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GOVERNMENT OF ARUNACHAL PRADESH
DEPARTMENT OF POWER
ARUNACHAL PRADESH CIVIL SECRETARIAT
ITANAGAR

NOTIFICATION

The 24th January, 2008

No. PWRS/HPD/W-1305/2005.—In exercise of the powers conferred by Clause (3) of article 246, entry No. 17 in Seventh Schedule List-11, State list of the constitution of India, the Governor of Arunachal Pradesh is pleased to notify the **Small Hydro Power Policy, 2007** in the State as follows :

PART - I

PRELIMINARY

1. **Short title and commencement** : - (i) This policy may be called "**Small Hydro Power Policy, 2007**"
(ii) This shall come into force on the date of its publication in the Official Gazette.
2. **Definitions** : In this policy, unless the context otherwise requires,
 - (1) 'Policy' means the Small Hydro Power Policy, 2007.
 - (2) 'SHP' means Small Hydro Projects up to an installed capacity of 25 MW.
 - (3) 'MW' means Mega Watt.
 - (4) 'Action Plan' means plan and method for small hydro power generation in the state with the involvement of various stake holders of State Governments/Agencies.
 - (5) 'Capacity addition' means adding-up of further power generation through small hydro power projects.
 - (6) 'Grid mode' means small hydro power projects injecting power into the grid.
 - (7) 'Isolation mode' means the small hydro projects without grid connections.
 - (8) 'Conventional hydro power projects' means hydro power projects above 25 MW.
 - (9) 'Grid quality power' means power maintaining reliability and stability of power supply as grid supply.
 - (10) 'KW' means Kilo Watt.
 - (11) 'High Voltage' means voltage level as defined in Act/Rules.
 - (12) 'Low Voltage' means the voltage at 415 volts and below.
 - (13) 'Stand alone' means small hydro projects without connecting to main grid.
 - (14) 'NGO' means Non-Governmental Organization.
 - (15) 'IPP' means Independent Power Producers.
 - (16) 'PPA' means Power Purchase Agreement.
 - (17) 'SERC' means State Electricity Regulatory Commission.
 - (18) 'STU' means State Transmission Utility or its agency assigned with transmission system in the State.

- (19) 'MPP' means Merchant Power Producers.
- (20) 'Open Access' means transmission corridor.
- (21) 'Retail Sale' means sale of power to the retail consumers.
- (22) 'DISCOM' means Distribution Company.
- (23) 'CPP' means Captive Power Producers.
- (24) 'Degree Holder' means having a bachelor degree in respective discipline.
- (25) 'Diploma Holder' means having diploma in respective discipline.
- (26) 'ITI certificate' means having acquired diploma from a recognized Industrial Technical Institute.
- (27) 'PFR' means Pre-feasibility Report.
- (28) 'BOOT' means Build, Own, Operate and Transfer.
- (29) 'APEDA' means Arunachal Pradesh Energy Development Agency.
- (30) 'Upfront Premium' means one time non-refundable commitment fee to be paid by the intending power developer.
- (31) 'DPR' means Detailed Project Report.
- (32) 'MoA' means Memorandum of Agreement.
- (33) 'Indigenous' means bonafide of Arunachal Pradesh.
- (34) 'SC & TEC' means System Coordination and Techno-Economic Clearance.
- (35) 'MoE & F' means Ministry of Environment and Forests.
- (36) 'COD' means Commercial Operation Date.
- (37) 'Central Government' means Government of India.
- (38) 'CERC' means Central Electricity Regulatory Commission.
- (39) 'NPV' means Net Present Value.
- (40) 'Point of Sale' means the place of injection of power to the State Grid or as mentioned in Power Purchase Agreement for metering and measurement of power.
- (41) 'LCT' means Letter of Comfort on Transmission.
- (42) 'Wheeling of Power' means transmission of power through state grid or national grid.
- (43) 'Free power' means % of power generated from the projects to be given to the State free of cost.
- (44) 'Moratorium on Free Power' means an incentive be given to the developer(s) by way of levying the realization of free power.
- (45) 'Force Majeure' means any unforeseen situation like earthquake, flood, fire, external invasion, civil commutation, landslide etc.
- (46) 'CDM' means Clean Development Mechanism under quoto protocol.
- (47) 'Arunachalees' means bonafide tribes of Arunachal Pradesh.
- (48) 'NCER' means Non-Conventional Energy Resources.
- (49) 'Govt. of AP' means Government of Arunachal Pradesh.
- (50) 'Local Area Development Fund' means the amount to be paid to the State Government by the developer for development of the area(s) affected by implementation of the project(s).

