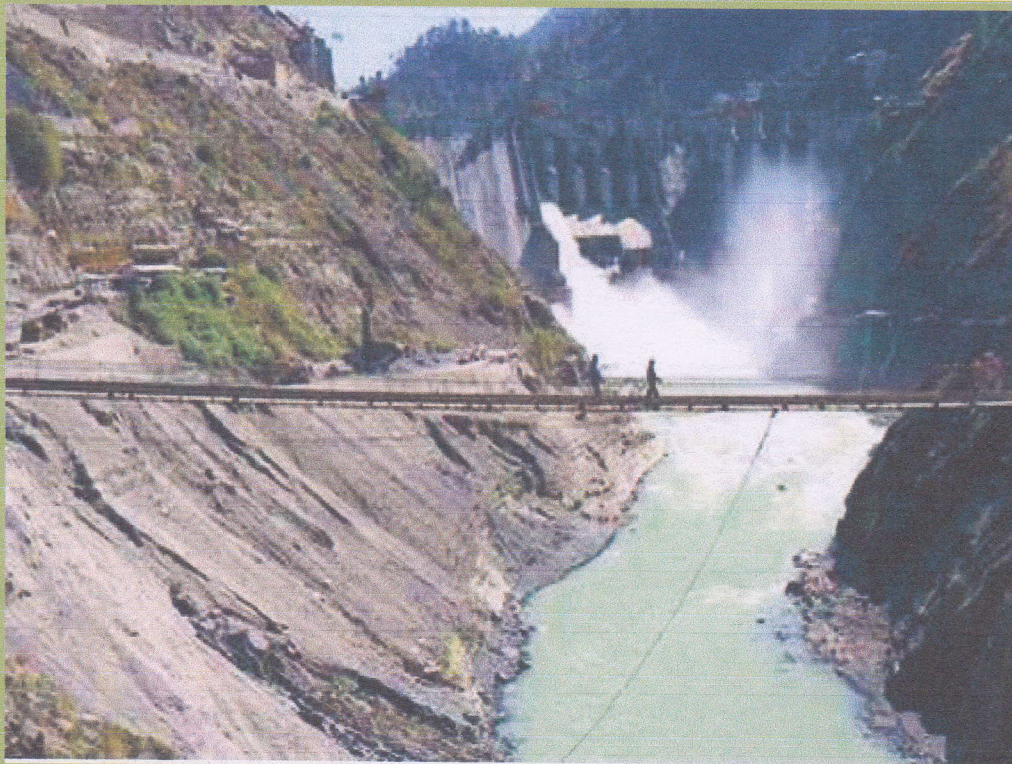


Annexure to Government Order No. 71-ST of 2011 dated 27-12-2011

# Policy for Development of Micro/Mini Hydro Power Projects-2011



ENERGIZING  
THE STATE  
BY  
HYDRO POWER

2011

Jammu and Kashmir Energy  
Development Agency

GOVERNMENT OF JAMMU AND KASHMIR, CIVIL SECRETARIAT, JAMMU, J&K



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## 1 Introduction

1.1 J&K is one of the states of India which is having tremendous hydro-power potential. But one of the major constraints in tapping hydro-power in the state besides shortage of resources is the “*Indus Water Treaty*”. The Treaty lays restrictions on storage of water on major rivers of J&K thus restricting the scope of hydro-power generation. The topography of the state compounds the energy deficit problem as most of the places remain unreachable due to terrain and some of places remain cut off from the main cities during winter season. Laying and maintenance of transmission lines in these areas is difficult as well as un-economical. In such geographical locations, electrification by existing grid becomes very difficult.

## 2 Need for Micro/Mini Hydel Project

2.1 The state is facing acute scarcity of power, which can be gauged from the fact that against a total peak demand of about 2500 MWs, the state has been able to harness only 759.96 MWs under state sector till date. According to the survey made by Rural Electrification Corporation, Govt. of India there are large number of un-electrified villages/hamlets in the state. So there is need for development of hydroelectric power on a scale serving a small community.

2.2 Micro / Mini Hydel projects may be built in isolated areas that would be uneconomic to serve from a network, or in areas where there is no electrical distribution network.

