Accreditation of Channel Partners under Off Grid and Decentralized Solar Applications

The Jawaharlal Nehru National Solar Mission (JNNSM) is one of the eight National Missions launched by the Government of India as part of the India's National Action Plan on Climate Change. JNNSM aims to promote ecologically sustainable growth, while addressing India's energy security challenge. The immediate aim of the mission is to focus on promoting the use of renewable sources of energy and setting up an environment, which will facilitate increased penetration of solar technology in the country. In order to achieve this objective, the mission envisages providing capital and interest rate subsidies with an objective to make the solar off-grid projects commercially viable and workable on a sustainable basis.

To scale up the said program and increase participation of capable entities as well as reduce transaction time, the Ministry of New and Renewable Energy (MNRE) has envisaged an alternative route wherein channel partners can directly submit their project proposals to MNRE. This would enable a quicker turnaround in project approval process as compared to submitting proposals through the State Nodal agencies. In order to ensure that only capable and well-meaning channel partners are allowed through this new route, the mission has envisaged that such entities get an accreditation by reputed rating agencies for submission of projects directly to MNRE.

Need for accreditation

The Mission envisages that the scheme would be implemented through multiple channel partners so that there is a scaling-up of projects across geographies. For the successful, wide-scale and meaningful implementation of the mission, it is important that only credible channel partners are involved in the mission's implementation. The accreditation process would categorize various entities into grades which would help in identifying those channel partners which have the capacity and capability to undertake these projects. This publicly available and highly credible benchmarking exercise can act as a powerful tool for effective promotion of best-practices in this sector. It will also ensure optimum and effective use of the subsidies, resulting in an increase in the number of off-grid solar

projects. This will also function as a tool to monitor performance capability over time, incentivize efficient players and at the same time penalize weaker performance. For the entities submitting proposals and seeking subsidies, this route of submitting projects, directly to the ministry will provide one more channel and ensure faster turnaround for appraisal of projects & disbursal of subsidies.

The grading will also enable the channel partners to showcase their capability in executing projects to various other stakeholders like lenders, customer, suppliers and community groups. The grading would also provide a tool for comparison of these channel partners on a rational, scientific framework and a commonly applicable scale. Further, in line with the objective of the mission, the grading process also envisages the participation of start-ups with requisite technical skills, and innovative entrepreneurs and accordingly factors in the parameters. The grading would also facilitate rapid up-scaling of the scheme in an inclusive mode and enable knowledge sharing between channel partners and project developers**.**

Framework Development

A framework was developed based on discussions held with various stakeholders to incorporate their views and opinions on the current scenario of the sector, the best practices adopted by entities and the expectations of these stakeholders. Interactions were conducted with manufacturers, system integrators, bankers, industry associations, as well as government officials involved in the solar sector. The framework was finalized based on the feedback from all the above stakeholders.

The framework was also validated using a comprehensive testing exercise which involved testing the framework on a sample list of entities identified by the Ministry. The Ministry has adopted the framework and the framework would henceforth be used for the grading of the channel partners.

Framework for assessment of System Integrators

Performance Capability	
1	*Promoter Track Record*
A	**Solar Capacity installed**
B	**Promoters' relevant track record**
C	**Quality of second tier management team**
2	*Technical Expertise and Adequacy of Manpower*
A	**Technical Expertise**
B	**Adequacy of Manpower**
3	*Quality of Supplier And Tie-Ups*
A	**Quality of suppliers**
B	**Supplier feedback**
4	*Customer And O&M Network*
A	**Customer Feedback**
B	**O&M capabilities**
Performance Capability Grading	
Financial Strength	
1	**Sales**
2	**Return on capital employed**
3	**Total Outside Liabilities/ Tangible Net worth**
4	**Interest Coverage**
5	**Net worth**
6	**Feedback of bankers on conduct of account and integrity**
7	**Current Ratio**
Financial strength Grading	
Final Grade	

