F.No.14/12/2022-UR&SI-II-Part(1)-(E- 263842)
Government of India
Ministry of Power
Shram Shakti Bhawan, Rafi Marg,
New Delhi
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Dated: 1st July, 2022

To,

Additional Chief Secretary/ Principal Secretary/ Secretary (Energy/Power) of all States and UTs

Dear Sir/ Madam,

Sub: Standard Operating Procedures in respect to important conditionalities under RDSS, LIS, Additional borrowings etc to be followed during implementation and evalulation

Revamped Distribution Sector Scheme (RDSS) is a reform based and results linked scheme which seeks to improve the operational efficiencies and financial sustainability of DISCOMs. The financial assistance under the scheme is linked to implementation of reforms and results produced which shall be measured objectively through defined parameters and annual targets as per the Result Evaluation Framework. This framework has two components (i) Pre-qualifying criteria; and (ii) Result Evaluation Matrix. The pre-qualifying criteria need to be mandatorily met with by the DISCOMs before they can be evaluated on the basis of the Result Evaluation Matrix.

2. In order to ensure that the prequalification criteria is fulfilled in a true spirit, a Standard Operating Procedure (SOP) for evaluation of major prequalifying conditions has been formulated by the Ministry based on the experience gained during review with Nodal Agencies and States. The main objective of this SOP is to bring in clarity amongst all stakeholders about fulfillment of various important aspects of conditionalities stipulated under the scheme. This SOP will form the basis of implementation of the individual parameters and annual evaluation by the Nodal Agencies.

3. It may also be noted that similar conditionalities have been laid down under other schemes viz. Additional Borrowing, Liquidity Infusion Scheme, Additional Prudential Norms etc. It has been decided that appraisal of the relevant items under these schemes would also be carried out as per the SOP mentioned above.

4. It may please be noted that implementation of this SOP and compliance thereof of would be essential for release of funds, including GOI Grants and counterpart funding loans to the DISCOMs under RDSS and any other scheme of Ministry of Power. This would also be a contingent condition for sanction and disbursal of any other Loans to be given by PFC and REC to the DISCOMs.

5. The SOP is enclosed for further necessary action and compliance. This SOP is issued with the approval of Hon'ble Minister of Power& NRE.

Encl.: As above

01/07/2022

(Jamiruddin Ansari)
Deputy Secretary to the Govt. of India
Tel: 011-23352913

Copy to:

1. All Chairman/MDs of State Power Distribution Utilities
2. CMD, REC
3. CMD, PFC

Copy also to:

1. PS to Hon'ble Minister of Power
2. PPS to Hon'ble Minister of State of Power
3. PPS to Secretary (Power)
4. PPS to JS(Distribution)
5. PPS to Dy Secy (UR&SI)/ Dy Secy (D)

Standard Operating Procedures(SOPs) for States/DISCOMs to ensure compliance of Pre-qualifying criteria under Revamped Distribution Sector Scheme (RDSS)

1. Introduction

1.1. Transformation of the power distribution sector is crucial to the viability and sustainability of the Indian power sector. With the objective of expediting reforms in the power distribution sector, Government of India has launched the Revamped Distribution Sector Scheme (RDSS). This is aimed at improving the financial condition and operational efficiencies of state-owned DISCOMs. It is also recognized that the strict compliance of the pre-qualification criteria of the RDSS is a bed rock for success of the scheme and therefore, it is of utmost importance that all the stakeholders work in tandem to meet the broad objectives of the scheme and adhere to the guidelines/instructions issued as part of the scheme.

1.2. RDSS is a result linked evaluation scheme. It is mandatory for DISCOMs to meet the pre-qualifying criteria every year before the funds can be released under the scheme. It is imperative for DISCOMs to follow certain procedures and method to be able to become eligible for the funds under RDSS. It was observed that many of the DISCOMs are not consistent in their approach to adhere to the mainly following PQ criteria:

1) **State Government to ensure 100% payment of subsidy** for the previous year and advance payment of subsidy up to current period in line with section 65 of EA2003 and wipe out the remaining subsidy amount by the end of the project period.

2) **No. of days Payables to Creditors including Gencos** for the year under evaluation is equal to or less than the projected trajectory as per results evaluation framework.

3) DISCOMs will have ensured that **no new Regulatory Assets** have been created in latest tariff determination cycle.

4) **All Government Departments/ Attached Offices/ Local Bodies/ Autonomous Bodies/ Boards/Corporations have made 100% payment** of current electricity dues for the year under evaluation.

