



Energy Conservation (Compliance Enforcement) Rules, 2025

The MoP notified **Draft Energy Conservation (Compliance Enforcement) Rules, 2025**
Issued on **4th August 2025**

Objective:

The Draft rules provide a structured mechanism for monitoring, reporting, and enforcement of compliance under the Energy Conservation Act, 2001. These rules will come into force upon publication in the Official Gazette and are applicable to manufacturers, importers, designated consumers, and other obligated entities as specified in the Act.

Under Section 13A, 14, and 15 of the Energy Conservation Act, the Bureau of Energy Efficiency (BEE) has been entrusted with the responsibility to seek information, verify compliance with prescribed norms, and submit certified reports to the Central Government. The draft rules clarify that in cases of shortfall or non-compliance, the Central Government's notified norms will take precedence over cumulative norms at the State level, thereby ensuring uniformity.

The rules also outline that all penalties payable by obligated entities for non-compliance shall be credited to the Central Energy Conservation Fund (Section 20 of the Act), from which 90% will be transferred to the State Governments and 10% retained by the Central Government for designated purposes. In terms of reporting, the rules stress the requirement of periodic submission of data by entities, with BEE responsible for verification to prevent under-reporting or misreporting.

Overall, the draft rules seek to strengthen compliance through a clear enforcement framework, defined reporting timelines, penalty mechanisms, and fund utilization provisions, thereby aligning with the larger spirit of the Energy Conservation Act, 2001, which is to promote efficient use of energy and reduce dependence on fossil fuels.

The Documents can be access [here](#)

CER Opinion:

- 1. Jurisdictional Concerns over Central vs. State Obligations:** In the proposed Clause 3(2) *“In the event of any shortfall, the norms and standards provided by the Central Government under clause (x) of section 14 of said Act shall apply to the extent of such shortfall, and not cumulatively with any norms and standards **provided** by any State Electricity Regulatory Commission under the Electricity Act, 2003.”* (emphasis added)

The draft clause provides that in the event of any shortfall, the norms and standards notified by the Central Government under Section 14(x) of the Energy Conservation Act shall apply, and not cumulatively with those framed by the SERCs. On the face of it, this provision is intended to avoid **double counting of penalties**, thereby ensuring that Designated Consumers (DCs) are



not subjected to overlapping obligations under the Electricity Act 2003 and the Energy Conservation Act, 2001.

The RPO obligations specified under the Electricity Act 2003 are subject to regulatory compliance and penalty mechanism thereof. It is not clear if the SERCs could also penalise the obligated entities

While it acknowledges the concurrency of the obligations under two different legislations, it seems to bestow a hierarchy to such norms and standards. An explicit acknowledgement that the shortfall would be judged separately by the respective SERC under the Electricity Act 2003, would reduce scope for disputes. This would particularly be desirable in case of state-level obligation being higher than the central level. This is further explained below.

However, this formulation raises questions about **jurisdictional reach of the SERCs and regulatory consistency**. DCs operating within a State are under the jurisdiction of the respective SERC. This creates a perception that while SERCs have jurisdiction, they are rendered functionally incompetent in matters of enforcement.

Some SERCs may prescribe higher obligations than the Central norms and standards. For example, a state-level mandate of, say, 35%, against a central-level obligation of, say, 30%. Under the draft clause, a DC failing to meet the State target could still avoid liability by meeting only the Central benchmark. Applicability of the state-level compliance needs to be reiterated. Another example, wherein a designated consumers/obligated entity

A more balanced approach would be to adopt a **harmonised compliance framework**. The provision could clarify that Central norms apply only to the extent necessary to prevent double penalisation. At the same time, where SERCs impose higher obligations, compliance should be enforced through SERC adjudication mechanisms, with penalties imposed once through a coordinated process between BEE and the concerned SERC. This would maintain fairness for DCs while also safeguarding the regulatory space and ambition of the States.

2. “Appropriate Commission” to Avoid Exclusion of JERCs:

The term “State Electricity Regulatory Commission” should be defined to include **the Joint Electricity Regulatory Commissions (JERCs)** constituted under the Electricity Act, 2003. To avoid interpretational ambiguity and ensure uniform applicability, the provision may alternatively be revised to **include both SERCs and JERCs**, for example by using the term **“appropriate Commission”** as defined in the Electricity Act, 2003.

