

**Policy for providing Financial Assistance to DISCOMs for clearance of Outstanding Dues under Late Payment Surcharge (LPS) Rules, 2022**

**A. Objective**

To provide Financial Assistance to State DISCOMs for clearance of Outstanding Dues of Generating Companies, Inter-state Transmission Licensees and Electricity Trading Licensees (Suppliers) under LPS Rules.

**B. Definitions**

- a) **LPS Rules-** The Electricity (Late Payment Surcharge and Related matters) rules, 2022 published by Govt. of India on 3<sup>rd</sup> June, 2022 or as modified from time to time.
- b) **Due Date** means the date by which the bill for the charges for power supplied by the generating company or electricity trading licensee or for the transmission service provided by a transmission licensee are to be paid, in accordance with the agreement, as the case may be, and if not specified in the agreement, forty-five days from the date of presentation of the bill by such generating company, electricity trading licensee or transmission licensee. Provided that if due date for payment of any invoice falls on a bank non-working day, the next bank working day shall be considered as due date for payment.
- c) The terms as defined in the 'LPS rules' shall also be applicable to this policy, to the extent the same are relevant.

**C. Eligible Entities/ Borrowers for Loan**

- a) State-Owned Distribution Companies/Combined Generation & Distribution Companies, Holding Companies/Companies having administrative control of DISCOMs/Companies buying power on behalf of DISCOMs /Power Departments.
- b) Borrower should not have any Over dues in the books of PFC.
- c) Availability of exposure as per PFC Policy.

**D. Extent of Financial Assistance**

The extent of funding shall be limited to total amount of outstanding dues of the borrower being rescheduled under the LPS rules, which should be in line with the borrower's communication to all the suppliers. The same shall be confirmed by the respective borrower.

**E. Security**

The borrower shall provide State Government Guarantee as security for the loan. PFC may also stipulate any additional security like budgetary allocation etc. on case to case basis. Further, for payment security, a Default Escrow Account to the satisfaction of PFC, shall necessarily be provided by the Borrower.

**F. Disbursement Mechanism**

- The Loan availability period shall be one month after the due date of the last EMI as per the Re-determined Payment Schedule (RPS) communicated by the borrower to the supplier in line with the provisions of the LPS Rules.
- The Disbursement shall be made directly to the Suppliers in line with the RPS. However, in case certain payments have already been made to the suppliers in line with the RPS before availing first disbursement from PFC, the same shall be reimbursed to the borrowers.
- At the time of first disbursement, the borrower shall submit the disbursement request along with the details of the Suppliers & their associated details of Bank account, and also outstanding dues and maximum number of installments along with due dates.
- PFC will make disbursements to all the suppliers on all the future due date so as to make payment in line with RPS as per disbursement procedure. After each disbursement, PFC shall inform the borrower about the disbursement details.

**G. Loan Period**

As per LPS rules payment to suppliers has to be made in 12 to 48 months. Hence the loan drawl period shall vary from 1 year to 4 years. There shall not be any repayment of loan during the drawl period, i.e there will be a moratorium for principal repayments during the drawl period. The repayment shall start from the first standard due date after the completion of the drawl period. The loan shall be repaid in a maximum of 120 equal monthly principal instalments.

**H. Prepayment of the Loan**

Prepayment premium as per the policy prevailing of PFC at the time of prepayment shall be applicable.

**I. F -Disbursement Condition**

- a) The borrower shall submit an undertaking that payment security mechanism will be in place for the clearance of dues of the suppliers in line with the LPS rules.
- b) The borrower shall submit an undertaking for timely clearance all the future dues of the suppliers covered under the loan facility.

**J. Miscellaneous Terms/procedures**

Additional prudential Norms as advised by Ministry of Power and UDAY limits shall be applicable for this facility, unless they are specifically relaxed by Ministry of Power.

PFC may stipulate any additional condition w.r.t. this facility depending on the financial condition of the borrower and the quantum of loan requested under the facility.

Further, other procedures like loan documentation etc. and general terms and conditions shall be as applicable to State Sector borrowers.

**K. Interest Rate**

As notified by the Corporation from time to time.

**L. Delegation of Power**

CMD, on recommendations of all functional Directors, shall be the competent authority for sanction of all the loans under this policy.

CMD, on recommendation of all functional Directors, shall be the Competent Authority to approve any further clarification / interpretation regarding the scheme and also to approve internal operational guidelines, standard Terms and Conditions/Updation of existing policies, if required, for the purpose of giving effect to the provisions of 'Policy for providing Financial Assistance to DISCOMs for clearance of Outstanding Dues under LPS Rule', without changing the intent of the policy.



**Government of India**  
**Ministry of Power**  
**Shram Shakti Bhawan, Rafi Marg, New Delhi**  
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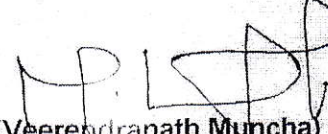
Dated: 7<sup>th</sup> July, 2022

To,

**ACS/Principal Secretary/ Secretary (Energy), All States and UTs**

The undersigned is directed to refer to the Electricity (Late Payment Surcharge and Related Matters) Files, 2022 vide notification dated 03.06.2022, and to state that in order to allow the DISCOMs to clear their legacy and current dues in line with the provisions of these Rules through appropriate debt mechanisms through REC/PFC and/or other Banks/FIs, the following dispensations /clarifications are given by the Ministry of Power:

- i. For DISCOMs that agree to clear their dues (legacy and current) in line with the provisions of these Rules, the Additional Prudential Norms stipulated vide this Ministry's letters dated 4<sup>th</sup> September, 2021 and 22<sup>nd</sup> September, 2021 shall not be applicable from the time they furnish their communication to their creditors in terms of Section 5 (2) of the subject Rules. The Additional Prudential norms shall however kick in for the DISCOMs as soon as there is any kind of default in the actual payments made as per the commitments made under these Rules.
  - ii. Since UDAY scheme has drawn to a close, the Working Capital Limits of 25% of the last years revenue in respect to Distribution Utilities would no more be applicable and Banks/FIs shall take their own decisions in respect to the funding to the DISCOMs as per their extant prudential norms.
2. This issues with the approval of Hon'ble Union Minister of Power and NRE.

  
(Veerendranath Muncha)  
Dy. Director (UR&SI-II)

Copy to:

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