WILFULL AND DELIBRATE BANKRUPTING OF THE PUBLIC OWNED ELECTRIC POWER DISTRIBUTION COMPANIES (DISCOMS)

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1.0 Necessary historical background

There is nothing indigenous about the power sector reforms. In 1990, in UK the Central Electricity Generation Board (CEGB) was disintegrated into Generation, Transmission and Distribution. This became the basis for the World Bank's policy *The World Bank's Role in the Electric Power sector,* (known as *Power papers*). These papers laid out the Bank's plans to move away from supporting 'the single national electric utility operating as a public monopoly (in developing countries)' and to 'aggressively' pursue the commercialization and corporatisation of and the private sector participation in, developing country power sectors. In practical terms, the Bank's energy policies translated into the splitting up or 'unbundling' of previously state-run energy utilities into separate generation, transmission and distribution companies, which were then privatized, and which had to operate commercially in order to gain access to finance and competition conditions in the global capital markets.

Thereafter, country after country not only did the World Bank dictated the structural changes, but also the legislation. India's legislation Electricity Act 2003, was effectively the same as that prescribed by ADB to Philippines, Bangladesh and Indonesia. In Philippines the bill was passed amidst a scandal of payoffs to the parliamentarians[1]

In 1993, joint conference organised by the World Bank and Ministry of Power it was agreed that the "*solution to the sector's problems lies in effecting structural, institutional, and regulatory reorganization along market lines, opening the sector to competition where possible (i.e., in generation and marketing of electricity), and providing arm's-length regulation in the remaining areas, as a prelude to implementing other financial reform measures* [2]"

India obediently enacted the Electricity Act 2003, that was prepared by the World Bank and ABD.

Today, electricity has become a life defining and life sustaining necessity it cannot be left to the ideological moorings of the politicians supported and financed by vested interests both local and global. Electricity is today a human right at par with food and health care .Human rights should not be privatised, therefore, by definition, electricity is a public service. When private sector is introduced, public services get divided into "for profit" for those who can afford and for "mass consumption" for those who cannot.

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[1] Phillipines Parliamentarians Eta Rosales and Renato Magtubo revealed that after the vote by the House of Representatives to privatise NAPOCOR, their office received an unsolicited contribution of 500,000 ($ 12,500) each.

[2] GOI & World Bank, 1993: 3 – quoted by Ashwini K Swain, Centre for Energy, Environment & Resources, CPR, August 2016

2.0 Who will serve 90 % of the electricity consumers.

Table showing the contracted load and the share of total consumers.
Total Consumers (India): ~350-360 million

Category of consumer	Load	Approx share of total consumers in percentage %	Remarks
Domestic (Residential)	Urban | 1 – 5 Kw Rural - 0. 5 to 2 Kw	81 to 82	Large number of consumers cannot pay the cost to serve*
Commercial (small shops) Commercial (Malls/offices)	3 kW – 15 kW 200 kW – 5,000 kW+	10 to 11	
Industrial LT Industrial HT	Upto 100 Kw 500 to several MW	5 to 6	
Agriculture	3.7 to 15 kw	2 to 3	Agricultural pumps collectively represent a massive load on the grid (especially at night)
Others - public lighting, railways, temporary connections, and bulk supply.		2 to 3	

Source: Central Electricity Authority (CEA) Financial year 2022-23 Explanations added

- Delhi provides free electricity to households consuming up to 200 units per month, with a 50% subsidy for those consuming 201-400 units, effective until March 31, 2025. Over 93% of households benefited as of early 2026.

DICOMS are privatised not on technical, economic or commercial considerations but on political considerations. For example, in Chandigarh a profit-making, well-functioning department was undervalued and sold. The rationale was that Chandigarh was a Union Territory (UT) and a political decision has been made to privatise utilities in all the UTs. Chandigarh power department's property was worth more than Rs. 22,000 crore. The RFQ fixed the reserve price at only Rs. 124 crore for handing over this massive property to the winning private bidder. Finally, the property was sold for the measly sum of Rs. 871 crore, resulting in a huge loss to the public exchequer. Selling public property like DISCOMS amounts to cheating the public from whom land was acquired under the Land Acquisition Act 1894 on the grounds that these lands are required for public purpose for corporations owned and controlled by the state.

