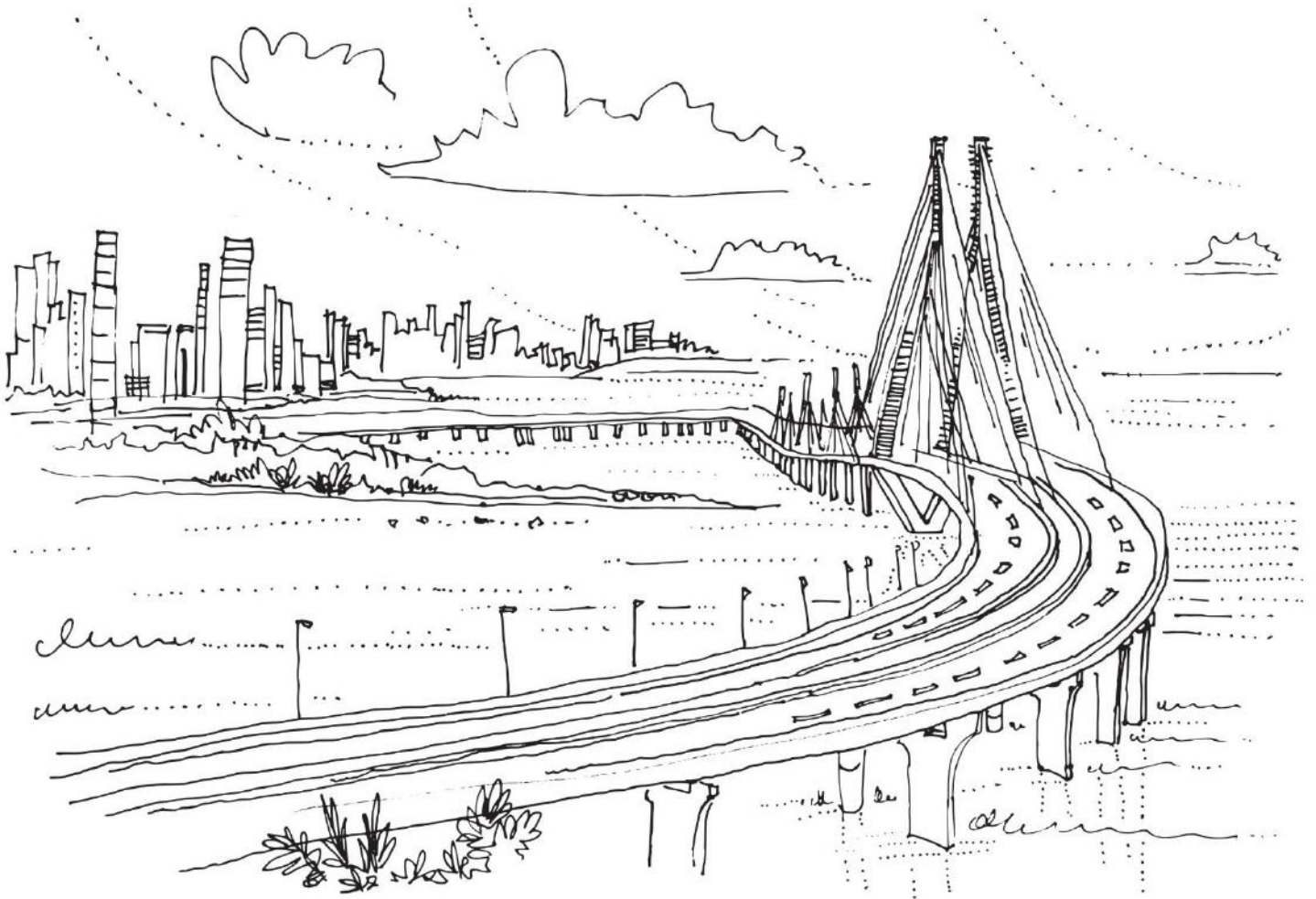




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Infrastructure and Energy Digest

