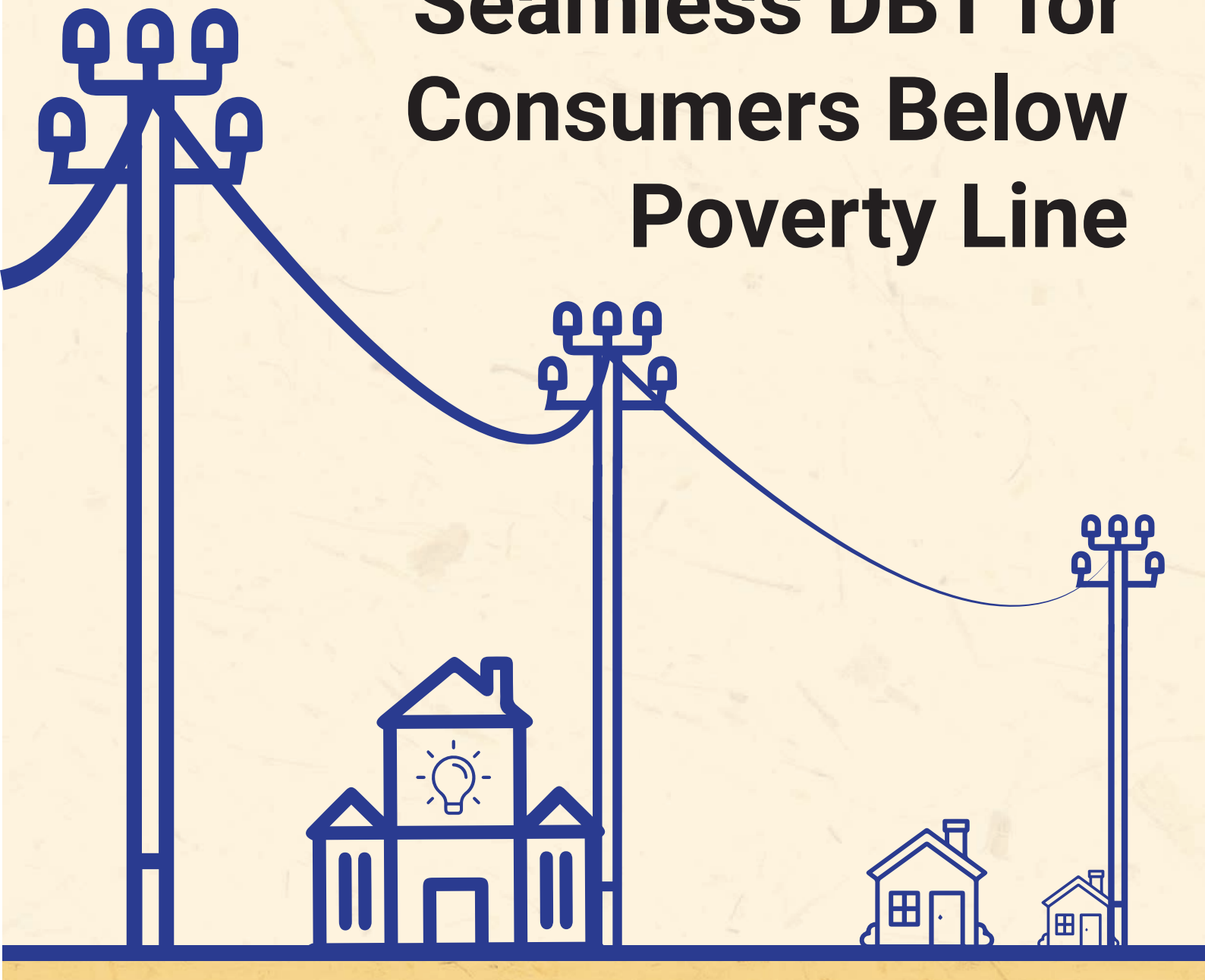
Seamless DBT for Consumers Below Poverty Line



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Introduction

The proposed Electricity (Amendment) Bill, 2020, for the Electricity Act, 2003, intends to bring major reforms in the Indian power sector. One of the proposed amendments is in Section 65 of the principal Act.

According to Section 65 of the Act, state governments should pay subsidy to electricity distribution companies (DISCOMs) in advance for electricity consumption by domestic consumers who are below poverty line (BPL). These consumers obtain connections under various schemes such as Bhagya Jyothi (BJ) / Kutir Jyothi Yojana (KJ)[1], Saubhagya, and Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY). State governments pay a subsidy to DISCOMs for free power supply (often of a limited monthly consumption) to these consumers. However, the consumers are mostly unmetered. This results in an inaccurate assessment of energy consumption, often leading to inflated subsidy claims.

