

# IMPACTS OF COVID-19 ON THE ELECTRICITY SECTOR: HOW CAN STATES MAKE THE MOST OF THE STIMULUS ON OFFER?

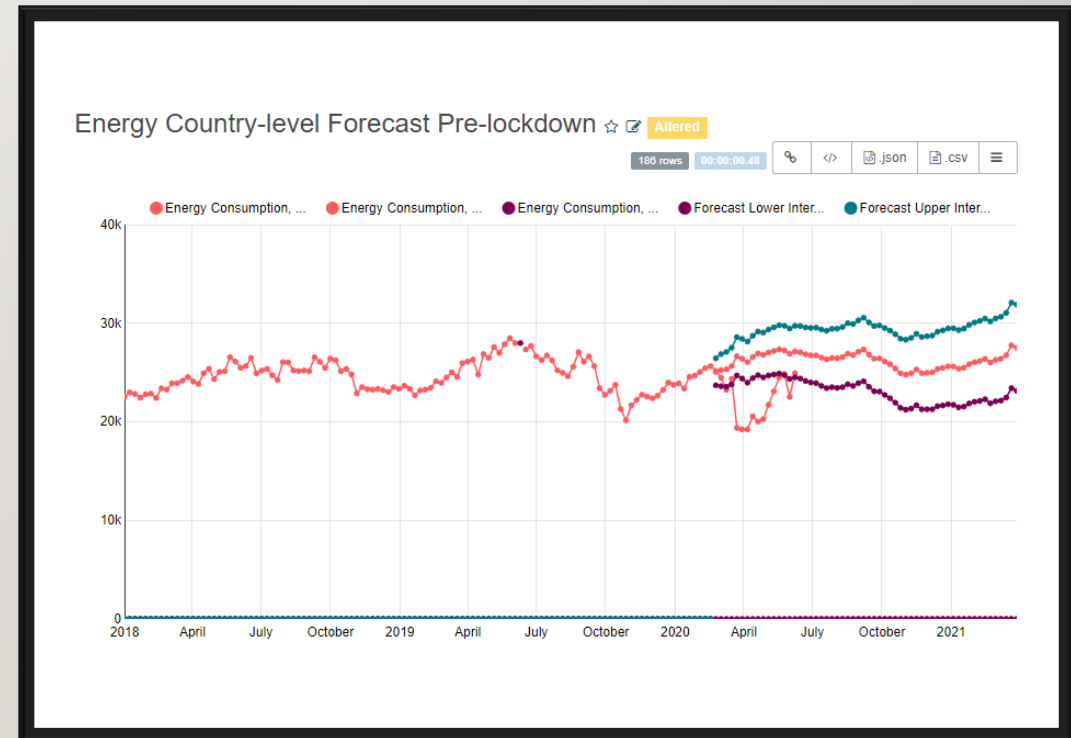
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CEEW – IISD VIRTUAL ROUNDTABLE  
30 JUNE 2020



# COVID-19 IMPACTS ON DISCOMS

- Overall fall in power demand
- Significant drop in revenue realization
- Government measures to support consumers through COVID-19 further affects recovery
- Several states unwilling to provide further guarantees on loans to service outstanding payments to generators