Overview of Legal and Regulatory Developments

JANUARY 2019

ENERGY



Recent Amendments to the External Commercial Borrowings Framework

The Reserve Bank of India (RBI) has issued a circular (RBI/2018-19/109; A.P. (DIR Series) Circular No. 17) on January 16, 2019 laying down a new framework for external commercial borrowings (ECB), which impacts companies in the infrastructure sector, Non-Banking Finance Companies (NBFCs) undertaking infrastructure financing, Holding Companies and/or Core Investment Companies undertaking infrastructure financing, Housing Finance Companies (HFCs) regulated by National Housing Bank (NHB) and Port Trusts (constituted under the Major Port Trusts Act, 1963 or Indian Ports Act, 1908), amongst others.

Key Highlights of the new ECB framework

- Track I (medium term foreign currency denominated ECB with minimum average maturity of 3-5 years) and Track II (long term foreign currency denominated ECB with minimum average maturity of 10 years) have been merged as 'Foreign Currency Denominated ECB'. Track III (Indian Rupee denominated ECB with minimum average maturity of 3-5 years) and Rupee Denominated Bonds framework have been merged as 'Rupee Denominated ECB'.
- All entities eligible to receive foreign direct investment (FDI) can borrow under the ECB framework. Additionally, Port Trusts, Units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, such as registered not-for-profit companies, registered societies/trusts/cooperatives and non-government organizations, can also borrow under the new framework.
- Infrastructure companies are required to have a board approved risk management policy and mandatorily hedge 70 per cent of their ECB exposure in case average maturity of ECB is less than 5 years.
- ECBs up to USD 750 million per financial year in compliance with the terms and conditions set out in the new framework, are permitted under the automatic route.
- The minimum average maturity period has been fixed at 3 years for all ECBs. However, for an ECB raised from a foreign equity holder and utilized for working capital purposes, general corporate purposes or repayment of Rupee loans, the Minimum Average Maturity Period (MAMP) would be 5 years. Similarly, for an ECB up to USD 50 million per financial year raised by a company in the manufacturing sector, (the manufacturing sector has been given a special dispensation), the minimum average maturity period would be 1 year.

Our View: There appears to be a lacuna in the revised ECB guidelines since they do not consider the end use of repayment or refinancing of rupee loans taken under Track II of ECB.

Particularly in the context of renewable energy companies, the National Solar Energy Federation of India (NSEFI) has highlighted this concern in its letter to the Prime Minister's Office (PMO). Given the difficulty of obtaining domestic refinancing and the vast difference in rates (when compared with ECBs), it is hoped that this issue will be addressed by the RBI.

MERC Order Incentivizing Sourcing of Power from the Same Generator

The Maharashtra Electricity Regulatory Commission (**MERC**) has issued an order dated January 14, 2019 (MERC Order) in Case No. 260 of 2018, which incentivizes sourcing power from the same generator.

This order pertains to a petition filed by 2 entities, namely Krishna Valley Power Pvt. Ltd. and Sahyadri Renewable Energy Pvt. Ltd., against Maharashtra State Electricity Distribution Co. Ltd. (**MSEDCL**) for the execution of an earlier order passed by the MERC in Case No. 137 of 2017 on January 15, 2018. The MERC has issued this order in the backdrop of:

(a) Regulation 20 of the MERC (Distribution Open Access) Regulations, 2016 (DOA Regulations), which regulate the banking of energy and the charges applicable for the same to open access consumers; and

(b) Earlier order dated January 15, 2018 of the MERC which clarified that if consumers of open access banked units source their power from the same generator, they can avail open access throughout the year and are entitled to adjustments of the banked units.

