DISCOMs and the road ahead | Explained

DISCOMs show improvement in performance, recording a positive turnaround marked by reduced AT&C losses, a narrowed ACS-ARR gap and improved financial discipline; however, many utilities continue to rely on tariff subsidies and loss takeovers by State governments, underscoring the scope for further improvement

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Political will, combined with public-spirited bureaucracy, can easily transform the face of DISCOMs into that of viable and consumer-friendly entities | Photo Credit: B JOTHI RAMALINGAM

Better days seem to be ahead for the country's electricity sector, especially power distribution utilities, including power departments, commonly known as DISCOMs.

For long, DISCOMs, now numbering 72 across the country (44 State-owned, 16 private-sector entities, and 12 power departments), had presented a grim picture with neverdeclining line losses, also called Aggregate Technical and Commercial (AT&C) losses, and the consequent widening gap between the Average Cost of Supply (ACS) and the Average Revenue Realised (ARR). Between 2020-21 and 2024-25, accumulated losses rose from ₹5.5 lakh crore to ₹6.47 lakh crore, with outstanding debt increasing to ₹7.26 lakh crore. Non-cost-reflective tariffs and delayed payment of State subsidies were among the factors that contributed to this state of affairs.

A legacy of losses

As far as India is concerned, DISCOMs and losses have become synonymous, forcing specialists to use the prefix “minus” whenever a power utility’s ARR exceeds its ACS. One may argue that loss-making is a legacy matter, as these power utilities — in their previous ‘avatar’, State Electricity Boards (SEBs), formed under the Electricity (Supply) Act, 1948 — were mostly in the red. But what was overlooked, even then and now, was that Section 59 of the law had originally required SEBs to make a profit of three or more per cent, as specified by State governments.

Signs of a turnaround

Even though many DISCOMs are struggling to cope with chronic issues, several others have begun improving their performance perceptibly in the wake of steps taken by various stakeholders, including those of the Union government. A Survey revealed that DISCOMs recorded a positive Profit After Tax (PAT) of ₹ 2,701 crore in the financial year 2024-25, marking “a decisive turnaround” from a loss of ₹67,962 crore in 2013-14. This improvement was accompanied by a reduction in AT&C losses from 22.62% to 15.04 % during the years in question. Further, the ACS-ARR gap (on an accrual basis) came down from 78 paise per unit (kilowatt-hour) to 0.06 paise per unit, signalling much improved cost recovery.

In mid-January, the Union government also made public the performance details of DISCOMs for the financial year that ended March 31, 2025. Claiming credit for the financial turnaround, the government attributed it to several measures, including the implementation of the Revamped Distribution Sector Scheme (RDSS), amendments to the Electricity Rules, and the introduction of the Late Payment Surcharge Rules.

The RDSS's objective is to improve the quality and reliability of power through a financially sustainable and operationally efficient distribution sector, with the release of funds linked to the execution of necessary measures. The effective implementation of the Rules has helped utilities arrest the mounting surcharges on legacy dues, as it allows DISCOMs to clear their dues through a maximum of 48 equated monthly instalments (EMIs).

Discipline and debt reduction

Prior to the Rules coming into force, delays and non-payments by DISCOMs had made it difficult for generators to pay for the fuel, which had to be prepaid, to continue generation, apart from having to pay the Railways in advance for the rakes. When the Rules came into force on June 3, 2022, outstanding legacy dues totalled ₹1,39,947 crore. Since then, utilities in 13 States and Union Territories paid ₹ 1,31,942 crore till December 2025 through 39 EMIs, prepayments, and reconciliations. In January 2026, the dues went down further to ₹ 4,927 crore, with DISCOMs largely paying their current dues on time, reflecting a marked improvement in sectoral financial discipline.

Yet, not everything is rosy. Many DISCOMs, if not most, have been able to achieve the turnaround, essentially due to tariff subsidies received from and the takeover of losses by their respective governments. For instance, in the case of Tamil Nadu, during 2024-25, the Tamil Nadu Power Distribution Corporation Limited (TNPDCL), the successor to the Tamil Nadu Generation and Distribution Corporation (TANGEDCO), received ₹15,772 crore as tariff subsidy and ₹16,107 crore towards the takeover of losses. In fact, the utility recorded a profit (after tax) of ₹2,073 crore only after receiving the State government's largesse. But for the takeover of losses, TNPDCL had registered a loss of ₹14,034 crore, according to the findings of the 14th Integrated Rating Exercise conducted by the Power Finance Corporation Limited (PFC) under a framework approved by the Union Ministry of Power. The findings were released in late January 2026.

Take the case of Rajasthan: Jodhpur Vidyut Vitran Nigam Limited (JDVVNL), which, according to PFC's assessment, improved its showing during 2024-25 compared to the past. This utility recorded a profit of ₹92 crore, but this was after the receipt of ₹ 11,625 crore towards tariff subsidy and ₹ 2,540 crore towards loss takeover.

Besides, even the present position of DISCOMs enjoying revenue surplus appears to be transient, because when the utilities may have to effect pay revision for employees in a few years, the probability of them slipping back to square one — revenue deficit — is quite high.

The way forward

Still, the emphasis on government support, which is nothing new, is not to be viewed as taking away the credit for DISCOMs for enhanced performance. However, there is still scope for further improvement. At present, feeder segregation works, taken up in States such as Rajasthan, Andhra Pradesh, Gujarat, Karnataka, and Maharashtra with large rural or agricultural consumer bases separating feeders for agricultural use from non-agricultural use, should be extended to other States such as Tamil Nadu, where an unmetered power supply to the farm sector has been the norm. Only then will there be data, closer to the real picture, regarding the quantum of power supplied to agriculturists.

As Niti Aayog noted in its August 2021 study on the distribution sector, DISCOMs should be proactive in promoting the use of solar pumps in agriculture, a move that would lead to a significant decrease in power procurement costs. The political executive must resist the temptation to offer free electricity universally to domestic consumers or any other category, as economically stronger sections of society invariably benefit disproportionately by any such measure. Political will, combined with public-spirited bureaucracy, can easily transform the face of DISCOMs into that of viable and consumer-friendly entities.

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