1.3. In this regard, these Standard Operating Procedures (SOPs) for States/DISCOMs are being issued under RDSS which will help Ministry of Power, Nodal Agencies, State Governments and DISCOMs achieve and monitor the targets set for themselves under the scheme in time bound manner. States and DISCOMs are required to make changes in their policies and procedures to align with the SOPs prepared on the following areas:

PQ criteria	SOP	Relevant Clause
State Government to ensure 100% payment of subsidy for the previous year and advance payment of subsidy up to current period in line with section 65 of EA2003 and wipe out the remaining subsidy amount by the end of the project period	**100% timely payment of Subsidy on the basis of correct subsidy accounting mechanism**	**3.1**
No. of days Payables to Creditors including Gencos for the year under evaluation is equal to or less than the projected trajectory as per results evaluation framework.	**Linkage of no. of days Payables for power purchase with LPS Rules** **Automatic pass through of fuel adjustment cost to achieve financial sustainability through elimination of ACS-ARR gap**	**3.2** **3.3**
DISCOMs will have ensured that no new Regulatory Assets have been created in latest tariff determination cycle.	**No new creation of regulatory assets and treatment of outstanding regulatory assets**	**3.4**
All Government Departments/Attached Offices/ Local Bodies/Autonomous Bodies/ Boards/Corporations have made 100% payment of current electricity dues for the year under evaluation	**Mechanism to ensure 100% payment of Government department dues**	**3.5**

2. Salient features

2.1. The purpose of these Standard Operating Procedures (SOPs) is to ensure that States/DISCOMs adopt practices that will improve their operational and financial performances so that they achieve full compliance of pre-qualification criteria of RDSS scheme.

2.2. The parameters covered under the SOP are based on the major areas of concern for the States/DISCOMs that directly and indirectly impact in achieving the prequalifying conditions of RDSS.

2.3. These identified parameters are based on the outcome of regular review and monitoring of States/DISCOMs under RDSS with respect to prequalification compliance and trajectory of targets mentioned in REF.

2.4. The framework adopted in this SOP is necessary for true and full compliance of each of the parameters with respect to prequalification of RDSS along with defined responsibilities of relevant stakeholder.

2.5. The Standard Operating Procedures (SOPs) sets down the process that shall be followed by all States/UTs for accessing funds under the RDSS or any other scheme of the Ministries of Power and NRE or any loans from PFC and REC.

3. Standard Operating Procedures (SOPs)

3.1. *100% timely payment of Subsidy with correct subsidy accounting mechanism*

Comprehensive and accurate subsidy accounting systems are critical for a sustainable power distribution sector. Proper measurement of energy flow to various voltage levels would allow determination of revenue leakages as well as help in proper accounting of subsidies. States/DISCOMs shall follow following steps to enable proper energy and subsidy accounting:

<u>3.1.1 Tariff determination and Subsidy declaration</u>

i. DISCOM(s) to mandatorily file Tariff Petition for the next financial year along with true-up petition of the penultimate year within prescribed timelines so that the Tariff Order is implemented with effect from beginning of the next financial year

ii. Tariff petitions to mandatorily ask SERC to determine tariff on full cost basis without considering any tariff subsidy from the State Government. If required, the State may issue directions under Section 108 of the Electricity Act to the concerned SERC/JERC to implement such a system w.e.f. FY 2022-23. States, where tariff orders have been issued for the year FY 2022-23 without full cost tariff, shall ensure that revised tariff petition is filed immediately.

iii. State Government to declare tariff subsidy, as it deems appropriate for each of such consumer categories separately on per unit basis for energy charges and/or per kW basis (only applicable for fixed charges subsidy envisaged, if any)as per Format 1 enclosed in Annexure-I.

3.1.2. Measurement of energy supplied to Subsidized categories

iv. No electricity connection should be released without metering as per extant law and accordingly assessment of energy supplied to subsidized category of consumers to be computed on measured energy through proper metering only. In case of agriculture category, where consumer level metering has not been adopted, energy may be measured at DT level through proper metering of DTs.

v. In case of dedicated agriculture feeder supplying energy to agricultural consumers, energy measured at feeder level through proper metering shall be considered. [The consumption reflected in feeders shall be adjusted for normative T&D losses as determined by SERC for determination of subsidy.]

vi. For mixed feeder, till such time feeders are segregated, total energy shall be measured at feeder level and energy consumed by non–agricultural consumers shall be deducted to arrive at energy consumption of agricultural consumers. [The consumption shall be adjusted for normative T&D losses as determined by SERC for determination of subsidy.]

vii. In no case, shall the assessment of energy on the basis of contracted load, per HP basis, flat tariff, lumpsum or any other such parameter be considered for computing energy supplied to subsidized consumers for assessment of subsidy amount.

viii. Further, all DISCOMs shall migrate from flat rate billing to energy per unit rate billing for consumers other than agricultural category, within a period of six months from the date of issue of this SOP.

