

GOVERNMENT OF HIMACHAL PRADESH

DEPARTMENT OF MPP AND POWER

WHEREAS the Government of Himachal Pradesh has published a Policy with amendments on different dates the following, namely:

Hydro Power Policy, 2006

- A. Hydro Power Policy, 2006, (First Amendment), 2006,
 - B. Hydro Power Policy, 2006, (Second Amendment), 2018,
(Notification No.: MPP (F)-2/2005-X Power, Dated: 15.05.2018)
 - Inserted/ Replaced matter is shown as []^A at appropriate place; wordings inserted/ replaced shown within square brackets;
 - In both of above cases; -^A ; superscript A implies that change is caused by Amendment '1'
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CHAPTER - IV

GENERATION – SMALL HYDRO AND OTHER RENEWABLE SOURCES OF ENERGY

CHAPTER - IV

GENERATION

(SMALL HYDRO AND OTHER RENEWABLE SOURCES OF ENERGY)

GENERAL

The Government of Himachal Pradesh has been laying the desired thrust for encouraging generation of power through renewable energy sources as well as the SHPs including and up to a capacity of 5 MW through an agency called "HIMURJA". The potential aggregating 750 MW exists in the Pradesh and approximately 720 MW at 469 sites with capacities ranging from 100 KW to 5 MW have already been identified. The decision of the Government of Himachal Pradesh to harness and effectively utilize the other renewable sources of energy has been promoted by the following facts:-

- (i) Speedy exploitation of these natural resources in the State will provide cheap, Renewable and reliable power to the people of the Pradesh specially those living in the remote hinterlands;
- (ii) The quality of power especially in rural and tribal areas through generation from small hydro and other renewable energy Projects will be considerably improved;

- (iii) The environmental degradation can be considerably checked by development of the Small HEPs which are eco-friendly;
- (iv) Minimum rural energy needs through sustainable energy programme get Supplemented;
- (v) De-centralized energy supply for households, agriculture, industry and commercial purposes in the remote and tribal areas will be adequately supplemented;
- (vi) Conducive conditions for involvement of private investors in the small hydro and renewable energy Projects will be created;
- (vii) Direct and indirect employment opportunities for the youth in appropriate renewable energy Projects in the Pradesh will be created through their implementation.
- (viii) In addition to the above, it is felt that the Government of Himachal Pradesh is already spending substantial amount, particularly in the remote areas, in the supply and procurement of fuel and other sources of energy such as coal Kerosene, fuel wood at a heavy cost of material and transportation to the State exchequer. It also depletes the forest resource to meet with the fuel requirements of the people, especially in the remote locations and tribal areas. The subsidies being provided by the department of Civil Supplies and Forests etc. shall be gradually phased out and corresponding amount shall be provided as subsidy to the consumers for the procurement of such gadgets of Non-conventional Energy Sources at affordable prices by the State Government upto 50% of the cost. The State Government shall also avail the incentives being provided by the Department of Non-conventional Energy Sources, the Government of India to harness other energy alternatives like solar, wind, bio-mass, agro-residue etc.
- (ix) In Himachal Pradesh, electricity is generated only from Hydroelectric Projects which help in reduction of emission of "Green House Gases". The developer should carryout development of the Project(s) so that these qualify for carbon credits at the National / International levels. Sale of such equivalent carbon credits by the developer on account of development of Project(s) should be through competitive process amongst buyers, in order to derive the maximum benefits.

POLICY

The features of the Power Policy are enumerated as under :-

Why Small Hydro Power and other Renewable Energy Sources?

- Reliable, eco-friendly, mature and proven technology.
- More suited for the sensitive mountain ecology.
- Can be exploited wherever sufficient water flows -along small streams, medium to small rivers and also harness abundant sun-shine, wind-energy and other bio-energy sources.
- Does not involve setting up of large dams or problems of deforestation, submergence or rehabilitation.
- Non-polluting, entails no waste or production of toxic gases, environment friendly.
- Small capital investment and short gestation period.
- Minimal transmission losses.
- With careful planning and adoption of simplified and standardized designs, SHP installations are becoming increasingly competitive with thermal, diesel or gas based power generation.

HIMACHAL BECKONS

- Small Hydro Power potential of more than 750 MW in Himachal Pradesh.
- An attractive package of incentives.
- Overwhelming response in the previous phases.
- Ever increasing demand of power in the North India.
- Easy access by road/train/air.
- Escort service by HIMURJA/HPSEB.
- Well developed road network within the State and easy accessibility to the sites.
- Peaceful industrial climate -Excellent rapport between workforce and industry. A cooperative labour pool/workforce.
- A salubrious climate.
- Well knit communication network with FAX/ STD/ISD facilities available in all the corners of the State
- An extensive network of high/medium/low tension lines enabling easy connectivity to grid.

