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CURRENT AFFAIRS

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UJWAL DISCOM ASSURANCE YOJANA (UDAY)

This article covers "Daily Current Affairs" and the topic details "Ujwal DISCOM Assurance Yojana (UDAY)". The topic "Ujwal DISCOM Assurance Yojana (UDAY)" has relevance in the "Indian Economy" section of the UPSC CSE exam.

For Prelims:

What is Ujwal DISCOM Assurance Yojana (UDAY)?

What are its objectives, implementing structures, features?

For Mains:

GS3: Infrastructure: Energy.

Why in the news?

The CAG (Comptroller and Auditor General of India) stated in its Compliance Audit report that the Ujwal DISCOM Assurance Yojana (UDAY) scheme did not achieve the main goal of financial and operational turnaround for the Maharashtra State Electricity Distribution Company (MSEDCL).

Ujwal DISCOM Assurance Yojana (UDAY)

- The UDAY Scheme was introduced by the Indian Ministry of Power in 2015.
- It aims to facilitate the financial and operational recovery of state-owned Power Distribution Companies (DISCOMs).
- It is essentially a debt restructuring plan designed to enhance the efficiency of DISCOMs' operations, offering states the option to participate.
- Under UDAY, 75% of the debts of the respective DISCOMs are taken over by the participating states, with the remaining 25% being issued to the DISCOMs as bonds.
- These states receive additional priority funding in initiatives like Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS), with the overarching goal of ensuring accessible and affordable 24×7 power for all.
- The scheme addresses both revenue-side and cost-side efficiency challenges, encompassing reforms in generation, transmission, distribution, coal, and energy efficiency sectors.
- Originally designed for a four-year period until 2019, UDAY's success led to the introduction of 'UDAY 2.0' in the Union Budget 2020-21.

Necessity of UDAY

- The necessity for the UDAY Scheme arises from the financial stress faced by DISCOMs in India.
- These utilities have been grappling with losses and substantial debt due to supplying electricity at rates below cost.

- This financial strain not only hampers power supply at reasonable tariffs but also impacts overall economic growth and quality of life.
- Inefficient power distribution further exacerbates the financial woes of DISCOMs, compelling them to borrow heavily from banks.
- With DISCOMs accumulating significant debts and losses, amounting to approximately Rs. 2.75 lakh crore between 2011-12 and 2014-15, the government introduced the UDAY Scheme to alleviate their financial burden and reduce transmission losses.

Primary Objectives of the Ujwal DISCOM Assurance Yojana (UDAY)

- **Lower the aggregate technical & commercial (AT&C) loss** from approximately 22% to 15% and bridge the disparity between average cost of supply (ACS) and average revenue realized (ARR) by 2018-19.
- **Enhance operational efficiency** by enforcing mandatory smart metering, upgrading transformers and meters, and promoting energy efficiency practices, including the adoption of energy-efficient LED bulbs, agricultural pumps, fans, and air-conditioners.
- **Minimize power expenses**, alleviate interest burdens, and curtail power losses in the distribution sector. Concurrently, enhance the operational efficiency of DISCOMs to ensure the provision of ample electricity at reasonable tariffs.
- UDAY operates as a debt restructuring strategy aimed at revitalizing DISCOMs, with its adoption being voluntary for states.
- **Foster active state participation** by providing incentives to well-performing states.
- **Facilitate debt management** by initiating the issuance of bonds through a phased approach, established via a memorandum of understanding (MoU) between the participating states and DISCOMs. This entails states taking on 75% of their respective DISCOMs' debts, while the remaining 25% of debts are converted into bonds for DISCOMs.

Achievements of UDAY

- The UDAY scheme has contributed to the alleviation of debt-ridden discoms in 24 states, resulting in a reduction of losses to Rs 369 billion in 2018, down from Rs 515.9 billion in the preceding fiscal year.
- The states that engaged in the scheme have achieved a progress of 1% in curtailing Aggregate Technical & Commercial (AT&C) losses, according to reports.