3.1.3. Subsidy billing and collection by DISCOMs

ix. DISCOMs to assess consumer category-wise tariff subsidy to be provided by the State Government in advance based on the sales forecast and per unit subsidy rates announced by the State Government.

x. DISCOMs to share the quarterly subsidy disbursal plan with the State Government and intimate the State Government to release the subsidy amount in advance for each quarter.

xi. State Government to release the assessed subsidy amount in advance to DISCOM(s) for every quarter within the first 15 days of the quarter.

xii. At the end of every quarter, DISCOM(s) to compute actual subsidy due based on energy supplied to separately for each subsidized category of consumers (assessed on the basis of actual measurements- through energy meters) and per unit subsidy applicable to respective category of consumers as declared by State Governments as per clause 3.1.1 and 3.1.2 and provide accounts to the State Government about the subsidy disbursed and balance with it.

xiii. Till all the subsidized consumers are metered as per clause 3.1.2.for unmetered flat rate based subsidized consumption, DISCOMs to assess subsidy requirement with the following formula:

*Subsidy amount = [(Full cost tariff determined by the SERC/JERC * measured energy consumption as per clause 3.1.2) – (no. of unmetered flat rate based subsidized consumers * flat rate tariff)]*

xiv. DISCOM(s) to raise bill of subsidy due to Finance Department of State Government on quarterly basis net of advanced subsidy paid for the quarter with a copy to the concerned SERC/JERC and Nodal Agencies. This exercise shall be complete along with necessary billing and collection details within 60 days of end of the relevant quarter.

xv. Finance department to ensure the balance payment of reconciled subsidy of the last quarter within 15 days of receipt of the subsidy bill from the DISCOM for the last quarter. The advance subsidy payment of the next quarter shall be paid as per clause3.1.3 (xii) and it shall not be linked with the settlement of the subsidy bill of the previous quarter (refer Format 2ofAnnexure-I).

xvi. DISCOM(s) to mention both per unit full cost tariff and subsidy provided by the State Government on the consumer bills.

xvii. On completion of installation of 100% smart prepaid metering as per RDSS timelines, State/DISCOMs may aim to move from quarterly subsidy billing and reconciliation exercise from Quarterly to Monthly basis.

xviii. An annual reconciliation activity shall be carried out at the end of financial year by the DISCOMs and the State Finance Department for all the claims during the year, which shall be completed within a period of 2 months of the expiry of the relevant financial year.

3.1.4. Reporting related

xix. DISCOM(s) to submit complete subsidy accounting report as per the process mentioned in the clause 3.1.1, 3.1.2 and 3.1.3 to the respective Nodal Agencies within 60 days of end of each quarter

xx. DISCOM(s) to report the annual energy audit and periodic energy accounting and communicate the same to the Bureau of Energy efficiency and respective Nodal Agencies.

Illustration

Computation of Advance Subsidy (1st Quarter – April to June)

Sr. No.	Category	Forecasted Energy Supply (Kwh)	Subsidy Rate (Rs/Kwh)	Subsidy Amount (Rs.)
1	Domestic	3000	2	6000
2	Agriculture	6000	4	24000
3	Small Industries	1000	2	2000
	Total	10000		32000

DISCOMs to raise the advance subsidy bill to State finance department by 31st of March as per above illustration. State Government to release the advance subsidy by 15th of April.

At the end of quarter, DISCOM to raise subsidy bill for the quarter based on actual energy supplied to the subsidized consumers as per following illustration.

Computation of Quarterly Subsidy as per actual energy supplied

Sr. No.	Category	Energy Supplied (Kwh)	Subsidy Rate (Rs,/Kwh)	Subsidy Amount (Rs.)
1	Domestic	2800	2	5600
2	Agriculture	6500	4	26000
3	Small Industries	1000	2	2000
4	Total	10000		33600
5	Advance Received			32000
6	Net Amount of Payable Subsidy (4-5)			1600

DISCOM has to raise the net subsidy bill of Rs1600 to state finance department by 31st July. State Government to pay the balance subsidy amount by 15th August.