PART - II

SMALL HYDRO POWER POLICY - 2007

1. SCOPE AND POLICY OBJECTIVE :

- (1) This policy envisages private participation in development of small hydro projects with certain attractive incentives. Apart from being eco-friendly and renewable, the micro/mini/small hydro projects are low in gestation period and ideal for viable investment for State's domestic power requirement.
- (2) This policy also envisages for formulation and notification of an Action Plan for Small Hydro Power Generation. The Action Plan shall provide programs for capacity addition and determine

the extent of involvements of various stake holders of state Government/Agencies in the field. The players in this sector can be among private entrepreneurs, cooperative societies and NGOs in the State with the objectives of meeting the growing demand of power under this policy.

2. BASIC CLASSIFICATION OF PROJECTS :

Small Hydro Projects are classified under this policy in three categories as under :

Category - I : Projects having installed capacities of above 1 MW and upto 25 MW shall have the capability of operating in both Grid and Isolation mode. This category of projects will have all components and features of conventional hydro power projects providing Grid Quality Power.

Category - II : Projects having installed capacities of above 100 KW and up to 1000 KW shall be designed for stand alone mode for providing dedicated power to a village or a habitat or a locality or a cluster of villages with or without connectivity to grid. The power supply to the consumers shall be provided either at High Voltage or Low Voltage systems as the case may be.

Category - III : Projects having installed capacities of up to 100 KW shall be designed for stand alone mode dedicated to a vilage or a habitat directly distributing power to the households without high tension systems.

3. INVESTMENT OPPORTUNITIES :

This policy envisages investment opportunities for private and other non-government entrepreneurs in development of Small Hydro Projects in all the categories classified under this policy.

4. WHO CAN INVEST IN SMALL HYDRO PROJECTS :

- (1) Registered Companies having its registered office in Arunachal Pradesh/Partnership concerns/ Sole Proprietors/NGOs/Co-Operative Societies/Joint Venture concerns or consortium of Companies of which the leading partner being a bonafide Arunachalee shall be eligible for allocation of the projects under this policy.

5. COMMERCIAL CATEGORIES OF POWER PRODUCERS :

- (1) **Independent Power Producers (IPPs) :** This category of power producers shall produce power under this policy to sell power to the State power utilities/State Government under a " Power Purchase Agreement' (PPA) at a pre-determined tariff or formula of tariff as defined by the SERC or the State Government as the case may be. The developer shall be provided with open access facility for which a separate agreement has to be settled with the State Transmission Utility (STU) at a tariff determined by the SERC/State Government.
- (2) **Merchant Power Producers (MPPs) :** This category of power producers shall produce power under this policy to sale power to limited number of permitted pre-determined third party (or parties), preferably heavy power consuming industries set up within the State. The MPPs shall be provided with open access facility for which an agreement has to be settled with the State Transmission Utility (STU) before final decision of investment. The State is not bound to purchase MPPs power under this policy. However, the State reserves the right to purchase power at a price as may be determined by the State/SERC. MPPs shall not be eligible for retail sale of power to general consumers to replicate the function of a DISCOM without a license.
- (3) **Captive Power Producers (CPPs) :** This category of power producers shall produce power only for their own consumption, under this policy. CPPs shall be treated at par with that of MPPs as per as the other conditions are concerned.

6. PRE-CONDITION FOR QUALIFICATION :

- (1) The prospective developers shall furnish an undertaking on legal papers committing to engage at least the following technical personnel, either as permanent employees or partners in the organization, at the time of submission of application for allotment of projects.

A :- CATEGORY - I :

(a) Projects above 1 MW and up to 5 MW :-

Civil Engineer (Degree Holder) with minimum 3 Years experience in power projects.	— 1 No.
Electrical Engineer (Degree holder) with minimum 3 Years experience in power projects.	— 1 No.

(b) Projects above 5 MW and up to 10 MW :-

Civil Engineer (Degree Holder) with minimum 5 Years experience in power projects.	— 1 No.
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Electrical Engineer (Degree Holder) — 1 No.
with minimum 5 Years experience in power projects.

Civil Engineer (Diploma Holder) — 1 No.
with minimum 3 Years experience in power projects.