2.3 Since Micro / Mini Hydel projects usually have minimal reservoirs and civil construction work, as a result they are seen as having a relatively low environmental impact compared to large hydel projects.



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2.4 Jammu and Kashmir State has a Hydel Power potential of 20,000 MW of which about 16480 MWs have been identified. However, due to scarcity of resources, much less potential has been exploited so far.

2.5 Micro / Mini Hydel power has tremendous potential for generation of electricity in the State. The topography of State provides extensive network of canals and streams. The role of such hydel projects has been well identified and accepted to supplement energy generation as short/medium term measure particularly in a state like Jammu and Kashmir.

2.6 With the aim to promote and install micro / mini hydel projects in the state of J&K, Power Dev. Deptt. J&K Govt. vide Govt. Order No.177-PDD of 2009 dated 24.8.2009 has endowed JAKEDA with the mandate to implement all Micro / Mini Hydel projects up to 2 MW station capacity.

### 3 Objective

3.1 The main objective of this policy is to attract investors for the development of the state's water resources in an environment friendly manner to provide a solution to the energy problems in remote and hilly areas where extension of grid system is un-economical or un-viable. This will also help in generating revenue for the state and provide employment avenues, in addition to the all round development of the region.

### 4 Title and enforcement

4.1 This Policy will be known as "Policy for development of Micro/Mini Hydro Power Projects-2011" through SHP Projects of capacity upto 2MW.

4.2 The Policy will come into operation with effect from its publication in the state gazette and will remain in force until superseded or modified by another Policy.



## 5 Eligibility

5.1 Jammu & Kashmir Energy Development Agency, Science & Technology Deptt. shall invite any agency to bid for identified projects for the development of this sector. These will be termed as Independent Power Producers (IPP). These would include any of the private sector entities, central power utilities, state governments or any other government entities and their joint ventures.

5.2 The Projects shall be reserved for execution by IPPs that are permanent residents of State of Jammu and Kashmir. This would include such IPPs in which permanent residents of J&K hold majority stake. This condition shall, however, be relaxed, in case the bidding process of the projects so reserved does not result in adequate & competitive response.

5.3 The eligibility of the interested parties shall be evaluated on the basis of pre-qualification criteria. Proposals of only those parties shall be considered for bidding who can qualify the pre-qualification criteria.

## 6. Procedure for allotment of sites for development of hydro power projects

6.1 The Nodal Agency shall prepare a list of potential sites for development of MHP sites.

6.2 The available sites shall be advertized to seek bids.

6.3 All the applications received in response to the advertisement shall be subject to pre-qualification as per evaluation criteria. The applications shall be accompanied with a non-refundable Demand Draft of Rs. 5,000/- as processing fees.

6.4 Bids shall be invited on the basis of upfront premium payable to GOJK.



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6.5 The bids shall be subject to two-stage scrutiny. In the first stage the pre qualification of bids will be conducted on the basis of financial and technical capacity in the manner as specified in the bid document.

6.6 The bidders which are found technically responsive shall be asked to submit their price bids based on upfront premium per MW payable to the GOJK.

6.7 The minimum threshold premium will be Rs.50,000 per MW for projects upto 1 MW and Rs.1.00 lacs per MW for projects above 1 MW.

6.8 The project shall be allotted to the bidder making the highest bid.

6.9 In case two or more bidders bid identical premium for a site then the bidder securing the highest technical score during pre-qualification shall be awarded the project.

6.10 If after advertisement of the project site, only one tender is received, fresh advertisement would be issued. If a single bid is again received in response to the second advertisement, the said bid shall be considered on the basis of technical and commercial capacity with minimum threshold premium or premium quoted by him whichever is higher.

6.11 There will be no bar on the nodal agencies of the state Govt. from directly taking up implementation of MHP upto 2 MW at any site without offering the site for inviting bids from IPPs.

## 7. Evaluation / Pre-qualification Criteria

7.1 Pre qualification of bidders will be based on Financial capacity to mobilize the required resources with experience in developing, constructing and operating Hydel Projects getting additional weightage.

