



## Package For Power Stations

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The Power Ministry is keeping a check on possible **misuse of the rescue package** for stressed coal-fired power stations.

- The package was announced earlier in March 2019, wherein **coal linkages of power plants** (with aggregate capacity of 40,000 MW), that cancels **Power Purchase Agreements (PPAs)** because of payment default by discoms, **were to be valid for two years.**
  - This was done to allow generation companies adequate time to look for alternative PPAs.
  - After the two-year period, the coal linkage will be cancelled in case the generator is not able to secure a long- or medium-term PPA within that period.
- **Distribution company (Discom) dues** is one of the biggest issues in the country.
  - To deal with the same, from 1st August, 2019, the government has made it mandatory for state distribution companies (discoms) to offer **letters of credit (LC)** as part of the payment security mechanisms in power purchase agreements (PPAs). **A letter of credit** is a document that guarantees the buyer's payment to the sellers.
  - National, Regional and State Load Dispatch Centres are directed to dispatch power only after they are told by the Discoms that a LC for the desired quantum of power has been opened and copies have been made available to the concerned generating company.
  - These **LCs can be invoked if the Discom defaults in payments to the power generation company (Genco)** beyond the 45-day or 60-day grace period for clearing dues, as provided in the power purchase agreement (PPA).

**Source: ToI**