(c) Projects above 10 MW and up to 25 MW :

Civil Engineer (Degree Holder) — 1 No.
with minimum 5 Years experience in power projects.

Electrical Engineer (Degree Holder) — 1 No.
with minimum 5 Years experience in power projects.

Civil Engineer (Diploma Holder) — 1 No.
with minimum 5 Years experience in power projects.

Electrical Engineer (Diploma Holder) — 1 No.
with minimum 3 Years experience in power projects.

(2) CATEGORY - II (Projects above 100 KW and up-to 1000 KW) :

Civil Engineer (Degree Holder) — 1 No.
with minimum 3 Years experience in power projects.

Electrical Engineer (Diploma Holder) — 1 No.
with minimum 3 Years experience in power projects.

(3) CATEGORY - III (Projects above 100 KW) :

Civil Engineer/Electrical Engineer (Diploma Holder) — 1 No.
with minimum 3 Years experience in power projects.

(4) Engagement of more technical staff including ITI Certificate holders by the developers in addition to above minimum criteria will be preferred.

(5) The financial soundness and past experience of the party in the field of power and electricity management or project planning, designing and implementation of civil, electrical, and any industrial projects shall also be the criteria for allocation of the project.

7. PROJECTS IDENTIFICATION AND ALLOCATION :

- (1) The project sites for development shall be identified by the State Government and notified from time to time or a shelf of projects shall be maintained by the State Government for allocation.
- (2) The Developers may also approach the State Government with self-identified projects with full pre-feasibility report (PFR) for development on concept to commissioning basis.
- (3) The Government of Arunachal Pradesh shall allocate projects to the eligible applicant for development on BOOT (Build, Own and Operate and Transfer) basis for a period of 50 (fifty) years.

8. PROCESS OF ALLOTMENT :

- (1) The applications for allotment of the Small Hydro Project sites shall be submitted to the Managing Director, Hydro Power Development Corporation of Arunachal Pradesh Ltd., Itanagar/ The Chief Engineer, Department of Hydro Power Development, Itanagar for Category-I Projects, and to the Director, APEDA, Itanagar for Category-II and III projects by the prospective developers. Such applications shall be accompanied by a non-refundable demand draft of Rs. 5000 per application drawn on State Bank of India in favour of the Managing Director, Hydro Power Development Corporation of Arunachal Pradesh Ltd., Itanagar/The Chief Engineer, Department of Hydro Power Development, Itanagar/The Director, APEDA, Itanagar payable at Itanagar as Earnest Application Fee.
- (2) Selection of developers shall be done based on the eligibility and qualification criteria as provided under this policy.
- (3) The selected developer shall deposit the prescribed processing fee and minimum base line Upfront Premium to the State Government. The Upfront Premium shall be generally a non-refundable one time commitment fee which shall not have any bearing on the project account.

Category of Hydro Project	Processing fee	Minimum Upfront Premium payment
Category — I		
(a) Above 10 MW up to 25 MW	Rs. 50,000 per Project	Rs. 20,000 per MW
(b) Above 5 MW up to 10 MW	Rs. 35,000 per Project	Rs. 15,000 per MW
(c) Above 1 MW up to 5 MW	Rs. 25,000 per Project	Rs. 10,000 per MW
Category — II		
Above 100 KW up to 1000 KW	Rs. 15,000 per Project	NIL
Category — III		
Up to 100 KW	Rs. 10,000 per Project	NIL

- (4) The Upfront premium paid shall not form part of the project cost.
- (5) The selected developer shall be required to deposit the processing fee and Upfront Premium (both non-refundable) at the time of signing of the Memorandum of Agreement (MoA) with the State Government, failing which, the State Government shall have the exclusive right to re-allocate the project to any other eligible developer.
- (6) If there is more than one applicant and subject to equal fulfillment of the eligibility criteria in terms of financial and technical soundness, preference shall be given to the indigenous applicant of the district in which the project is located.
- (7) The project completion time and the scheduled Commercial Operation Date (COD) as stipulated in the proposal or as agreed by the Government shall be incorporated in the MOA.

9. SINGLE WINDOW SELECTION :

A High Level Selection Committee comprising of subject specialists will examine the proposals of the prospective developers and submit its observations/recommendations to the State Government. Such High Level Selection Committee shall be constituted by the State Government. The selected developers shall sign the Memorandum of Agreement (MoA) within 30 days from the date of issue of Letter of Selection.

