



Why India's DISCOM Problem Persists: A Legislative Gap, Not an Operational One

India's electricity distribution crisis is often blamed on tariffs, theft, or technology.


But the real failure sits quietly inside the Electricity Act itself.

The law regulates electrons well.

It regulates money and accountability poorly.

Below is a diagnosis of the disease, the suggested legal clauses that can be incorporated into the proposed electricity amendment act, and the reasons why it matters.

Systemic Disease	Required Legal Clause (Indicative)	Where in the Act	Why This Matters
Subsidies announced without fiscal backing	“Tariff subsidy shall take effect only after advance payment or secured guarantee by the State Government.”	Section 65 – Subsidy by State Government	Today, subsidies are promises without money. DISCOMs borrow to fund welfare. This clause restores fiscal honesty without banning subsidies.
Free power treated as a political entitlement	“Zero-tariff supply shall be deemed a subsidy and governed under Section 65 with monthly settlement based on metered consumption.”	Section 65 – Explanation / Proviso	Free power is not free. Treating it as a subsidy forces budget allocation and prevents silent



			accumulation of arrears.
Government departments do not pay electricity bills	“Electricity dues of government departments shall be recovered as first-charge budgetary expenditure through treasury adjustment.”	New Section 65A – Government Consumption Payment Security	DISCOMs cannot disconnect government offices. The solution is financial enforcement, not physical disconnection.
Utility cash flows diverted for non-power purposes	“Tariff revenues shall be retained in a protected account and applied only for licensed electricity activities.”	Section 46 – Duties of Distribution Licensee	No utility can survive if its revenues are treated as a state treasury float. Cash sanctity is non-negotiable.
Retail competition without legacy cost protection	“Legacy power purchase costs and regulatory assets shall be recovered through a non-bypassable charge approved by the Commission.”	Section 42 – Open Access	Competition without cost sharing leads to cherry-picking and financial collapse of incumbents.

International Perspective: Free Power Done Differently

South Africa’s Free Basic Electricity (FBE) program is often cited, but rarely understood.

What South Africa did differently:

- ✓ Free power is limited in quantity
- ✓ Metered and tracked
- ✓ Provided only to identified low-income households
- ✓ Explicitly budgeted by government

India's challenge is not welfare.

It is unfunded and unlimited welfare routed through utilities.

The main suggestions for the upcoming Electricity Amendment Act considering the health of power sector:


DISCOM losses are not a managerial failure.

They are a sovereign design failure.

If the Amendment Act does not:

- enforce subsidy funding,
- enforce government bill payment, and
- protect utility cash flows,

then competition, smart meters, and privatisation will only rearrange the losses—not eliminate them.

 Power sector reform begins with legal discipline and let's be very clear that cursing the operational factors will not help.