SMALL HYDRO DEVELOPMENT PROGRAMME IN HIMACHAL PRADESH

1.1 PROJECTS TO BE OFFERED FOR PRIVATE SECTOR PARTICIPATION

- (i) Projects Identified by the IPPs as self identified Projects.
- (ii) Projects Identified by HIMURJA.
- (iii) ~~^1 Small Hydro Projects upto 2.00 MW capacity shall be exclusively reserved for the bonafide Himachalis and the Co-operative Societies comprising of the bonafide Himachalis. While allotting such projects upto 5.00MW, preference will be given to the bonafide Himachalies. If there are more than one Himachali (Applicant), preference shall be given to the person of the area, or the District. Not more than 3 Projects shall be allotted for implementation to an IPP.~~

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2. GUIDELINES FOR PRIVATE INVESTORS

- (i) Any Private Investor such as Private Ltd. Company/ Public Ltd. Company/Public Sector Undertakings / Partnership concern/Sole Proprietary / Himachalis / Co-operative Societies comprising of the bonafide Himachalis is eligible to apply for the investigation / execution of these Small Hydel Projects.
- (ii) The applications for the new Projects shall be received after every six months on the basis of advertisements issued by HIMURJA. These advertisements will include Self Identified Projects

¹ Omitted and inserted sub-clause (iii) of principal clause 1.1 2 of hydro policy, vide First amendment (A), 2008

also. Those who have already applied on the basis of self identification need not apply again if they so desire. Their applications shall be examined along with others in the respective block of six months. HIMURJA shall give advertisements in Giriraj and in leading Newspapers. The applications shall be scrutinized by HIMURJA and approved by the Government.

- (iii) As the potential sites have been identified on the basis of preliminary reconnaissance only, the interested Private Investors should, in their own interest, visit the potential sites, (which are essentially the rivulets/streams on which the small hydro Projects can be developed), for verifying various Project related parameters viz. discharge, head, water availability, habitation etc. They shall also ensure that the Project components do not fall in the wild life sanctuaries, national parks, Eco protection zones etc. and also do not interfere/ overlap with the existing/ ongoing/ proposed Hydel Projects of HPSEB, Government of India undertakings, Private Investors, before submitting their offers on the prescribed format.
- (iv) The application shall be accepted on the prescribed format and shall accompany with the, application fee & requisite documents as mentioned in the "check list of the documents to be enclosed" in application format, etc. The application shall include along with the application the information regarding, name of the stream/nallah, estimated capacity, assessed head and assessed design discharge, layout sketch of the Project which should show the elevations of the main components of the Project, names of the Projects already allotted upstream/downstream of the proposed site, if any etc. Application for the same name of the Project already allotted upstream/ downstream can not be accepted at the proposed site. The Joint inspection by a team of officers of HIMURJA, HPSEB and other IPPs shall be carried out to ascertain the overlap, if any, with the existing Projects.
- (v) If IPP is interested to apply for more than one Project, separate application for each Project shall be submitted along with application fee.
- (vi) The application must be complete in all respects, supported with the requisite documents and accompanied with application fee of Rs. 5000/- in the shape of a bank draft payable at Shimla drawn in favour of "Director HIMURJA". The application form is at Annex-I. The applications shall be assessed on the basis of various parameters viz. Financial Strength, Technical Strength & Project Development Experience of the Bidders.
- (vii) From the effective date of receiving the applications and after receiving the essential documents as specified in Para-viii (a) below, a simple letter of authorization to undertake further steps shall be issued by HIMURJA.
- (viii) **Essential documents**
 - (a) In those streams & rivers where SHPs have been identified either by the IPPs or HIMURJA, the Government, shall obtain clearances from the concerned departments like Wild Life stating that the Project area is outside the Wild Life Park, Sanctuaries, Zoos etc., from I&PH & Revenue department(s) stating that the proposed Projects(s) does not infringe with the drinking and irrigation rights of the local inhabitants and of the ownership of traditional water mills i.e. Gharats, approval under the Himachal Pradesh Transfer of Land (Regulation) Act,1968 in the tribal areas, consent from the Gram Panchayat through Panchayat Secretary within one month's time. In case, no communication is received from the concerned Gram Panchayat including that of tribal areas within the stipulated period, it will be presumed that they have no objection in giving consent to such a proposal. The Administrative Department shall monitor the progress of such reports in a

time bound manner.

- (b) ~~The IPP shall give an undertaking to the Fisheries Department of the local area that wherever feasible, rearing of fish shall be promoted by the IPP in consultation with the Fisheries Department in the Project area at the time of final implementation of the Project.~~

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The Fisheries Department will charge compensation @ Rs. 0.50 lac per KM from Tail Race to weir of the Project. In addition the IPPs will pay Rs. 0.50 lac per MW to the Fisheries Department. It will be mandatory to utilize this amount on the same stream/nallah or elsewhere and formulate schemes accordingly. However, these provisions shall not be applicable to projects above 5 M.W.^{2A}

- (c) In case of the bonafide Himachali Promoter Directors/cooperatives, a proof thereof shall be furnished to HIMURJA/ Government.
- (d) The IPP shall submit the Pre-feasibility Report (PFR) of the proposed Project along with the above mentioned reports.
- (e) The IPPs shall also submit name with complete address, Tel. No./Fax No. etc. of the promoter Company and the associate companies.
- (f) Details with complete address, Tel. No./Fax No. etc. of the present Directors of the promoter Company and the associates companies.
- (g) Detail of the individual equity share holder(s) with complete address, Tel. No./Fax No. etc.
- (h) The IPP shall establish its corporate office in Himachal Pradesh after the allocation of the Project and the proof thereof.
- (ix)** The Himachal Pradesh Government reserves the right to reject any or all offers without assigning any reason.
- (x)** Allocation of marks to Himachalis would be as under:-
- | | | |
|------|----------------------|----------|
| i) | Financial capability | 60 marks |
| ii) | Technical capability | 30 marks |
| iii) | Personal interaction | 10 marks |

However, to qualify the financial capability, minimum assets (both movable & immovable) should not be less than Rs. 10.00 lacs.