7.2 The bidders should be required to submit the balance sheets, annual reports and other supporting evidence of financial and technical capabilities.



7.3 The weightage to be given to financial capacity, technical capability, past experience and other relevant attributes of the applicants, the sub-categories of these attributes to be evaluated and their inter-se weightage, the guidelines for evaluation and the passing score on attributes /in aggregate required for pre-qualification shall be specified in the bid documents inviting bids for pre-qualification.

## 8. Self identification of projects

8.1 Self identification of sites shall be fully permissible. Whenever such a proposal is received from an entity in respect of a particular project site which has not yet been advertised, the Nodal Agency shall proceed to examine the feasibility of the site for setting up a Hydro Power Project and also determining the optimum power potential that can be harnessed.

8.2 In case the project site is found feasible, it will be advertized to seek bids. Two-stage bid process as mentioned in para 6 shall be followed.

8.3 In case of self-identified projects, Swiss challenge method shall be adopted with the first right of refusal given to the party which has identified the project.

## 9. Power Purchase

9.1 The IPP shall, after availing for the royalty in the form of free power to the tune of 12% be free to sell the power to the state. In case of sale to the state, this shall be at the tariff to be determined by the JKSERC. This shall be metered at interconnection point. For sale of power to any third party within or outside the state, the IPP shall be required to pay the open access charges, T&D losses as per the regulations of the regulator.



## 10. Wheeling and Banking of the Power

### 10.1 Open Access

- i) On allotment of a project, the IPP will approach the appropriate utility for grant of open access, who shall analyze the system availability and grant open access, duly identifying the interconnection point, infrastructure required upto the interconnection point, specifications, evacuation voltage, etc.
- ii) The IPP shall be responsible for developing the necessary infrastructure to facilitate the connectivity / synchronization with the Grid.

### 10.2 Dispatch

Priority will be accorded to the IPPs for dispatch into the grid ahead of merit order and any other source of supply, subject to any system constraints/grid disturbances or restrictions imposed by the State Government in the interests of the State.

### 10.3 Open Access Charges

- i) The infrastructural facilities of TU, as available, will be provided to IPPs for wheeling and transmitting the generated energy.
- ii) For supply of committed power i.e free power plus power procured by State in grid connected or isolated mode, the available transmission/distribution networks of the State's Transmission/ Distribution Utilities shall be utilized and IPP will not be required to pay wheeling/transmission charges.
- iii) For supply of balance power (other than committed power to J&K), the State Transmission/Distribution networks of transmission/distribution utility, can be utilized for which open access charges shall be borne by the IPP as per JKSERC regulations.
- iv) The T&D losses for intrastate wheeling/transmission shall be as per the JKSERC regulations for State Transmission Utility/ State Distribution utility network and for wheeling/transmission beyond STU on CTU network, it shall be as per CERC regulations.



## 11. Incentives to the Power Developers

11.1 No entry tax will be levied by the state Govt. on Power generation/transmission equipment and building material used for MHPs.

11.2 The Govt. land if required, for Power Projects shall be allotted on lease for 40 years @ premium of Rs. 1 per sq. m. However, in case of non availability of Govt. land, the land required shall be acquired by Science & Technology/ JAKEDA/ LREDA/ KREDA and leased out to the IPP.

11.3 Mortgage deed in favour of the financing institutions required to be signed by the promoters shall be exempted from payment of stamp duty. The State Government has already enabled equitable mortgage in the state.

11.4 Exemption from court fee for registration of documents relating to lease of land will be granted to the IPPs.

11.5 3% interest subsidy shall be payable on the working capital facilities available from the commercial banks to IPPs for a period of 5 years initially from the date of allotment and to be reviewed after 5 years.

11.6 10% subsidy on capital investment subject to the ceiling of Rs.60.00 lakhs shall be given in addition to the central subsidy for the power projects from 1 MW to 2MW after successful installation & commissioning of the project.

11.7 Royalty @ 12% shall be charged after the period of 10 years from the date of commissioning of the Hydel Projects up to 2MW capacity.

