



SOLAR POWER DEVELOPERS ASSOCIATION

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March 22, 2021

Sub: Request to restrict access of Discoms to the open market due to non-compliance of MoP order dated 22nd Feb 2021 in relation to outstanding dues along with Late Payment Surcharge for Solar Power Producers.

Dear Shri Alok Kumar,

Greetings from Solar Power Developer Association.

At the outset we would like to thank the Ministry of Power (MoP) for all its support and responsiveness to the renewable energy (RE) sector, enabling us to effectively deal with the impact of coronavirus (COVID-19) pandemic over for the past year. As a result of the government's support, the renewable energy (RE) sector is now slowly moving towards a path of recovery. The renewable energy industry also appreciates the support extended by the Government of India throughout the pandemic by announcing various schemes, such as the Atmanirbhar Bharat ₹90,000 crore relief package to help reduce liquidity pressure on state electricity distribution companies (Discoms) so that they could make the outstanding payments which they owed to the RE power producers.

However, despite the efforts made by the Central Government, we would like to highlight that RE producers still have not received large sums of payments from Discoms, some of which have been pending since Aug 2018. According to the data available and released by MoP, Discoms owed ₹122.49 billion (~\$1.65 billion) to renewable energy generators in overdue payments around 384 pending invoices at the end of January 2021.

This recurrent issue of non-payment of outstanding dues by the DISCOMs have adversely impacted cash flow for RE generating companies, especially during these challenging times where there is a liquidity crunch in the market. This has inadvertently caused delays in the development of under-construction projects and has put an immense financial burden on RE generators to ensure smooth operation & maintenance activities of existing plants. If the current situation prevails, many of the RE power producers will go down the distress path and become non-performing assets (NPAs). This will not only impact the development of RE projects but also slowdown the growth and future investments into the Indian RE sector.

In this context, we would like to bring to your notice that various state discoms owe many of our members, who are independent power producers, specifically solar power generators, an amount exceeding INR 224.3Cr in outstanding dues for electricity supplied from Aug 2018 to Feb 2021. The table enclosed in Annexure I highlights the payments due by various State discoms to RE generators.

It is also pertinent to mention, that despite multiple requests and persuasion by our member companies, many State Discoms have also not availed the liquidity relief scheme of the Central Government, despite having overdue payment. Such delays in payment by discoms to solar generators are resulting in enhanced stress to RE investors.

In view of the above-mentioned points and to reduce the liquidity crunch faced by solar power producers, we would like to humbly request your good offices to direct discoms to expedite the release of outstanding dues owed to solar IPPs. In addition to this, we would also like to request the Ministry to also direct the State Discoms to also pay the Late Payment Surcharge (LPS) amount due to solar generators along with the outstanding payments.

There is a consensus, that Discoms need to be made accountable for their persistent delays in payments to power producers as it has been detrimental to the growth of the solar sector. Given that default in payments by State Discoms is a recurring issue and needs to be resolved withutmost urgency, we would like to commend the MoP for issuing the Notification on Electricity (Late Payment Surcharge) Rules, 2021 (vide Reference No. 1) issued on 22nd February.

However, our members would like to request your good offices to advise respective RLDCs that they implement the said order (because of the overdue payments as illustrated in Annexure I) and disallow Discoms to procure any power from any exchange market and disapprove grant of short-term open access in case of default of any payment including LPS outstanding against an energy bill after the expiry of 7 (seven) months from the due date as stated in the Clause 4 of the MoP notification. The operative portion of the said order is reproduced below for your reference:

“Clause 4. Late Payment Surcharge:- (1) Late Payment Surcharge shall be payable on the payment outstanding after the due date at the base rate of Late Payment Surcharge applicable for the period for the first month of default.

(2) The rate of Late Payment Surcharge for the successive months of default shall increase by 0.5 percent for every month of delay provided that the Late Payment Surcharge shall not be more than 3 percent higher than the base rate at any time:

Provided that the rate at which Late Payment Surcharge shall be payable shall not be higher than the rate specified in the agreement for purchase or transmission of power, if any:

Provided further that, if a distribution licensee has any payment including Late Payment Surcharge outstanding against a bill after the expiry of seven months from the due date of the bill, it shall be debarred from procuring power from a power exchange or grant of short-term open access till such bill is paid.”

Our members believe a quick implementation of the request by the state governments will be a fair decision made on the part of solar power producers to whom timely payments need to be made for the electricity they supply to State Discoms as per terms of signed PPAs between the two entities.

We hope you will accept our request favorably and we will be happy to provide you with any further details in this regard, as may be required.

Thanking you.

Encl As Stated

With warm regards

Yours Sincerely,



Shekhar Dutt

**To,
Shri Alok Kumar
Secretary
Ministry of Power
Shram Shakti Bhawan, New Delhi**