Brief background of the original case

- M/s. Krishna Valley Power Private Limited (**KVPPL**) and M/s. Sahyadri Renewable Energy Private Ltd (**SREPL**) (collectively referred to as Petitioners), who installed small hydro projects at 2 different sites near Shahapur, Distt. Thane, filed a joint petition on September 12, 2017 under Regulation 20 of the DOA Regulations.
- KVPPL and SREPL were charged excessively on surplus amounts lapsing after November 2016 and requested the MERC to pass an order against MSEDCL for the adjustment of banked energy in consumer bills when the open access was sought intermittently.
- Both KVPPL and SREPL sought Short Term Open Access (**STOA**) for the months April 2016 to November 2016 for the sale of energy to third party consumers – KVPPL supplying power to M/s. Derive Trading Pvt Ltd (Derive Trading) and SREPL supplying to Glenmark Pharmaceuticals Ltd (Glenmark). Since open access was discontinued for the month of December 2016, MSEDCL informed the Petitioners that banked units, if any, could not be carried forward to the next billing cycle.
- The Petitioners applied for STOA again for the month of January 2017 for Derive Trading and for the month of February 2017 for Glenmark. MSEDCL informed the MERC that KVPPL supplied STOA to Derive Trading for the months of April 2016 to November 2016. For the months of January 2017 and February 2017, Derive Trading sourced power from SREPL. Glenmark, on the other hand was supplied power by SREPL for the months of April 2016 to November 2016 after which it opted out of STOA for 2 months. Glenmark sourced power from SREPL again for February 2017 and March 2017.
- The MERC opined that open access consumers do not necessarily have to avail of open access throughout the financial year without intermittent discontinuation i.e. banking can happen even if the consumers opt for a break of open access of power in a financial year. In view of this analysis, MSEDCL was directed to make the necessary adjustments to the consumer bills from January 2017 onwards, if the same consumer has sourced its power from the same generator.
- Accordingly, MSEDCL gave the banking adjustments to Glenmark as per the order of the MERC since Glenmark continued to source its power from the same generator, SREPL, even though there was an intermittent discontinuance of open access.

Analysis of MERC order dated January 14, 2019

- In the present matter, KVPPL and SREPL filed a petition against MSEDCL on the ground of non-compliance by it with the order dated January 15, 2018 of the MERC. The petitioners requested the MERC to pass an order for refund of open access charges that were charged in surplus against an order (dated January 15, 2018) of the MERC directing MSEDCL to adjust the banked units in the consumer bills from January 2017 onwards.
- The MERC noted that Derive Trading had availed open access from April 2016 to November 2016 by sourcing power from KVPPL. After a break in December 2016, Derive Trading again had availed open access, but this time from a different generator i.e. SREPL instead of KVPPL. In the event that Derive Trading had sourced power from the same generator (**KVPPL**), it would have been rightly entitled for the adjustment of the banked units, even if there was an intermittent discontinuance of open access.

Our View: The MERC Order clarifying that open access banked units can be adjusted if power is sourced from the same generator will incentivize generators to offer their generation at the least possible cost.

Purchase Preference in Thermal, Hydro and Transmission Power Sectors

In keeping with the Government's 'Make in India' initiative, the Ministry of Power (**MoP**) issued three orders dated December 27, 2018, whereby public procuring entities will accord preference to domestically manufactured products in the thermal, hydro and transmission power sectors. The orders have been issued pursuant to the Public Procurement (Preference to Make in India) Order, 2017 issued by the Department of Industrial Policy and Promotion (**DIPP**), which aims to promote manufacturing and production of goods and services in India.

As per the orders issued by the MoP, procurement by departments or attached or subordinate office of, or autonomous body controlled by the MoP, are required to provide preference to the aforesaid domestically manufactured products. This requirement also extends to Government companies and projects or schemes which are fully or partially funded by the Government of India and/or specified State-run corporations. Non-compliance of the order can be brought to the notice of a committee constituted by the MoP, upon payment of a complaint fee.

