

**Procedure for**  
**Regulation of access under the Electricity**  
**(Late Payment Surcharge and related matters), Rules 2022**

**in**  
**compliance**  
**of**

**Ministry of Power, Government of India**  
**Electricity (Late Payment Surcharge and related matters)**  
**Rules 2022,**  
**notified on 3<sup>rd</sup> June 2022**

**National Load Despatch Centre**

**3<sup>rd</sup> August 2022**

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## 1. Outline and scope:

Ministry of Power has notified Electricity (Late Payment Surcharge and related matters) Rules 2022 on 3<sup>rd</sup> June 2022. As per Rule 7(5) of the notification, a detailed procedure is to be formulated by National Load Despatch Centre, to implement the regulation of access to defaulting entities.

All inter-state and intra-state generating stations (except State-owned generating stations), electricity trading licensee, transmission licensee, Distribution licensee or other user of Transmission system shall be covered under this procedure. The Payment Security Mechanism to be maintained for the State-owned Generating Stations may be as decided by the respective State Governments.

## 2. Section: A General Section: Applicable for both intra-state and inter-state generators

(a) Payment Security Mechanism (PSM) means letter of credit (LC) or letter of credit backed by Escrow account as per agreement.

Provided that advance payment shall constitute payment security if there are no outstanding dues.

The LC may be opened as per the terms under PPA. However, the Distribution Company may open LC for a shorter duration, say for supply corresponding to one week or fortnight. The same may be intimated to the respective LDCs and the generating company. In case, the LC is for a shorter duration, the LDCs shall schedule the power for corresponding period for which the LC has been provided.

Provided further that the payment security may be for a shorter duration in case of generating company, if there are no outstanding dues.

(b) Power will be scheduled for dispatch only after an intimation is given to the appropriate Load Despatch Center (LDC) that the Letter of Credit (LC) or Letter of Credit backed by Escrow Account as per the agreement for desired quantum of power w.r.t. the generating stations has been opened. The intimation shall also specify the period of supply. The said intimation will be given by the Distribution licensee or other user of transmission system and confirmed by Generation Company/Trading Licensee/Transmission Licensee. The intimation

would not be accepted unless confirmed by both the parties. In case distribution company does not intimate within 7 days, intimation given by the Generating company/Trading Licensee/Transmission Licensee would be taken as final.

(c) In case of difficulty in opening of LC, Distribution Company may pay in advance through electronic mode the amount equal to the amount corresponding to at least one day's purchases of electricity and inform the same to the respective LDC. In such a case also appropriate LDC shall schedule the power to the Distribution Company only if there are no outstanding dues. The quantum of power so scheduled shall be limited to the quantum for which the advance payment has been made.

(d) Generators, Transmission Licensees and Trading Licensees shall regularly update the billing and payment status (including EMI related details) made available by PRAAPTI. Defaulting entity is liable to be debarred for sale and purchase through Power Exchange(s) or grant of Short-Term Open Access (STOA) in case outstanding dues is more than two and half months overdue from the date of presentation of monthly bill as per the status made available by PRAAPTI.

Provided that the same shall also be curtailed on already approved short-term open access bilateral transaction.

(e) Defaulting entity is liable to be debarred for sale and purchase through Power Exchange(s) or grant of Short-Term Open Access (STOA) in case of default in the payment of instalments after the due date of the equated monthly instalment (first due date for EMI is 5<sup>th</sup> August 2022) as per the status made available by PRAAPTI.

Defaulting entity shall also be liable to be debarred for sale and purchase through Power Exchange(s) or grant of Short-Term Open Access (STOA) in case a Distribution licensee has not rescheduled the arrear amount as per Rule 5(5) and until such amount is fully paid along with Late Payment Surcharge.

In case of non-maintenance of adequate Payment Security Mechanism, the power supply from the generating station shall not be scheduled by the appropriate LDC to the concerned defaulting entity. During the period of default, the defaulting entity shall continue to be liable for the payment of fixed charges or capacity charges as applicable under the agreement.

