

Policy for Implementation of Small Hydel-Power based Electricity Projects in Madhya Pradesh, 2011, Dated: 03.11.2011

Sr. No.	Description	Summary
1.	Applicability	<ol style="list-style-type: none"> 1. This policy shall be applicable to all the small hydel power projects (SHPs) up to 25 MW capacity which have been identified by the Water Resources Department, Narmada Valley Development Authority, Madhya Pradesh Power Generation Company, any other government agency or any private agency. 2. This policy shall also be applicable to all the projects which had been allotted by Madhya Pradesh Electricity Board (now Madhya Pradesh State Electricity Board) or Water Resources Department/Narmada Valley Development Authority for the development of small hydel power projects under incentive policy issued on 26-9-1994 or 8-8-2006 but are yet to attain the stage of commercial production. 3. These projects can be for Captive Power Projects or Independent Power Projects.
2.	Objectives	<ol style="list-style-type: none"> 1. To promote pollution free small hydel power generating projects with private sector participation. 2. To clearly define the incentives and benefits to be provided to the private sector participants. 3. To create favourable environment for promoting small hydel power generation. 4. To lay down rational framework for implementation of the policy.
3.	Operating Period	<ol style="list-style-type: none"> 1. All the projects allotted or to be allotted under this policy shall operate on Build, Own, Operate and Transfer (BOOT) basis. 2. The BOOT period shall begin from the Commercial operation date (COD) and shall be for 35 years or the life of the project, whichever is earlier. On completion of the BOOT period the entire project including its movable and immovable assets regarding water structures and power generation shall be transferred free of cost to the State Government.
4.	Category	<p>Category 1— Projects identified by the Government of Madhya Pradesh/Government undertakings.</p> <p>Category 2— Projects identified by the developers.</p>
5.	Participation	<ol style="list-style-type: none"> 1. Any individual/firm/society/organisation/registered company shall be eligible to apply for the development of the project. 2. Only that organisation/individual who is applying for the project development shall be eligible for allotment/implementation/operation of the project. 3. After project allocation, the same individual/organisation or its holding organisation in which it has 51 per cent or more equity shall be eligible for the implementation & thereafter operation of project for a period up to 5 years from commercial production.
6.	Minimum Free Electricity	Selected developer has to provide the government free electricity to the government from the power generated by the project as per the table given below:

		S. No.	Estimated installed capacity	Free electricity as percentage of actual power generation (excluding auxiliary consumption)
		1.	Up to 5 Megawatts	5 % with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).
		2.	More than 5 Megawatts but up to 10 Megawatts	8 % with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).
		3	More than 10 Megawatts but up to 25 Megawatts	10 % with exemption of a block of 2 years as preferred by developer during the first 7 years of operation from commercial operation date (COD).
7.	Performance Guarantee	The performance guarantee shall be released after 3 months from the date of commercial operation of the project.		
8.	Land Allotment	<ol style="list-style-type: none"> 1. If government land is available for the development of project then permission for land use shall be provided only for establishment of water carrier system, sub-station and power house construction necessary for hydel power plant. 2. Allotment of Government land: Department shall take the possession of land belonging to WRD/NVDA or other departments of State Government by obtaining no objection from the concerned department and thereafter the land use permission shall be provided to the developer. 3. In case of forest lands the guidelines issued by forest (Conservation) Act 1980 and rules made from time to time by ministry of environment and forest Government of India and State government shall apply. 		
9.	Grid Interfacing and Evacuation Arrangements	Interfacing arrangements, including the transformer panels, protection, metering etc., from the point of view of generation to the nearest sub-station or an interconnection point shall be the responsibility of the developer, subject to fulfilment of technical and safety parameters in accordance with the Madhya Pradesh State Grid Code, Madhya Pradesh Electricity Supply Code, 2004, M.P. Electricity Regulatory Commission and Central Electricity Regulatory Commission regulations as amended from time to time.		
10.	Transmission and Distribution	<ol style="list-style-type: none"> 1. The developer shall be free to construct his own dedicated transmission lines from the point of generation to consumption point. The developer shall also have the right of open access of existing transmission facilities of the State as per the provisions mentioned in the Electricity Act 2003. 2. In case the developer sells power to Third Party Consumers/ Licensee distributor/ Power Trading Company then it shall be bound for payment of wheeling and transmission charges to the MPPTCL/related Distribution Company, subject to the final decision taken by M.P. Electricity Regulatory Commission. 		
11.	Sale of Power	The entire power generated in case of IPP and any surplus power generated in case of CPP can be sold to any consumer/willing distributor company or Power Trading Company based in M.P. state.		
12.	Exclusive jurisdiction of M.P. Electricity Regulatory Commission	MPERC shall have exclusive jurisdiction on those provisions of this Policy which are within its regulatory mandate for management of the Electricity Act, 2003, especially regarding notification of electricity tariffs for sale of power, power purchase agreements, wheeling, banking, distribution, transmission loss charges, etc.		