Thermal

In respect of the thermal power sector, the MoP notified the following products must be procured locally:

Coal/Lignite based thermal power projects
▪ Boiler system and its auxiliaries
▪ Electrostatic precipitators
▪ Turbine generator system and its auxiliaries
▪ Electrical works
▪ Control and instrumentation system
▪ Coal handling plant
▪ Ash handling system
▪ Raw water intake and supply system
▪ Water treatment system and effluent treatment system
▪ Cooling water and auxiliary cooling water systems
▪ Cooling towers
▪ Air conditioning and ventilation system
▪ Cranes and hoisting facilities
▪ Fire protection and detection system
▪ Flue gas desulphurization
Gas based thermal power projects
▪ Gas turbine generating set and auxiliaries
▪ Exhaust gas system
▪ Heat recovery steam generator

The minimum local content is to be more than 70% in engineering, procurement and construction (EPC) and/or turnkey projects and more than 90% in works and service contracts.

Hydro

- For the hydro power sector, the MOP notified a list of 32 items which are to be procured locally. The minimum local content of all items (whether EPC and/or turnkey projects or works and service contracts) in the financial year 2018-19 is stated to be 50%. Thereafter, at least 75% of the notified items are to be locally procured over the next 5 years in a phased manner.
- As regards EPC and/or turnkey, and works and service contracts (including all civil, hydro-mechanical and electromechanical works), the minimum local content requirement for the financial year 2018-19 is 75%. Over the next 5 years, the minimum local content is stated to be increased to 80 % in a phased manner.

Our View: The orders issued by the MOP may go a long way in enabling the Government's 'Make in India' initiative. On the flip side, this may hinder profitability of power plants as input costs may increase. Another issue which may arise is the lack of accessibility to foreign technological advances.

Transmission Power

- With respect to transmission power sector, 19 items have been notified by the MOP for domestic purchase preference. The minimum local content varies for each item; however, in certain instances such as DG sets, DC systems in a substation, illumination system and grounding system, the requirement is stated to be 100%.
- Separate minimum local content requirements have also been set out for EPC and/or turnkey projects in respect of transmission lines, High Voltage AC (HVAC) power substation and High Voltage DC (HVDC) substation.

CERC Releases Tariff Regulations

Every 5 years, the Central Electricity Regulatory Commission (CERC) releases tariff regulations which determine the structure of the cost of generating and distributing power. On December 14, 2018, the CERC introduced the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (Regulations) to come into force on April 1, 2019 for a period of 5 years.

The broad impact of the proposed tariff regulations is significantly more positive to power generation and transmission companies. Ergo, this would translate to lower procurement costs ultimately benefitting consumers.

Key Highlights

- Tariff in respect of a generating station may be determined for the whole of the generating station or unit thereof, and tariff in respect of a transmission system may be determined for the whole of the transmission system or element thereof or associated communication system
- The tariff for supply of electricity from a thermal generating station would comprise two parts, namely, capacity charge (for recovery of annual fixed cost) and energy charge (for recovery of primary and secondary fuel cost and limestone cost, where applicable)
- For new projects, the debt-equity ratio of 70:30 as on date of commercial operation would be considered. If the equity deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan
- Interest during construction would be computed corresponding to the loan from the date of infusion of debt fund, and after taking into account the prudent phasing of funds up to Scheduled Commercial Operation Date (SCOD)
- Incidental expenditure during construction would be computed from the zero date, taking into account pre-operative expenses up to SCOD
- Return on equity would be computed at the base rate of:
 - 15.5% for thermal generating station, transmission system including communication system and run of the river hydro generating station
 - 16.5% for storage type hydro generating stations, including pumped storage hydro generating stations and run of river generating station with pondage
- Supply of infirm power would be accounted as deviation and would be paid for from the regional deviation settlement fund accounts in accordance with the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2014

Key Highlights contd.

