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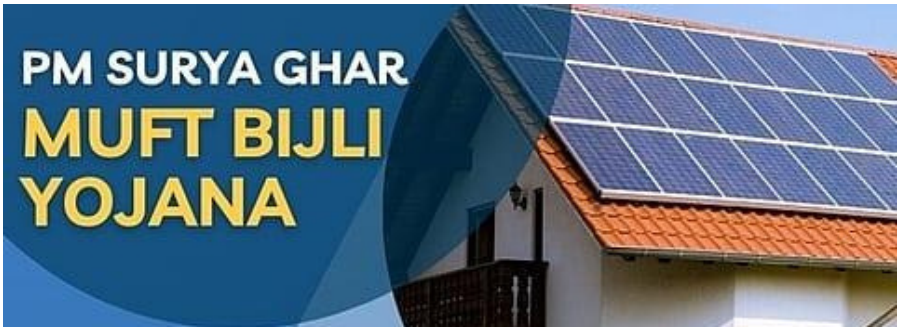
JINDAL POLICY RESEARCH LAB

PM Surya Ghar: Muft Bijli Yojana – Decentralized Power Generation with a Focus on INR 220 Billion Budget Allocation in the 2026 Union Budget

Omprakash Sahu

Ph.D. research scholar in the Department of Political Science and Public Administration



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1. Executive Summary

The PM Surya Ghar: Muft Bijli Yojana, launched in February 2024, encourages decentralised solar power generation in rural areas by ensuring that all citizens, particularly those living in underserved areas, have access to electricity. The main goal of this scheme is to install rooftop solar (RTS) systems, which might provide up to 300 units of free electricity per month to one crore (10 million) residences. To achieve the 30 GW rooftop solar target by 2027, the Union Budget provision of ₹ 22,000 crore (INR 220 billion), a 29% increase over the revised 2025-2026 projections, is also examined in the major policy brief. Even as acceptance has increased to the point that 4 million installations are anticipated by March 2026, the project has achieved only 23.96% of its ultimate goal as of late 2025. Technical inspections and integration delays with Distribution Companies (DISCOMs) are the main barriers to this. This brief recommends three main strategic actions: disbursing the ₹ 4,950 crore DISCOM incentive cash, standardising utility-led aggregation procedures to save costs, and utilising a new ₹ 1,000 crore finance to scale up operations.

Omprakash Sahu

Ph.D. research scholar in the Department of Political Science and Public Administration at Sambalpur University, Odisha. His research interests lie in environmental politics, climate change, Sustainable Development Goals (SDGs), and grassroots governance, with a focus on community development and women's empowerment in Odisha.

2. Background and Problem Statement:

Distributed solar energy, which generates power closer to the point of use, is replacing the primary, conventional, utility-scale projects in India's energy transformation. For India to reach its Nationally Determined Contributions (NDCs), this substantial replacement is required to solve the major inefficiencies in the national grid, such as transmission and distribution (T & D) losses and grid congestion. However, a major challenge for the PM Surya Ghar effort is ensuring fair access. Progress has been sluggish despite the objective of making solar energy more accessible to all populations. According to the report, as of December 3, 2025, just 2.39 million homes had rooftop solar systems installed, leaving about 7.6 million households to be served by March 2027. Obtaining information and managing the lengthy approval processes of Distribution Companies (DISCOMs) are two of the most challenging responsibilities, especially in low-income communities. Solar energy has the potential to be a solution, but the high initial cost remains a significant barrier. Conventional, centralised power systems have raised the price of electricity. Despite the challenges, the Rooftop Solar Phase II Program's tender mode, rate discovery, and vendor empanelment were mostly handled by the DISCOMs, which resulted in significant delays, few options for clients, and, consequently, in February 2024, the program was modified. The lack of a centralised digital site and the lower subsidies further hindered the extensive application process. Since the main DISCOM saw decentralised generation as a significant source of income, their slow approval process for technical viability and net metering installations further hindered the widespread adoption of rooftop solar solutions.

3. Regulatory and Analytical Framework:

The main analytical and regulatory frameworks that govern the PM Surya Ghar plan are the Electricity (Rights of Consumers) Rules, 2020 and the Ministry of New and Renewable Energy (MNRE). By creating a major, transparent, and effective method for decentralised solar energy generation, this crucial law seeks to guarantee grid synchronisation, safety, and consumer protection.