- (xi)** After the allotment of the Project site(s) the allottee firm shall fulfill the following pre requisite criteria:-
- (a) Furnishing of the Processing Fee (non-refundable) in favour of "Director, HIMURJA" payable at Shimla. The processing fee for Himachali, Cooperative society/Company comprising of the bonafide Himachalis shall be Rs. 25,000/- up to 2 MW and beyond 2.00 MW up to 5 MW @ Rs.25,000/- +Rs. 10,000/- per MW for the capacity exceeding 2 MW. For

² Omitted and inserted sub-clause (b) of clause (viii), of principal clause 2 2 of hydro policy, vide First amendment (A), 2008

others, the processing fee shall be Rs. 2.00 lac per Project.

If an IPP enhances the capacity of already allotted Project after Techno Economic Clearance/ signing of IA then the IPP shall be required to furnish the processing fee afresh at the rate specified above.

- (b) Furnishing of Security charges in the shape of Bank Guarantee or Demand draft (refundable) in favour of "DIRECTOR HIMURJA" payable at Shimla. Security charges to be taken from the bonafide Himachali/ Cooperative society/Company comprising of the bonafide Himachalis shall be in favour of Director HIMURJA payable at Shimla which shall be as follows:-

- (i) Upto 2 MW Rs. 50,000/- in shape of Bank Guarantee or Rs. 25,000/- in the shape of Demand Draft.
- (ii) Beyond 2MW up to 5 MW Rs. 75,000/- in the shape of Bank Guarantee or Rs.35,000/- in the shape of Demand Draft.

In case of others, the security charges will be paid in cash or by way of demand draft @ Rs. 50,000/- per MW.

- (c) A resolution from the Board of Directors shall be obtained to authorize one of the Director for signing application, MOU/IA and all other relevant papers etc.

- (xii) There are SHP sites up to 5.00 MW which stand cancelled due to non-seriousness of the developers and for which TEC already stands accorded. These Projects shall be considered for allotment after inviting fresh applications on six months basis and advertisements issued by HIMURJA. HIMURJA shall give advertisements in Giriraj and in leading Newspapers. The applications shall be scrutinized by HIMURJA and approved by the Government.

- (xiii) The allottee firm shall have to sign the MOU (Annex-II) with the Government of Himachal Pradesh, within a stipulated date, the details of which shall be given in the allotment letter.

- (xiv) The up-front premium for SHPs above 2.00 MW and up to 5.00 MW shall be charged in the following manner and shall be deposited by the developer on the allotment of the Project and before signing of MOU:-

- (a) **For New Projects:**

- (i) Upfront premium is exempted for projects up to 2.00 MW.
- (ii) Rs. 45,000/- per MW above 2.00 MW and up to 5.00 MW with the ceiling of Rs. 75,000/- (Non-refundable) in shape of bank draft in favour of Director, HIMURJA, payable at Shimla.

- (b) For Projects where Detailed Project Reports (hereinafter referred to as "DPRs") are ready and which were considered for allotment but cancelled after due consideration:

Projects up to 5.00 MW capacity Rs. 10,000/- (fixed) + cost of DPR as per norms of Ministry of Non Conventional Energy Sources (hereinafter referred to as MNES)

- (xv) Upfront premium, processing charges and other security deposits shall not form part of the Project cost, which shall be borne by the developer out of his own source of income.

- (xvi) If the applicant does not take effective steps to undertake survey and investigation within a period of three months from the date of MOU and after finding the site feasible, does not prepare DPR after incorporating discharge data for two lean seasons, the MOU shall be automatically

terminated (except to force majeure conditions) after forfeiting the bank guarantee and the site will be allotted to some other applicant.

