

No. 23/22/2019-R&R (Part-5)
Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg,
New Delhi, 15th November, 2019

To

1. Secretary, CERC/FOR, New Delhi
2. Secretaries of all SERCs/JERCs

Subject: Reduction in cost of power due to Pre Payment in entire value chain of Power Sector.

Sir/ Madam,

I am directed to convey that the Pre-Payment / Advance Payment mode for power purchase by the Consumers or Distribution companies is already in place.

2. In this regard, Ministry of Power has issued an order on 28.06.2019 regarding Opening and Maintaining of adequate Letter of Credit (LC) as Payment Security Mechanism under Power Purchase Agreement by Distribution Licensee. The Order has got effective and implemented from 1st August, 2019. As per the above Order, power shall be scheduled for despatch only after it has been intimated by the Generating Company and /Distribution Companies that a Letter of Credit for the desired quantum of power has been opened. Further the Corrigendum dated 17.07.2019 to the Order dated 28.6.2019 states that in case of difficulty in opening of LC, Distribution Company may pay in advance through electronic mode the amount equal to the amount corresponding to atleast one day purchases of electricity and inform the same to the respective LDC. In such case also Load Despatch Centre shall schedule the power to the Distribution Company.

3. It has been observed that in case of advance payment even for a day by the Distribution company to generating company and transmission company or by the consumer to the distribution company, there may be either no requirement or reduced requirement of working capital by generating company or transmission company or Distribution company (in case of prepayment by the consumers). The present system of rebate in case of timely payment does not fully compensate against the reduced requirement of working capital. As per the discussions held in the recently held Power Ministers Conference during 11th-12th October, 2019 in Gujarat, this was discussed and decided that:

- i) Appropriate Commission may preferably determine the reduction of Generation Tariff/Transmission Tariff in case of full or part advance payments made by the Discoms/ Procurers to the Generating Stations or Transmission Company. Similarly the retail tariff for the consumers should also be reduced to this extent. Thus, the norms for determination of tariff may be revised accordingly.

- ii) An appropriate rebate mechanism may be developed by the Appropriate Commission in case of those Discoms who opt for making Advance payments as per the Order of Ministry of Power.
 - iii) Appropriate Commission may also provide such suitable rebate or reduction in generation tariff for the power purchased from competitively bid generating projects. In such cases the Supplier and Procurer can mutually agree for such mechanism.
4. Appropriate Commission is requested to take suitable necessary action in this regard. An action taken report (ATR) regarding it may be submitted to the Forum of Regulators (FOR). FOR Secretariat is requested to send the monthly ATR to this Ministry.
5. This issues with the approval of Hon'ble Minister of State (IC) for Power & NRE.

Yours faithfully



(Debranjana Chattopadhyay)
Under Secretary to the Government of India
Ph: 011-2373 0265

Copy to:

1. The Principal Secretary/Secretary (Power/Energy), State Governments/UTs
2. All Distribution Companies
3. All Generating Companies
4. Chairperson, CEA, Sewa Bhawan, RK Puram, New Delhi

Copy also for information to:

1. PS to MOS (I/C) for Power and NRE
2. Sr. PPS to Secretary (Power), Sr.PPS to CE(RR), PS to Dir(R&R)