

POLICY ON PRIVATE SECTOR INVESTMENT IN HYDROPOWER PROJECT ABOVE 100 MW CAPACITY.

1. SCOPE AND OBJECTIVES:

The State of Uttaranchal has an identified Hydro power potential of about 20236 MW. Out of this generating capacities of about 1407 MW have already been established. Projects totaling to a capacity of about 8084 MW are in the development stage.

The Government of Uttaranchal (GOU), recognising the fact that the hydro power potential of the state needs to be harnessed to the maximum in the shortest possible time for the economic development of the state and for meeting the energy demand of the country, has accorded top priority to this sector. As a result thereof, a number of Projects in Central sector, State sector and Private sector are being set up in the State. A policy for private sector investment in the Hydropower projects ranging for 0 to 100 MW has already been announced on 19-10-2002. There are a number of sites where hydropower project of the capacities larger than 100 MWs can be established. To attract private investment for the development of such projects and as a sequel to the policy of 19-10-2002, the Government of Uttaranchal has decided to announce this policy.

2. PARTICIATION AND OPERATIVE PERIOD:

- 2.1 This policy shall be in operation from the date of its publication as notified by Government order. Projects, above the capacity of more than 100 MW offered by GOU for private investment will be eligible under this policy and will be governed by this policy for their entire duration.
- 2.2 The GOU will invite proposals from private sector investors for development of identified sites. The preliminary project profiles of the identified sites will be made available to the investors before the process of competitive bidding.

3. PRE-QUALIFICATION:

For each identified site, which will be notified by the GOU from time to time, there shall be a pre-qualification selection of the bidders based on their past experience and financial and technical capacity. The applicants qualifying in the pre-qualification selection will be eligible for competitive bidding. Each attribute set for pre-qualification will be evaluated. Guidelines for evaluation and the passing score on attribute required for pre-qualification shall be specified at the time of inviting proposal for pre qualification.

4. PROCESS OF ALLOTMENT

- 4.1 Project identified by the Government of Uttaranchal shall be advertised for inviting international bids. All interested parties will be subject to pre qualification as provided in Para-3, above.
- 4.2 Application should be accompanied by a non-refundable draft of Rs.5.00 lacs, payable to GOU or its designated agency.
- 4.3 Bids shall be invited over a minimum premium, payable upfront to the Government of Uttaranchal, at the rate of Rs. 5 (Five) Crores per project. Project will be allotted to bidders making the highest bid over and above the upfront minimum premium. Bids below the minimum premium shall not be considered.
- 4.4 Project will be allotted to the highest bidders. The successful bidder shall be required to deposit the minimum premium and 50% of the bid amount in excess of the minimum premium within the period fixed by the Government in this behalf. For the remaining fifty percent (50%) of the bid amount in excess of the minimum premium, the bidder may be permitted to provide a bank guarantee encashable at the time of actual or scheduled financial closure, whichever is earlier.
- 4.5 If there are two or more identical bids which emerge as the best bids for any project, allotment will be made on the basis of the average score obtained in valuation of the pre qualification among the identical bidders.
- 4.6 After the allotment the allottee/developer shall have to sign a project development agreement with GOU within the period fixed by GOU (Three month) for preparation of detailed project report (DPR) within a prescribed time frame. After the DPR is accepted/approved by GOU, the allottee/ developer shall have to sign an implementation agreement with GOU which shall inter alia include time schedule for getting necessary legal/administrative/technical approvals, financial closure, construction/commissioning etc. of the project.
- 4.7 In the events of inability of preparing a viable DPR or getting legal/administrative/technical approvals after the completion of the above mentioned fixed period the project will revert back to GOU and the allotment shall be treated cancelled automatically. In such a case no compensation will be payable to the allottee and the amount paid by a llottee shall vest in the GOU.

5. TERMS OF ALLOTMENT OF THE PROJECT

- 5.1 project will be allotted for an initial period of 45 years. Extension for further period (s) can be given on the terms & conditions to be decided mutually. After the expiry of the initial period or the extended period, as the case may be, the project will revert back to the Government of Uttaranchal.
- 5.2 The project 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, and 40th years of operations as well as during the last year of allotment, Govt. of Uttaranchal or one of its appointed agencies would carry out a mandatory inspection of the project to ensure that the project assets are maintained to the required standards to ensure the specified generation capability and residual life of the plants.
- 5.3 If such inspections find that the plant capacity and/or life are being undermined by inadequate maintenance, the GOUA would be entitled to seek remedial measures from the concessionaire.

If the concessionaire fails to comply with the requirements, the GOUA would have the right to terminate the concession by payment of compensation to be computed as follows. The termination compensation value would be based on estimated net cash flows to equity shareholders for the next ten years or residual period of concession, whichever is lesser, discounted at a suitable rate. Both the estimate of cash flows as well as the discount rate would be approved by the Uttaranchal Electricity Regulatory Commission (UERC) which will also factor the costs of refurbishment, renovation, repairs, etc. required to bring the project assets to the standards specified.

- 5.4 All projects would need to conform to the R&R policy of the GOUA,

6. SALE OF POWER

The developer of the project will have the right to sell the power outside the State. No agency of the State will guarantee purchase of power. If anytime the state requires additional power, the concerned organisation of the State, may purchase electricity from the project on terms and conditions to be decided mutually by the developer and the concerned agency.

7. ROYALTY

7.1 Twelve percent (12%) of electricity generated shall be made available free of cost to the State during the entire life of the Project. This free power will be in addition to the amounts received at the time of allotment.

7.2 Completion of the project prior to the scheduled date as contained in the implementation agreement will attract incentive to the developer. This incentive will be decided on the basis of a rebate of one percent (1%) per year on the 12% free power for each year of earlier completion. Likewise delay in completion will also entail penalty of one percent (1%) for one year over and above the 12% free power for each year of delay. However, in case the delay in completion is for more than three years the allotment of the Project may be cancelled.

7.3 Electricity duty shall be applicable as per law.

8. POWER EVACUATION:

The developer may build his own evacuation system or get the same constructed through the Transmission/Distribution Corporation of the State/Power Grid Corporation of India. If the evacuation system is constructed by the undertaking of the State, the same will be developed as a commercial venture. In this case or in the case of utilization of existing evacuation system, wheeling charges, as determined by the Central Electricity Regulatory Commission or Uttaranchal Electricity Regulatory Commission, will be payable by the developer to the State Corporations/Central utility.

9. DISPLACEMENT/REHABILITATION:

The developer of the project shall be liable for the rehabilitation of the displaced persons from the project area and the cost of the same shall be included in the project cost. The State Government will provide necessary assistance to the developer in implementation of R&R Plan.

10. INFRASTRUCTURE:

The necessary infrastructure for the construction/development of the project will be part of the project cost and will be developed by the developer.

11. INCENTIVE FROM STATE GOVERNMENT:

No entry tax will be levied by the State Govt. on building material, power generation/transmission equipment during construction of the project.

12. OTHERS:

12.1 State Govt. will provide necessary assistance for required approvals/clearances and other related matters. For clearances/approvals from the State Government and its concerned agencies, an empowered committee or a nodal agency will be nominated.

12.2 If any report/data etc. relating to the project are made available to the developer by the State Government Department/Corporations, the cost incurred in preparation of such documents will be paid by the developer.