Source: CEEW analysis

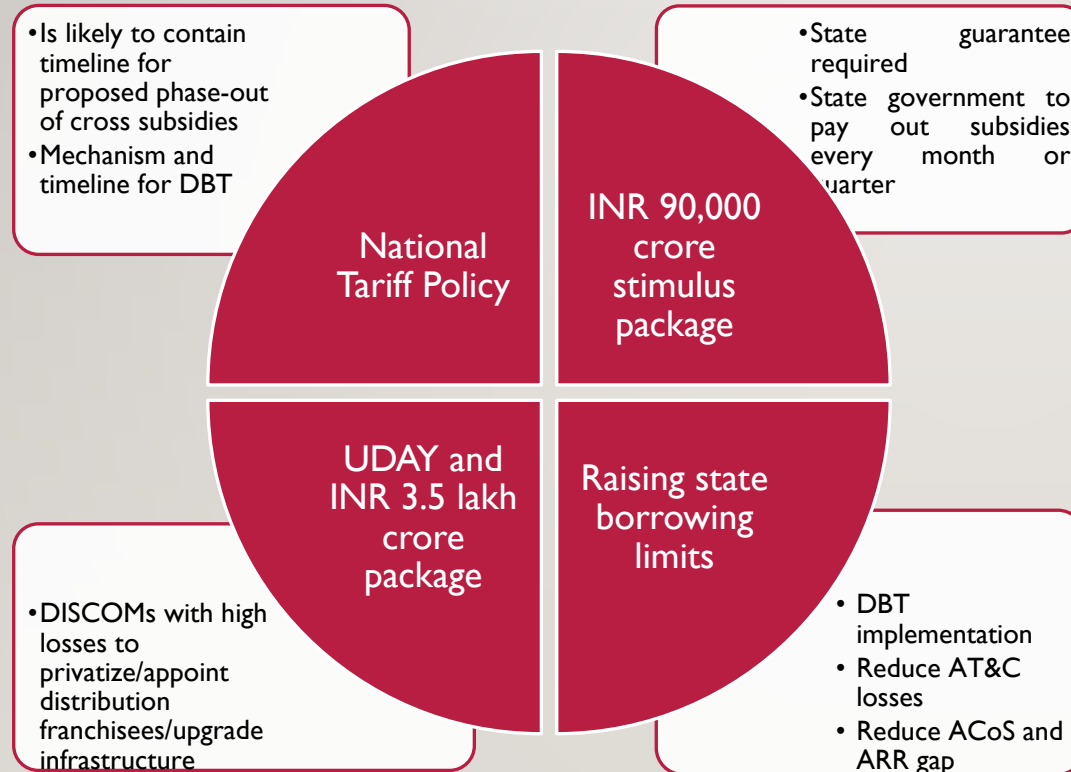
# IMPACTS ON THERMAL POWER PRODUCERS AND RENEWABLE ENERGY PRODUCERS

TPPs		REPs	
Impacts	Policy Responses	Impacts	Policy Responses
Fall in demand accommodated by backing down thermal power	Moratorium on loan payments; deferred payment options to CIL; mandated payment of fixed charges	Delayed payments from DISCOMs	1. No force majeure relief for payouts from DISCOMs 2. Must-run status reinforced
Delayed payouts from DISCOMs resulting in subsequent defaults	DISCOM bailout package	Delays in achieving completion dates – sourcing issues	Extension of completion dates provided
Coal producers suffering significant losses owing to falling demand	TPPs encouraged to take on domestic supply; supply contract terms enhanced	Low tariff projects under construction have become unviable due to repeated delays	No proposed measure yet

Source: IISD COVID-19 India Tracker

A global COVID-19 energy policy tracker set up by IISD, IGES, OCI, ODI, SEI and Columbia University is set to release on July 15.

# ANNOUNCED AND PROPOSED RECOVERY MEASURES FOR DISCOMS



- As of April 2020, INR 110,835 crore is the amount overdue.
- Most overdues: AP, Karnataka, Rajasthan, Telangana, TN and UP.
- Reported average AT&C losses across DISCOMs: 19.08%.
- 23 DISCOMs have reported AT&C losses above the 15% limit, of these, 18 report above 20% and 10 above 30%.
- Reported average ACoS-ARR gap across DISCOMs: INR 0.41/ unit.
- 29 DISCOMs report an ACS-ARR gap, with 8 reporting gaps of above INR 1 per unit.

As per data available on PRAPTI website and the UDAY dashboard on the Ministry of Power website

# DISCUSSION TOPICS

## **A deep dive into the effectiveness of the announced and proposed stimuli and policy on offer**

- *Risk allocation trends in the COVID-19 scenario*
- *Electricity sector reforms and state government borrowing*
- *How accessible and useful are the bailout loans?*
- *Passing on of added costs to consumers*
- *Impact of proposed reduction of tariff on DISCOM finances*