- (xvii)** The Private Investors shall have to stick to the time schedule for the investigations of the Project and submission of the DPR. They shall have to submit Bar Chart/ Critical Path Method/Project Evaluation Review Technique or any other modern techniques in this respect to HIMURJA for scrutiny and monitoring. The progress achieved in this regard shall be reviewed by a committee constituted by the Himachal Pradesh Government for the purpose on quarterly basis. In case of default, the Himachal Pradesh Government shall have the right to cancel the MOU, forfeit the security and allot the Project for further investigations etc. to any other party or take it over itself without paying any compensation to the Private Investor.
- (xviii)** The Private Investor shall prepare DPRs and submit the same within a period of 24 months from the date of signing of the MOU, which shall be accorded Techno-Economic-Clearance (TEC) by a committee to be constituted by the Himachal Pradesh Government before signing of Implementation Agreement (IA).
- (xix)** After the DPRs are submitted, the same shall be examined/approved by Himachal Pradesh Government as may be necessary. Also the Government reserves the rights to modify, delete or add any of the conditions, criteria, at its own discretion and shall be at liberty to cancel the application, if at a later stage it is found that some information has been suppressed or false information has been supplied by the IPPs about the Project and the firm.
- (xx)** After the DPR is found satisfactory and Techno-economic clearance (TEC) is accorded, the Private Investor (after he completes the prerequisites) will be called for signing of Implementation Agreement with Himachal Pradesh Government, and Power Purchase Agreement (PPA) with HPSEB.
- (xxi)** The Government of Himachal Pradesh shall sign the Implementation Agreement (IA) (Annex-III) with the Developer within a period of 30 months from the date of signing of MOU.
- (xxii)** Any difference and/or disputes arising at any time between the parties out of the MOU/IA or interpretation thereof shall be endeavored to be resolved by the parties hereto by mutual negotiations, failing which the matter shall be referred to the Arbitrator to be appointed as per the provisions of the Arbitration & Conciliation Act, 1996. However, all disputes shall be settled within the jurisdiction of Courts of Himachal Pradesh.
- (xxiii)** The IPPs shall be required to obtain all the statutory/non statutory final clearances from the departments viz. Forest, I&PH, HPPWD, Fisheries, Pollution Control Board, Wild Life, Revenue etc, after paying the prescribed fee fixed by these departments, necessary for the implementation of the Project(s) and commence the construction work within the time frame specified in the Implementation Agreement i.e. within six months of signing of the same, failing which the agreement automatically shall stand cancelled. However, extension in this period, which is not due to force majeure reasons, may be allowed by levying an extension fee of Rs. 10,000/- per MW per month and maximum extension in this case shall be up to six months only and in case of established force majeure conditions up to six months without extension fees subject to the approval by the Government.
- (xxiv)** The Private Investor shall pay all taxes and duties or other levies etc.to the Government of India/Himachal Pradesh Government as per the statutory rules in force from time to time.
- (xxv)** After the financial closure, within the time period of six months specified in the Implementation Agreement, the developers shall submit a copy of the documents submitted to the financial

institutions/Banks along with a copy of the loan sanctioned. HIMURJA shall scrutinize the names of promoters/Directors vis-a-vis such names which were there in the Memorandum of Article / Society registration/ Co-operative Society registration/ Partnership deed etc.

- (xxvi)** The private investor shall undertake the implementation of the Project keeping in view all stipulated quality control measures as well as safety standards and the physical as well as financial parameters (with particular reference to the quantities of various items as well as the associated costs thereof etc.) of the approved DPR. The Private Investor shall allow access to the authorized representative(s) of the Himachal Pradesh Government/HPSEB/ any other Agency authorized by Himachal Pradesh Government to all locations of the Project to ensure compliance in this respect.
- (xxvii)** The incentives/concessions offered by the MNES/Himachal Pradesh Government would be applicable for all small hydel Projects up to 5.00 MW. The final decision of the actual capacity of the Project shall rest with the Himachal Pradesh Government.
- (xxviii)** Any change in the name and consortium of the Company shall not be allowed from the date of signing of the MOU except as allowed against clauses xxix & xxx of para 2. It shall be mandatory for an IPP to submit an affidavit stating therein that no change in consortium and name of directors/ promoters have been made. In case of default on the part of IPP, allotted Projects shall be liable for cancellation, except the IPP follows the provisions laid down in clauses xxix & xxx of para 2 and submit their request and other necessary documents required for effecting any change in the name and consortium of the Project.
- (xxix)** The Government of Himachal Pradesh may consider the request of IPP for changing the name of Company or consortium.
- (xxx)** In case of bonafide Himachalis to whom Projects upto 5.00 MW capacity is allotted, the Government may consider the request of promoters to sell equity shares to the bonafide Himachalis who have been living in Himachal Pradesh from generation to generation. The Promoter(s) shall be allowed to sublet/transfer its right by way of merger, by way of change of management, by way of Power of Attorney, by transfer, lease, mortgage or any other such possible means accrued under the Memorandum of Understanding (MOU)/Implementation Agreement (IA) to any other Himachalies living in Himachal Pradesh from generation to generation or cooperative societies comprising of such Himachalis at any stage i.e. before and after commissioning of the Project so as to facilitate the execution of the project by taking technical or financial support from Cooperatives, Associations, NGOs, Companies, Individuals, Himachalis who have technical or financial means available to support the project(s).
- (xxxi)** In case of those projects which have been earlier allotted to non-Himachalis and where MOUs have not yet been signed and have since been cancelled, the processing fee and all other charges received by HIMURJA shall be refunded to the IPPs. In case of those HEPs whose cases are being examined by a committee constituted at Govt, level for extension of time/allotment etc., a final decision at the Govt, level shall prevail.
- (xxxii)** In case of augmentation of capacity of already commissioned Projects by an IPP following capacity addition charges shall be levied, before according the approval by the Government:-
- | | |
|---------------------------|-------------------|
| a) 0.50 MW and below | Rs. 1 lac |
| b) Above 0.50 MW to 1.0MW | Rs.2 lacs |
| c) Above 1MW | Rs. 5 lacs per MW |

Other charges such as processing fee, security deposits as specified against in clause (xi)(a) & (b) shall be payable by the IPP in addition to above charges.