- The generating company or the transmission licensee is required to make an application for determination of tariff for a new generating station or a new transmission system or within 60 days of the anticipated date of commercial operation
- In a generating station that has completed 25 years of operation from the date of commercial operation, the generating company and the beneficiary may agree on an arrangement where the total cost (inclusive of the fixed cost and the variable cost) for the generating station would be payable on scheduled generation based on availability and energy charge, instead of the pre-existing arrangement of separate payment of fixed cost.
- Depreciation would be computed from the date of commercial operation of a generating station or unit thereof or a transmission system (including communication system). In case of the tariff of all the units of a generating station or a transmission system for which a single tariff needs to be determined, the depreciation would be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units
- Tightening of norms pertaining to availability on quarterly basis (currently, it is on an annual basis), working capital are balanced by relaxation in few operating norms, auxiliary consumption, incentives, etc.
- Broad benchmarks retained for transmission companies (plant availability at 98%, incentive retained at 98.5%) signal an all-round positive tariff policy
- Power generators can write off equity in the plants that have completed a useful life, which is 25 years for thermal power, and recover depreciation in excess of debt repayment till date

New Guidelines for Cross Border Trade of Electricity

The MoP, GoI, vide Office Memorandum dated December 18, 2018 introduced the “Guidelines for Import/Export (Cross Border) of Electricity, 2018” (**Cross Border Guidelines**). These replace the Guidelines on Cross Border Trade of Electricity issued by the MOP (on December 5, 2016).

The core objectives of the new guidelines remain the same as the earlier one, which include facilitation and promotion of cross-border trade of electricity, developing a dynamic and robust electricity infrastructure for import export of electricity and reliable grid operation and transmission of electricity.

Key Highlights

- The Cross-Border Guidelines allow power generating or distribution companies of India to export electricity generated by coal (with certain restrictions laid out), renewable energy and hydro power to neighboring countries directly or through trading licensees after taking government approval. This is in contrast to the earlier guidelines which only facilitated cross border transactions exclusively through bilateral agreements between two countries.
- The new guidelines allow any Indian Power Trader to trade in the Indian Power Exchange on behalf of a company of a neighboring country with regard to a specified quantity. This will be done on certain conditions which require:
 - Government approval being granted
 - Compliance with CERC
- Opening up of a forum for renewable energy developers who are currently facing a roadblock whilst selling power to DISCOMs due to the lack of demand in the market.
- The earlier preferential treatment accorded preference to projects which were fully owned/controlled by companies in which other government’s held complete interest. Indian public and private companies can now export power after attaining a One Time Approval from the designated authority in India.

RENEWABLE ENERGY

CERC Proposed Generic Tariffs for Renewable Energy

The CERC has proposed a set of levelized generic tariffs for the purchase of electricity from a host of renewable energy generation sources during financial year 2019-20. The proposal is up for comments up to February 10, 2019. A public hearing will be held for the same on February 15, 2019.

Note: This is the 3rd year that CERC is issuing generic tariffs for select renewable energy sources.

Key Highlights

- The levelized generic tariffs will apply to small hydro projects, biomass with Rankine cycle projects, non-fossil fuel-based co-generation projects, biomass gasifiers, and biogas-based projects. CERC has decided to follow project specific tariff as against generic tariff for solar photovoltaic, solar thermal, wind (onshore and offshore), municipal solid waste and/or refuse-derived fuel and other emerging renewable energy technologies.
- CERC has also taken into account the expected useful life of each project. In its order, the CERC considered the useful life of small hydro projects to be 35 years, whereas the useful life for biomass with Rankine cycle, non-fossil fuel-based co-generation, biomass gasifiers, and biogas-based projects was set at 20 years.
- In the case of renewable energy technology having a fuel cost component, such as biomass power projects and non-fossil fuel-based cogeneration, single part tariff with two components; fixed cost component and fuel cost component, is proposed to be determined.
- CERC has considered a debt, equity ratio of 70:30. Interest rate considered for the debt component of capital cost is 10.41%. With regard to the equity component, the rate of return on equity is considered at post tax rate of 14%.
- For small hydro projects of capacity 5 MW to 25 MW in the states of Himachal Pradesh, Uttarakhand, West Bengal and north eastern states, the proposed capital cost is INR 90,000,000/MW. In other states, the capital cost is INR 70,700,000 million/MW for small hydro project of capacity 5 MW to 25 MW.
- CERC has proposed retaining previous year's normative capital cost for biomass-based projects. The rate of depreciation for the first 13 years is proposed to be 5.28% and the rate of depreciation from the 14th year onwards is proposed to be spread over the balance useful life of the renewable energy projects.