## **What self-help measures can DISCOMs adopt in the near term to navigate their way out of this situation?**

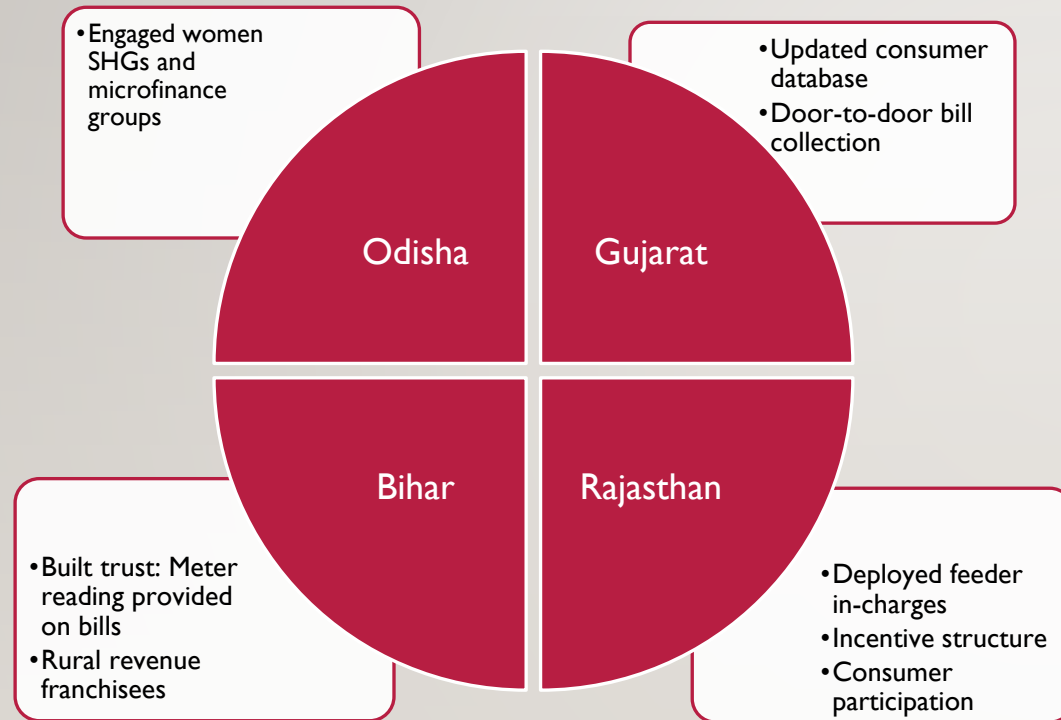
- *How will the NTP affect DISCOM finances?*
- *Optimization of the power procurement cost bucket*
- *Cost-reflective tariffs and tariff structures*
- *DISCOM billing and collection measures during COVID-19*



# PFC – REC LOAN TERMS

- Loan based on receivables from government departments in the form of electricity bill dues and undisbursed subsidy amounts. Payment to be released directly to GENCOs and TRANSCO to clear their outstanding dues as on March 31, 2020.
- **Loan Period:** 10 years, including moratorium period, which shall not exceed 3 years.
- **Interest Rate:** PFC's cost of funds plus margin and shall be at same level for all DISCOMs; 0.25% additional interest in case of failure to comply with certain conditions.
- **Pre-commitment conditions:** (i) Enable digital payment of electricity bills and self assessment by customers; (ii) install smart meters in government departments; (iii) submit report regarding outstanding dues from state departments; (iv) state governments to ensure payment of subsidies every month/quarter.
- **Tranche II Pre-disbursement conditions:** Plan to bring down AT&C losses and ACS-ARR gap over 3-4 years.

# SUMMARY OF BEST BILLING AND COLLECTION PRACTICES ADOPTED BY FEW DISCOMS



Source: Stakeholder discussion under CEEW EA dialogue June 2020

DISCOMs need to build a robust B & C system—a situation like COVID-19 will exacerbate losses.

Addressing the systemic gaps in B & C systems:

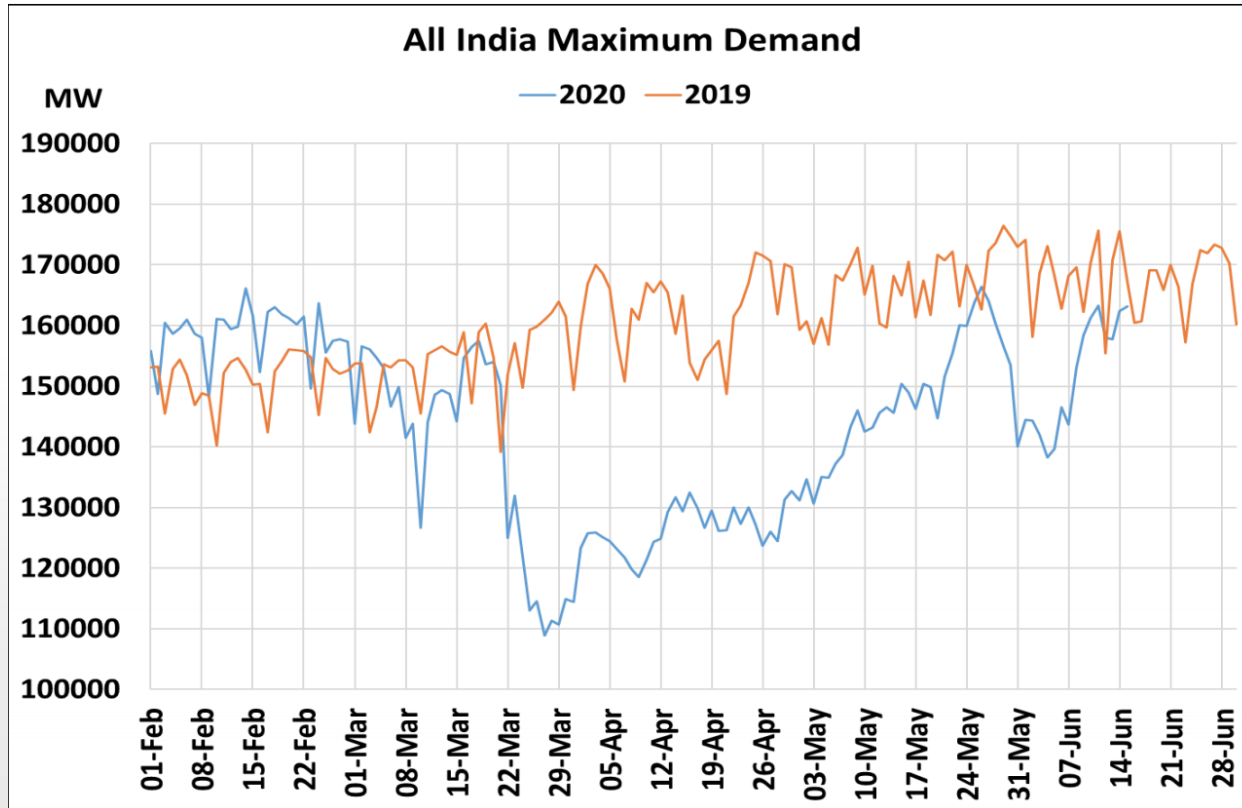
- Building a dynamic consumers database for efficient bill delivery
- Stringent MU based billing
- Rural franchisees – wallet-based collection
- Stringent monitoring and micro-management – Identifying feeder in-charges on high loss-making feeders
- Ownership – Consumer participation in supply management, reporting of billing errors, and reduction in theft