10. STATUTORY CLEARANCES :

- (1) Within 12 months from the date of signing of the MoA the selected developer shall complete all post allotment obligations including preparation of DPR, possession of the project site and obtaining all statutory clearances of the State Government such as System Coordination and Techno Economic Clearance (SC & TEC)/ the MoE &F, Government of India, as the case may be. The developer shall be required to submit the Detailed Project Report (DPR) thereafter with all clearances to the Secretary (Power), to enable the State Government for examination and approval within three months.
- (2) The DPR of the selected Developer submitted for System Coordination and Techno-Economic Clearance (SC& TEC) shall be scrutinized by a Standing Committee on Technical and Economic Affairs appointed by the State Government before submitting the DPR to the Government. This Committee shall look into all facets of the project viz. (a) Coordinated system planning of the Project, (b) Technical soundness of the Project, and (c) Economy of the project.
- (3) If the project is found not feasible by the Standing Committee on Technical and Economic Affairs, the State Government, upon mutual understanding with the developer, shall terminate the agreement and the upfront payment shall be refunded to the developer without interest.

11. TIME SCHEDULE FOR COMMENCEMENT OF WORK :

- (1) Upon failure of the developer to commence work at the project site within 18 months from the date of signing of the MoA, the agreement shall stand automatically terminated. Upfront payment shall be forfeited because of the time lost upon the State Government and blockage of the site.

12. COMPLIANCE TO STATUTORY REGULATIONS :

The developer/user agency shall strictly comply with the statutory regulations of the Central Government/CERC and the State Government/SERC while implementing the project. The developers shall strictly comply with the provisions of the Forests (Conservation) Act, 1980. The developer shall also pay the cost of raising the compensatory afforestation including payment of the Net Present Value (NPV) of the forests land being diverted for non-forest purpose under the relevant Forests (Conservation) Act, 1980 and Environmental Protection Act, 1986. The provisions relating to labour welfare existing as in force under the labour Laws/Acts shall be strictly adhered to by the developer during the implementation/operation and maintenance of the Project. The provisions of the Electricity Act 2003 and other laws and rules framed under such laws shall apply on the Projects under this policy.

13. LAND ACQUISITION FOR THE PROJECT :

The land required for construction of the project and other allied infrastructures, as may be applied by the developer, shall be acquired and leased, to the developer against payment of land revenue as per relevant tariff of the State Government. The period of lease will be continued till the BOOT period of the project.

14. LAW AND ORDER :

The State Government would be responsible for maintaining general law and order in and around the project area for security and safety of personnel and properties of the project.

15. REHABILITATION AND RE-SETTLEMENT :

Rehabilitation and Re-settlement works, if any, for displaced persons due to the project shall be financed by the developer, as per relevant law/ guidelines of the State.

16. EQUITY PARTICIPATION :

The State Government shall reserve the right of equity participation on mutual understanding with the developer through its agency on Joint Venture.

17. SALE OF POWER :

- (1) The developer under IPP category can enter into contract to sell power to the State Government through a PPA to be signed within 6 months after signing of MoA at a tariff, 10 paise lower than the tariff as determined by the CERC/SERC or the State Government as the case may be for sale to outside the State. The point of sale of power shall be at the place of injection to the State grid, unless such point of sale is expressly incorporated in the PPA. The metering point shall be located at the point of sale defined in the PPA under this policy.
- (2) The developer under IPP/MPP/ CPP category may be allowed after prior approval of the Government to sell power outside the state of Arunachal Pradesh only under a special license to do so in the event of surrender of contracted power. Similar licensing can also be considered by the state in the situation of closure of the industries forcing the project to idle. The state shall reserve the right to purchase the idled power from MPP/ CPP.
- (3) The State Government shall open Letter of Credit in favour of the Developer in State Bank of India, Itanagar for an amount which would be specified in the PPA for regular transactions of power purchased from the IPP/MPP/ CPP etc. as the case may be.

18. BANKING OF POWER :

Banking of Power shall not be allowed without prior permission of the State Government.

19. TRANSMISSION SYSTEM AND EVACUATION :

The State Transmission Utility (STU) and the prospective developer shall enter into a proper understanding/Agreement about Power Evacuation System and open excess facility/availability before the developer takes final investment decision. In this connection, a Letter of Comfort on Transmission (LCT) can be obtained from the STU before submission of application/ expression of interest for allotment of the project. The extent of Transmission System which may be necessarily a part of the project shall be specified in the LCT, the cost of which shall be borne by the developer. In other words, the developer shall take the responsibility of constructing/ extending the required transmission network from the project up to the point of sale specified in the LCT.

