

Draft ver2

Solar Power Policy Uttar Pradesh 2012

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1. PREAMBLE

Electric power and its easy availability is an established benchmark of development and an essential prerequisite for all-round prosperity. No major economic activity can be sustained without adequate and reliable source of power.

The economic development of Uttar Pradesh has been seriously hampered by inadequate availability of power. In view of the fact that the conventional sources of power are fast depleting and pose threat of environment pollution too, the challenge before the State Government is not only to meet the ever growing demand for power but also to progressively increase the share of renewable sources in the power-mix so as to achieve overall energy security.

The State of Uttar Pradesh is endowed with vast potential of solar power and the Government is keen to tap this resource to improve the availability of power in the State by promoting the establishment of solar energy based power projects, both grid connected and off-grid type. For the attainment of this goal, a comprehensive policy framework is an imperative requirement. Therefore, the Government of Uttar Pradesh adopts and announces the Solar Power Policy as under:

2. OBJECTIVES

The policy aims at achieving the following objectives:-

- a) To promote generation and use of clean and green power in the State by harnessing solar energy.
- b) To put in place an appropriate investment climate which could stimulate private sector participation in development of solar power
- c) To spread environmental awareness among the general public.
- d) To contribute to productive use of wastelands
- e) To enhance skills and create employment opportunities.
- f) To promote establishment of local manufacturing facilities.

- g) To build capacity in the State to initiate and sustain, use and effective management of newer technologies.

3. OPERATIVE PERIOD

This policy will come into effect from the date of issuance and shall remain in operation up to 31st March 2017. Solar power plants approved, installed and commissioned during this period alone shall be eligible for benefits of this policy. However, no benefit of this policy will be available to projects set up under any incentive scheme of MNRE.

4. TARGET CAPACITY

Target capacity of 1000 MW of solar power will be achieved till March 2017 as follows:

Phase	Period	Total target capacity
		MW
I	2012-2013	
II	2013-2014	150
III	2014-2015	300
IV	2015-2016	300
V	2016-2017	250
Total		1000

5. GRID CONNECTED SOLAR POWER

5.1. Project Size

Grid connected solar power projects will be divided in following three groups:

- 1 Small : 2MW to 10MW
2. Medium : >10MW to 25 MW
- 3 Large : > 25 MW

5.2. Project Categories

Grid connected solar power projects will be implemented under two categories:

5.2.1. Private Projects

5.2.2. Government land / space based Projects.

5.3. Implementation:

(i) Category 5.2.1 will include those Solar Power Projects which are installed on suitable land banks identified and procured by the developer.

(ii) Category 5.2.2 will include those Solar Power Projects which are installed on Government land/other space provided by Government department or agencies. In lieu of provision of land/space a suitable charge shall be levied by the Government department or agency for every unit of Power generated from Solar Power Projects of category 5.2.2.

For this category land or space will be provided on lease basis for 25 years or for life of solar power plant whichever is less on nominal lease rent or any other suitable mechanism that the Government department or agency may decide.

5.4. Sale of Energy

Energy generated from solar power projects as mentioned in 5.2.1 and 5.2.2 that are commissioned during this policy period will be sold to distribution licensee/utility on tariff based competitive bidding, subject to approval by UPERC or at Average Pool Price under REC Mechanism.

5.5. Payment Security for Solar Power Projects

A suitable payment security mechanism will be devised to secure payments to the Project developers in the event of default by the State

Utilities /Discoms. Budgetary support provided by the State Government to the Nodal Agency under the budgetary head “Incentive scheme for Solar Power Generation” will be utilised for this purpose. For solar projects there will be provision of Letter of Credit and Default Escrow Account will be provided in the PPAs to be signed by the Discom/STU as a payment security mechanism as mentioned below

Letter of Credit:

In respect of payment of Monthly Bills, to the solar project developer a monthly unconditional, revolving and irrevocable letter of credit (“**Letter of Credit**”), will be opened and maintained by Discom/STU as the case may be, which may be drawn upon by the Solar Project Developer on the event of default in payment on due date or in any other terms and conditions as specified in the PPA.

