

PROCEEDINGS OF GOVERNMENT OF KARNATAKA

Sub: Payment of Reconciled Outstanding amount from 01.04.2015 to 31.03.2023 of Electricity Charges of Drinking Water Supply and Street Light Installations of Gram Panchayat / Rural Local Bodies Payable to ESCOMs through Securitization.

READ:

1. Bangalore Electricity Supply Company Letter No: BESCOM/MD/D(F)/CGM (F&C)/DCA (P)/AGM(R) / A / BC-27/23/24/398-407 Dated: 22.02.2024.
2. Energy Department Proposal File No: Energy/61/PSR/2024.
3. Finance Department Note No: FD/359/EXP 1/2023 Dated: 25.03.2024.

PREAMBLE:

1. In letter read under No. (1) The outstanding Dues of Electricity Charges amounting to Rs.6,509.83 (Principal Rs.5,257.70 + Interest Rs.1,252.20) Cr. from Date: 01.04.2015 to Date: 31.03.2023 of Gram Panchayat / Rural Local Bodies to the Electricity Supply Companies. The said dues are reconciled between the concerned electricity supply companies and the concerned Gram Panchayats. In this regard, the Bengaluru Electricity Supply Company has informed to the Government to pay the outstanding amount of Rs.6,509.83 Cr. owed by the Gram Panchayat / Rural Local Bodies to the Electricity Supply Companies by the Government or through Securitization.
2. In the note No. (2) read above, the Energy Department has proposed to the Finance Department as following:

The Electricity Supply Companies are already facing severe financial difficulties and it is becoming difficult to pay the Power Purchase Charges and to incur other expenditure of the Company. The Financial Condition of the Companies will be seriously affected severe adverse impact to meet the cost of Power Purchase / Transmission, Repayment of Loans, Administrative Expenses and Statutory and General Expenses.

The Electricity Supply Companies are borrowing loans from various Financial Institutions (PFC / REC), Nationalized Banks to meet the day-to-day expenses of the Company. The Electricity Supply Companies are unable to pay the Power Purchase Charges within the stipulated period for the Power Purchased from various Power Producers and are Paying Late Payment Surcharge to them.

A Proposal has been sent to the Finance Department and requested to clear the outstanding amount from 01.04.2015 to 31.03.2023 of reconciled electricity charges of Drinking Water Supply and Street Lights Installations of Gram Panchayats and Rural Local Bodies. The Outstanding Balances of Drinking Water Supply and Street Light Installations of each Electricity Supply Company is as follows:

(Rs. In Crs)

Sl. No.	Name of the ESCOMs	Outstanding Electricity Charges as on 31.03.2023 (Reconciled Amount)			
		Particulars	Principle	Interest	Total
1	Bangalore Electricity Supply Company	Drinking Water Supply Installations	2646.95	675.42	3322.37
		Street Light Installations	370.50	114.61	485.11
		Total	3017.45	790.03	3807.48
2	Mangalore Electricity Supply Company	Drinking Water Supply Installations	93.68	8.26	101.94
		Street Light Installations	17.38	1.84	19.22
		Total	111.06	10.10	121.16
3	Hubli Electricity Supply Company	Drinking Water Supply Installations	395.96	60.88	456.84
		Street Light Installations	55.36	10.24	65.60
		Total	451.32	71.12	522.44
4		Drinking Water	852.05	189.77	1041.82

	Gulbarga Electricity Supply Company	Supply Installations			
		Street Light Installations	487.31	136.86	624.17
		Total	1339.36	326.63	1665.99
5	Chamundeshwari Electricity Supply Corporation Limited	Drinking Water Supply Installations	265.95	41.18	307.13
		Street Light Installations	72.56	13.14	85.70
		Total	338.51	54.32	392.83
6	Total	Drinking Water Supply Installations	4254.59	975.51	5230.10
		Street Light Installations	1003.11	276.69	1279.80
		Total	5257.70	1252.20	6509.90

3. In the note read under No: (3), the Finance Department has furnished following opinion on the above proposal:

- 1) Securitization of Grama Panchayats Dues of Rs.5,257.70 Cr. (Principal Only). M/s PCKL would be the Nodal Agency.
- 2) State Govt. Guarantee would be given for raising loan of Rs.5,257.70 Cr. by M/s PCKL. M/s PCKL to ensure that the loans are raised in open and transparent process to ensure that Terms of the Loans are Highly Competitive.
- 3) The Loans should be at least 10 Year Tenure with Moratorium of at least 2 Years.
- 4) The ESCOMS have to Waive the Interest Charged of Rs.1,252.20 Cr.
- 5) The Debt Servicing to be carried out of resources available through own sources or under State Finance Commission grants of Gram Panchayats. If in any FY, Gram Panchayats fails to mobilize necessary funds needed for Debt Servicing, then State Govt. would ensure funds are made available for the same in order to prevent revocation of Govt Guarantee.