3. Inclusion of Detailed Compliance Parameters and Timeframe for Periodic Reports:/

Periodicity of reporting: In the proposed Clause 4

“ Reporting

The Bureau shall obtain the necessary information from the entities as provided in rule 2, in relation to compliance with the following provisions namely: -

- (i) *section 13A of the said Act;*
 - (ii) *clauses (c) and (d) of section 14;*
 - (iii) *clauses (h), (i), (k), and (l) of section 14; and*
 - (iv) *clauses (n) and (x) of section 14.*
- (2) *The entities mentioned in rule 2, shall **periodically submit reports to the Bureau.***” (emphasis added)

The provision should clearly specify the nature of compliance information to be reported in respect of **Section 13A**, as its subject matter (prohibition on deceptive use of the Bureau’s name or mark) differs from technical or operational compliance under other sections. How would one expect someone misusing the Bureau’s name to file a ‘compliance report’?

Additionally, the term “periodically” should be defined with a specific reporting frequency (e.g., quarterly, annually) to ensure consistency, predictability, and enforceability in reporting obligations.

4. Linkage between Bureau’s Verification Role and SERC/JERC Jurisdiction: In the Proposed clause 6 “Jurisdiction of State Electricity Regulatory Commissions

- (1) *The following shall be competent for adjudging for fails to comply with the provisions of sections 13A, 14 and 15 of the said Act as per table given below”*

In the draft clause 6 assigns adjudication powers to State Electricity Regulatory Commissions (SERCs) for failures under Sections 13A, 14, and 15, while elsewhere the draft rules state that the Bureau shall verify compliance and **submit a report to the Central Government for certification**. The relationship between the Bureau’s verification/certification process and the SERC/JERC’s **adjudication powers is unclear**. The rules should explicitly define whether the SERC/JERC is bound by the Bureau’s verification report, whether it can conduct an independent examination, and the process for **transmitting such reports/information to the adjudicating officer**. This will avoid jurisdictional overlap or procedural conflict.

If the Bureau’s would forward the compliance report to the central government for certification, what would be the role of SERC’s adjudication process? How would be outcome of the adjudication process by an SERC reflect on the ‘certification’ granted by the central government?

5. Limited Capacity and Domain Expertise of SERC/JERC: In the proposed Clause 6 “Jurisdiction of State Electricity Regulatory Commissions

- (1) *The following shall be competent for adjudging for fails to comply with the provisions of sections 13A, 14 and 15 of the said Act as per table given below: -*

Table – 1

(a) <i>Appliances, equipment and vehicles specified under clause (b) of section 14.</i>	<i>Adjudicating Officer of the State Commission where the registered head office of the manufacturer or importer is located.</i>
(b) <i>Industries specified as designated consumers under clause (e) and (n) of section 14.</i>	<i>Adjudicating Officer of the State Commission where the industry or establishment is located.</i>
(c) <i>Non-fossil consumption specified for designated consumers under clause (x) of section 14.</i>	<i>Adjudicating Officer of the State Commission where the industry or establishment of the designated consumer is located, or the registered head office in case where compliance is undertaken at the holding company level.”</i>

The draft ends up assigning adjudication responsibilities for the matters concerning appliance, equipment, and vehicle **compliance matters to the adjudicating officer of the respective SERC/JERC**. However, these Commissions traditionally regulate **electricity** related matters and **generally do not have domain expertise** in appliance or vehicle efficiency standards, which fall under technical certification bodies and sector-specific regulators. The qualification criteria outlined for Chairpersons and Members of the ERCs (as outlined in the Electricity Act 2003) do not include some of these areas of expertise. This knowledge gap would be addressed through reliance on external technical inputs thus raising concerns for long-term regulatory governance. **Fund Allocation and Utilisation (Table-2 & Related Provisions):** In the proposed Clause 6 (2) “All penalties payable by the entities mentioned under rule 2, shall be credited into the Central Energy Conservation Fund referred in section 20 of the Act, from which **ninety percent** shall be transferred to the State Government as given below, and **ten percent** to the Central Government as per table given below: -