Challenges Confronting the UDAY Scheme Include:

- **Escalating State Government Bond Costs:** The amplified issuance of state government bonds has led to a heightened cost of borrowing for state governments. This has resulted in diminished interest savings for discoms and added to the fiscal burden of states¹.
- **State Reluctance and Compliance Issues:** Some states have displayed hesitancy in joining the scheme or adhering to its stipulations. These conditions include raising power tariffs, enhancing billing and collection efficiency, reducing technical and commercial losses, and implementing smart meters².
- **Impact of the Covid-19 Pandemic:** The power sector has been significantly affected by the Covid-19 pandemic. The reduced electricity demand, elevated consumer payment defaults, and supply chain disruptions for equipment and materials have collectively contributed to the challenges faced by discoms³.

- **Insufficient Regulatory Oversight:** A lack of robust regulatory oversight and enforcement mechanisms has impeded the effective implementation of the UDAY Scheme. Ensuring discoms' adherence to performance targets and timelines outlined in the scheme has been a persistent challenge.
- **Inadequate Progress Monitoring:** The absence of comprehensive progress monitoring mechanisms has hindered the timely evaluation and assessment of the scheme's effectiveness in achieving its objectives.
- **Discom Financial Health:** Many discoms continue to grapple with financial instability, hindering their ability to fully realize the benefits of the UDAY Scheme.
- **Technological and Infrastructural Constraints:** Overcoming technological limitations and ensuring the successful deployment of smart meters, infrastructure upgrades, and efficiency-enhancing measures remains a complex endeavor.
- **Addressing Behavioral Changes:** Implementing behavioral changes within discoms' operational practices, such as reducing technical and commercial losses, requires comprehensive strategies and sustained efforts.
- **Balancing Tariff Rationalization:** Striking a balance between tariff rationalization to cover costs and ensuring affordability for consumers is a delicate task that necessitates careful planning and execution.

About the News:

- Maharashtra State Electricity Distribution Company (MSEDCL) faced challenges in collecting dues from agricultural consumers and government departments, leading to an increase in aggregate technical and commercial (AT&C) losses.
- The report highlighted the lack of commitment from government departments to clear outstanding dues and recommended expediting measures such as completing metering and feeder segregation to reduce losses.
- In addition, the audit revealed irregularities in Goods and Service Tax (GST) refunds, including delayed issuance of refund orders and incorrect valuation of components, which raised concerns about grant of excessive refunds.

Sources:

In spite of UDAY, no rise in power company turnaround | Mumbai News – The Indian Express

Q1. With reference to UDAY, consider the following statements:

1. The Ujwal DISCOM Assurance Yojana (UDAY) scheme was introduced by the Ministry of Finance in 2015.
2. UDAY aims to facilitate the financial and operational recovery of state-owned Power Distribution Companies (DISCOMs).
3. Under UDAY, participating states undertake 75% of the debts of their respective DISCOMs, with the remaining 25% being issued to the DISCOMs as bonds.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) None

Answer: (c)

Q2. Consider the following Ujwal DISCOM Assurance Yojana (UDAY) scheme:

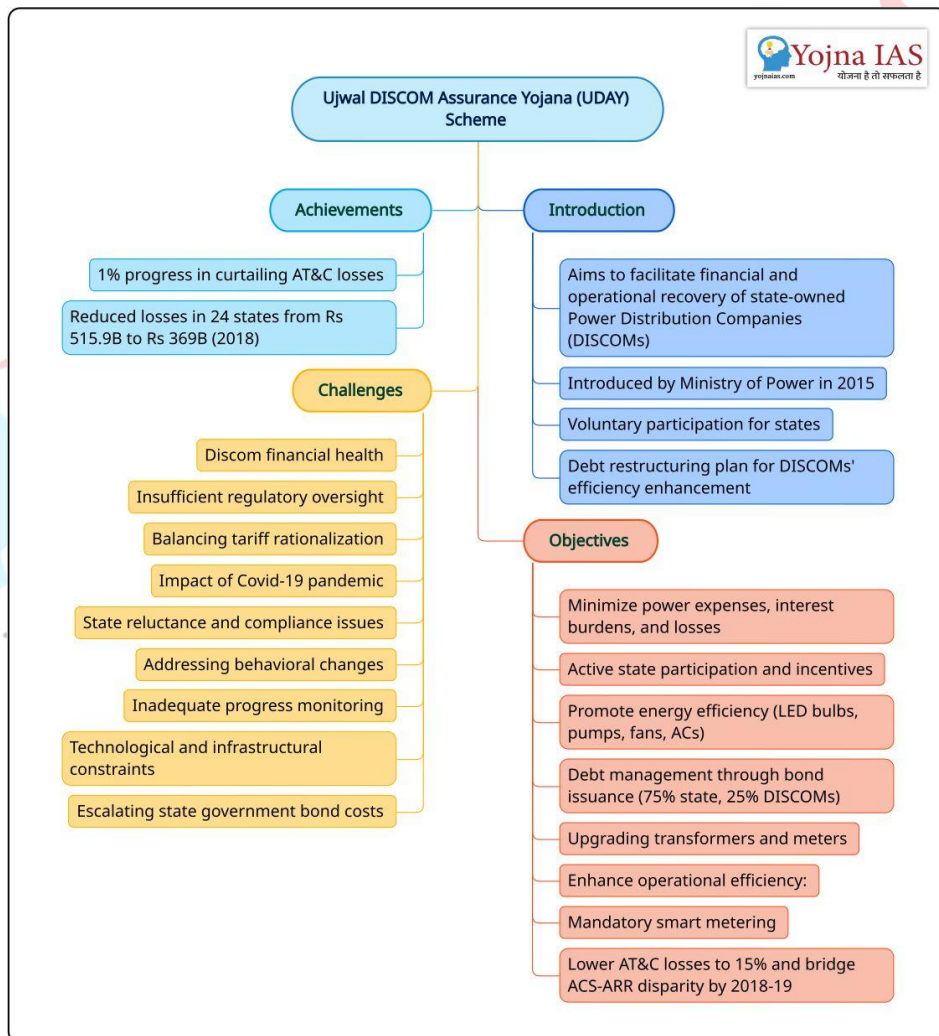
1. UDAY offers participating states additional priority funding in initiatives like Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS).
2. UDAY has successfully achieved a 1% reduction in Aggregate Technical & Commercial (AT&C) losses for participating states.
3. UDAY only addresses revenue-side efficiency challenges and not cost-side efficiency challenges.

How many of the abovementioned statements are correct ?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Answer: (b)

Q3. Discuss the objectives and key features of the Ujwal DISCOM Assurance Yojana (UDAY) scheme. How does UDAY aim to address the financial and operational challenges faced by DISCOMs?



NATIONAL INITIATIVE FOR DEVELOPING AND HARNESSING INNOVATIONS (NIDHI)

This article covers "Daily Current Affairs" and the topic details "National Initiative for Developing and Harnessing Innovations (NIDHI)". The topic "National Initiative for Developing and Harnessing Innovations (NIDHI)" has relevance in the Economy section of the UPSC CSE exam.

For Prelims:

About NIDHI?

For Mains:

GS 3: Economy

Components of NIDHI?

About India's Innovation and Startup Ecosystem?

Why in the news:

According to Union Minister Dr. Jitendra Singh, the NIDHI (National Initiative for Developing and Harnessing Innovations) program, managed by the Department of Science and Technology (DST), encompasses multiple facets aimed at bolstering innovations, startups, and the overall startup incubation ecosystem within the nation.

National Initiative for Developing and Harnessing Innovations (NIDHI)

The National Initiative for Developing and Harnessing Innovations (NIDHI) is a pioneering initiative aimed at fostering innovation, supporting startups, and nurturing a thriving entrepreneurial ecosystem within India. Comprising a comprehensive framework, NIDHI serves as a catalyst for promoting and expediting innovation-driven enterprises across the nation.