The proposed amendment is intended to replace this provision with a Direct Benefit Transfer (DBT) scheme. Under this scheme, state governments transfer the subsidy directly to consumers, and DISCOMs then charge the consumers based on the tariff determined by the SERCs.

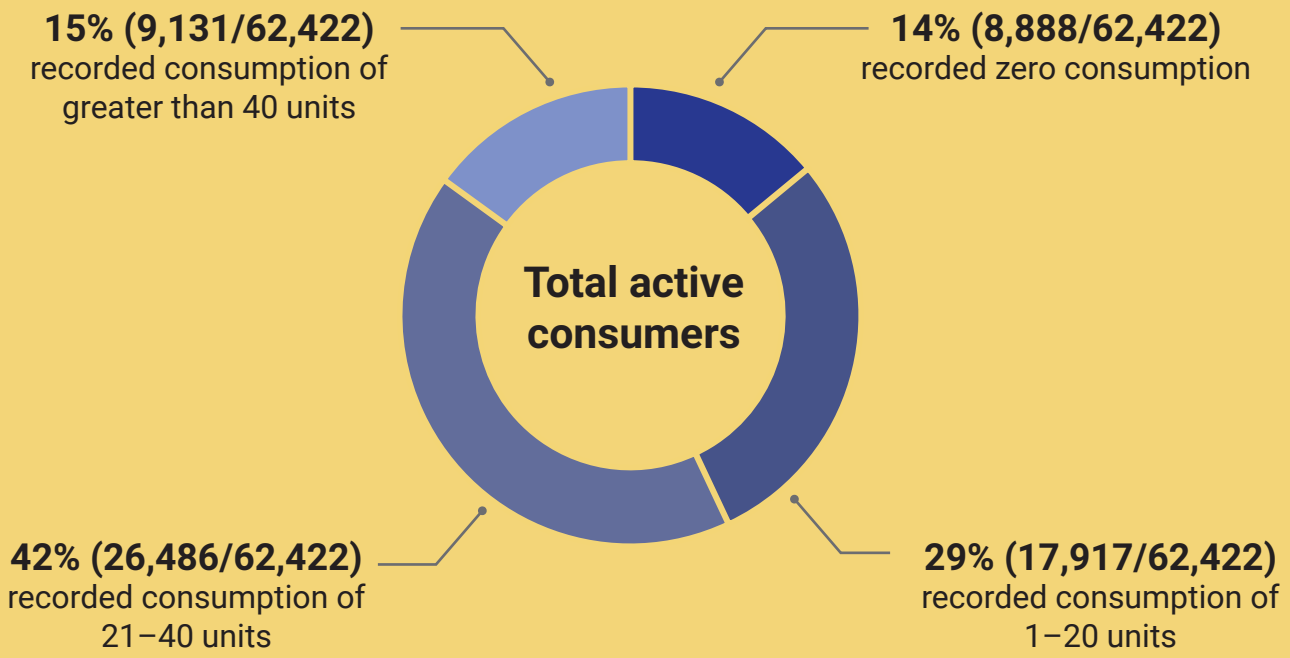
[1] The Government of India formulated the Bhagya Jyoti and Kutir Jyoti schemes for the electrification of houses of poorer sections. The financial implications on the revenue of the DISCOMs were to be reimbursed by making suitable budgetary allocations.

Key Insights

Consumers in India are categorised into high tension (HT) supply consumers and low tension (LT) supply consumers depending on their voltage needs, with those above 11 kV fitting into the former category and those below 11 kV into the latter.

In Karnataka, consumers under the LT1 category are subsidised with free power supply up to 40 units/month. The Center for Study of Science, Technology and Policy (CSTEP) collected the billing data for April 2019 of 70,026 consumers of the LT1 category (Table 1). These consumers were under six subdivisions (SD) of the two DISCOMs in the state—Chamundeshwari Electricity Supply Corporation Limited (CESC Mysore) and Bangalore Electricity Supply Company Limited (BESCOM)—and registered as beneficiaries under the BJ/KJ scheme for free power supply. Of these, 62,422 consumers were recorded by DISCOMs as active (bills were issued to them), and the remaining 7,604 as inactive[2] (no bills were issued).

Further, we observed some interesting aspects about the electricity consumption of the 'active' consumers (Figure 1), which varied considerably from the norm of 40 units/month.



It can be inferred that 85% of active consumers were consuming less than the allowed normative consumption. In the absence of any logical explanations from DISCOM officials, there is no basis for explaining the 14% consumers recording zero consumption. Given that these consumers were provided electricity supply free of cost, DISCOMs were also not motivated to ascertain the actual quantum of electricity consumed by them.

[2] Consumer installations were vacant. These 7,604 consumers were spread over a vast area under two DISCOMs (10–15 gram panchayats in each subdivision).