Default Escrow Account

To further support the timely payment to the solar project developer, State Utilities /Discoms and solar project developer shall execute separate Default Escrow Agreement (referred as “Default Escrow Agreement”) for the establishment and operation of the Default Escrow Account in favour of the solar project developer through which the revenues of the relevant State Utilities /Discoms shall be routed and used as per the terms and conditions mentioned in the Default Escrow Agreement. The State Utilities /Discoms and the solar project developer shall contemporaneously with the execution of the Default Escrow Agreement also enter into a separate Agreement to Hypothecate Cum Deed of Hypothecation

 The Letter of Credit shall be provided from the bank which is appointed as Default Escrow Agent under the Default Escrow Agreement.

All costs relating to opening and maintenance of the Letter of Credit shall be borne by the Nodal Agency. However, Letter of Credit negotiation charges shall be borne and paid by the Solar Project developer .

For this purpose, the Empowered Committee may provide some finances to the Discom from the funds available to the Nodal Agency under budgetary head “Incentive scheme for Solar Power Generation”. A sunset clause will also be provided in the PPA at a trigger of six months payment default by the Discom to enable third party sale by the solar power plant.

5.6. Time-Frame for Implementation of Projects

Time limit for commissioning of Solar PV projects will be within 12 months and 18 months in case of solar thermal projects from the date of issue of concurrence from the Distribution licensee/utility.

5.7. Grid Connectivity and Evacuation Infrastructure

The grid connectivity and associated evacuation facilities from the solar power plant substation/switchyard to distribution/transmission system will be provided in accordance UPERC (Grant of Connectivity to Intra-State Transmission System) Regulations 2010 as amended from time to time which is as below:

“The Solar Power Generator shall construct, operate and maintain its generation facility (up to the point of connectivity) including pooling station at its own expense. For construction and operation / maintenance of evacuation infrastructure beyond point of connectivity up to main receiving sub-station or switchyard of the State Transmission Utility / any other transmission licensee, the following shall be responsible:

(a) for 33 kV and above works - the distribution licensee;

(b) for 132 kV and above - the State Transmission Utility / any other transmission licensee (owning the main receiving sub-station or switchyard or the transmission line as identified by the Nodal Agency (STU) where connectivity is being granted).

The evacuation infrastructure construction cost and its operation / maintenance cost shall be borne by -

(a) The distribution licensee and/or the State Transmission Utility / any other transmission licensee, as the case may be, in case of supply of electricity

From a generating station to the distribution licensee of the area at the tariff determined by the Commission”.

5.8. Wheeling & Open Access Charges

Solar power projects will be exempted from Transmission /Wheeling and open access charges for third party sale and captive units.

5.9. Third Party Sale

Third party sale will be eligible as per Electricity Act 2003 (No. 36 of 2003) and in accordance with UPERC Regulations as issued from time to time, for which purchase rate can be mutually decided between generating unit and consumer unit.

5.10. Restriction on use of Fossil Fuel

No fossil fuel viz: coal, gas, lignite, naphtha, wood etc. shall be allowed to be used in a solar thermal power project.

6. Facilitations & Incentives

In order to achieve the targeted development of grid connected solar power, the State government will provide the following facilitations and incentives:

6.1.Single Window Clearance System

Nodal Agency will act as single window clearance for Solar Power Projects. Nodal Agency will ensure that all relevant government orders pertaining to this policy are issued in a time bound manner by concerned departments. Facilitation in all clearances approvals, permissions and consents required from the State Government/its agencies will be the main task of the nodal agency as single window. Some of the tasks of single window clearance may be outsourced by the Nodal Agency .Review of pending clearances will be done by Empowered committee from time to time.

6.2. Other Incentives:

- 6.2.1. Generation of solar power will be treated as industry and as such, all relevant incentives under industrial policy of the State will be available to solar power plants.
- 6.2.2. Transmission/distribution utility will ensure timely provision of evacuation infrastructure for the upcoming solar power plants. It will also keep the grid interactive so as to ensure fuller utilization of the plant capacity.
- 6.2.3. Nodal Agency will facilitate allotment of land/space in control of the State Government or its agencies.
- 6.2.4. Electricity duty on energy consumed by the project developer for own use, will be exempt.