20. WHEELING CHARGES :

The existing transmission system or the systems built for the purpose and other allied facilities will be made available to all developers for Open Access and wheeling of power. The developers shall have to enter into an agreement with the STU on payment at a wheeling rate as may be determined by the SERC/State.

21. TRANSFER AND SALE OF POWER PLANT :

The developer will not be allowed to sale and transfer the power plant to any other party/parties without the prior permission of the State Government.

22. FREE POWER AND OTHER CHARGES :

- (1) On all projects governed by this policy, as an incentive for timely completion, there shall be a moratorium of free power as given in the following table. Free power concessions will also be made available at the following concessional rates. In order to encourage timely completion of the projects by the developers, the moratorium period will be counted from the scheduled Commercial Operation Date (COD).

Sl.No.	Category	Moratorium Period from scheduled COD	Rate of free power after Moratorium period up to 50th Year.
(i)	Projects up-to 1000 KW	Nil	Nil
(ii)	Projects above 1 MW up-to 5 MW	3 Years	5%
(iii)	Projects above 5 MW up-to 10 MW	2 Years	8%
(iv)	Projects above 10 MW up-to 25 MW	1 Year	10%

23. FORCE MAJEURE :

The State Government shall not be responsible in any manner for any losses arising out of the force majeure situation such as earthquake, flood, fire, external invasion, civil commotion; landslide etc. and no claim on such accounts by the developers shall be entertained by the State Government.

24. INCENTIVES BY STATE GOVERNMENT :

- (1) The State Government shall facilitate in obtaining subsidies, tax concession etc. as may be available from the Central Government for development of SHP.
- (2) The State Government shall allow to the extent of 50% share of Carbon Credit benefit as may be available from Carbon Trading under CDM.
- (3) Indigenous tribal entrepreneurs shall be exempted from supplying free power to the State Government under this policy for projects up to 5 MW capacity.

25. INTELLECTUAL PROPERTY RIGHT :

In the event of transfer of Intellectual Properties related to the project design, data, DPRs, etc. the cost of such properties shall be payable to the owner of such properties by the party/(parties) to whom it would be transferred.

26. EMPLOYMENT OPPORTUNITIES :

- (1) The developer has to spell out clearly the employment opportunities to be provided to the bonafide Arunachalees as a part of his offer to the state in his application. This shall be one of the selection criteria for allotment of project under this policy.
- (2) Endeavors shall be made by the developers to employ local ITI Certificate holders during the construction, operation and maintenance of the projects. They should also be ready to take technical manpower on deputation from the State Government Departments and Organizations.

27. MONITORING OF PROJECTS :

The Government of Arunachal Pradesh shall have the right to monitor physical and financial progress of the projects on monthly/quarterly/half yearly basis as felt necessary from time to time through a Technical Committee comprising of the Chief Engineer, Department of Hydro Power Development (DoHPD), the Chief Engineer, Department of Power (DOP), the Managing Director, Hydro Power Development of Arunachal Pradesh Ltd. (HPDCAPL), the Director, APEDA and a member from the District Administration of the concerned area and it will be headed by the Secretary (Power and NCER), Government of Arunachal Pradesh.

28. GENERAL CONDITIONS :

- (1) The developers shall be generally liable to pay all the statutory levies viz. royalty on forest products, river bed materials, duties and taxes unless specifically exempted under the incentives provided under this policy.
- (2) Allotment of a project to a developer **does not** automatically confer him any territorial rights on both upstream and downstream sides of the project area.
- (3) The developers shall facilitate using of tail race water for agriculture/horticulture purpose wherever it is found feasible and necessary.
- (4) The State Government shall have the right to use the tail race water for any other purpose including development of hydro projects on its own or allot to some other party.
- (5) The developers shall make all necessary protective arrangements on upstream, downstream and tail race areas of the projects site to avoid soil erosion and damage to properties.
- (6) The developer shall pay an amount worked out at the rate of 1 (one) paise per unit of power sold during every financial year to the State Government for raising local area development fund effected by the project(s).

This Notification will take immediate effect.

K.P. Balachandran,
Under Secretary (Power and NCER),
Government of Arunachal Pradesh,
Itanagar.