

No. 32/3/2014-15/GSP

भारत सरकार / Government of India

**नवीन और नवीकरणीय ऊर्जा मंत्रालय / Ministry of New & Renewable Energy
(Grid Solar Power Division)**

Block NO. 14, CGO Complex,
Lodi Road, New Delhi-110 003,
Dated: 23/02/2016

To,
**The Pay & Accounts Officer
Ministry of New and Renewable Energy
New Delhi.**

Subject: Implementation of scheme for setting up of over 5000 MW Grid-Connected Solar PV Power Projects with Viability Gap Funding under Batch-IV of Phase-II of the JNNSM.

Sir,

I am directed to convey the sanction of President of India for implementation of a scheme for setting up of over 5,000 MW Grid-Connected Solar PV Power Projects with Viability Gap Funding (VGF) under Batch-IV of Phase II of the JNNSM. The scheme will be implemented through Solar Energy Corporation of India (SECI), as per MNRE Guidelines. The scheme envisages to setup solar photovoltaic power projects on build, own and operate (BOO) basis by the Solar Power Developers (SPDs).


2.0 Background:

2.1 The Jawaharlal Nehru National Solar Mission (JNNSM) was launched in January 2010 by the Government of India with a target to setup 20,000 MW grid connected solar power by 2022. The target of capacity addition through solar power has been scaled up to 1,00,000 MW by 2022.

2.2 The total achievement in terms of installed capacity of grid connected solar power projects, as on 23/02/2016 is 5,420.21 MW. One of the key features of the development in this sector is sharp decline in the cost of solar power, which is already reaching near parity levels with new thermal power plants.

3.0 Viability Gap Funding (VGF) Scheme:

3.1 The Viability Gap Funding (VGF) scheme for setting up of over 5000 MW capacity of grid connected solar PV power projects by SPDs on build, own and operate basis, will be implemented through open and transparent competitive e-bidding. The solar power thus produced will be sold to the buying Discoms / State


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Utilities / bulk consumers at a pre-defined tariff of Rs. 5.00 per kWh or less, as determined by MNRE based on the prevailing market conditions, with a trading margin of 7 paisa per kWh by the SECI. MNRE will constitute a Committee to determine the tariff for purchase of solar power by SECI. This Committee will give recommendations based on which MNRE will, with the approval of Hon'ble Minister in-charge, fix tariff for purchase of solar power by SECI every year before tendering process is started.

3.2 SECI will select projects through competitive e-bidding based on minimum VGF sought. The VGF can also be negative. In such a case, either the developers will pay the VGF, which will go into the Payment Security Fund or there may be a provision for quoting a discount on tariff. This will be further clarified by SECI for each year/tender.

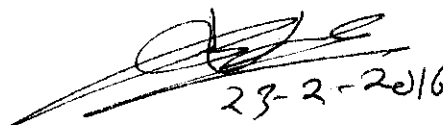
3.3 SECI shall prepare necessary bidding documents for inviting the proposals for setting up of projects on a competitive e-bidding. SECI will also carry out evaluation of techno-commercial eligibility of the bidders and financial bid evaluation for selection of the projects. SECI will enter into Power Purchase Agreement (PPA) with the selected SPDs and the Power Sale Agreement (PSA) with the buying entities. SECI will also ensure financial closure of the projects as per the timelines and oversee the implementation for timely completion of the projects.

4.0 Project Locations:

The tenders will be State-specific based on the demand from particular State. Projects could be set up in the Solar Parks being developed under a separate MNRE scheme and also at other locations, which could be selected by the bidders on their own. This would be clarified in the tender document by SECI based on available space in solar park in each State. Tenders will be State specific, based on the demand from a particular State. However, projects can also be set up in other locations, outside solar parks, depending upon requirements. SECI will make clear provisions regarding location of projects, whether outside solar park or in solar park in each tender.

5.0 Project Implementation Schedule:

Approximately 1,250 MW capacity is envisaged for bidding in each of the four Financial Years viz. 2015-16, 2016-17, 2017-18 and 2018-19. This may be fixed by MNRE based on available budget and market demand. Commissioning period would be 13 months from the date of signing of PPAs. The maximum timeline with liquidated damages shall be 24 months from the date of signing of PPA. The project implementation schedule is given below:


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S.No	Event	Date
01	Notice for Request for Selection (RfS)	Zero date
02	Submission of techno-commercial & financial bids	Zero date + 75 days
03	Evaluation of techno-commercial bids	Zero date + 135 days
04	Issue of Letter of Intent (LoI)	Zero date + 150 days
05	Signing of PPAs	LoI date + 30 days
06	Financial Closure	PPA signing date + 210 days
07	Commissioning of the projects	13 months from PPA signing date

6.0 Domestic Content Requirement (DCR):

6.1 MNRE may fix some quantity of power to be procured with domestic content requirement of cells and modules made in India depending on availability and price. The upper limit of VGF for DCR category will be @ Rs. 1.25 crore per MW.

