

RESEARCH
Power

Expert call - Legal aspects of draft electricity bill

SUMMARY
Power

- Once Electricity (Amendment) Bill, 2021, is enacted, states will have little choice but to implement it
- Delicensing proposals unclear on registration, technical constraints and common usage charges
- Proposals to improve legal oversight positive – especially those related to strengthening APTEL and ERCs

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.45	2bps	10bps	80bps
India 10Y yield (%)	6.18	4bps	(7bps)	14bps
USD/INR	73.69	(0.1)	0.7	(0.1)
Brent Crude (US\$/bbl)	78.09	1.1	9.9	86.3
Dow	34,798	0.1	(1.2)	28.1
Shanghai	3,613	(0.8)	3.2	12.2
Sensex	60,048	0.3	7.3	60.6
India FII (US\$ mn)	23-Sep	MTD	CYTD	FYTD
FII-D	183.0	793.2	(620.7)	1,406.6
FII-E	83.5	1,460.5	8,851.0	1,524.7

Source: Bloomberg

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We spoke with Puja Priyadarshini, Regulatory (Power Sector) Partner, HSA Advocates. Key takeaways:

Once enacted, states will have little choice but to implement the bill: Being a concurrent subject, the Centre and State can both legislate on matters relating to electricity. However, states cannot enact provisions contrary to central law – in case of conflict on a concurrent subject, central law will prevail. Thus, states will have to implement the Electricity (Amendment) Bill, 2021, once passed.

Distribution delicensing – grey areas: (a) How is registration different from licensing? (b) Eligibility criteria for new entrants need to be harmonised – currently proposed to be set by the Centre but terms and conditions to be set by SERCs. (c) Who will be responsible for augmenting infrastructure if network sharing between existing and new entrants faces technical challenges?

(d) The parallel distribution licensee concept is currently implemented through the open access route – will insertion of a principal provision itself do away with this route and related charges? Incumbent discoms will lose out if the cross-subsidy issue is not settled. (e) Will sharing of incumbent discom PPAs mean the incumbent can allocate PPAs at its discretion? Lack of guidelines may be misused to impose high power cost on entrants.

Positive proposals: (a) Add more members on understaffed adjudicatory bodies such as APTEL and systematically fill ERC vacancies. (b) All contract enforcement issues to be heard by ERCs, rendering a Contract Enforcement Authority redundant. (c) Fixed timelines for tariff determination/adoption, bestowing full civil court powers for enforcing and imposing penalties for non-compliance of regulations/orders and renewable purchase obligations (RPO). (d) RPOs to be fixed by the Centre and not SERC, leading to uniformity and helping fulfil the government's ambitious renewables target.

Load dispatch ambiguity: The bill clarifies functions of the NLDC and SLDC (National/State Load Dispatch Centre). The contractual requirement of establishing a payment security mechanism (PSM) will be assigned a statutory force. This is desirable but does not solve larger issues such as the poor financial health of discoms.

Recommendation snapshot

Ticker	Price	Target	Rating
TPWR IN	139	161	BUY

Price & Target in Rupees | Price as of 24 Sep 2021



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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