3.0 Dismantling the power sector to serve private interests

For public consumption, the Government of India led by Prime Minster Shri Narendra Modi proclaims: "Viksit Bharat" @ 2047, there would be a *"power sector that is financially resilient, environmentally sustainable and capable of supporting globally competitive industries that can only be realised through private ownership of the sector" (emphasis added).* Every policy instrument is being used to ensure the above vision of private ownership is realized

The private sector has already overtaken the public sector in both the conventional and non-conventional power generation.

As on 30.11.2025, the Total Installed Capacity 5,09,743 MW.

Central Sector	1,19,222 MW	23.4%; -
State Sector	1,11,958 MW	22.0% -
Private Sector	2,78,563 MW	54.6%.

Similarly, in solar energy the private sector dominates India's renewable energy landscape. As of October 2021 it accounts for over 96% of the country's installed renewable energy capacity.

4.0 Creating DISCOMS to serve interests or segregate the agriculture sector.
The recent decision of various state Governments as well as the legislation pending in the Parliament would further the privatisation of the electrical power supply industry . Some recent administrative decisions taken by various Governments need detailed scrutiny.

1. Mega loads like the Google Data Centre – Deemed Discoms

GOOGLE has secured deemed DISCOM license from the Andhra Pradesh government. This implies that the existing DISCOM that services Visakhapatnam will lose a very large client that is setting up a huge 1GB Data Centre hub. Google is the first private company in India to receive this specific dedicated power distribution license that enables direct procurement of power from the grid and renewal sources of power, Besides the loss of revenue, a more serious concern should be the consequences for the interconnected intermediate transmission and distribution network. When such an autonomous agency draws enormous amounts of power from various sources based almost entirely on the availability of momentarily cheaper power there are consequences for the stability.

2. Existing DISCOMS operating in profitable areas are being privatised

(Sections 14, 42, 43.) allows multiple distribution licensees in the same area using the same public network, under the pretext of "competition" and "consumer choice." This move enables private companies to cherry-pick high-paying industrial and commercial consumers, while public DISCOMs will be left serving low-revenue rural and domestic consumers. Public utilities will be forced to maintain and upgrade the entire network infrastructure even as private licensees use it freely.

3. Large and medium loads with paying capacity like in Mumbai – Private Discoms

Section 43(4) empowers regulatory commissions to allow consumers with a demand above 1 MW to shift to private suppliers, reducing the revenue of public DISCOMs and further narrowing the scope of cross-subsidy. This also allows private distribution licensees to avoid their universal supply obligation. At the same time, the state utilities need to maintain the contract demand of those high-end consumers as back-up, putting a further financial burden on state DISCOMs. The private DISCOMS can refuse to supply power to any applicant if it is not profitable—even though there is a minimum threshold of 1 MW. This limit can easily be modified if such an approach is permitted in principle.

4. Perpetually loss making and subsidy dependent - Agriculture Discoms

The process of creating Agro DISCOMS out of the perpetually loss making agricultural sector is being carved out, For example, in Haryana and Telangana these DISCOMS would exclusively serve the agricultural sector even without geographic continuity. Unbundling the integrated electricity supply industry into various entities linked only to a single commodity – *'water'* makes no technical sense. These are political and administrative decisions Making multiple administrative units to operate the same network increases the danger of grid indiscipline and grid failure.

5. Forming a subsidiary to facilitate solarization of Pump sets.

In Maharashtra, the newly formed MSEB Solar Agro Power Ltd. (MSAPL) would be a wholly owned subsidiary of MSEB to manage a single energy source -*'solar energy'* that too for serving a single category of consumer the agricultural sector. It is important to examine what is the real motive behind solarisation. Solar power generation transfers public funds to private developers Government provides financial support to private solar power developers primarily through Capita Subsidies and Viability Gap Funding (VGF) The largest direct subsidies for a private solar power developer today is Viability Gap Funding (VGF) within the Solar Parks scheme (up to ₹5 million/MW) and the KUSUM-C[3] scheme Accelerated depreciation remains the most universally beneficial financial incentive.

The stated purpose is to provide daytime electricity to farmers. The goal is to clean up the balance sheet of the main DISCOM - the MSEDCL. There are no convincing cost benefit analysis justifying this assertion. Solar power is inherently variable. It is highly dependent on weather conditions (clouds, dust, fog) and the time of day. This creates sudden swings in power supply. What would be the effect of such swings on the timing and duration of watering of the fields. Almost throughout Maharashtra, tubewells and other agricultural devices are being served by distribution lines. Would investment in solarization not be an avoidable duplication?