Components of NIDHI Program:

- 1. NIDHI-PRAYAS (Promoting and Accelerating Young and Aspiring Innovators and Startups):** NIDHI-PRAYAS focuses on the transformation of innovative concepts into tangible prototypes. This component offers mentoring and financial assistance at the Proof-of-Concept level, providing crucial support to aspiring innovators and startups.
- 2. NIDHI Entrepreneurs-In-Residence (EIR) Program:** The NIDHI EIR Program extends fellowships to students pursuing entrepreneurship, aiming to nurture and inspire young entrepreneurs as they embark on their innovative journeys.
- 3. NIDHI Seed Support Program:** The NIDHI Seed Support Program furnishes early-stage seed funding to startups, enabling them to initiate their innovation-driven endeavors and propel their growth trajectory.
- 4. NIDHI Accelerator Program:** The NIDHI Accelerator Program is designed to accelerate the investment readiness of startups. By equipping startups with the essential resources and guidance, this program facilitates their growth and scaling.
- 5. Technology Business Incubators (TBIs) and Centres of Excellence (CoE):** NIDHI establishes state-of-the-art Technology Business Incubators and Centres of Excellence, providing cutting-edge infrastructure to incubate startups and foster innovation across various technology sectors.
- 6. NIDHI-Inclusive Technology Business Incubators (iTBI) Program:** The iTBI program strengthens the innovation and startup incubation ecosystem in Tier II and Tier III cities.

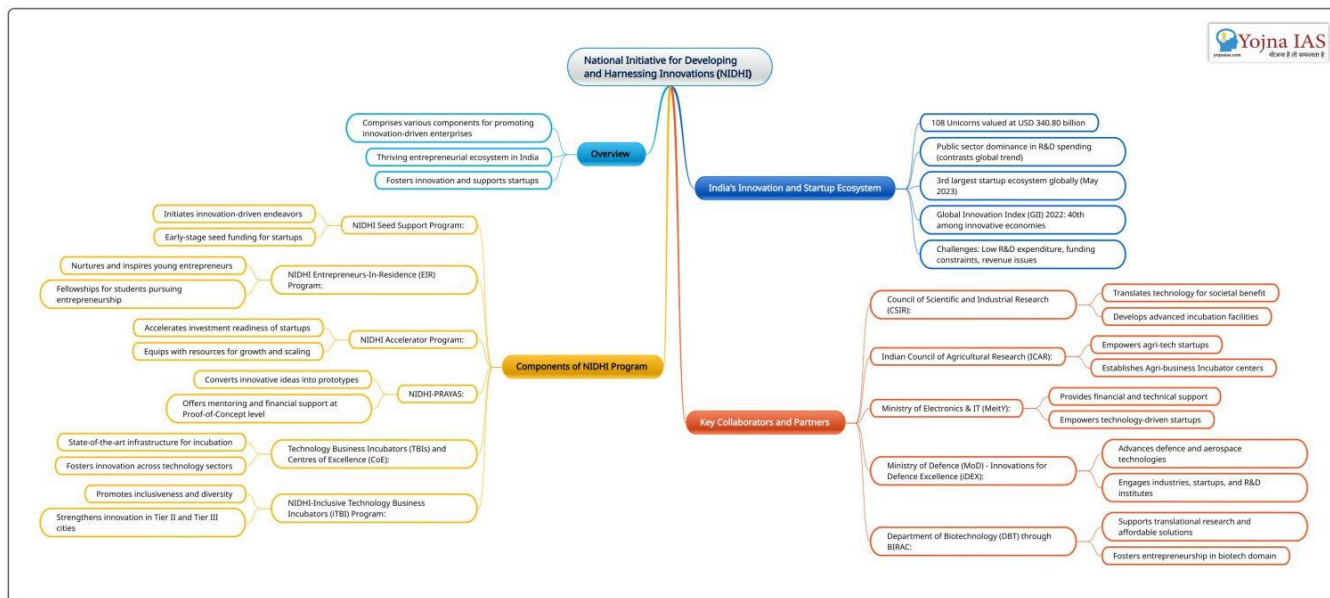
Notably, this initiative promotes inclusiveness by encompassing diverse geographies, gender representation, and individuals with special abilities.