- (xxxiii) The IPPs shall carry out the Environmental Impact Assessment (EIA) studies. The Developer shall be required to strictly adhere to the stipulations put forth by the authorities while issuing forest, wildlife, environmental and aquatic life clearances etc.
- (xxxiv) The Company, 'if ROR Project' shall ensure minimum flow of 15% water immediately down stream of the diversion structure of the Project all the times including lean seasons from November to March, keeping in mind the serious concerns of the State Govt, on account of its fragile ecology & environment and also to address issues concerning riparian rights, drinking water, health, aquatic life, wild life, fisheries , silt and even to honour the sensitive religious issues like cremation and other religious rites etc. on the river banks.
- (xxxv) The provision under "The Himachal Pradesh Transfer of land (Regulation) Act, 1968 in Tribal Areas shall be adhered to.
- (xxxvi) The land, whether the private or Government except for permanent structures relating to the Project such as water conductor system, power house building, switchyard area etc. shall be taken only on lease basis at the rates approved by the Government for the agreement period. The Government shall acquire the land for the permanent structures by invoking the emergency clauses under the Land Acquisition Act, 1894 in order to expedite the execution of Projects.
- (xxxvii) The IPP shall inform the local Police Station and the Labour Officer about the details of the Labourers and other work force engaged who are both from within the State, country or outside the country, regularly. The Company shall provide minimum 70% employment to the bonafide Himachalis whose names are registered on live register of any employment exchange located in the State of Himachal Pradesh, in respect of all the unskilled/skilled staff and other non-executives as may be required for execution, operation and maintenance of the Project through the local Employment Exchanges or from other than such live register from any where within the state or outside the state, who are bonafide Himachalis or through the Central Employment Cell at Shimla. The IPPs shall be required to provide mandatory employment related information to the Labour Department of the Himachal Pradesh Government on the lines of instructions issued by the Himachal Pradesh Government in this regard within one month of signing of the IA and thereafter on monthly basis.
- (xxxviii) ~~^A3 The Company shall build such infrastructure development works in the vicinity of the Project area that may be essentially required for the benefit of local population. The expenditure on such works shall be incurred by the Company to the tune of 1% of the Project cost. These development works may be mutually decided with the local authorities.~~

The Company shall build such infrastructure development works in the vicinity of the Project area that may be essentially required for the benefit of local population. The expenditure on such works shall be incurred by the Company to the tune of 1 % of the Project cost. These development works may be mutually decided with the local authorities.

The amount on account of local area development shall be paid by the developer to Deputy Commissioner of the Project Affected Areas (Chairman LADC) in equal annual installments starting from the date of signing of the IA -till the date of commercial operation but not beyond the date of milestones as stipulated in the I.A. ³f^A

³ Omitted and inserted clause (xxxviii), of principal clause 2 of hydro policy, vide First amendment (A), 2008

- (xxxix) ^A4 If the aggregate capacity of the Projects being developed in the cascade (as per provisions of against Para 1.1 (iii) exceeds 5MW then the expenditure on such works shall be 1.5 % of the total Project cost.

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- (xi) The Electricity Act, 2003 and the National Electricity Policy of 2005 provides for "License free generation and distribution in rural areas, open access in distribution system, stand alone system/Non-Conventional/Renewable Resources for generation and distribution. Distribution licensee shall be free to undertake generation and generating Company shall be free to undertake distribution and more importantly thrust has been laid to complete rural electrification and provide for management of rural distribution by Panchayats, Cooperative Societies, Non-Governmental Organizations, Franchisees etc. The IPPs can take the benefit of such schemes.
- (xli) To promote "Off - Grid solutions" like the SHPs in the rural areas by providing evacuation links from the SHP to the State Grid, Government of Himachal Pradesh shall endeavour to provide Grid connectivity to the Small HEPs by utilizing the provisions namely the Rural Electricity Distribution Backbone (REDB) and the Decentralized Distribution Generation & Supply (DDG) contained in the Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY).
- (xlii) While protecting the ownership and use rights of existing Water Mills, the Government of Himachal Pradesh shall encourage the up-gradation of existing Water Mills and installation of the new Water Mills both for mechanical and electrical application by the bonafide Himachalis. For this purpose, the Government of Himachal Pradesh shall provide technical and financial assistance, besides, availing the corresponding subsidies/incentives notified by MIMES. The beneficiaries shall include the bonafide Himachalis of the area because they are well conversant with the local terrain, topography and other socio-economic conditions of the people. First preference shall be given only to the owners of sites of such traditional Gharats, then the village, then the district, then the rest. The owners of the existing Water Mills who are willing to install new Water Mills at the potential sites shall have to obtain necessary approvals from the competent authorities as per the requirements of the scheme. In case of Water Mills providing the electrical and mechanical output, the power so generated shall be utilized by the owner for his own captive use or otherwise as permitted by the law. However, such developers are exempted from the payment of 1% development charges for local areas.