The generating company, trading licensee, transmission licensee or distribution licensee or other user of transmission system shall inform the appropriate LDC as soon as Payment Security Mechanism has been put in place or advance payment has been made, provided that there are no outstanding dues. The power supply to the Distribution licensee or other user of transmission system, under LTA and MTOA for which Payment Security Mechanism has been put in place or advance payment has been made, provided that there are no outstanding dues, shall be restored at the earliest but not later than one day.

However, the concerned defaulting entity shall continue to be debarred from purchase and sale from Power Exchange(s) and grant of Short-Term Open Access (STOA) till such time the overdue including the surcharge amount is paid in full.

- (f) The provision under "Late Payment Surcharge and Related matters" Rules 2022 clause number 6(3) which reads as follows:

*"The supply of power shall only be made if an adequate payment security mechanism is maintained or in the absence thereof, advance payment is made:*

*Provided that in case the generating company supplies power without the Payment Security Mechanism or without advance payment, it shall lose the right to collect the late payment surcharge from the distribution licensee:*

*Provided further that in case of non-payment of outstanding dues by the default trigger date, the obligation of the generating company to supply power shall be reduced to Seventy-five per cent of the contracted power to distribution licensee and balance Twenty-five per cent of contracted power may be sold by the generating company through the Power Exchanges.*

*Provided also that if the distribution licensee does not establish Payment Security Mechanism or continues to default in payment of outstanding dues for a period of thirty days then the generating company shall be entitled to sell 100 per. cent of the contracted power through Power Exchanges."*

The above action shall be taken by the concerned generator and it shall inform in writing to the concerned procurer and to the concerned NLDC/RLDC/SLDC as the case may be.

- (g) If, even one month after the regulation of the short-term access or if the dues have remained unpaid for three and a half months, apart from the regulation of the short-term access in its entirety, including the applicable Late Payment Surcharge, the long (for a period of more than three years) and medium-term (for one to three year) access shall be regulated by Ten per cent.
- (h) Reduction or withdrawal of long-term access and medium-term open access shall be in such manner that the quantum of reduction in drawl schedule increases progressively by Ten percent for each month of default.
- (i) On payment of outstanding dues, along with Late Payment Surcharge the regulation of access under LPSC Rules 2022 shall end and the access shall be restored at the earliest, but not later than two days.
- (j) The NLDC, RLDCs and/or SLDCs under exceptional circumstances for grid security requirements, may temporarily review the regulation of access under the LPSC Rules 2022 and it shall record the reasons for doing so, in writing.
- (k) The generating station and the Distribution licensee or drawee entity shall adhere to the schedules and shall avoid deviations so as to ensure secure grid operation.
- (l) During this period of non-scheduling of power supply, the generating station shall continue to give scheduling related information as per the Grid Code every day on a day ahead basis.
- (m) It shall be ensured by the RLDCs/NLDC that such entity, during the period of non-scheduling of power on account of non-opening of LC or lack of advance payment, has no access to procure or sale power from the Power Exchange(s) and they shall not be granted Short Term Open Access (STOA).

### **3. Section B:** Information exchange with Payment Security Mechanism portal

- i. All the generating stations both Inter-State and Intra-State, except State owned generating stations, shall provide the status of LC or advance payment for purchase of electricity latest by 8 A.M. or as per timelines aligned with Indian Electricity Grid Code in the Payment Security Mechanism (PSM) Portal of NLDC every day on a day ahead basis.