3.2. *Linkage of no. of days Payables for power purchase with LPS Rules*

Delay in payment to power generating companies by the DISCOMs creates major bottleneck in the entire value chain which leads to situations like fuel shortage, power shortage, working capital challenges and load shedding. RDSS mandates to liquidate all the Genco Over Dues by the DISCOMs and in this regard following SOP to be followed:

i. Revamped Distribution Sector Scheme (RDSS) has a parameter under the Pre-Qualification criteria to ensure timely payment of dues to the Creditors including Gencos wherein is a trajectory for “No. of days Payables to Creditors including Gencos”. With notification of Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, the already finalized trajectories shall automatically get replaced with the ones finalized under Electricity (Late Payment Surcharge and Related Matters) Rules, 2022.

ii. Nodal Agencies to get these changes reflected in the RDSS Results Evaluation Framework and sign supplementary agreements with the DISCOMs and States accordingly by 15th July 2022.

iii. States/ DISCOMs whose proposals are yet to be approved under the RDSS shall also align their trajectories in accordance with these rules.

iv. DISCOMs to make the payment of dues to a generating company or Transmission Company or a trading company as per the Electricity (Late Payment Surcharge and Related Matters) Rules 2022 issued by the Ministry of Power. Report in this regard to be submitted to Nodal Agency on regular basis as per Format 3 of Annexure-I.

v. DISCOMs to submit updated status of the Genco Dues as per the quarterly accounts (prepared by the DISCOMs as per prescribed formats under RDSS) to the respective Nodal Agencies within 60days of every quarter. This shall be reconciled with the information provided by Gencos on PRAAPTI Portal.

Note– The Central Government has notified the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 on 03rd June 2022. It is applicable to outstanding dues of generating companies, inter-state transmission licensees and electricity trading licensees.

*3.3. **Automatic pass through of fuel adjustment cost to achieve financial sustainability through elimination of ACS-ARR gap***

One of the main reasons for financial stress for DISCOMs is the widening ACS-ARR gap. There are multiple reasons which contribute to such a gap. However, States/Regulators/DISCOMs have to work in tandem to bridge this gap and bring it to zero. This is one of the most critical evaluation criteria of RDSS. Amongst other, measures to be adopted by States/DISCOMs for elimination of ACS-ARR gap, following steps need to be taken:

i. All States/DISCOMs to create a mechanism for automatic pass through of fuel cost adjustment on monthly/quarterly basis in retail tariffs without the need for any prior approval
ii. All such changes shall be reconciled at the true-up stage by the DISCOMs
iii. DISCOMs to ensure that the ACS-ARR gap follows a downwards trajectory on quarter-to-quarter basis and it must not increase again after meeting the target set under REF of RDSS

3.4. ***No new creation of regulatory assets and treatment of outstanding regulatory assets***

Uncovered revenue gap recognized by the State Regulatory Commission but not considered for tariff determination to avoid revision in retail tariff creates liquidity issues for DISCOMs. Creation of the so-called absolutely undesirable regulatory assets is one of the factors for widening ACS-ARR gap which subsequently impacts the financial sustainability of the DISCOMs. It is paramount to address issues related to regulatory assets to achieve financial viability of DISCOMs and is one of the focus areas of RDSS scheme. In fact, there is no provision for anything like Regulatory Assets in law and therefore creation of any such assets shall not be permissible. In this regard, following SOP to be followed:

i. States/DISCOMs to ensure any regulatory assets/uncovered revenue gap created in the past are liquidated in seven years in accordance with the Tariff policy by Ministry of Power dated 28th January 2016
ii. States/DISCOMs to ensure that no new Regulatory Assets/uncovered revenue gaps are created in future as per the Tariff Policy
iii. States/DISCOMs, which are part of RDSS, to include liquidation of existing regulatory assets/uncovered revenue gap under financial sustainability category with adequate weightage in the Result Evaluation Framework.
iv. States/DISCOMs, which are not part of RDSS, to outline a road map for liquidation of regulatory asset and convey to Ministry of Power.
v. DISCOMs to submit implementation status of liquidation of Regulatory Asset annually to Nodal Agencies and Ministry of Power as per Format 4 in Annexure-I.

