Salient Features of Hydro Power Policy -2008

(a) The existing dispensation available to the Public Sector under the National Tariff Policy 2006, regarding exemption from tariff based bidding up to January 2011, is also extended to private sector hydroelectric projects, which obtain CEA's concurrence, sign PPAs with distribution licensees and achieve financial closure before January, 2011.

(b) State Governments would be required to follow a transparent procedure for awarding potential sites to the private sector. The selection criteria may include the financial strength of the developer as measured by his net worth, experience in the development of infrastructure projects of similar size, past track record in delivering projects on time and within estimated costs, turnover of the developer in relation to the size of the project, ability to meet the performance guarantees etc. This eligibility criteria will be applicable at the RFQ stage. The States will call for bids from the short-listed developers who qualify the RFQ stage on a single quantifiable parameter identified from any of the options being exercised by the States either of more than 12% free power or equity participation or upfront payment etc.

(c) The concerned private developer would be required to follow the existing procedure such as getting the DPR prepared, obtaining concurrence of CEA / State Government, obtaining environment, forest and other statutory clearances, and then approaching the appropriate regulator. As provided under the existing guidelines, it would be obligatory for the developer to go through an International Competitive Bidding (ICB) process for award of contract for supply of equipment and construction of the project either through a turnkey contract or through a few well-defined packages.

(d) The tariff of the project would be decided by the appropriate Regulatory Commission. To this extent, the Tariff Policy notified in January 2006 is modified and the developer would be required to enter into long term PPAs with distribution companies subject to provisions in para 10(g) below. While determining tariff the appropriate Regulatory Commission shall not allow as a part of the project cost the expenditure incurred or committed to be incurred by the project developer for getting the site allotted to him. The dispensation accorded under the Hydro Policy of 1998, regarding 12% free power to be provided to the host state government, will, however, be supplemented by an additional 1% in accordance with Clause (h) below. Any free power beyond 13%, would be met by the developers from their own resources and would not be a pass through in tariff.

(e) The project developer wishing to avail of this dispensation must reach the specific milestones – concurrence by CEA / States and all clearances, financial closure and award of work by January 2011, and completion of the project within 4 years thereafter. Any extension to the deadline of January, 2011, if made applicable to the CPSUs under the tariff policy, shall be applicable for the aforesaid purposes to such private hydro projects also. Large storage projects and run-of-the-river projects of capacity above 500 MW could be given suitable increase with respect to construction time. This time schedule would be determined by the appropriate regulator and must be obtained before commencement of the construction. Independent third party verification would be done regarding adherence to the agreed timelines.

(f) In order to enable the project developer to recover the costs incurred by him in obtaining the project site, as mentioned in para 5 above, he would be allowed a special incentive by way of merchant sales of up to a maximum of 40% of the saleable energy. Projects that do not conform to the prescribed time lines would however lose this incentive of merchant sales in a graded manner. With a view to ensure timely completion of these projects, delays of every six months in the commissioning date would result in reduction of merchant sales by 5%. This condition would be operationalised by the appropriate regulator duly apportioning the Annual Fixed Charge accordingly.

(g) The same policy guidelines would be applicable to projects above 100 MW capacity, which have already been allocated by various States to the private developers, if such allocations have been made in a transparent manner and on the basis of predetermined set of criteria.

(h) An additional 1% free power from the project would be provided and earmarked for a Local Area Development Fund, aimed at providing a regular stream of revenue for income generation and welfare schemes, creation of additional infrastructure and common facilities etc. on a sustained and continued basis over the life of the project. It is recommended that the host state governments would also provide a matching 1% from their share of 12% free power towards this corpus. This fund could be operated by a standing committee headed by an officer of the State Government, not lower than a district magistrate to be designated by the State Government, male and female representatives of the Project Affected People and the project head nominated by the developer. This fund would be available in the form of an annuity over the entire life of the project.

(i) For a period of 10 years from the date of commissioning of the project, 100 units of electricity per month would be provided by the project developer to each Project Affected Family through the relevant distribution company. It is expected that the PAF will consume at least the minimum lifeline consumption of one unit per day and the cost of balance unused electricity, if any, could be made available to PAF in cash or kind or a combination of both, at rates to be determined by the State Electricity Regulatory Commission.

(j) The project authorities would involve themselves in the implementation of the RGGY Scheme within a certain radius/surface distance from the Power House/Dam Site as per requirement. The project authorities should bear the State Governments' share of 10% of the RGGVY within this surface distance of the Power House/Dam.

(k) Hydroelectric projects displace families in remote areas. In the interest of speedy implementation of hydro electric projects, the Resettlement and Rehabilitation package can be more liberal than the National Resettlement and Rehabilitation Policy, 2007.

(l) The costs towards expenditure incurred in Sl. No (i), (j) & (k) above would be an essential part of the R&R plan and hence borne as a part of the project cost.

(m) The 10% share of the RGGVY could be within the following surface distance from the Power House

For Projects upto 100 MW	= Within a surface distance of 2 Kms.
For Projects between 100 MWand 250 MW	=Within a surface distance of 5 Kms.
For Projects between 250 MW and 500 MW	= Within a surface distance of 7.5 Kms
For Projects above 500 MW	= Within a distance of 10 Kms