3.1 Key Definitions and Classifications:

The implementation of the main scheme is guided by several significant

keywords and categories. Central Financial Assistance (CFA) refers to direct subsidies given by the central government to homeowners for installing rooftop solar systems. These subsidies are now limited to ₹ 78,000 for systems with a power output of 3 KW or above. The main component of this program is net metering, which primarily promotes the efficient use of solar energy by making it possible to export excess electricity back to the main grid and receive credits for its use. Furthermore, it is rightly remarked that if a household primarily uses grid-connected rooftop solar systems that generate and use electricity, it is sometimes referred to as a 'prosumer' household.

3.2 Relevant Legislation and Policy Timeline:

The major PM Surya Ghar Plan satisfies the technical standards of the Central Electricity Authority (CEA) to provide both safe and efficient synchronization with the national grid. The concept was formally unveiled on February 13, 2024, with an emphasis on the decentralised solar system. As of July 18, 2024, the criteria for a ₹4,950 crore incentive fund for DISCOMs had been made public to encourage their involvement. The utility-led aggression plan was implemented in August 2025 in an effort to save expenses and expedite deployment. By December 2025, 23.96% of the targeted households had successfully installed systems, demonstrating both the progress and the gap that still exists. In the end, the Union Budget, which allocated ₹ 22,000 crore for the fiscal year 2026-2027, confirmed the government's commitment to expanding the program in February 2026.

4. Key Policy Recommendations:

The Ministry of New and Renewable Energy (MNRE) and State Power Departments have made significant recommendations to maximize the impact of the ₹220 billion allotted for the PM Surya Ghar Scheme.

4.1 Expedite DISCOM Incentive Disbursal:

The ₹4,950 crore provided to DISCOMs who meet additional capacity targets should be given to them as soon as possible. Furthermore, offering incentives (5-10%) for expedited technical inspections and installation would encourage field personnel and guarantee faster progress on the ground by accelerating the implementation process.

3.2 Harmonise State Subsidies:

States like Delhi, Uttar Pradesh, and Maharashtra are also required to enter their additional 'top-up' subsidies (up to ₹ 30,000) directly into the National

Portal. That will provide a significant, seamless single-window experience for applicants, reduce administrative delays and confusion, and increase client accessibility.

4.3 Strict Enforcement of Service Timelines:

The primary issue is that delays frequently last up to 90 days, which discourages prospective adopters and reduces the program's efficacy. To minimize delays, it is essential to standardize a 30- days gap between feasibility approval and final rooftop solar system activation. These tighter timelines will result in a more organised and smoother process for customers.

4.4 Launch 'Solar-Plus-Storage' Pilots:

To increase grid stability in rural regions, particularly when electricity supply is erratic, 'Solar-Plus-Storage' trials in Model Solar Village should be initiated using the ₹ 1,000 crore Battery Energy Storage Systems (BESS) Viability Gap Funding (VGF). To guarantee a dependable and sustainable energy supply in off-grid settings, this important pilot will help indicate the advantages of combining solar power with the main energy storage technologies.

Conclusion:

The 2026 Union Budget's allocation of ₹ 22,000 crore represents a substantial commitment to decentralizing India's energy sector. To address energy poverty, the PM Surya Ghar program enables people to become 'prosumers' and decreases the substantial financial load on DISCOMs by decreasing reliance on centralized grid infrastructure. Even though the massive objective of reaching 10 million households may seem overwhelming, the substantial move toward utility-led aggregation and strong budgetary backing essentially creates a clean and achievable path. This important initiative supports India's efforts toward sustainable development and energy equity by guaranteeing that decentralised solar power becomes a crucial part of the country's clean energy infrastructure.

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Jindal School of Government and Public Policy, O.P. Jindal Global University
Sonipat Narela Road, Near Jagdishpur Village, Sonipat, Haryana 131001, India
Email: info@jgu.edu.in · Instagram: instagram.com/jindalpolicyresearchlab

Website: jgu.edu.in/jsgp/jindal-policy-research-lab