3. INCENTIVES TO THE DEVELOPERS:

3.1 By Himachal Pradesh Government.

⁴ Omitted and inserted clause (xxxix), of principal clause 2 of hydro policy, vide First amendment (A), 2008

- (i) ^B5 HPSEB shall purchase power from private parties/joint sector companies setting up the Small Hydel Power Stations @ Rs. 2.50 per unit.

Mandatory Purchase of Power by DISCOM:

*The entire power generated from the projects having capacity upto 10 MW will mandatorily be purchased by HPSEBL at the HPERC determined tariff. The same shall be applicable to the projects which shall be commissioned after this notification. Exemption in Open Access Charges.*⁵^B

- (ii) ^A6 ^B7 ~~Wheeling for captive use within the State shall be allowed by HPSEB at a fee of 2% (including system losses). For sale/captive use of power outside the State the HPSEB shall levy wheeling charges @ 10% (including system losses) of the energy received (excluding royalty) at the interconnection point for wheeling/transfer of power up to the mutually agreed inter-state point.~~

~~Wheeling charges of generated power by the IPP within and outside the State shall be determined as per the policy of HPSEB/ SERC at that time.~~⁶^A

Exemption in Open Access Charges:

*No open access charges for the use of intra-state transmission network shall be payable by hydro projects having capacity upto 25 MW which shall be commissioned after this notification.*⁷^B

- (iii) Banking of energy will also be allowed by the HPSEB as per prevailing rules and regulations.

- (iv) ^A8 ^B9 ~~Third party sale of power within the State shall not be allowed.~~

~~Third party sale within the State shall be allowed in case of those project proposals where cost generation is above Rs. 2.50 per unit. However, It shall be obligatory on the part of the IPP to submit the third party power sale proposal with in the State, wherever, peak load demand exists, duly approved by HPERC along with the DPR for accordance of TEC. However, the final tariff rates shall be determined by the HPERC after the financial closure.~~⁸^A

- (v) ^A9 ^B10 ~~Royalty on water usage in shape of free power to the State from the Small Hydel Projects having installed capacity upto (5.00MW), is waived off for a period of 12 years reckoned after 30 months from the date of signing of IA of the Project (irrespective of extension in time period of IA granted to an IPP on any account). Beyond 12 years, the royalty will be @ of 12% for next 18 years and beyond that @ 18%. The 12 years relaxation in royalty shall however not be applicable to the Projects which make captive use of power outside the state or make third party sale outside the state. In that case, the royalty @ of 18% reckoned after 30 months from the date of signing of IA of the Project (irrespective of extension in time period of IA granted to an IPP on any account) shall be applicable.~~

~~Royalty on water usage in respect of sale of power within the State in shape of free power to the State from the Small Hydel Projects having installed capacity up to (5.00 MW), is waived off for a period of 12 years reckoned after 30 months from the date of signing of IA of the Project (Irrespective of extension in time period of IA granted to an IPP on any account). Beyond 12 years, the royalty will be @ of 12% for next 18 years and beyond that @ 18%. The 12 years relaxation in royalty shall however not be applicable to the Projects which make captive use of power outside the state or make third party sale outside the state. In that case, the royalty @ of 12% reckoned after 30 months from~~

⁵ Omitted and inserted clause (i) of clause 3.1 of principal clause 3, vide Second amendment (B), 2018

⁶ Omitted and inserted clause (ii) of clause 3.1 of principal clause 3, vide First amendment (A), 2008

⁷ Omitted and inserted clause (ii) of clause 3.1 of principal clause 3, vide Second amendment (B), 2018

⁸ Omitted and inserted clause (iv) of clause 3.1 of principal clause 3, vide First amendment (A), 2008

⁹ Omitted and inserted clause (v) of clause 3.1 of principal clause 3, vide First amendment (A), 2008

¹⁰ Omitted and inserted clause (v) of clause 3.1 of principal clause 3, vide Second amendment (B), 2018

~~the date of signing of IA of the Project (irrespective of extension in time period of IA granted to an IPP on any account) shall be applicable.^{9A}~~

In case of already allotted (but not commissioned) Projects:

The free power quantum to be received on account of free power share of the State will be deferred for the critical period of initial 12 years from the date of achieving Scheduled Commercial Operation Date (SCOD) or Commercial Operation Date (COD) whichever is earlier. The quantum to be deferred shall be recovered during the balance agreement period in a uniform percentage rate for all the ongoing private sector projects which are under construction and at various stages of clearances. The Project developers shall be liable to sign revised Pre Implementation Agreements/Implementation Agreements/Supplementary Implementation Agreements as the case may be.

In case of Projects to be allotted under Private Sector:

The Free Power Royalty for all the new hydro projects to be allotted in future under Private Sector shall be levied as per the provisions contained in the National Hydro Power Policy i.e. levy of royalty in the shape of Free Power will be at uniform rate of 12% for the entire agreement period.^{10B}

(vi) The Developer will be permitted to establish, own, operate and maintain the Project for a period of 40 (forty) years and the date shall be reckoned after 30 months from the date of the signing of the Implementation Agreement (irrespective of extensions in the time period of the Implementation Agreement granted on any account.). Thereafter, the Project shall revert to the State Government free of cost and free from all encumbrances.