MERC Order: Ceiling Tariff for Generic Renewable Energy

In a welcome move which provides clarity on ceiling tariff for generic renewable energy, the MERC has issued an order dated January 10, 2019 (MERC Order) in Case No. 298 of 2018, in response to the petition of Tata Power Renewable Energy Limited (**TPREL**). The petition was seeking review of the MERC Order dated August 18, 2018 in Case No. 204 of 2018 (Generic Tariff Order). In terms of the review petition of TPREL, MERC was requested to review 2 issues, namely

- a) the commissioning timelines of 13 months for generic renewable energy tariffs; and
- b) the tariff period of 25 years for generic renewable energy tariffs, each of which had been considered by the MERC in the Generic Tariff Order.

The MERC held that the generic tariff fixed by the MERC in cases where competitive bidding is also permissible will be the deemed ceiling rate so as to remove difficulties in adoption of appropriate tariff. The MERC would consider the tariff discovered through competitive bidding to be the Generic Tariff (if tariff adopted by the MERC which is discovered through competitive bidding process carried out by any distribution licensee within the State of Maharashtra is lower than the tariff calculated as per the Financial Principles and Technology-specific parameters defined in RE Tariff Regulations, 2015).

Our view: The MERC Order clarifies that generic renewable energy tariff shall act as the ceiling tariff for competitive bidding, thereby removing extant ambiguities on this front.

MNRE Amends Bidding Guidelines for Solar Projects

In a move to give an impetus to solar project development, the MoP amended the competitive bidding guidelines for the procurement of power from grid-connected solar photovoltaic (**PV**) projects, incorporating changes to further boost the pace of solar installations in the country.

Note: This is the second time such guidelines have been amended (previously amended in June 2018).

Key Amendments

- A minimum period of 22 days to be allowed between the issuance of request for selection (**RfS**) and the last date of bid submission
- Under normal circumstances, the bidding process is to be completed in a period of 110 days
- For solar PV projects outside a solar park, the time-period for attaining the financial closure is to be 12 months from the date of execution of the power purchase agreement (**PPA**)
- For solar PV projects inside a solar park, the time-period for attaining financial closure is to be 9 months from the date of execution of PPA
- The timeframe of commissioning of solar PV projects outside solar park is to be 18 months from date of PPA execution
- The timeframe of commissioning of solar PV projects inside solar park is to be 15 months from the date of PPA execution
- An extension for the financial closure can be considered by the procurer, on the request of the solar power generator after payment of a penalty as specified in the PPA. Such an extension is not to have any impact on the scheduled commissioning date (**SCD**). Any penalty paid is to be returned to the solar power generator without any interest on achievement of successful commissioning within the SCD

Our view: Reduction in timeframes for attaining financial closure for solar PV projects (reduced to 9 months from the earlier stipulated 12 months for projects inside a solar park) and for commissioning the projects (reduced from 24 to 18 months for projects outside a solar park and from 21 to 15 months for projects inside a solar park) is a step in the right direction. Through these amendments, the government is trying to expedite the process of solar project development, from tendering and auctioning to commissioning of projects.

The Ministry of New and Renewable Energy Order on ‘Approved List of Models & Manufacturers’ on Solar Voltaic Modules

The Ministry of New and Renewable Energy (**MNRE**) issued an office memorandum on January 2, 2019 titled ‘Approved Models and manufacturers of Solar Photovoltaic Modules (Requirements for Compulsory Registration) Order, 2019’. This order states that only those manufacturers and models as published in the ‘Approved List of Models and Manufacturers’ (**ALMM**) will be eligible for use in government-owned projects, including projects set up for sale of electricity to the Government.