11.8 IPP will be eligible for central financial assistance as per the standing guidelines of MNRE, GoI.

11.9 The projects awarded under this policy shall be exempted from the "Water user charges" for a period of 10 years from the Commercial operation Date (COD).



## 12. Schedule of Implementation

12.1 IPP shall prepare and submit the DPR and other information and make necessary applications for obtaining statutory clearances and approvals from state Govt. and regulatory authority (as applicable) after carrying out required confirmatory surveys and investigations as per prevailing regulations/norms. The IPP shall be responsible for providing all documents and submissions of documents to concerned authorities within 15 months from the date of allotment.

12.2 Statutory clearance shall be obtained by IPP within 18 months of allotment.

12.3 The IPP shall achieve the financial closure within three months from the date of receipt of all statutory approvals and clearances given by the state and Central Governments. Financial closure would imply firm commitments for financing the entire Project, with all pre-disbursement conditions having been fulfilled.

12.4 The Project shall be completed and made operational within a period of 36 months after receiving all statutory clearances.

12.5 The failure to fulfill any of the commitments/conditions will result in automatic cancellation of the allotment of site and forfeiture of upfront premium amount. No compensation would be payable to IPPs in such instance. In case the project is declared unviable the upfront premium shall be reimbursed to the IPP.

12.6 The IPP may surrender the allotment back to GoJK, if on completion of DPR it has sufficient grounds to establish that the Project is techno-Economically un-viable, subject to the acceptance by the Nodal Agency. In that case, upfront premium shall be reimbursed.



### 13. Benefits to the State

13.1 The State shall avail free power @12% of generation as royalty, as per clause 11.7.

13.2 IPP shall deposit upfront premium with minimum threshold slab of Rs.50,000 per MW for projects upto 1 MW and Rs.1.00 lac per MW for projects above 1 MWs to the Nodal Agencies within one month from the date of allotment of the site.

### 14. Regulatory Oversight

14.1 Aspects of this policy that require regulatory approvals from any concerned Regulator would be subject to such approvals being given and would apply in the manner approved by the regulator.

### 15. Role of Nodal Agency (JAKEDA)

15.1 JAKEDA will be the Nodal Agency for MHPs up to 2MW capacity, in Jammu and Kashmir Divisions of the State and LREDA / KREDA will be Nodal Agencies in respect of Leh and Kargil Districts respectively. The Agencies will be responsible for :

- i. Invitation of Bid.
- ii. Evaluation of the bids received.
- iii. Allotment of the MHP sites.
- iv. Forwarding the project proposals to MNRE, GoI for grant of CFA applicable for development of MHPs
- v. Monitoring the progress of the Project and project appraisals.

### 16. Statutory Clearances

16.1 Jammu and Kashmir Government (GoJK) shall facilitate provision of statutory clearances in time bound manner.

16.2 The IPP shall obtain clearance with regard to Indus Water Treaty angle through JKSPDC, being the concerned nodal agency.



## 17. Definitions

17.1 Following expressions used in the Policy would have meanings assigned to them as defined here under:

- i. CFA : Central Financial Assistance
- ii. Developer : A person who develops electricity and transfers it to consumer
- iii. DPR : Detailed Project Report
- iv. GoJK : Government of Jammu and Kashmir
- v. IPP : Independent Power Producer
- vi. JAKEDA : Jammu & Kashmir Energy Development Agency
- vii. JKSERC : Jammu & Kashmir State Electricity Regulatory Commission
- viii. JKSPDC : Jammu & Kashmir State Power Development Corporation
- ix. KREDA : Kargil Renewable Energy Development Agency
- x. LREDA : Ladakh Renewable Energy Development Agency
- xi. MHP : Micro/Mini Hydro Power Projects.
- xii. Micro : Power Projects up to 100KW.
- xiii. Mini Hydel : Power Project 101 to 2000 KW.
- xiv. MNRE : Ministry of New and Renewable Energy
- xv. PDC : Power Development Corporation
- xvi. PDD : Power Development Department
- xvii. PPA : Power Purchase Agreement
- xviii. Power producer: IPP or the Agency Developing MHP
- xix. PRC : Permanent Resident Certificate
- xx. Small Hydro: 2001 to 25000Kw.