**Syllabus subtopic:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation

**Prelims and Mains focus:** about the new scheme to be launched and how is it going to be a game changer for discoms and consumers; about UDAY and its shortcomings

**News:** The upcoming Budget is *likely to introduce a new scheme directed at the power sector that would replace* the NDA government’s earlier scheme, *UDAY*, which had *floundered in its attempt to revive the country’s power distribution companies* *(discoms).*

**Background**

UDAY, *launched in 2015,* was aimed at *reviving ailing state power discoms* and make them *operationally and financially efficient* through various measures, like *reducing* aggregate technical and commercial *(AT&C) losses* to 15 per cent by FY2019. The losses had come down to 18.79 per cent. The new scheme aims to achieve this 15 per cent target.

**About the new scheme**

- The project would combine elements of strengthening the distribution system and the trajectory of loss reduction of UDAY.

- Now it will be conditional — if states follow the trajectory of loss reduction, the central govt. will give them the money for strengthening the system. UDAY envisaged that the development funds will be conditional, but it was never implemented.

- The new scheme is also *expected to contain a plan to diversify power distribution* across the country by *moving from a mostly state-owned discom system to one where private firms would be allowed* franchises to supply electricity to consumers. This would ensure competition and better service and would also ensure timely collection of money for the power distributed.
The govt. has suggested that the new set of reforms would be stricter in its implementation.