Polity & Governance · GS - II

Examine the challenges involved in balancing the financial sustainability of electricity distribution utilities with affordable power for consumers in India.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/10/2026	GS - II	Polity & Governance

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Electricity Act, 2003, SERCs, tariff rationalisation, distribution losses, cross-subsidies, vulnerable households, renewable energy, transparent regulation.

Model Answer

Introduction

Electricity is essential for households, agriculture and industry. However, distribution utilities often face financial stress due to high procurement costs, technical and commercial losses, and inadequate revenue recovery. Tariff increases can improve utility finances but may burden consumers.

Key Challenges

1. **Financial viability:** Persistent losses and delayed payments can weaken utilities' ability to maintain infrastructure and ensure reliable supply.

2. **Consumer affordability:** Higher tariffs disproportionately affect low-income households and small businesses.

3. **Operational inefficiencies:** Power theft, inaccurate billing, outdated infrastructure and inefficient procurement can increase costs.

4. **Regulatory balance:** State Electricity Regulatory Commissions must consider utility finances, consumer interests and statutory requirements while determining tariffs.

Way Forward

- Reduce transmission and distribution losses through modernisation and smart metering.
- Improve billing, collection efficiency and transparent accounting.
- Provide targeted subsidies to vulnerable consumers through transparent budgetary support.
- Encourage renewable energy, energy efficiency and competitive power procurement.
- Strengthen regulatory independence and public consultation in tariff decisions.

Conclusion

Sustainable electricity governance requires financially viable utilities alongside affordable and reliable power. Efficiency improvements and targeted support can reduce the need to rely excessively on tariff increases.

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