Key Collaborators and Partners:

- **Council of Scientific and Industrial Research (CSIR):** NIDHI collaborates closely with CSIR to develop advanced incubation facilities and shape the incubation landscape. CSIR's active role includes translating technology and products for societal, industrial, and national benefit.
- **Department of Biotechnology (DBT) through Biotechnology Industry Research Assistance Council (BIRAC):** NIDHI collaborates with DBT and BIRAC to foster entrepreneurship and innovation in the biotechnology domain. This partnership drives translational research and supports the creation of affordable biotech solutions.
- **Ministry of Defence (MoD) - Innovations for Defence Excellence (iDEX):** NIDHI's partnership with MoD's iDEX initiative contributes to an innovative ecosystem involving industries, startups, and R&D institutes. This collaboration propels advancements in defence and aerospace technologies.
- **Ministry of Electronics & Information Technology (MeitY):** NIDHI's partnership with MeitY under the Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme empowers technology-driven startups. Collectively, they offer both financial and technical assistance to nurture entrepreneurship centered around technology.
- **Collaboration with Indian Council of Agricultural Research (ICAR):** NIDHI collaborates with ICAR's National Agriculture Innovation Fund to empower agri-tech startups. Collaborative endeavors result in the establishment of Agri-business Incubator (ABIs) centers, fostering the development of inventive solutions in the field of agriculture.

India's Innovation and Startup Ecosystem:

- Global Innovation Index (GII) 2022 ranks India 40th among innovative economies.
- India is the 3rd largest startup ecosystem globally as of May 2023.
- India boasts 108 Unicorns with a cumulative valuation of USD 340.80 billion.
- Challenges include low Gross Domestic Expenditure on R&D (GERD) compared to leading innovators, funding limitations, revenue generation issues, and infrastructure gaps.
- Public sector dominates R&D spending in India, differing from the global trend.



Other Initiatives to Foster Startup and Innovation:

Initiative	Description
Fund of Funds for Startups (FFS) Scheme	A government initiative that provides financial support to venture capital firms, enhancing their ability to invest in startups.
Credit Guarantee Scheme for Startups (CGSS)	A scheme that offers credit guarantee to startups, enabling them to secure loans without collateral and ease funding challenges.
Startup India Hub	A single-point platform for startups to access information, resources, and networking opportunities, fostering their growth.
Startup India Seed Fund Scheme (SISFS)	A scheme providing financial support to startups in their early stages, assisting them in turning their ideas into viable businesses.
Centres of Excellence	Establishing centers dedicated to specific sectors or domains, facilitating innovation, research, and collaboration in those areas.
Startup India Action Plan (SIAP)	A comprehensive plan aimed at promoting and supporting startups through various measures, including funding, taxation, and regulations.

SOURCE:

<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1945353>

Q.1 Consider the following statements:

1. NIDHI collaborates closely with the Ministry of Finance to shape and develop incubation facilities.
2. The NIDHI-Inclusive Technology Business Incubators (iTBI) Program strengthens the innovation ecosystem in Tier II and Tier III cities, promoting inclusiveness.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

ANSWER: B

Q.2 Consider the following statements:

1. The NIDHI program supports the transformation of innovative concepts into tangible prototypes through NIDHI-PRAYAS.
2. The NIDHI Seed Support Program offers late-stage funding to startups for expansion.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

ANSWER: A

Q.3 Discuss the significance and components of the National Initiative for Developing and Harnessing Innovations (NIDHI) in fostering innovation and supporting startups in India. Also, analyze the challenges faced by India's innovation landscape and suggest measures to address them.

Rishabh

