

Ujwal DISCOM Assurance Yojana

Ujwal DISCOM Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies of India (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial mess that the power distribution is in.

The scheme comprises four initiatives - improving operational efficiencies of discoms, reduction of cost of power, reduction in interest cost of discoms and enforcing financial discipline on discoms through alignment with state finances. It allows state governments, which own the discoms, to take over 75 percent of their debt as of September 30, 2015, and pay back lenders by selling bonds. Discoms are expected to issue bonds for the remaining 25 percent of their debt.

Features of the scheme

- States shall take over 75% of DISCOM debt as on 30 September 2015 over two years - 50% of DISCOM debt shall be taken over in 2015-16 and 25% in 2016-17.
- Government of India will not include the debt taken over by the States as per the above scheme in the calculation of fiscal deficit of respective States in the financial years 2015-16 and 2016-17.
- States will issue non-SLR including SDL bonds in the market or directly to the respective banks / Financial Institutions (FIs) holding the DISCOM debt to the appropriate extent.
- DISCOM debt not taken over by the State shall be converted by the Banks / FIs into loans or bonds with interest rate not more than the bank's base rate plus 0.1%. Alternately, this debt may be fully or partly issued by the DISCOM as State guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1%.
- States shall take over the future losses of DISCOMs in a graded manner.
- State DISCOMs will comply with the Renewable Purchase Obligation (RPO) outstanding since 1 April 2012, within a period to be decided in consultation with Ministry of Power.
- States accepting UDAY and performing as per operational milestones will be given additional / priority funding through Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), Power Sector Development Fund (PSDF) or other such schemes of Ministry of Power and Ministry of New and Renewable Energy.
- Such States shall also be supported with additional coal at notified prices and, in case of availability through higher capacity utilization, low cost power from NTPC and other Central Public Sector Undertakings (CPSUs).
- States not meeting operational milestones will be liable to forfeit their claim on IPDS and DDUGJY grants.

Launch & Reception

The scheme was announced by Shri Piyush Goyal, Minister of State (IC) for Power, Coal & New and Renewable Energy in November 2015.

The scheme is optional for the states to join. However eleven states have joined the scheme with Jharkhand was the first state to join. Other states that have given their in-principle approval are : Gujarat, Chhattisgarh, Andhra Pradesh, Rajasthan, Punjab, Haryana, Jammu & Kashmir, Himachal Pradesh, Madhya Pradesh and Uttarakhand.

Recently 4 other states have joined the scheme. The 4 states are Uttar Pradesh, Bihar, Odisha and Maharashtra thereby making the total of 15 states to have joined the scheme.