State Govt. would tap Guarantee Redemption Fund set up for such Exigencies.

- 6) The Loans Raised by M/s PCKL has to be mandatorily used towards clearing Power Purchase Dues and pre mature retirement of Short Term Loans raised for Power Purchase.
- 7) Further, the Loans raised by M/s PCKL has to be distributed as below:
 - i. KPCL = 50%
 - ii. KPTCL = 10%
 - iii. ESCOMs = 40%
- 8) Rest of the procedure regarding accounting mechanism as prescribed in G.O EN 3 PSR 2016/P3, dated: 31.03.2017 to be followed.
- 9) RDPR to ensure that future demand for electricity charges of Grama Panchayats should invariably paid regularly without allowing accumulation of any arrears subsequent to the cut-off date of 31.03.2023.
- 10) The Department to take ratification of the Cabinet.

Accordingly, the following Order.

Government Order No: Energy/61/PSR/2024

Bangalore, Dated: 30.03.2024.

The reconciled principle amount of outstanding Electricity Charges of Gram Panchayat / Rural Local Bodies from 01.04.2015 to 31.03.2023 of Drinking Water and Street Light Installations is hereby ordered to be settled through Securitization (under Government Guarantee) with following conditions.

1. To settle the outstanding Principle Electricity Charges of Rs.5,257.70 Cr. of Drinking Water and Street Light Installations of of Gram Panchayat / Rural Local Bodies through Securitization by issue of Government Guarantee. For the said purpose M/s. Power Company of Karnataka Limited has been identified / appointed as the Nodal Agency.
2. M/s. Power Company of Karnataka Limited will be provided with Government Guarantee for Rs.5,257.70 Cr. for the loans raised from Banks or Other Financial Institutions. The loan to be obtained by

M/s. Power Company of Karnataka Ltd. shall be Transparent and more Competitive.

3. The loan to be availed by the M/s. Power Company of Karnataka Limited shall be for a period of at least 10 years, including a Moratorium Period of at least 2 years.
4. The following interest amount levied from 01.04.2015 to 31.03.2023 by ESCOMs has to be waived off amounting to Rs.1,252.20 Cr.

(Rs. In Crs)

Sl. No.	Name of the ESCOMs	Waiver of interest amount on outstanding electricity bills at the end of 31.03.2023	
		Principle	Interest
1	Bangalore Electricity Supply Company	Drinking Water Supply Installations	675.42
		Street Light Installations	114.61
		Total	790.03
2	Mangalore Electricity Supply Company	Drinking Water Supply Installations	8.26
		Street Light Installations	1.84
		Total	10.10
3	Hubli Electricity Supply Company	Drinking Water Supply Installations	60.88
		Street Light Installations	10.24
		Total	71.12
4	Gulbarga Electricity Supply Company	Drinking Water Supply Installations	189.77
		Street Light Installations	136.86
		Total	326.63
5	Chamundeshwari Electricity Supply Corporation Limited	Drinking Water Supply Installations	41.18
		Street Light Installations	13.14
		Total	54.32
6	Total	Drinking Water Supply Installations	975.51
		Street Light Installations	276.69
		Total	1252.20

5. M/s. Power Company of Karnataka Limited has to carry out the Debt Servicing out of resources available through own sources or under State Finance Commission grants of Gram Panchayats. If in any FY, Gram

Panchayats fails to mobilize necessary funds needed for Debt Servicing, then State Govt. would ensure funds are made available for the same in order to prevent revocation of Govt Guarantee. State Govt. would tap Guarantee Redemption Fund set up for such Exigencies.