# APPENDIX

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**LOCKDOWN  
DEMAND VIS-  
À-VIS 2019**

Source: POSOCO

# COVID-19 IMPACTS ON TPPS

Impacts	Demands	Government Responses
Further delays in receipt of payment from DISCOMs	Moratorium of six months and facilitate low-interest lending <b>Status: Allowed</b>	Confirmation of must-run status for renewable energy power
Instruction to lower power supply	Reduction in coal price <b>Status: Under Consideration</b>	Enabling commercial mining
Inability to stockpile additional coal supplies	Deferment of payment to coal suppliers <b>Status: Allowed</b>	DISCOM bailout package to facilitate payouts to power producers
Confusion regarding payment of fixed charges leads to closure of some TPPs	Direct payout to power producers from DISCOM bailout package <b>Status: Allowed</b>	Instructions to CPSEs to provide rebates on payment of fixed charges

Source: COVID-19 India Tracker

# COVID-19 IMPACTS ON RE PRODUCERS

Impacts	Demands	Government Responses
Uncertainty regarding impact of fall in demand	Prevent DISCOMs from enforcing force majeure under offtake contracts <b>Status:Allowed</b>	Confirmation of must-run status for renewable energy power
Delays in achievement of completion date	Extension of completion date <b>Status:Allowed</b>	Force majeure enforced for completion date
Difficulties in sourcing materials due to import restrictions	Moratorium of six months and facilitation of low-interest lending <b>Status:Allowed</b>	Stimulus focus of MSMEs may spur domestic manufacturing

Source: COVID-19 India Tracker

# COVID-19 IMPACTS ON DISCOMS

Impacts	Demands	Government Responses
Delays in bill recovery from consumers	Moratorium for payouts to power producers <b>Status: Allowed</b>	DISCOM bailout INR 90,000 crore – second stimulus package
Some states have stopped release of power subsidies	Waiver of fixed charge component for unused power <b>Status: Rebate allowed</b>	Reduction of late payment surcharge
RPO and must-run status compliance – higher power cost	Renewable energy power at weighted average cost <b>Status: Disallowed</b>	Deferment of RPO compliance for FY 2019/20 in certain states
Sources of receivables dwindling, payables mounting	Rebate/reduction of ISTS charges <b>Status: Allowed</b>	Reforms in bill payment mechanisms

Source: COVID-19 India Tracker



# COVID-19 IMPACTS ON CONSUMERS

Impacts	Demands	Government Responses
Income sources have become uncertain	Delayed electricity payment options <b>Status: Allowed</b>	Payment infrastructure improvements; instructions against curtailment despite payment delays
Difficulties in making payments to DISCOMs	Fixed cost waiver for industrial consumers <b>Status: Allowed</b>	Tariff cuts in certain states, efforts to make coal production cheaper
Industrial consumers facing significant losses	Tariff cuts – cheaper sources of electricity <b>Status: Implementation proposed in some states</b>	Deferment of RPO obligations for industries (in some states)

Source: COVID-19 India Tracker