The logic of largescale expansion of solar power needs serious examination. Large, sudden changes in solar generation (e.g., a fast-moving cloud bank) can cause sudden frequency dips or spikes. Similarly, solar inverters (which convert DC to AC) can introduce harmonics and impact voltage stability if not properly managed. Already extensive solarization is affecting grid stability in India, primarily through intermittency, the "duck curve" ramp problem, and reduced system inertia.

6. Removal of Cross Subsidies

The proposed complete elimination of cross-subsidies within five years, especially for Railways, Metro Rail, and manufacturing industries, will cause a massive revenue shock to public utilities. Cross-subsidies are not inefficiencies—they are a social necessity in a country where millions depend on affordable electricity for domestic, agricultural, and livelihood needs. The removal of cross-subsidies will increase power tariffs for poor and rural households, deepen inequality, and push farmers further into distress.

5.0 The Vision and a warning

The vision

The vision that guided the development of the electrical power sector after independence .- Objects and Reasons of Electricity Act 48, piloted by Dr. B.R. Ambedkar: "

The coordinated development of electricity in India on a regional basis is a matter of increasingly urgent importance for post-war re-construction and development. The absence of

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[3] Central Subsidy: Up to ₹50 lakh per MW (₹5 million/MW) for the solar plant.

• State Subsidy: Some states add an additional subsidy (e.g., ₹10-20 lakh/MW).

• Additional Incentive: The developer gets a Generation Based Incentive (GBI) of ₹0.40 per kWh for the first 5 years of operation (paid by the Central Government via SECI) to bridge the gap between the discovered tariff and the DISCOM's willingness to pay.

• Target: The power generated is procured by the local DISCOM at a fixed tariff (typically around ₹3.00 ₹3.50/kWh).

coordinated system, in which generation is concentrated in the most efficient units and bulk supply of energy centralized under the direction and control of one authority is one of the factors that impedes the healthy and economic growth of electrical development in this country. Besides, it is becoming more and more apparent that if the benefits of electricity are to be extended to semi-urban and rural areas in the most efficient and economical manner consistent with the needs of an entire region, the area of development must transcend the geographical limits of a municipality, a cantonment board or notified area committee, as the case may be.

The Warning

Eminent power engineers and economists came together to form a National Working Group on Power Sector[4] and issued a statement in legislation and restructuring would ultimately result in the wilful destruction and winding up and of the public owned infrastructure the power sector. An extract are given below

"In effect, the Electricity Bill 2000, places the energy security of the country--a crucial element of national security— outside the purview of State direction or intervention, and at the mercy of international finance capital accountable to no one except their own limited interests. Indirectly, it also threatens the food security of the country by putting commercial power beyond the reach of the rural peasant. These are strong words indeed, but they have been not without reason or responsibility.

But the sole strategy of power sector reforms sought to be legitimized by this Bill, appears to be the dismemberment of the State Electricity Boards, which are bleeding to death, winding them up and making distress sales of them, to private operators. The power sector is to be made free for all, answerable to none and the role of the State reduced to that of a helpless spectator. This may be an easy way out for the government but it leaves a host of serious questions unanswered, as we shall see."

6.0 Task ahead

The question to ask is: is the "for profit" infrastructure built with private funds. The answer is NO. It is built with public funds through budget allocation. The next question where do budget funds come from?. There are 144 Cr GST tax payers that is 95 % of India's population. Whereas 7.5 Cr individuals file income tax returns, but only 1. 5 Cr. individuals actually pay taxes, the rest get exemptions. Note the cruel reality 95% of the population pay GST tax and only 0.01 % pay income tax. Every legislation and reform in the power sector is making power available only for those who can pay while largely it is the poor that pay through GST.

To ensure continuity of the supply of affordable power 90 % of electricity consumers would have to follow the slogan given by Dr. Ambedkar "*Educate, Agitate, Organise".* They have to be given proper guidance by the power engineers and power sector workers. They will have to study and understand the underlying dangers the structural changes that politicians and bureaucrats are imposing on the electricity supply industry to serve narrow vested interests.

[4] Mr. Hiten Bhaya, Mr. S. P. Shukla; Mr. Arun Ghosh (former Members, Planning Commission); A. N. Singh Mr. M. K. Sambamurthy. Mr. J. K. Bhasin (former Chairmen, Central Electricity Authority); Mr. N. S. Vasant (former Chairman, Punjab State Electricity Board), Mr. B. N. Ojha. (former Chairman, Bihar State Electricity Board) and convenor Mr. K. Ashok Rao