

Historical Background of Legislative Initiatives

The Indian Electricity Act, 1910

- Provided basic framework for electric supply industry in India.
- Growth of the sector through licensees. Licence by State Govt.
- Provision for licence for supply of electricity in a specified area.
- Legal framework for laying down of wires and other works.
- Provisions laying down relationship between licensee and consumer.

The Electricity (Supply) Act, 1948

- Mandated creation of SEBs.
- Need for the State to step in (through SEBs) to extend electrification (so far limited to cities) across the country.

Main amendments to the Indian Electricity Supply Act

- Amendment in 1975 to enable generation in Central sector.
- Amendment to bring in commercial viability in the functioning of SEBs – Section 59 amended to make the earning of a minimum return of 3% on fixed assets a statutory requirement (w.e.f 1.4.1985) .
- Amendment in 1991 to open generation to private sector and establishment of RLDCs.
- Amendment in 1998 to provide for private sector participation in transmission, and also provision relating to Transmission Utilities.

The Electricity Regulatory Commission Act, 1998

- Provision for setting up of Central / State Electricity Regulatory Commission with powers to determine tariffs.
- Constitution of SERC optional for States.
- Distancing of Government from tariff determination.

ELECTRICITY ACT, 2003

This Act has repealed above three Acts namely (i) The Indian Electricity Act, 1910 (ii) The Electricity (Supply) Act, 1948 and (iii) The Electricity Regulatory Commission Act, 1998. The provisions of State

Reforms Acts (list given at the end) have been saved under section 185 (3) of the Act subject to the condition that the provisions of the enactments are not in consistence with Electricity Act shall apply to the State in which such enactments are applicable.

The salient features of the Electricity Act are as follows:

- i) No licence is required for Generation and captive generation has been freely permitted. Hydro projects exceeding the capital cost notified by Central Government however, need concurrence of the Central Electricity Authority.
- ii) No license required for generation and distribution in notified rural areas.
- iii) Transmission Utility at the Central as well as State level, to be a Government company – with responsibility for planned and coordinated development of transmission network. Provision for private licensees in transmission.
- iv) Trading, a distinct activity recognised with the safeguard of the Regulatory Commissions being authorised to fix ceilings on trading margins, if necessary.
- v) Open access in distribution with provision for surcharge for taking care of current level of cross subsidy with the surcharge being gradually phased out.
- vi) Distribution licensees would be free to undertake generation and trading.
- vii) The State Governments are required to re-organise the SEBs. However, they may continue the SEB as State Transmission Utilities and licensees for such time the State and Central Government agree.
- viii) Setting up of the State Electricity Regulatory Commission made mandatory.
- ix) An Appellate Tribunal to hear appeals against the decision of the CERC and SERCs.
- x) Metering of all electricity supplied made mandatory.
- xi) Provisions relating to theft of electricity made more stringent.
- xii) For rural and remote areas stand alone systems for generation and distribution permitted.
- xiii) Thrust to complete rural electrification and provide for management of rural distribution by panchayats, cooperative societies, non-government organizations, franchises, etc.