	(MPERC)	
13.	Surrender of the Project Allotment	After execution of the agreement developer shall be free to surrender the project but in this case the performance guarantee shall be forfeited.
14.	Transfer of Project	<ol style="list-style-type: none"> 1. Developer shall not be allowed in any case to transfer the project to any one for a period of five years from the date of commercial production. 2. After the consent of Madhya Pradesh government and after the payment of prescribed fees for transfer developer shall transfer the work of the project to any other developer.
15.	Incentives	<ol style="list-style-type: none"> 1. The energy produced by small hydel power projects set up under this policy can be used for captive usage and for sale of power to Distribution Company, third party consumers within the State and Power Trading Company of the State. 2. In case of the power sales to third party MPPTCL or related State Distribution Company shall facilitate wheeling of power at the rates prescribed by MPERC. 3. Energy cess relaxation shall be available for the power supplied by small hydel power project for a period of 10 years from the effective date of this policy. 4. The provision of reduction in contract demand shall be applicable up to the limit of hydel power development agreement of the first 200 Megawatt projects. 5. No water rates shall be payable for water consumption by small hydel power projects. This exemption shall be applicable only when there is no consumptive use of the water.
16.	Banking	<ol style="list-style-type: none"> 1. Banking of 100 % of energy in each financial year shall be permitted. 2. Developer shall have to pay 2.0 % of the banked energy as banking fees to the concerned State Distribution Company/State Power Trading Company. 3. Return of the banked energy shall be in accordance with the regulations issued by MPERC from time to time. 4. After returning the banked energy, if there is any balance energy left, at the end of financial year, then this may be purchased by the concerned State Distribution Company/State Power Trading Company as per the rules/directions of MPERC.
17.	Electricity Payment	The power consumed from the small hydel power projects for the purpose of captive use or third party sale shall be exempted from payment of Electricity Duty as per the provisions mentioned in notification No. 1475-XIII-2002, dated 1 st March 2002 and notification No. 4328-XIII-2006, dated 12 th July 2006.
18.	CDM Benefits	Carbon credits or any other similar incentives which are available for such small hydel power projects shall be made available to the developer as per the guidelines issued by MPERC from time to time.
19.	Entry Tax	All the equipments/plants/machineries brought into the state for use in the small hydel power projects shall be exempted from payment of Entry Tax. This exemption shall be effective for a period of five years from the date of signing of HPDA.
20.	Other facilities	<ol style="list-style-type: none"> 1. On investing in small hydel power projects, the small hydel power project unit or such industrial unit which consume energy from small hydel power projects shall be eligible for availing assistance facility in commercial and related taxes under the provisions of Madhya Pradesh Investment Policy Assistance Scheme, 2010. Small hydel power project units have to provide the option regarding who shall get the benefits of relief in taxes right at the beginning of the project. 2. The cases related to address the difficulties in proper implementation of project and to resolve interdepartmental coordination issues shall be presented to the Project Clearance and Implementation Board (PCIB) constituted under the chairmanship of the Chief Secretary.

