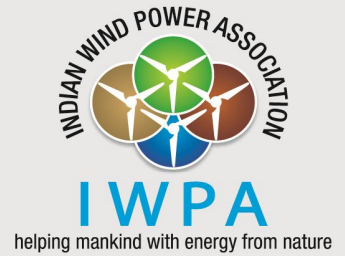


June 26, 2019

IWPA Circular No. 294 of 2019



Circular to all members of IWPA

Dear Member

Sub: New norms for discoms to secure payment to gencos announces PRE Paid System for Prompt Payment - Electricity Minister Shri.R.K.Singh

NEW DELHI: Distribution companies (discoms) will no longer be able to get away without paying for the power they procure for supplying to consumers. The power ministry is ushering in a payment security mechanism on the principles of the pre-paid system to ensure prompt payment to generation companies (gencos).

This is part of structural changes being implemented by power minister R K Singh to address issues facing the sector and attract investments needed for improving quality of life with reliable and sustainable electricity supply.

"We have to find lasting solutions (to issues). How long can this system carry on where we have to remonetise discoms, only for them to be back to square one a few years later. The new mechanism will force discoms to improve billing and collection as well as overall efficiency," power minister R K Singh told TOI.

A mounting pile of gencos' unpaid bills has caused financial stress to many power projects, forcing some even to the brink of bankruptcy. The ministry's PRAAPTI portal pegs generators' total outstanding amount at Rs 35,845 crore at the end of April.

Under the new mechanism, discoms will have to furnish LCs (letters of credit) to 'load despatch centres' before power from generation companies is allowed to flow to states. The despatch centres will limit the flow of power to the quantum covered by the LCs provided.

Load despatch centres are nodal control points – akin to large railway junctions – that function at the national, regional and state levels to facilitate smooth and safe flow of power within and across states.

Indian Wind Power Association

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The ministry is expected to issue an order for the new mechanism within a week. The order is building upon the provision of LCs that exist in power purchase agreements but are followed erratically or not at all. The ministry order will empower the despatchcentres to follow the PPA provision and cut supply.

“States must pay for power for sustainable supply. Under the new system, if they don't pay then supply will be cut off and there will be blackout which will have political cost as it makes people unhappy as the country is power surplus. There will be financial cost as well as we are going to put in place a legal framework to punish discoms for willful blackouts,” Singh said

Thanking you in anticipation,

With best wishes and regards,
For Indian Wind Power Association,

Prof. Dr.K.Kasthurirangaian
Chairman

Courtesy: Times of India Dated 22nd June 2019

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