7. Solar Parks

Through the creation of Solar Park, the State Government aims to accelerate the development of solar power generation projects and associated manufacturing facilities, through the availability of large areas of suitable land, provision of common infrastructure – including grid connection for power evacuation, water access, as well as facilitating the permitting process, internal access roads etc.

These Solar Parks may be established at appropriate locations in the state of Uttar Pradesh on PPP basis. First such park may be set up on the land available with the nodal agency. Option of availing viability Gap funding

for this Infrastructure Project may be explored through “National Clean Energy Fund”.

8. Rooftop Solar Power Projects

Solar Power projects on rooftop are an important emerging area and the state government may initiate a pilot project in association with the Government of India. Incentives provided by MNRE will be made available to eligible Project developers under this scheme.

9. RENEWABLE ENERGY DEVELOPMENT FUND

‘Uttar Pradesh Renewable Energy Development Fund’ shall be established for promoting generation of electricity through solar energy as well as other sources of renewable energy. Rupees 100 crores available to the Nodal Agency under budgetary head “Incentive scheme for Solar Power Generation” will be made part of this fund to start with. In order to sustain this fund a cess may be levied on generation of electricity from sources other than ones generated through renewable energy sources . Grants from the Government of India and other grants will also be used for enhancing this fund. The Fund would be strengthened by evolving other suitable mechanisms for mobilizing financial resources.

Nodal Agency will utilize this fund after approval from the empowered committee.

10. ROLE OF NODAL AGENCY

The Nodal Agency will facilitate and assist the project developers and undertake the following activities to achieve the objectives of the policy:

- a) Responsible for carrying out all the tasks related to bidding process for solar power projects in the state. Bidding for UPPCL and for other departments who decide to set up solar power projects on land/space available with them. Departments will bear the cost related to feasibility report preparation and bid process management. Nodal Agency may charge a nominal facilitation charge for providing this service.
- b) Identification of suitable locations and creation of land bank.

- c) Facilitation for allotment of suitable land/space in control of State Government or its agencies.
- d) Assistance in arranging right of way, water supply and connecting infrastructure like roads etc.
- e) Develop appropriate manpower skills by tying up with training and educational institutions.
- f) Utilisation of funds provided under budgetary head “Incentive scheme for Solar Power Generation” for providing suitable payment security mechanism to the generator of Power from solar energy or any other Renewable Energy source like costs relating to opening and maintenance of the Letter of Credit , for activities like hiring of consultants for Bid process management, Outsourcing of single window system and other incentives to be made available through this policy or on any other activity or works which are required for implementation of Solar Policy in the State.

11. EMPOWERED COMMITTEE

To oversee, monitor and resolve various issues arising out of this policy, an Empowered committee will be constituted under the chairmanship of the Chief Secretary of the State. The committee will have the following members :-

- Chief Secretary - Chairman
- Infrastructure & Industrial Development Commissioner
- Secretary /Principal Secretary, Additional Energy Sources
- Secretary /Principal Secretary, Finance
- Secretary /Principal Secretary, Planning
- Secretary /Principal Secretary, Irrigation
- Secretary /Principal Secretary, Revenue
- Secretary /Principal Secretary, Power
- Managing Director, UPPCL
- Managing Director, UPPTCL
- Managing Director, Concerned DISCOM
- Director, UPNEDA –Member Secretary

The committee shall meet on a quarterly basis and also as and when required. The committee will deliberate and decide on the following issues:-

1. Granting permission for bidding for Solar Power Projects bid out under the tariff based bidding scheme.
2. Monitoring of working of single window system.
3. Approval of utilization of funds available under budgetary head “Incentive scheme for Solar Power Generation” and Renewable Energy Development fund”
4. Resolve any other Inter departmental issues that may arise from time to time.

