

PRESS RELEASE
January 10, 2024

Smart metering installations to surge over the next two years, supported by the progress in tendering: ICRA

- *Demonstration of direct debit payment mechanism for recovering the monthly service fee remains important from an AMISP's perspective*

ICRA anticipates the awarding of smart meters by the state distribution utilities (discoms) to increase to 222 million over the near to medium term from ~99 million so far. The replacement of conventional meters with smart meters is a key initiative of the Revamped Distribution Sector Scheme (RDSS) launched by the Government of India (GoI) in July 2021 with the objective of bringing down AT&C (aggregate technical & commercial) losses and reducing the gap between the cost of supply and tariff to zero for the state distribution utilities (discoms).

Commenting on the smart meter installations, **Mr. Vikram V, Vice President & Co-Group Head - Corporate Ratings, ICRA**, said: *"Of the 222 million meters sanctioned as of December 2023, 99 million meters have been awarded. However, the progress in installations remains low, with only 8.0 million smart meters installed as of December 2023. Given the current pace of installations, the GoI's target to replace 250 million conventional meters with smart meters by 2025 is unlikely to be met. Nonetheless, ICRA expects the pace of installations to witness a significant jump over the next two years. Moreover, the tendering activity would remain high in the near to medium term, considering the pending award of the balance 123 million meters, providing order book visibility for advanced metering infrastructure service providers (AMISPs) and meter manufacturers."*

The RDSS scheme has adopted the design, build, finance, own, operate, and transfer (DBFOOT) model for the installation of smart meters, wherein AMISP will be contracted for financing, supplying, installing, and operating the meters along with the associated communication and IT infrastructure. This will enable the discoms to set up the smart meters without the burden of upfront investment and take over these assets at no cost at the end of the contract tenure. The smart meter projects are being awarded to the AMISPs through the bidding route, with the service charge per month per meter being the key bidding parameter. Also, the AMISPs can be eligible for receiving an upfront grant per meter on successful installation, available from the GoI under the RDSS scheme. With the expected scale-up in tendering activity, a commensurate increase in domestic meter manufacturing capacity and the availability of system integrators for the head-end systems (HES) and meter data management systems (MDM) remain important.

Commenting on the viability of AMISPs, **Mr. Vikram** added, *"The viability for the winning bidders remains largely linked with the capital cost of setting up the smart meters along with the associated communication and IT infrastructure. For an AMISP with a quoted service charge of Rs. 70-75 per meter per month, the capital cost should remain at or below Rs. 5,000 per meter to achieve a reasonable debt service coverage ratio (DSCR) of 1.2x. Further, the availability of a direct debit payment mechanism, wherein online payments received from the consumers are to be routed from the payment gateway to the AMISP, is likely to mitigate the counterparty credit risk associated with the discoms to a large extent. However, the track record of this mechanism remains to be seen."*

For the discoms to achieve net positive savings, it is important that they analyse the consumption potential of the customers while replacing the conventional meters with smart meters. Considering a baseline AT&C loss level of 25.0% (prior to the installation of smart meters) and AMISP service charge in the range of Rs. 70-75 per month per meter (as quoted in the bids), the discom should reduce the AT&C loss level to at least 16.0% for a consumer with a monthly consumption of 150 units to have net positive savings. If the monthly consumption per customer is lower, at, say, 100 units, the AT&C losses must be lowered to at least 12.0% to have net positive savings.

