

● RENEWABLE ENERGY

SECI says UP discoms' force majeure claim not valid

ANUPAM CHATTERJEE
New Delhi, March 30

ADDING TO THE existing uncertainties over irregular payments to renewable energy-based power producers, state-run Solar Energy Corporation of India (SECI) has refuted the claim of Uttar Pradesh that there would be “no cause for breach or liability” under the force majeure clause if the state’s power distribution companies (discoms) fail to clear the renewable energy bills on time.

Uttar Pradesh Power Corporation (UPPCL), in a letter to the SECI on March 27, had claimed that discoms are facing a “drastic reduction in collections due to three-week lockdown”.

A force majeure means extraordinary events or circumstance beyond human control.

The SECI, in its response to UPPCL which has been



reviewed reviewed by FE, said the inability of paying bills due to “insufficiency of finances or funds” cannot be claimed as force majeure under the power supply agreement it had signed with the state. Renewable energy plants which supply power to UPPCL through the SECI are owned by firms such as Azure Power, ReNew Power, SoftBank Energy and Hero Future Energies.

The SECI had signed power

purchase agreements (PPAs) with these firms and tied up back-to-back power supply contracts with UPPCL.

The SECI has informed the companies that the force majeure event claimed by UPPCL in its notice “shall apply mutatis mutandis” to the PPA between SECI and the project developer.

The renewable energy industry is one of the major FDI earners, with the sector

attracting \$4.8 billion foreign capital till 2019-end since FY15. Andhra Pradesh’s decision to revise tariffs of renewable energy projects has already created a stir in the industry and hit the national mission to have 175 giga-watt of renewable energy capacity by 2022.

To assure uninterrupted power supply in the middle of the lockdown, the Union power ministry has asked state-run power generating companies such as NTPC and Power Grid Corporation of India to not curtail supply to the states even if discoms do not clear payments on time.

According to Icra, the revenue deficit for the discoms is estimated to be about ₹13,000 crore per month on a pan-India basis as these entities find it difficult to continue meter reading exercises and collect payments from consumers.