6. The Loans Raised by M/s. Power Company of Karnataka Limited has to be mandatorily used towards clearing Power Purchase Dues and premature retirement of Short-Term Loans raised for Power Purchase.
7. In the Note read under (3), where the percentage of loan allocation has been revised due to reconciliation of Power Purchase Dues as on 31.03.2020, between KPCL and ESCOMs by M/s. Ramraj and Co., a Government order also been issued vide No: Energy/468/PSR/2023 Dated: 30.03.2024, to the Power Distribution Companies to pay Rs. 17,016.54 Crs. The increase of outstanding balance of KPCL due to above reconciliation has been discussed with the Finance Department and percentage of allocation given in the note has been modified as following. Therefore, M/s. PCKL has to allocate the loan amount as stated below:

(Rs. In Crs)			
Sl. No	Amount of Power Generation / Transmission / Supply Company	Percentage distribution	Percentage Allocation
1	Karnataka Power Corporation Limited	70%	3680.40
2	Karnataka Power Transmission Corporation Limited	10%	525.77
3	Bangalore Electricity Supply Company	20%	603.49
4	Mangalore Electricity Supply Company		22.22
5	Hubli Electricity Supply Company		90.26
6	Gulbarga Electricity Supply Company		267.86
7	Chamundeshwari Electricity Supply Corporation Limited		67.70
8	Total		5257.70

8. For making payment of revenue from sale of Power (Electricity Charges) including the past arrears of Gram Panchayaths to ESCOMs and

ESCOMs channelize this revenue to M/s. PCKL to the extent of amount required for periodical repayment of the principal and interest (Debt Servicing) amount of securitization till the completion of debt servicing.

9. The RDPR Department to propose for the fund required for this purpose in the annual budget periodically over the years till the repayment of the loan including interest and facilitate channelising the revenue to M/s. PCKL through ESCOMs account for debt servicing.
10. For transfer of receivables from Gram Panchayaths dues to ESCOMs to M/s. PCKL to enable to hypothecate the receivables towards borrowings:
11. The KPCL to account the payment of Power Purchase Cost under securitization towards principal amount only.
12. The KPCL and ESCOMs to account the amount of securitization suitably in their books of accounts so as to reduce the Power Purchase dues receivable from ESCOMs and the Electricity dues receivable from RDPR Department.
13. For RDPR Department to account the Securitization amount suitably in the books of accounts to reduce their payable to the ESCOMs towards Electricity Dues to the tune of principle amount of Rs. 5,257.70 Crs outstanding as on 31.03.2023.
14. RDPR to ensure that future demand for electricity charges of Grama Panchayats should invariably paid regularly without allowing accumulation of any arrears subsequent to the cut-off date of 31.03.2023.
15. Incidental Expenditure an account of loan of Rs. 5,257.70 Crs to be raised by M/s. PCKL is to be borne by the ESCOMs on the proportion of outstanding loan.

This order is issued on the note of Finance Department vide note No: FD/359/EXP-1/2023 dated: 25.03.2024 and subject to post facto approval of the Cabinet.

BY ORDER AND IN THE NAME OF
GOVERNOR OF KARNATAKA

(APARNA PAVATE)

Additional Secretary to Government.
Energy Department.

To:

The Compiler for notification in the Karnataka Government Gazette.

Copy to:

1. The Accountant General (A&E) / (Audit-1 & Audit-2) Karnataka, Bangalore-560001.
2. Additional Chief Secretary to Government, Finance Department, Vidhana Soudha, Bangalore.
3. Additional Chief Secretary to Government, Rural Development and Panchayath Raj Department, M.S Building, Bangalore.
4. Additional Chief Secretary to Government (Panchayath Raj), Rural Development and Panchayath Raj Department, M.S Building, Bangalore.
5. Managing Director, KPTCL / KPCL / BESCOM / MESCOM / HESCOM / GESCOM / CESC.
6. Managing Director, Power Company of Karnataka Limited, Kaveri Bhavan, Bangalore.
7. Secretary to Government (Budget & Resource), Finance Department, Vidhana Soudha, Bangalore.
8. Secretary, Karnataka Electricity Regulatory Commission, No.16, C-1, Millers Bed Area, Vasantha Nagar, Bangalore-52.
9. Director, Treasury Network, Management Centre, Khanija Bhavan, Bangalore.
10. Joint Director, State Huzur Treasury, Nrupathunga Road, Bangalore.
11. P.S to Additional Chief Secretary to Government, Energy Department, Vikasa Soudha, Bangalore.
12. P.A to Additional Secretary to Government, Energy Department, Vikasa Soudha, Bangalore.
13. P.A to Under Secretary to Government, Energy Department, Vikasa Soudha, Bangalore.
14. Office File / Additional Copies.