

## 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 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 REC.
- c) Availability of exposure as per REC Policy.

### **D. Extent of Financial Assistance**

The extent of funding shall be limited to the total amount of outstanding dues of the borrower being rescheduled under the LPS rules i.e., as per the borrower's communication to the suppliers, as the case may be, the outstanding dues and number of instalments. The same shall be confirmed by the respective borrower.

### **E. Security**

The borrower shall provide State Government Guarantee as security for the loan. REC 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 REC, shall necessarily be provided by the Borrower.

### **F. Disbursement Mechanism**

- As per LPS rules payment to suppliers has to be made in 12 to 48 months. 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(s) 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 REC, 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 instalments along with due dates.
- REC will make disbursements to all the suppliers on all the future due dates so as to make payment in line with RPS. After each disbursement, REC shall inform the borrower about the disbursement details.

#### G. Repayment

**Principal:** There will be a moratorium period till loan availability period for principal repayment only and the principal repayment shall start from the succeeding month after the end of the month of Loan availability period. The principal repayment shall be made on 1<sup>st</sup> day of every calendar month. The loan shall be repaid in a maximum of 120 equal monthly principal instalments after the end of moratorium period.

**Interest:** There shall be no moratorium period for interest and other charges (if any). The interest shall be paid on 1<sup>st</sup> day of every calendar month as per REC's policy.

#### H. Prepayment of the Loan

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

#### I. Pre-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 current dues of the suppliers covered under the loan facility.

#### J. Miscellaneous Terms/procedures

Additional prudential Norms as advised by Ministry of Power shall not be applicable with effect from the communication to the Suppliers by the Borrower in line with LPS Rules 2022. However, Additional prudential norms will be applicable in case of any default by the Borrower in actual payments as committed under LPS Rules 2022. Further, UDAY limits shall not be applicable for this facility.

REC may stipulate any additional condition with respect to this loan 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 REC from time to time as per REC's policy.

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