(vii) In case of such Projects assets would be maintained by the Developer in a condition that would ensure a residual life of the Project at the rated capacity for at least 30 years at any point of time. During the 10th, 20th, 30th & 35th years of operations, the Government of Himachal Pradesh or one of its appointed agencies would carry out a mandatory inspection of the Project site to ensure that the Project assets are maintained to the required standards to ensure the specified generation capability and residual life of the plant.

If such inspections find that the Project capacity or life is being undermined by inadequate maintenance, the Government of Himachal Pradesh shall be entitled to seek remedial measures from the developer. If the developer fails to comply with the requirement, the Government of Himachal Pradesh shall have the right to take over the commercial operation of the Project and shall have full right upon the sale of power including Developer's share. The cost on account of suggestive remedial measures shall be deducted from the sale of Developer's share of metered power including the operation & maintenance cost for such a period till the Project's assets are restored to the required standards to ensure the specified generation capability and residual life of the Project as specified above. Thereafter, the Project shall be handed over to the Developer.

(viii) Interfacing including transformers, panels, kiosks, protection, metering, H.T. Lines from the points of generation to the HPSEB's nearest feasible H.T. sub-station as well as maintenance shall be undertaken by the Developer as per the specifications and requirements of the HPSEB for which the Developer shall bear the entire cost. Alternatively, these works and their maintenance could be undertaken by the HPSEB, at charges to be decided by the HPSEB payable by the Hydro Project Developer.

The Hydro Project Developers shall however be at liberty to erect common dedicated transmission lines for joint evacuation of Power from two or more Projects by way of suitable Consortium Agreements.

(ix) Non Cash Incentives:

These non-cash incentives shall be provided in terms of speedy clearances by the Screening Committee and timely payments by the Electricity Board to the entrepreneur.

- (a) Escort Service shall be provided by HPSEB or HIMUPJA, as the case may be.
- (b) HPSEB shall clear all dues of a private party on account of purchase of power within thirty days from the receipt of the bill, failing which penalty @ 1.5% per month shall be payable by HPSEB. The HPSEB shall open a revolving Letter of Credit (LC) to ensure timely payment for which the charges shall be borne by the Company. The Letter of Credit provision shall be applicable only in case where the entire power is sold to HPSEB (excluding royalty).
- (c) If the applicant does not take effective steps to undertake survey and investigation within a period of three months from the date of MOU or after finding the site feasible does not prepare DPR within the stipulated period as indicated in the MOU, the MOU shall be automatically terminated (except force majeure conditions) and the site shall be allotted to some other applicant. If on the other hand, land is not leased to the entrepreneur and power purchase agreement is not signed by the HPSEB within six months from the date of signing of Implementation Agreement, the applicant will have the option to terminate the implementation agreement without any financial obligation on either side. The implementation agreement shall be signed within 30 months from the date of signing the Memorandum of Understanding (MOU).

(x) Provision for Deemed Generation

1. The deemed generation shall be payable in case of non-availability or partial availability of evacuation system beyond the interconnection point on various grounds of system parameters and/ or backing down instructions from the state load dispatch centre.
2. Deemed generation shall be payable when water spillage exceeds 480 hours in a year and in such cases only where evacuation system is connected to manned 22 KV Sub-stations declared as control sub stations by the Board/33 kV/EHV Sub-stations of HPSEB. The benefit on account of deemed generation shall not be allowed in cases where captive use/third party sale is intended to be made outside the State.
3. The following shall not count towards the Deemed generation:-
 - i) the loss of generation at the Station due to the interruptions/outages attributed to the aforesaid factor(s) lasting for a period of less than 20 minutes at a time; i
 - ii) the loss of generation at the Station on account of aforesaid factor(s) but attributed to the Force Majeure event(s).
 - iii) the loss of generation at the Station due to the interruptions/ outages attributed to the aforesaid factor(s) during the period in which the total duration of such outages/ interruptions, other than those excluded under (i) & (ii) above, is within the annual limit of 480 hours in a Year; and
 - iv) the loss of generation at the Station that would have taken place otherwise also even in the absence of the aforesaid factor(s)
4. The period of outage/interruption on account of such factor(s) shall be reconciled on monthly basis and the loss of generation at the Station counting towards Deemed Generation after accounting for the events (i) to (iv) above, shall be computed on following considerations :-
 - i) if such period falls within the first twelve months after the COD of the Project, the generation envisaged for the month in which such period falls, based on inflows relating to 75% dependable year, as per the hydrological data contained in the Approved DPR;
 - ii) If such period falls subsequent to the first twelve months after the COD of the Project, the generation actually achieved including the Deemed Generation, if any, in the corresponding

month of the previous Year or the one envisaged in that month based on inflows relating to 75% dependable year as per the hydrological data contained in the Approved DPR, whichever is less.

5. The HPSEB shall pay for the Saleable Deemed Generation on the basis of the deemed generation after deducting , on deemed basis , the corresponding quantum of Govt, supply, auxiliary consumption transformation losses and transmission losses in deemed delivery of such power at the Interconnection Point.
6. For working out the benefit accruing on account of deemed generation any loss in generation attributed to the factors governing the deemed generation during the first year of the operation of the plant shall be based on the hydrological data in the DPR relating to 75% dependable year. During the subsequent years, deemed generation shall be payable up to actual generation in previous years/ 75% dependable year generation, whichever is lower.