Framework for assessment of RESCOs

Performance Capability		
	Promoter track record	
1	**Promoter's qualification and technical competence**	
2	**Monetary value of capacity Installed**	
3	**Promoter's track record**	
4	**Quality of management**	
5	**Tie-ups with system integrators**	
	Project Management Capability	
6	**O&M capabilities and tie-ups**	
7	**Quality of EPC contractors and equipment suppliers**	
8	**Supplier/EPC feedback**	
	Customer concentration, quality and ability to manage receivables	
9	**Quality of customers**	
10	**Collection capability**	
Performance Capability Grading		
Financial strength		
1	**Net worth**	
2	**Bankers Feedback**	
3	**Financial Flexibility**	
	Project Related Assessment	
4	**Gearing**	
5	**Debt Service Coverage Ratio**	
6	**Interest Cover**	
7	**Project IRR**	
Financial Strength Grading		
Final Grade		

Process for grading

Channel partners desirous of applying for CFA directly to MNRE would need to obtain a grading from the credit rating agency selected by MNRE. Eligible channel partners which will be considered by MNRE for providing subsidy under this scheme.

Following mentioned steps would be included in grading an entity by a credit rating agency:

Step 1: Any entity interested to become channel partner will approach any of the rating agency given below.

Step 2: The rating agency will assign rating to the entity based on financial and technical strength.

Step 3: The entity will approach the Ministry for accreditation based on the obtained rating and the Ministry will do the needful

Step-4: After accreditation the entity will submit project proposal to Project Approval Committee for approval. PAC will take necessary action.

Step-5: After approval of Project the entity will implement the project and approach the Ministry for release of CFA

Step-6: The Ministry will get the project inspected through third party and release the CFA

Features of the Grading

Product Definition:

The grading will reflect "The performance capability and financial strength of the channel partner to undertake off-grid solar projects**".**

Product Scale:

The grading would be done on a 5x3 matrix (5x3). This matrix will assess the entity on two broad parameters; performance capability and financial strength.

		Financial Strength		
		High	Moderate	Low
Performance Capability	Highest	SP 1A	SP 1B	SP 1C
	High	SP 2A	SP 2B	SP 2C
	Moderate	SP 3A	SP 3B	SP 3C
	Weak	SP 4A	SP 4B	SP 4C
	Poor	SP 5A	SP 5B	SP 5C

Validity of Grading

The grading will be valid for a period of two years for entities with the highest performance capability (*graded 1A/1B/1C*); for all other entities the grading will be valid for a period of one year, to offer them an opportunity to move up the grading scale.

The channel partners who wish to get themselves graded under this scheme can contact the credit rating agencies listed below. For grading fees, please visit the website of the respective rating agencies

Details of Credit Rating Agencies	
Name of CRA	Contact Details
CRISIL Limited	Manager- Ratings The Mira,G-1,1st Floor, Plot No-1&2, Ishwar Nagar, New Delhi-110065 Phone: 011- 42505213 Mobile 99990-21752 Fax : 011-26842212 Email: gverma@crisil.com
CRISIL Limited	Director – Ratings CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai- 400 076 Phone: 91-22-3342 3000

	Mobile: 98203-51962 Fax : 91-22-3342 3810, Email: cbadrinarayanan@crisil.com
ICRA Limited	1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi—110001 Tel: +91-11-23357940-50; Fax: +91-11- 23357014
CARE Limited	4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022. Tel: +91-022- 6754 3456 Fax: +91-022- 6754 3457
Fitch India	6th Floor, Apeejay House, 3 Dinshaw Vachha Road, Churchgate, Mumbai 400020 Tel: +91 22 4000 1700 F: +91 22 4000 1701

Details of Credit Rating Agencies	
Name of CRA	**For Grading Fees (Please visit the following websites)**
CRISIL Limited	**www.crisil.com**
ICRA Limited	**www.icra.in**
CARE Limited	**www.careratings.com**
Fitch India	**www.fitchindia.com**

(Dr. G. Prasad)
Scientist-E
Telefax:011-24361151
Mail.: g.prasad@nic.in