Cabinet Committee on Economic Affairs (CCEA)

Cabinet approves measures to provide liquidity in the Power Sector Dues to the financial stress caused by COVID-19

Posted On: 19 AUG 2020 4:26PM by PIB Delhi

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, has approved a one-time relaxation to Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) for extending loans to Distribution Companies (DISCOMs) above limits of working capital cap of 25% of last year’s revenues under Ujwal DISCOM Assurance Yojana (UDAY).

One-time relaxation would help in providing liquidity to the power sector and ensure payments by State Governments to DISCOMs.

**Background:**

The outbreak of the global pandemic COVID-19 in the country and the consequent nationwide lockdown has exacerbated the liquidity problems for the power sector. Revenues of the power distribution companies have nosedived as people are unable to pay for the electricity consumed while power supplies, being an essential service, have been maintained. Energy consumption has decreased substantially. The liquidity of the power sector is not expected to improve in the short term, as economic activity and power demand will take some time to pick up. There is, thus, an immediate need to infuse liquidity in the power sector for continuation of power supply.

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VRRK

(Release ID: 1646945)