Thus, we analysed the subsidy requirements for DBT implementation based on the available data and found that the subsidy amount can be reduced by 63% if DBT is implemented on consumers' actual consumption instead of the normative consumption of 40 units (Table 2). Hence, DBT implementation for BPL consumers must be structured carefully so that it achieves the desired objective of serving the right consumers.

Pre-requisites

Validate the status of registered consumers under this category

Mandate installation of meters for consumers

Ensure periodical reading of meters by DISCOM officials

Verify the accuracy of billing quarterly/half-yearly with the help of the supervisory staff

How it Works

Smart cards would be helpful when a connection is registered in the owner's name but the property is occupied by a tenant. In such a situation, the owners of properties can hand over the unique smart cards to tenants during their tenure. This would help in providing subsidy to the end users of electricity.

1

State governments should provide smart cards (virtual money) to each registered consumer.

2

Consumers should swipe their smart cards for payments to DISCOMs.

3

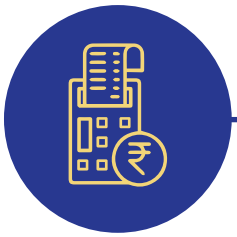
State governments should update smart cards with the subsidy for normative consumption (40 units) in the first month.

4

If the consumption is more than 40 units/month, consumers should pay the bill for the additional consumption to the concerned DISCOM directly.

Benefits

1. Streamline the billing process



2. Avoid over-assessment of energy consumption for subsidised categories

3. Timely recovery of payments will benefit DISCOMs

4. Subsidy will be directed to the actual consumer

Barriers

1

Willingness of DISCOMs

2

Procedural delays

Annexure

Table 1: Details of LT1 consumers

Subdivisions	Registered consumers	Active consumers	Inactive consumers
SD1	6,250	5,102	1,148
SD2	11,256	10,882	374
SD3	11,012	9,421	1,591
SD4	13,606	12,018	1,588
SD5	9,763	8,024	1,739
SD6	18,139	16,975	1,164
Total	70,026	62,422	7,604

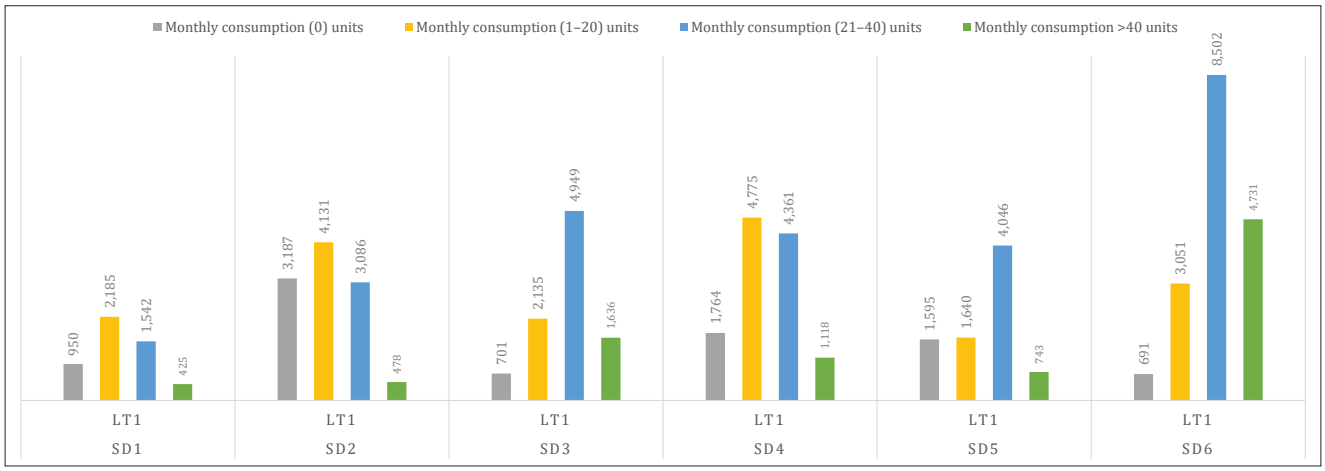


Figure 1: Range of consumption of LT1 consumers

Table 2: Comparative analysis of the subsidy amount for LT1 consumers

	Case 1: DBT for all the registered consumers	Case 2: DBT for active consumers	Case 3: DBT based on actual metered consumption to consumers
Total consumers (nos.)	70,026	62,422	53,291
Normative consumption (units)/ consumer/month			-
Estimated consumption (units)/ month	2,801,040	2,494,480	1,047,382*
Tariff (INR/unit)	7.37		
Total subsidy (INR crore)/month	2.06	1.84	0.77

*Based on the actual consumptions in billing data received from the DISCOMs

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