Key Highlights

- MNRE will publish the ALMM which is proposed to be a list of eligible models and manufacturers of solar PV cells and modules in compliance with the Bureau of Indian Standards (**BIS**)
- The ALMM is said to contain two lists, the effective date of implementation for which is March 31, 2020:
 - LIST I- which will specify the models and manufacturers of Solar PV Modules
 - LIST II- which will specify the models and manufacturers of Solar PV Cells
- Solar PV module manufacturers enlisted in List-I have to mandatorily source solar cells from the manufacturers included in List-II; however, bids that were finalised prior to the issuance of this order will be exempt from this requirement
- Any projects following the ‘Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Solar PV Power Projects’ are required to contain a clause in their Request for Service (**RfS**) stating that cells and modules used in these projects are those obtained from models and manufacturers in the ALMM list
- Projects where the bids have not been finalised before the issuance of the order will be permitted to procure outside the ALMM List-I till March 31, 2020. In case of procurement within India, the date of procurement would mean the date of dispatch, while in case of procurement outside India, the date of procurement would mean the date of filing of bill of entry with Indian Customs.
- The following are the requirements and specifications for eligibility of models and manufacturers under ALMM:
 - The manufacturers have to obtain a BIS registration/ certificate
 - Before the manufacturers are included in the list, an MNRE team will conduct an inspection of the manufacturing facility of the manufacturers that have obtained the aforementioned registration and/or certificate
 - Such inspection – which may be conducted at any time – will include an audit of the production and sale of the company to ensure that the cells and modules being provided by such manufacturers are indeed made in that unit
 - If the MNRE is satisfied that the models meet the prescribed standard and is of the opinion that the manufacturer is sufficiently capable of producing the pertinent models, it will enlist such manufacturer in the ALMM
- Enlistment in this list is valid for a period of two years and can be renewed on submission of the requisite documentary evidence of continued satisfactory performance of the manufacturers’ products
- The enlisted models and manufacturers are subject to random quality tests including inspection of the manufacturing premises
- In the event of failure or non-compliance by an enlisted manufacturer, the manufacturer will be removed from the

The order is aimed at ensuring the quality of solar cells and solar modules used in solar PV power plants. The reason for including a list of manufacturers and products is to ensure that the units that have claimed production capacity actually do produce the solar cells and solar modules. As the order mentions, ‘the reliability of the producer is essential to protect consumer interests and ensure larger energy security of the country.

Our view: This order seeks to ensure that a certain level of standards is maintained in solar cells and modules used in Government projects. However, this would limit the ability to procure cells from other producers and may result in a slowdown in solar projects if the relevant capacity is not available.

Andhra Pradesh Government: New Wind – Solar Hybrid Policy

The Government of Andhra Pradesh vide order dated January 3, 2019 introduced the ‘Andhra Pradesh Wind-Solar Hybrid Power Policy, 2018 (**Hybrid Policy**) in an attempt to encourage the energy generation from wind and solar hybrid projects within the state. The Hybrid Policy shall have a term of 5 years and shall remain in force till the issue of a new policy. The projects issued under this Hybrid Policy shall be eligible for incentives under this policy for a period of 10 years from the date of commissioning.

