

MINISTRY OF NEW AND RENEWABLE ENERGY

Setting up of Rs 1500 Cr Payment Security Fund for VGF Scheme under JNNSM

1.0 Introduction

The Jawaharlal Nehru National Solar Mission was launched in January 2010 by the Government of India with a target of 1,00,000 MW of grid connected solar power by 2022 envisaging active participation from the States to promote ecologically sustainable growth while addressing India's energy security challenge. The total achievement in terms of installed capacity of grid connected solar power projects in the country is over 8000 MW as on date.

In implementation of JNNSM Phase II, the Government of India introduced the concept of viability gap funding mechanism wherein solar projects are developed by developers selected through transparent competitive process on BOO basis to supply solar power at a pre-determined tariff with support from Government in terms of VGF. The Government Guidelines prescribe ceiling on maximum VGF, which can be allowed under the specific scheme. Solar Energy Corporation of India limited (SECI) has been designated as the implementing agency for this VGF Schemes under JNNSM.

First scheme under VGF mode for 750 MW capacity has already been implemented. MNRE vide letter no.32/2/2014-15/GSP dated 04th August 2015 has brought out Second Scheme for setting up of 2000 MW of Grid Connected Solar PV Projects. Thereafter, another scheme for development of 5000 MW through VGF support under JNNSM has been sanctioned by MNRE vide letter dated 23rd Feb. 2016. In addition to these schemes, MNRE has sanctioned several other schemes under VGF mode viz. Solarization of Indo-Pak Border, Special Scheme for High Visibility Areas.

As per the Scheme Guidelines, SECI is envisaged to set up a payment security mechanism in order to ensure timely payment to the developers. This fund will have a corpus to cover 3 months payment for the various VGF Scheme approved by MNRE from time to time.

2.0 Eligibility

The following MNRE Schemes would be eligible to be supported under Payment Security Mechanism:

- (a) 750 MW JNNSM Phase-II, Batch-I
- (b) 2000 MW JNNSM Phase-II, Batch-III
- (c) 5000 MW JNNSM Phase-II, Batch-IV
- (d) Solarization of Indo-Pak Border
- (e) 50 MW Special Scheme for high visibility area
- (f) Any other VGF Scheme approved by MNRE time to time.

3.0 Objective

The Payment Security Mechanism is envisaged to cover delays/defaults in payments to SECI by entities (discoms/ State utilities/ bulk consumers), so that timely payment to developers could be ensured in addition to provide support to SECI to meet financial implications on account of regulatory/ policy/ legal/ evacuation/ open access requirements, not foreseen at the time of approval of the Schemes as well as difficulties arising during implementation of PPA/ PSA/ VGF Securitization.

4.0 Scope

Payment security fund is to be utilized for the following purposes:

- (a) To make timely payment to Solar Project Developers in case of delay in realizing the payment from the buying utilities.
- (b) For providing security in the form of Letter of Credit/ Bank Guarantee for the purpose of obtaining long-term open access, transmission charges, etc. not envisaged at the time of signing of PSA/ PPA and applicable charges as per Bulk Power Transmission Agreement (BPTA) or other appropriate agreement signed with CTU/ STU in line with the applicable regulations.
- (c) To make the differential payment to the developers from the agreed PPA rate in case of short recovery of tariff from the buying utilities based on average pool pricing due to policy/regulatory issues and transmission-evacuation/open access constraints etc.
- (d) To make the payment on account of short-term open access charges, cancellation charges paid to CTU/STU on account of non-availability of open access, Deviation Settlement Mechanism (DSM) charges, as per applicable regulations.
- (e) Any charges on account of litigations and arbitration awards, etc. related to implementation of the scheme including issues arising out of operational difficulties of PPA/PSA/VGF Securitization.
- (f) Rebate to buying utilities wherever incentive is not extended for early payment to SPDs on back to back basis.
- (g) To support SECI to meet requirements of payment security under standard bidding documents including PPAs for grid connected solar power PV projects whenever brought in force by MNRE/ MoP.
- (h) Any other cost implications/ charges recommended by the PSM Management Committee constituted by SECI in consultation with MNRE.

5.0 Payment Security Fund

Government of India has sanctioned an amount of Rs.500 Cr. to create Payment Security Fund. This fund will be suitably enhanced through budgetary support from Government of India to cover the 3 months working capital requirement for the capacities allocated through VGF from time to time under various schemes. The present estimated requirement is around Rs.1500 Cr. once the entire capacity envisaged so far is commissioned.

The payment security mechanism shall also be contributed by the money received from encashment of BGs, interest earned on this fund, incentives for

early payment (wherever applicable), the savings on account of tariff reduction due to Accelerated Depreciation and other statutory benefits. Income arising out of the difference in tariff for solar power in excess of contracted energy as per the provisions of PPA/PSA shall also be credited to the fund under the Payment Security Mechanism.

4.0 Operational Mechanism

SECI shall open a separate flexi bank account and the funds shall be deposited and operated as per these guidelines. For the purpose of utilization of funds as per these guidelines, SECI shall be responsible to make the payments within scheduled timeframe as per PPA. In order to ensure smooth operation of this fund, SECI shall constitute a PSM Management Committee in consultation with MNRE. The concerned Division in SECI in consultation with Finance will be authorized to utilize the PSM funds for making timely payments to the SPDs as per the due date and such payments shall be reported to the Committee in subsequent meetings. The utilization details shall be reported to MNRE on quarterly basis.

5.0 PSM Management Committee

The Committee shall comprise of the following:

- 1) Head of Solar Division
- 2) Head of Finance Division
- 3) Head of Trading & Commercial Division – Convener

The Committee's recommendations shall be approved by the Managing Director.

The broad terms of reference of the Committee will be as follows:

- (a) To consider all cases triggering requirements of PSM
- (b) To recommend specific action points and financial proposals for approval under PSM
- (c) To prioritize the payments based on the availability of funds
- (d) To review availability of funds and to recoup the required funds from MNRE
- (e) To suggest alternate source of fund availability, if required.
- (f) To have regular feedbacks from all stakeholders including SPDs and buying utilities with a view to improve/ modify the provisions, if required.
- (g) To consider and suggest course of action including diversion of power in case of continuous default of payment by buying utilities over prolonged period of time.
- (h) Any other related issues.

6.0 Power to remove difficulties

For situations which are not envisaged under the PSM, the empowered Committee constituted by MNRE for implementation of the MNRE VGF Schemes would be approached for removing the difficulties.
