

POWER DISTRIBUTION REFORMS AND FINANCIAL SUSTAINABILITY OF DISCOMS

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Revamped Distribution Sector Scheme (RDSS) has been launched by the Government of India (GoI) in the year 2021 with the objective of improving the operational efficiency and financial viability of the Distribution Utilities. Under the scheme, distribution infrastructure works, including smart metering works, worth Rs. 2.83 lakh crore have been sanctioned. The scheme aims to reduce Aggregate Technical and Commercial (AT&C) losses to pan-India levels of 12–15% and eliminate the gap between Average Cost of Supply (ACS) and Average Revenue Realised (ARR).

Under the scheme, projects worth Rs. 1.53 lakh crore for loss reduction infrastructure and Rs. 1.31 lakh crore for smart metering have been sanctioned based on the proposals submitted by the States. The Loss reduction works include replacement of old conductors, augmentation of substations and Distribution Transformers (DTs), creation of new substations, installation of new DTs, feeder segregation and implementation of SCADA/DMS systems for real-time monitoring. The works have been undertaken under RDSS to reduce losses and improve quality of power supply.

Further, installation of smart meters is a key intervention under the scheme which helps improve the financial discipline of the DISCOMs through enhanced revenue collection and better energy accounting of the distribution system. Smart metering works for 19.79 crore consumers, 2.11 lakh feeders and 52.53 lakh Distribution Transformers (DTs), totaling 20.33 crore smart meters, have been sanctioned based on the proposal submitted by the States/ distribution utilities and 4.69 crore smart meters have been installed. Smart meters have also been installed under other schemes including States' own schemes. A total of 6.13 crore smart meters have been installed across the country under various schemes.

To accelerate installation of smart meters, the Ministry has issued various advisories and Standard Operating Procedures (SOPs) to build consumer confidence, which include:

- i. Prioritizing installation of prepaid smart meters for Government establishments, commercial, industrial and high-load consumers and subsequently for other consumers based on demonstration of benefits.
- ii. Incentivizing consumers for prepaid meter installation through rebates in bill;
- iii. No penalty on consumer based on maximum demand recorded by smart meter;
- iv. Mechanism for recovery of past arrears in easy installments;
- v. Installation of check meters for enhancing confidence in accuracy of smart meters.

The performance of distribution utilities under the scheme, is regularly reviewed through institutional mechanisms. Monitoring and review of works sanctioned under RDSS, including smart metering works, is being done by the Nodal Agencies namely PFC Ltd and REC Ltd on a regular basis. Further, an institutional mechanism at the State level i.e., Distribution Reforms Committee headed by Chief Secretary of the State concerned, and at the Central level i.e., Inter-Ministerial Monitoring Committee headed by Secretary (Power), has been put in place under the RDSS guidelines to review and monitor the implementation of the works sanctioned under the Scheme.

Further, the release of funds under the scheme is contingent on improvement in various operational and financial parameters which, in addition to other initiatives taken by GoI and States, has helped to improve efficiency in DISCOMs. These include timely payment of Government subsidies and Govt. department dues to the utilities, regular issuance of tariff order, publishing of accounts, non-creation of regulatory assets, etc.

As a result of the various reform measures undertaken under RDSS and other initiatives, the AT&C losses of distribution utilities at the national level have reduced from 21.91% in FY21 to 15.04% in FY25.

Further, the Billing Efficiency at national level has improved from 84.08% in FY21 to 87.59 % in FY25 and the collection efficiency has improved from 92.9% in FY21 to 97 % in FY25.

This information was given by The Minister of State in the Ministry of Power, Shri Shripad Naik, in a written reply in the Rajya Sabha today.

NR/AP/MD

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