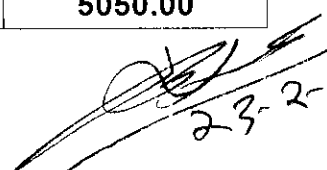
7.0 Financial Implications:

7.1 The total requirement of funds to provide VGF for 5,000 MW capacity solar projects is estimated to be Rs. 5050 crore including 1% handling and monitoring charges of SECI. The upper limit for VGF will be Rs. 1.00 Crore per MW for open category and Rs. 1.25 crore per MW for DCR category. Due to competitive e-bidding, it is expected that the actual VGF requirement may be lower than Rs 5,050 crore. In such a situation, the capacity of 5000 MW will be enhanced.

7.3 The bidders will be free to avail fiscal incentives like concessional customs and excise duties, tax holidays, etc. available for such projects. As equal opportunity is being provided to all bidders, it is upto the bidders to avail various tax and other benefits at the time of tendering. No bidders will be allowed to claim both Accelerated Depreciation (AD) and VGF. However, bidders are allowed to claim AD, only in case they prefer negative or zero VGF.

7.4 The phasing of investment is estimated as under:

Year	Total (Rs crore)	Handling & Monitoring charges for SECI @ 1% (Rs crore)	Total fund requirement (Rs crore)
2015-16	500.00	5.00	505.00
2016-17	1125.00	11.25	1136.25
2017-18	1125.00	11.25	1136.25
2018-19	1125.00	11.25	1136.25
2019-20	1125.00	11.25	1136.25
Total	5000	50.00	5050.00


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8.0 Release of VGF:

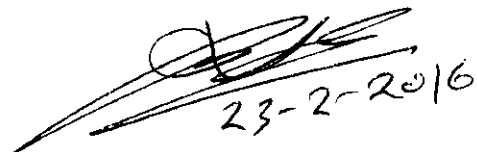
SECI will release 100% VGF on commissioning of each power plant to the developer. SECI will obtain Bank Guarantee (BG) for 20% of the VGF amount, which will be reduced by 5% each year and fully returned in four years. Alternatively, VGF can also be released directly to domestic manufacturers as capital subsidy through SECI, instead of releasing the VGF to Solar Power Developers (SPD), if so required. This will be released to the manufacturers who will be supplying cells and modules to the SPDs for that particular power plant based on order placed by the SPDs. The release will be made after the project is commissioned and the SPDs make a request to SECI for release of VGF.

9.0 Payment Security Mechanism (PSM):

PSM will be established to cover delays/defaults in payments to SECI by buying entities (Discoms/State utilities/bulk consumers), so that timely payment to developers could be ensured. This fund will be gradually enhanced to cover three months payment for the projects set up under three VGF schemes i.e. 750 MW, 2,000 MW and 5,000 MW. Rs. 500.00 crore will be released to operationalize the payment security mechanism. The amount that could be realized from encashment of bank guarantees, discount for early payments by SECI etc, will also go into the Payment Security Fund. MNRE will decide the amount to be given to the Payment Security Fund in Financial Years from 2015-16 to 2019-20. The full amount could be released in one or two years if sufficient budget is available and the initial tenders in 2000 MW or 5000 MW scheme give indication of savings to cover the amount. This is essential because PSM has to be set up immediately and waiting for four years to determine the exact amount of savings may defeat the purpose of the mechanism. The details of the PSM, including implementation mechanism will be elaborated in the 5000 MW Guidelines.

10.0 The expenditure involved will be debit to Demand no. 69, Major Head: 2810 New and Renewable Energy, Minor Head: 00.101 Grid Interactive and Distributed Renewable Power, Sub-Head: 01 Grid Interactive Renewable Power, Detailed Head, 04 Solar power, 31 Grant in Aid for 2015-16 (Plan). The fund will be met from NCEF Grant, managed by the Ministry of Finance.

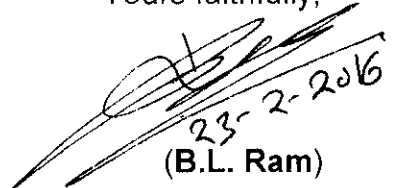
11.0 In case of any operational difficulties and in order to ensure timely implementation of the scheme, MNRE will be authorize to make amendments in the terms and conditions of the scheme, within the broad parameters, with the approval of the Minister, NRE, without increasing the financial requirements and VGF limits.



23-2-2016

This issues under the powers delegated to this Ministry and with the concurrence of JS&FA dated 12/02/2016, vide IFD Diary No. 1985 dated 04/02/2016, approval of Secretary dated 18/02/2016.

Yours faithfully,

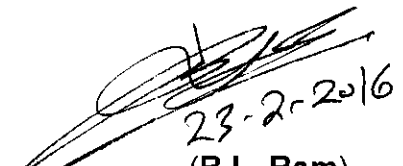

23-2-2016
(B.L. Ram)
Adviser (Solar Power)
Tele fax: 011-24368894

Copy to:

- The Director, Cabinet Secretariat, Rashtrapathi Bhavan, New Delhi.
- The Managing Director, SECI, D-3, First Floor, A-Wing, Religare Building, District Center, Saket, New Delhi -110017.
- Principal Director of Audit, Scientific Departments, A.G.C.R. Building, I.P. Estate, New Delhi - 110 002
- All State/UT Energy Secretaries.

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- ✓ Director(NIC) to upload on the MNRE website , Block No: 14
- Sanction folder


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(B.L. Ram)
Adviser (Solar Power)