

Union Ministry of Power has written to all States/UTs extending Rs 90,000 crore financial package to assist the stressed DISCOMs. A communication in this regard has been sent on 14.05.2020.

“The package for power sector will significantly reduce the burden of Discoms for maintaining distribution of electricity as supplied by gencos/transcos during these difficult times.” said Shri RK Singh, Minister of State (Independent Charge) for Power and New and Renewable Energy. The Government of India had on 13.5.2020 decided to make an infusion of liquidity of Rs 90,000 cr through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) as a part of the Atmanirbhar Bharat Abhiyan.

Under this intervention, REC and PFC would extend special long term transition loans up to 10 years to DISCOMs.

The letter sent to States/UTs mentions that REC and PFC shall immediately extend loans to DISCOMs which have headroom for further borrowing within the working capital limits prescribed under UDAY. Further, the DISCOMs that do not have headroom under UDAY working capital limits but have receivables from the State Government in the form of electricity dues and subsidy not disbursed will also be eligible for these loans to the extent of receivables from the State Government. Since these loans are long term and are not against the working capital requirement of the DISCOMs, with repayment security from the State Government, UDAY Working capital limits will not be applicable.

In addition, , the respective States may request for relaxation of the limit to the Government of India for the DISCOMs that do not have receivables from States or headroom available under the working capital limits imposed under UDAY.

The letter says, the COVID-19 pandemic and the resultant lockdown has adversely affected the power sector finances, creating a situation of acute liquidity crisis across the value chain in the power sector as a consequence. In this situation the liquidity infusion in the Power sector value chain will help to tide over the cash flow problem. This money will help discoms to repay most of the money that they owe to power generators( Gencos) and Transmission Companies( Transcos). It will help restart the virtuous cycle of cash flow in the Power sector.

The loans will be provided to the DISCOMs against guarantees by the State Governments which will be used to clear liabilities of CPSE Gencos/Transco, IPP and RE generators. Total funding quantum will be about Rs. 90,000 crore. The funding would be done in two tranches of Rs. 45,000 crore each., it adds.

To further lift the discoms out of financial stress, Power Ministry as per another communication issued on 15.5.2020, has decided to defer the fixed charge on power not scheduled of Central Gencos for lockdown period and it will be repaid in interest free three equal instalments in subsequent months. During the lockdown period, there has been significant drop in demand because industrial and commercial units were closed. According to the Power Purchase Agreements, Discoms pay a fixed charge to Gencos for all the contracted quantity, even if power is not drawn. This has burdened the Discoms because they have to pay for the power that was not used during the lockdown period.

They have also been suggested a rebate of 20-25 per cent on power supplied(fixed cost) including Inter State Transmission Charges(ISTS) payable to PGCIL for the lockdown period.

The Discoms have been asked to pass on these cost savings to the end consumers which will lead to reduction in electricity cost to end consumers.

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RCJ/M

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