Key Highlights

- A wind-solar plant will be recognized as ‘Hybrid Plant’ only if the rated capacity of one resource is at least 25% of the rated power capacity of the other resource and the minimum capacity utilization factor is 40%
- Power produced from the Hybrid Project shall be used for the fulfilment of non-solar renewable purchase obligations and solar renewable purchase obligations
- No additional connectivity capacity charges are to be levied and transmission charges are to be applicable for additional transmission access granted
- Power generated from the wind-solar hybrid project can be used for:
 - Captive purpose
 - Sale to third party through open access
 - Sale to the DISCOM either at project specific tariff determined by the Andhra Pradesh Electricity Regulatory Commission or at tariff discovered through transparent bidding process
 - Sale to the DISCOM at average pooled power cost under renewable energy certificate mechanism
- Transmission augmentation required up to the receiving transmission substation will be the responsibility of the project developer
- Based on the feasibility and prior approval of the DISCOM, 100% energy is to be permitted to be banked during the banking year between April to March, with banking charges adjusted at 5% of the energy delivered at the point of evacuation
- Unused banked energy shall be considered deemed purchase by the DISCOMs at 75% of the APPPC, with payment for the deemed purchase of unutilized banked energy capped to 10% of the total banked energy during the applicable year
- 50% of applicable electricity duty shall be exempted for captive consumption, sale to DISCOMs and third-party sale, provided the source of power is from wind - solar hybrid power projects set up within the State. Further, 50% of the cross-subsidy surcharge would be paid for third party sale provided the source of power was from wind - solar hybrid power projects setup within the State (It is an exemption for non-captive sales up to 50% of the cross-subsidy surcharge for wind-solar hybrid projects)
- All fiscal and financial incentives available to new wind and new solar power projects would also be made available to new hybrid projects, in addition to the fiscal and financial incentives announced in the Hybrid Policy

Andhra Pradesh Government: New Wind Policy

The Andhra Pradesh government has made significant efforts to increase the uptake of renewable power in the state. In this context, the Government of Andhra Pradesh vide order dated January 3, 2019 introduced the 'Andhra Pradesh Wind Power Policy, 2018' (**Policy**) with the intent of increasing the number of wind projects in the state and thereby increasing its Sustainable Energy (**SE**) power supply. The term of the Policy is 5 years, and it will remain in force till the issue of a new policy. The projects issued under the Policy shall be eligible for the incentives for a period of 10 years from the date of commissioning.

The Policy oversees three types of wind power projects:

- Category 1: Projects that have been set up on government or revenue lands, forest areas or private lands selling power within the state or outside the state
- Category 2: Projects set up for captive use or group captive use or direct sale to third-party within or outside the state
- Category 3: Projects initiated under the Reusable Energy Certificate mechanism

Key Highlights

- Undertaking micro-siting studies that will ensure wind power project developers will be able to install advanced Wind Electricity Generators (**WEG**) and utilize the available wind resource potential at the project sites
- No transmission and distribution charge to be levied for the purpose of wheeling of power generated from WEG's to the nearest central transmission utility via the state transmission utility network for inter-state wheeling of power
- Capacity allotment up to 40 MWs to be under the New & Renewable Energy Development Corporation of Andhra Pradesh Limited (**NREDCAP**). Recommendation on allotment of power above 40 MWs to be sent to the Government of Andhra Pradesh
- Based on the feasibility and prior approval of the distribution company (**DISCOM**), 100% energy is to be permitted to be banked during the 12 months of the year, with banking charges adjusted at 5% of the energy derived at the point of evacuation
- During a 5-month period (from April 1 to June 30 and February 1 to March 31) of each financial year, withdrawal of banked energy is not to be permitted
- Unused banked energy shall be considered deemed purchase by the DISCOMs at 50% of the Average Pooled Power Purchase Cost (**APPPC**)
- Payment for the deemed purchase of un-utilized banked energy will be capped to 10% of the total banked energy during the applicable year
- As per the Andhra Pradesh Electricity Regulatory Commission (**APERC**) regulations, intra-state open access of the project will be granted for the entire tenure of the project
- Generation of electricity from wind projects will be treated as eligible industry under the programs administered by the Industries Department, and incentives available to industrial units under such programs will be available to the wind power producers
- Reactive power charges of INR 0.25 per kVARh will be levied on wind energy generators, who draw reactive power up to 10% of the net active energy generated; any entity drawing in excess of 10% of the net active energy generated will be liable to pay INR 0.5 per kVARh