*3.5. **Mechanism for 100% payment of Government department dues***

Pending Government department dues which also include dues of Urban and Rural local bodies has become one of the major reasons of the financial distress of the DISCOMs. This forces the DISCOMs to seek incremental working capital loans(beyond what is admissible by SERC's) to manage their cash-flows for meeting their payment obligations and creates a vicious cycle of debt and cash-flow management. RDSS focuses on liquidation of Government department dues in a timely manner. Following SOPs to be followed:

i. All the Government Departments should be put on pre-paid metering in the first phase of the smart metering program as committed in the REF of RDSS
ii. DISCOM(s) to ensure that total electricity consumption details are recorded for all Urban Local Bodies (ULBs) and Rural Local Bodies (RLBs) as per the energy meters and periodic electricity bills are raised to respective ULBs and RLBs.
iii. States/DISCOMs to ensure that a centralized system/mechanism at State/ DISCOM level is established for payment of electricity bills of Government

departments including ULBs & RLBs till the time prepaid meters are installed in all Government departments.

iv. In case of non-payment within 30 days of bills being raised by the DISCOMs, DISCOMs shall raise the cumulative electricity dues of all ULBs and RLBs to the Finance Department of the State.

v. Finance Department should make the payment to the DISCOM(s) within 30 days of raising the consolidated bill duly adjusting the same against the devolution of grants to ULBs/RLBs.

vi. DISCOMs to submit monthly report on number of Government Department put on prepaid, status of dues of Government Departments including ULBs and RLBs to Nodal Agencies and Ministry of Power as per Format 5of Annexure-I.

4. Adoption and review

4.1. The SOP as mentioned above shall come into effect from the date of release. All States/DISCOMs shall submit adherence report on above SOPs to Nodal Agencies on periodic basis in the Formats attached in Annexure-I.

4.2. The SOP will be reviewed and amended if required, to reflect necessary updates and improvements.

4.3. DISCOMs have to ensure implementation of the above SOPs at the earliest to access funds under RDSS.

4.4. Nodal agencies shall be responsible for a strict follow-up and compliance of these SOPs.

Annexure 1

Format 1- Full cost tariff determined by SERC/JERC (Annual submission)

Consumer Category	Full cost tariff determined by SERC/JERC	Subsidy announced by the State Government
	(Rs/kWh)	(Rs/kWh or kW)
(1)	*(2)*	*(3)*
Category 1		
Category 2		
Category 3		
…		

Format 2 –Subsidy billing and collection(Quarterly submission)

Consumer Category	Per unit Subsidy declared by the State Government	Total Energy Forecasted	Total advance subsidy Amount raised to the State Government	Actual electricity supplied based on measurement through meters*	Actual subsidy required from the State Government	Difference in Advance and Actual subsidy	Reconciled subsidy bill raised to the State Government
	(Rs/kWh)	(MUs)	(Rs. Cr.)	(MUs)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
(1)	(2)	(3)	(4) = (2) * (3)	(5)	(6) = (2) * (5)	(7) = (6) – (4)	(8)
Category 1							
Category 2							
Category 3							
…							

*For unmetered flat rate subsidized consumption –> Subsidy amount = [(Full cost tariff * measured energy consumption as per clause 3.1.2) – (no. of consumers * flat tariff)]

Format 3: Payables for power purchase from GENCOs as per LPS Rules (Monthly submission)

GENCO Dues ->	Accumulated till Previous Month	No. of installments for clearing outstanding dues as per LPS Rules	EMI amount for clearing outstanding dues	Date of last EMI paid	Balance outstanding dues for which EMIs created at the end of Reporting Month	Bill raised by GENCO for Reporting Month	Payment made against bills for Reporting Month	Date of payment for Reporting Month
	Rs. Cr.	No.	Rs. Cr.	Date	Rs. Cr.	Rs. Cr.	Rs. Cr.	Date
GENCO 1								
GENCO 2								
GENCO 3								
…								

Format 4: Treatment of Regulatory assets (Annual submission)

Parameter	Unit	Accumulated as on 31st March of the previous financial Year
Outstanding RA/Uncovered Revenue gap	Rs. Cr.	
RA/Uncovered revenue gap liquidated	Rs. Cr.	
Balance RA/Uncovered revenue gap	Rs. Cr.	
RA/Uncovered revenue gap created (if any, however it is not allowed as per the guidelines)	Rs. Cr.	

Format 5: Payment of Government department dues (Monthly submission)

Parameter	Unit	Cumulative till Previous Month	Reporting Month[1] <MMM-YY>
Percentage of prepaid metering in Government departments	%		
Outstanding Government department dues	Rs. Cr.		
Total payment receivedfromGovernment department	Rs. Cr.	<payment against dues till previous month>	<payment against dues of reporting month>
Outstanding dues of all ULBs and RLBs	Rs. Cr.		
Total Payment received from ULBs and RLBs	Rs. Cr.	<payment against dues till previous month>	<payment against dues of reporting month>
Bills raised to the Finance Department of the State as mentioned in clause 3.5 (iv)	Rs. Cr.		
Payment received from Finance Department of the State against the bill raised	Rs. Cr.		

[1] Reporting Month or Year is the Month or Year for which the information is provided