Any other relevant matter.

12. **Qualification Criteria**

S.no	Category of	Plant size in	Technical Criteria	Finanbcial criteria
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	Developer	MW		
1	Small	2 to 10	Experience of successfully commissioning grid connected Solar Power Project(s) aggregating at least Rs.10 crore in the last three years.	Net Worth*: Rs 3.00 crore /MW or equivalent US\$ derived from any of the last three years annual accounts. Annual turnover**: Rs 5 crore /MW or equivalent US\$ derived from any of the last three years annual accounts
2	Medium	>10 to 25	Experience of successfully commissioning grid connected Solar Power Project(s) aggregating at least Rs. 30 crore in the last three years.	Net Worth*: Rs 3.00 crore /MW or equivalent US\$ derived from any of the last three years annual accounts. Annual turnover**: Rs 5 crore /MW or equivalent US\$ derived from any of the last three years annual accounts
3	Large	> 25	Experience of successfully commissioning grid connected Solar Power Project(s) aggregating at least Rs. 50 crore in the last three years.	Net Worth*: Rs 3.00 crore /MW or equivalent US\$ derived from any of the last three years annual accounts. For every MW additional capacity, beyond 25 MW, additional net worth of Rs. 2 crore would need to be demonstrated. Annual turnover**: Rs 5 crore /MW or

				<p>equivalent US\$ derived from any of the last three years annual accounts</p> <p>Internal Resource Generation#***:-</p> <p>INR 2 Crore or equivalent USD per MW of the capacity, computed as five times the maximum internal resources generated during any of the last five years business operations.</p>
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The above mentioned financial criteria shall be computed and derived in following manner:-

***Net Worth:**

= Equity share capital
Add: Reserves
Subtract: Revaluation Reserves
Subtract: Intangible assets
Subtract: Miscellaneous Expenditures to the extent not written off and carry forward losses

****Annual Turnover:**

= Annual Gross Revenue Earned.

*****Internal Resource Generation:-**

= Profit After Tax (PAT)
Add: Depreciation and Amortization
Add: Decrease in Net Current Asset (excluding cash)
Add: Any other non cash expenditure (including deferred tax)
Subtract: Scheduled loan repayments and increase in net current assets (excluding cash)

#Note: In case of application by one company for multiple projects total cumulative

capacity applied by the Company shall be considered for the purpose of Net Worth. (Example: - Company 'A' applying for say 3 projects of 15 MW each the Net Worth requirement shall be computed as $20X3 + 25X2 = \text{Rs.110 Crores}$)

However, in case the application is made by two Companies of the Group, the Net Worth required shall be calculated separately for each Company. (Example: -Company 'B' applying for 2 project of 15 MW and Company 'C' applying for one Projects of 20 MW then Net Worth requirement for Company 'B' shall be $20X3 + 10X2 = \text{Rs.80 Crores}$ and for Company 'C' shall be $20X3 = \text{Rs.60 Crores}$)

12. Glossary

- a) “CERC” means Central Electricity Regulatory Commission.
- b) “Distribution utility” means State owned power distribution company i.e. Madhayanchal Vidyut Vitran Nigam Ltd, Purvanchal Vidyut Vitran Nigam Ltd, Pashchimanchal Vidyut Vitaran Nigam Ltd, Dakshinanchal Vidyut Vitaran Nigam Ltd or Kanpur Electricity Supply Company whichever is applicable in a particular case.
- c) “Government” and “State” means the Government of Uttar Pradesh and State of Uttar Pradesh respectively.
- d) “MNRE” mean Ministry of New and Renewable Energy, Government of India.
- e) “Nodal Agency” means Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) designated as such by Government of Uttar Pradesh for promotion of renewable sources of energy in case of Group –I type of projects and State Irrigation Department in case of Group-II (Pilot)
- f) “PPA” means Power Purchase Agreement.
- g) “Transmission utility” means State owned Uttar Pradesh Power Transmission Corporation Ltd.
- h) “UPERC” means Uttar Pradesh Electricity Regulatory Commission.