Exhibit 1: Scheme-wise progress in smart meter installations

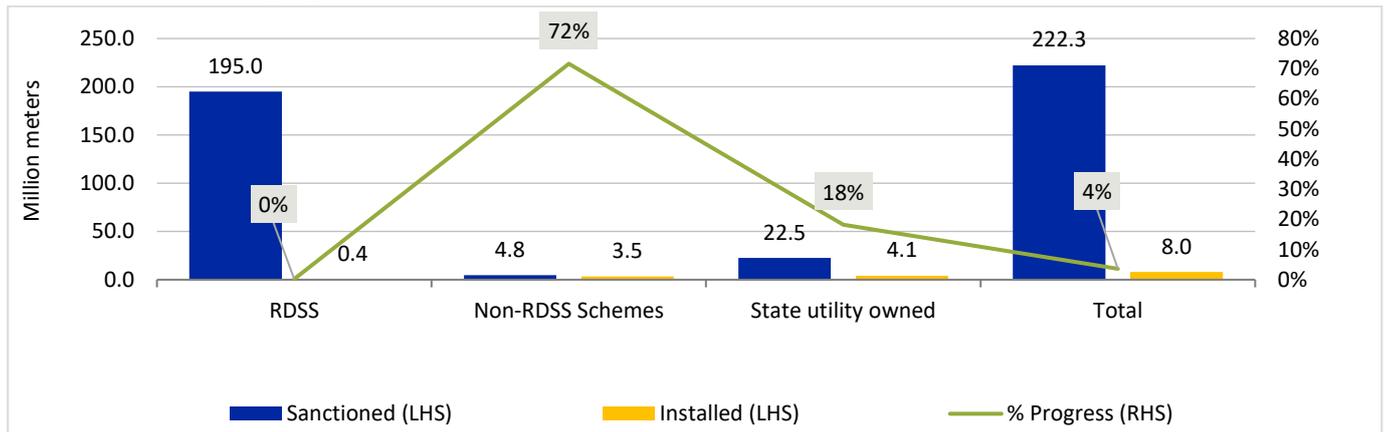
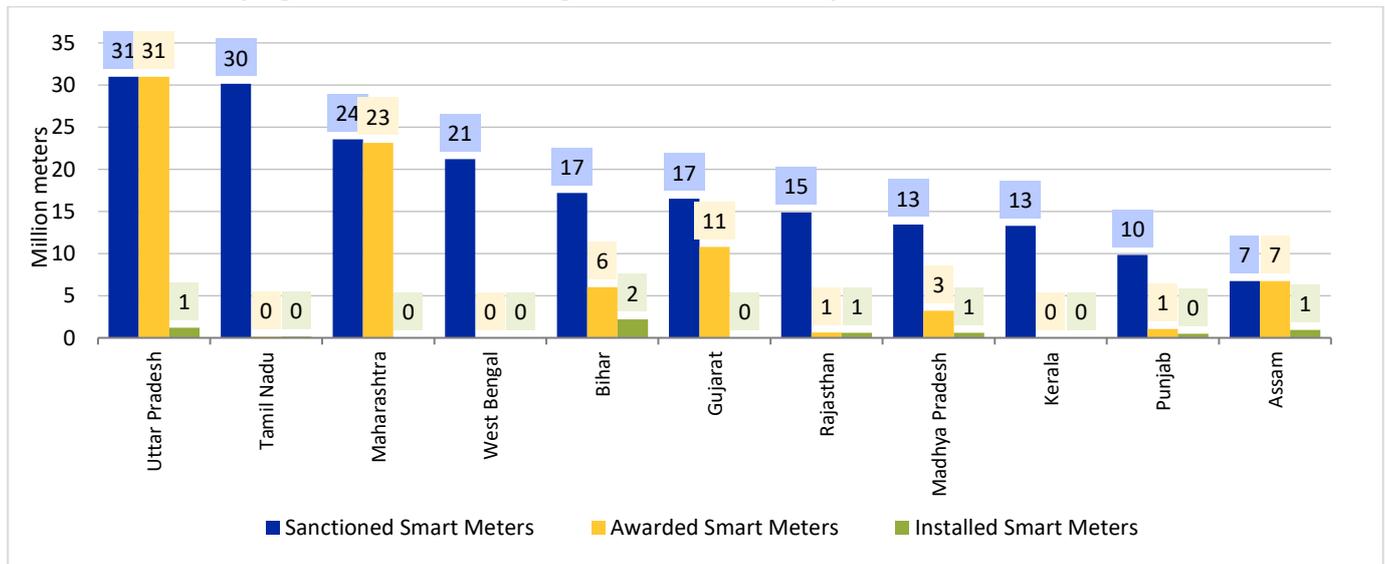


Exhibit 2: State-wise progress in contract awarding and installations for top 10 states in terms of sanctioned smart meters



Source: ICRA Research, National Smart Grid Mission

Click [here](#) to access our previous press releases on the sector.

For further information, please contact:

Media Contacts:

Naznin Prodhani

Head – Group Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 124) 4545300,

Dir - 4545860

Email:

naznin.prodhani@icraindia.com

Shreya Bothra

Manager - Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 022) 61693300,

Dir - 61693367

Email:

shreya.bothra@icraindia.com

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.

