GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1652
ANSWERED ON:25.07.2002
SECURITISATION OF OUTSTANDING DUES
ANANDRAO ADSUL

Will the Minister of POWER be pleased to state:

(a) whether the Governments of Andhra Pradesh and West Bengal have signed a tripartite agreement with the Union Government and Reserve Bank of India for the Securitisation of outstandings that their electricity boards owe to the central power utility- National Thermal Power Corporation;

(b) if so, the details thereof;

(c) whether any other States have also signed such an agreement with the Union Government and the Reserve Bank of India;

(d) if so, the details of the same; and

(e) the extent to which it is likely to be helpful to improve the power situation in these States?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRIMATI JAYAWANTI MEHTA)

(a) : On the basis of the recommendations of the Expert Group under the Chairmanship of Montek Singh Ahluwalia that was endorsed, with minor modifications, by the High Level Empowered Group of Chief Ministers under the Chairmanship of Deputy Chairman of the Planning Commission, Government of India approved the scheme of one-time settlement of outstanding dues on 17-04-2002 and on 20-05-2002 circulated a modified tripartite agreement (TPA) that is to be signed among the State Government, Government of India and the Reserve Bank of India. Government of Andhra Pradesh has signed the TPA. The Government of West Bengal had signed the TPA on 7th January, 2002 circulated earlier in July, 2001. This was returned with a request to sign the modified TPA, which was circulated to them on 20-05-2002 and the same is yet to be received from the Government of West Bengal.

(b) : The salient features of the one-time settlement scheme and the TPA are:
1. For the states participating in the scheme, 60% of the interest / surcharge on the delayed payments as on 30-09-2001 would be waived off.
2. The rest of the dues comprising the full principal amount as well as the remaining 40% of the interest / surcharge to be securitised through bonds issued by the respective State Governments.
3. The bonds will be issued through RBI at a tax-free interest rate of 8.5% per annum.The terms of bonds shall be structured to achieve a moratorium of 5 years on repayment of principal with the entire principal being repaid between the 6th and 15th year. These bonds shall be identical to the bonds issued in connection with the market borrowings of State Governments, with the attendant discipline in repayments. The bonds will be subject to lock-in restrictions that will allow release of only 10 per cent of the bonds in the secondary market each year.
4. For ensuring timely payment of current dues in future, defaults in current payment for power/fuel to attract a graded reduction in the supply of power from central power stations and in coal supplies. Payments that remain outstanding after 90 days from the date of billing shall be recovered, on behalf of the CPSUs, by the Ministry of Finance through adjustment against releases due to the respective State Government on account of plan assistance, States` share of Central taxes and any other grant or loan.

5. In order to initiate steps towards reform of the sector, the State Electricity Boards /State governments to accept reform-based performance milestones such as setting up of State Electricity Reforms Commission (SERC), metering of distribution feeders, improvement in revenue realisation specified in the Memorandum of Understanding

(MOU) signed / to be signed with the Ministry of Power.

6. The States to be offered incentives for complying with the scheme. If SEBs do not default on their current dues and adhere to the performance milestones, CPSUs would pay them, bi-annual cash incentives equal to 3% of the value of bonds in the first year, 2.5% in the second year and 2% in the third and fourth years (total incentive of 19% for four years). Further, if SEBs open and maintain Letters of Credit (LCs),CPSUs would pay them a one-time cash incentive equal to 2% of the value of bonds.In addition, States undertaking reforms would also be assisted through the Accelerated Power Development and Reform Programme (APDRP) grants and discretionary allocation of Power.
7. The States that withhold their consent beyond 60 days after this scheme enters into force will be denied any share in the discretionary allocation of power (15 per cent) from the power stations of CPSUs as well as any assistance under the APDRP.If the overdues of such States exceed Rs 50 crore in respect of any CPSUs, they would also attract reduction in power and coal supplies, available to the states participating in this scheme.

8. Outstanding dues as on 30.09.2001 would form the basis of the one time settlement. Dues that accrue after this date would not form part of the scheme. Individual CPSUs & states can consider exchanging bonds for the outstanding.
9. The scheme covers the outstanding dues payable by the SEBs to the National Thermal Power Corporation (NTPC), National Hydro-electric Power Corporation

(NHPC), North Eastern Electric Power Corporation (NEEPCO), Damodar Valley Corporation (DVC) and Power Grid Corporation of India (PGCIL) under the Ministry of Power, Coal India Limited (CIL) & its subsidiaries and Neyveli Lignite Corporation (NLC) under the Department of Coal, Nuclear Power Corporation (NPL) under the Department of Atomic Energy and the Ministry of Railways.
(c) & (d) : Twelve state Governments, namely, the Governments of Andhra Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Madhya Pradesh, Punjab, Tamil Nadu and Uttar Pradesh have signed the TPA. Nine other State Governments, namely, the State Governments of Bihar, Himachal Pradesh, Kerala, Maharashtra, Nagaland, Orissa, Rajasthan, Uttaranchal and West Bengal have agreed `in- principle` to sign the TPA.
(e) : The scheme would:

(i) facilitate settlement of outstanding dues of over Rs. 43000 crore payable by the SEBs to the CPSUs as on 30-09-2001.

(ii) Assist the reforms process in the States by cleaning up the books of SEBs / Utilities, and

(iii) Through Accelerated Power Development and Reform Programme (APDRP) grants and discretionary allocation of Power would be made.
These measures are expected to improve the financial health of SEBs and thus make the sector viable for fresh investments.