^B¹¹ **(xi) Tariff Determination:**

The tariff shall be determined by HPERC with respect to date of achieving COD of the project instead of the date of signing of IA. However, this condition shall be applicable only if Project is completed within the stipulated time period as approved in Technical Concurrence (TC) after achieving the zero date except force majeure conditions or reasons not attributable to the developers.

(xii) Allocation of projects for Captive use:

The projects upto capacity of 10 MW for captive use of power for existing industries or for new industrial units within the State of Himachal Pradesh shall be allocated without competitive bidding after assessing the capabilities of the applicant Company on MOU route on the similar terms & conditions as per the prevailing hydro power policy for allotment and in accordance with the power requirement of the industrial units already set up or to be set up subject to fulfillment of all the legal, regulatory and procedural requirements.

(xiii) Re-defining of milestones for stalled projects:

The Administrative Department is authorized to re-define the milestones afresh where 100% equity transfer is permitted by the Government as per the prevailing hydro power policy guidelines by entering into revised agreement for the stalled under construction projects.¹¹^B

3.2 BY MNES, GOVERNMENT OF INDIA.

(a) MNES CAPITAL SUBSIDY SCHEME FOR SETTING UP OF COMMERCIAL SMALL HYDRO POWER (SHP) PROJECTS UPTO 25 MW STATION CAPACITY IN HIMACHAL PRADESH.

The Ministry of Non-Conventional Energy Sources will now provide capital subsidy through financial institutions. The subsidy is intended for making re payment of the term loan provided to the developer of the SHP Projects by the financial institution. The capital subsidy will be released after successful commissioning and commencement of commercial generation from the Project to financial institution providing loan to set up SHP Project. The quantum of subsidy will be independent of quantum of term loan and will be limited to the amount indicated below:-

¹¹ Inserted clause (xi), (xii) and (xiii) after clause (x) in clause 3.1, vide Second amendment (A), 2008

Up to 100 KW	From 101 KW to 999 KW	From 1 MW to 25 MW
45% of Project cost limited to Rs. 30,000/- per KW	45% of Project cost limited to Rs. 30.00 Lacs + Rs. 21,625/-per KW.	45% of Project cost limited to Rs. 2.25 Crores + Rs. 37.50 Lacs per MW.

(b) MNES SCHEME FOR PROVIDING PROMOTIONAL INCENTIVES TO CARRY OUT DETAILED SURVEY & INVESTIGATION (DSI) AND PREPARATION OF DETAILED PROJECT REPORT (DPR) FOR SHP SITES UP TO 25 MW POTENTIAL IN HIMACHAL PRADESH.

In order to encourage SHP development at the identified potential sites, the following promotional incentives under SHP programme of MNES will be applicable in the form of grant-in-aid as per the amount given below or actual cost incurred for carrying out Detailed Survey and Investigation (DSI) and Preparation of DPR of SHP Projects by the State/developers, whichever is less.

Up to 1 MW	Above 1 MW up to 10 MW	Above 10 MW & up to 25 MW
Rs. 1.75 lacs	Rs. 3.00 lacs	Rs. 5.00 lacs

Eligibility Criteria

- (i)** The promotional incentives for Detailed Survey & Investigation Report (hereinafter referred to as "DSIR") and DPR are applicable to the developers in Government, Public, Private, Co-operative, Non Government, Joint Sector who are the owners or have been allotted the Project site by the State Government for SHP development.
 - (ii)** The Proposals to carry out DSI will be considered for identified hydel sites where pre-feasibility studies have been completed, and the Pre-Feasibility Report has been enclosed.
 - (iii)** The proposal for preparation of Detailed Project Report (DPR) will be considered for SHP Project sites where detailed survey and investigations have already been completed, and the DSI report has been enclosed.
 - (iv)** The Hilly areas would mean the areas in the State as mentioned/declared by various State Governments.
- The above incentives are subject to modifications from time to time.

(C) SCHEME FOR WATER MILLS (GHARATS)

1. Subsidy for development/ upgradation of water mills

To encourage the development of Water mills in the remote & hilly areas to meet the basic needs of villagers, the Ministry will provide subsidy for development of new Water Mills or up-gradation of existing Water Mills. The subsidy would be applicable in following two categories of Water Mills:-

- (i)** Water Mills with mechanical output only, and

- (ii) Water Mills with electrical output (up to maximum of 5KW) only, or, both mechanical & electrical output (up to maximum of 5KW).

2. The quantum of subsidy will be extended as per following details

Category of Water Mill	Amount of Subsidy
1. Watermills for - a) Mechanical output only	75% of actual Project cost or, Rs 30,000/- whichever is less
2. Watermills for - a) Electricity output only or, b) Both mechanical and electrical output	75% of actual Project cost or, Rs.1,00,000/- whichever is less

- Full details of MNES subsidy pattern, forms etc. are available at MNES

Web Site i.e. www.mnes.nic.in