Table – 2

(a) <i>Appliances, equipment and vehicles specified under clause (b) of section 14.</i>	<i>Consolidated Fund of each State in proportion of its share of the total sales by the manufacturer or importer of the specific appliance, equipment, or vehicle during the compliance period.</i>
(b) <i>Industries specified as designated consumers under clause (e) and (n) of section 14.</i>	<i>Consolidated Fund of the State where the industry or establishment is located.</i>
(c) <i>Non-fossil consumption specified for designated consumers under clause (x) of section 14.</i>	<i>Consolidated Fund of the State where the industry or establishment of the designated consumer is located.</i>

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*(3) Any amount recovered towards compliance, **not covered** under section 26, shall be credited to the **Central Energy Conservation Fund.**”*

Table–2 outlines distribution of penalty proceeds from the Central Energy Conservation Fund (CECF) to State Governments based on the nature of the violation and the location or share of sales share of the respective appliance, equipment or vehicle. While this approach recognises jurisdictional linkages, it raises following concerns:

- There would be significant burden of data collection for sales by appliance, equipment and vehicles across states. There are very limited sources of reliable nationwide data especially for appliances and equipment. A simpler benchmark may be devised based on aggregated data. For example, state-wise Value Added at NIC classification level representing group (3-digit), Class (4-digit) or sub-class (5-digit) classification. Value added as a measure would also be fair to states where ancillary industries may be contributing to the final output of equipment/appliance/vehicle. This can be adjusted by broader data on sales to provide better representation of actual purchase/use of the same.
- Rules should outline methodological approach for calculation of share based on sales along with an audit mechanism so as to avoid any disputes regarding the same.
- **Utilisation Control** – The transfer of funds to the Consolidated Fund should be accompanied by utilisation criteria in line with the objectives of the Energy Conservation Act. The rules should mandate that such funds, be utilised only for the purposes listed under Section 20 of the Act.
- **Basis for Central Share** – A significant part of the compliance burden as well as overall The rationale for the allocation to the Central/State Government is not articulated. This can be based on the criteria such as administrative costs of enforcement, capacity building, research etc. while aligning it with the purposes identified under Section 20 of the Act.
- **Verification of Distribution** – For Table 2(a), proportional allocation based on total sales requires a transparent methodology, credible data sources, and an audit mechanism to ensure accuracy. Without these, disputes over computation and distribution may arise.
- **Treatment of Recoveries other than those under Section 26**– Sub-clause (3) provides that compliance-related recoveries not covered under Section 26 shall be credited to the CECF. The rules should clarify the permissible use of such amounts and whether the apportionment criteria would also apply to such amounts received as well.



7. **Clarification on Inclusion of section 13A in Applicability Clause:** The enforcement scope under Section 13A¹ of energy conservation Act 2001, is presently limited; its inclusion in the **applicability clause may not have immediate operational significance**, though it retains relevance for addressing potential future occurrences. **The Bureau should clarify the rationale for including Section 13A in the applicability list of the draft rules.**
8. **Clarity on Roles of BEE and SERC in Compliance Verification and Adjudication:** In the proposed Clause 7 (1) *“The Bureau on its own or through designated agencies shall verify compliance under section 26.”*

The current provision assigns compliance verification to the Bureau (or its designated agencies) and adjudication to State Commissions. While this ensures a balance between technical oversight and regulatory adjudication, it also creates the possibility of divergence of opinion **between BEE and SERC** on whether an entity is in compliance. A mechanism needs to be setup to sort out such differences, if any. An objective definition for various components of compliance including some of the suggestions made herein may help preempt these.

9. **Substitute “Provided” with “Specified”:** In the proposed Clause 3 *“Norms and Standards: The Bureau shall be responsible for compliance enforcements with the norms and standards **provided** by the Central Government.”*(emphasis added)

It is recommended that the term **“provided”** be substituted with **“specified”** in line with the terminology applied in such cases..

¹ “13A. **Prohibition of use of deceptive name, etc.**— (1) No person shall, without previous permission of the Bureau, use any name which so nearly resembles the name of the Bureau as to deceive or likely to deceive the public. (2) Notwithstanding anything contained in any other law for the time being in force, no registering authority shall register any company, firm or other body of persons which bears any name or mark resembling the name of the Bureau”