- ii. Transmission Licensee and Trading Licensee shall inform NLDC about non-maintenance of Payment Security Mechanism or default in payment of equated monthly instalment or default in payment of outstanding dues by defaulting entity. A request for regulating power supply from identified generating station shall be submitted by the Transmission Licensee/Trading Licensee, 7 days in advance (from the date of proposed regulation) along with the identified generators.
- iii. In case of non-maintenance of payment security mechanism generating companies, electricity trading licensees and transmission licensees shall regulate power supply to the defaulting entity in accordance with these rules. In this regard, the concerned generator shall provide the information to NLDC/RLDC/SLDC regarding following action taken by it.
  - a. Payment default issue (either non-availability of LC or advance payment) has been taken up with the appropriate LDCs for non-scheduling.
  - b. Encashment of LC done or LC encashment process initiated as per PPA by the generator.

or

LC has not been opened or advance payment has not been done by the procurer, provided if there are no outstanding dues

  - c. Actions for third party sale have been initiated by the generator as per PPA, if any
- iv. The concerned intra-state/inter-state generator and electricity trading licensee shall be allowed to sell regulated power to power exchanges.

#### **4. Section C: For Inter-state generators**

By 8.30 A.M., RLDCs for inter-State shall publish a list of entities of their respective region along with details of corresponding quantum of regulated power in their website. On receipt of such information from Payment Security Mechanism Portal (of NLDC). RLDCs/SLDCs shall restrict the schedules of the concerned defaulting entity.

## **5. Section D: For Intra state generators**

- i. For intra-state generators, SLDCs shall validate the contracts entered by intra-State generators on Payment Security Mechanism portal of NLDC within 15 days of entry, failing which these will be taken as valid contracts and intra state generators shall be monitored for Payment Security Mechanism with a notification to respective SLDC in this regard.
- ii. By 8.30 A.M., lists of defaulting entities for intra-state generator shall be generated and it will be sent to respective SLDCs from the portal for non-scheduling by SLDCs.

## **6. Section E: Supply obligation of the generating company**

- i. In case a generating company fails to offer the contracted power as per the agreement to a distribution licensee or other user of transmission system and it sells the contracted power without taking consent from the distribution licensee or other user of transmission system, to any other party, except in case of power supply regulation under Section A of this procedure, then the said generating company, on a complaint to this effect by the distribution licensee or other user of transmission system/procurer to the load dispatch centre concerned, shall be debarred from participating in Power Exchanges and it shall also be debarred from participating on the Discovery of Efficient Electricity Pricing portal and it shall also be debarred from scheduling of any new short-term contracts only for the default quantum from that generating station for a period of three months from the date on which the default has been taken cognizance by the concerned load dispatch centre. Accordingly, the approach given below will be followed.
- ii. All Information received up to 17:30 Hrs of a day (D) shall be processed next day (D+1). If information is received from the procurer after 17:30 Hrs of a day (D), the same shall be consider as received on next day (D+1).
- iii. On receipt of the information as above in para (i), the concern RLDC shall examine the case by the next day (D+1) and inform the concerned Generator/Seller/ Trader seeking their response along with a copy to NLDC, procurer and concern RLDC/SLDC (generator/seller control area)/ Trader.



- iv. The Generator/Seller/ Trader, as the case may shall respond to the queries of RLDC within 1 day (D+2) of receipt of such information with a copy to the procurer.
- v. In case no response is received from the generator/seller/trader, the information received from the procurer shall be considered as final.
- vi. Based on the information received the concerned generator shall be debarred from participating in Power Exchanges. He shall be debarred from participating on the Discovery of Efficient Electricity Pricing portal and it shall be debarred from scheduling of any new short-term contracts from that generating station for a period of three months from the date on which the default has been taken cognizance (D+3) by the concerned load dispatch centre.
- vii. The period of debarment shall increase to six months in case of second default and it shall be one year for each successive default.
- viii. RLDC/SLDC shall maintain the details of debarred generator/seller under their respective jurisdiction.

## **7. Section F: Indemnifying Load Despatch Centres**

The concerned National Load Despatch Centre or Regional Load Despatch Centre or State Load Despatch Centre shall be indemnified against any consequences or liability, including the cost of litigation that arise on account of action taken under these rules by the concerned Distribution Licensee, Generating companies, Transmission Licensee and Trading Licensee.

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