

GOVERNMENT OF PUNJAB

DEPARTMENT OF POWER



POWER GENERATION

POLICY 2010

PREAMBLE

1.1 Electricity is a critical infrastructure on which the socio-economic development of the State depends. The reliable, quality, and affordable power supply is one of the key drivers for the State's industrial and commercial growth.

1.2 The State at present is facing acute power shortages. Accelerated addition to generation capacity is required to meet the demand and to achieve higher growth rates. The State Government has decided to set up two new Thermal Power Stations namely 1980 MW Talwandi Sabo and 1320 MW Rajpura in the private sector on BOO basis through tariff based competitive bidding as per case-II guidelines of Government of India. 540 MW Goindwal Sahib Thermal Power Plant is also being set up by M/s GVK Power Limited on BOO basis.

1.3 The Electricity Act, 2003 has created an enabling environment for private sector participation in power generation by decentralizing and thus liberalizing the generation. The capacity addition, therefore, is expected to be in both public sector and private sector.

1.4 In addition to setting up of bigger Thermal Power Stations under accelerated capacity addition program, the State Government intends to facilitate setting up of small power plants in the State.

1.5 In accordance with the provisions of The Electricity Act, 2003, the Punjab State Power Corporation Ltd or any other agency nominated by the Government of Punjab, can procure power from its own generating stations, from power plants set up through bidding route on tariff adopted by the appropriate Electricity Regulatory Commission, from power plants through MOU route on cost plus tariff to be determined by the appropriate Electricity Regulatory Commission.

1.6 Punjab is far away from the coal mines/fuel sources. Higher freight on the coal/fuel substantially enhances the cost of power. The state would also endeavour to set up Pit head/Coastal Thermal Power Plants to bring down the cost of power in the state.

2. AIMS & OBJECTIVES

2.1 To transform the State from power deficit to power surplus State.

2.2 To ensure quality supply of power to all consumers at affordable prices.

2.3 To bring down the cost of power.

2.4 To encourage setting up of power stations by private developers.

2.5 To promote and support ancillary industry related to power plants.

3 SCOPE

3.1 a) This policy is applicable to new power projects to be located in the State of Punjab and also to Pit head/Coastal Thermal Power Plants with an installed capacity of 250 MW or more at single location.

b) This policy will also be applicable to expansion plan (additional capacity) in following cases, provided a separate PPA is entered into for such additional capacity:-

i) The power projects for which PPAs stand signed with PSEB (or its successors).

ii) Power projects allotted on BOO basis under case II guidelines of GOI.

3.2 Captive Power Plant, Co-generation Power Plant would not be covered under the scope of this policy.

3.3. This policy will not be applicable to the power projects which are covered under NRSE policy being implemented by Punjab Energy Development Agency. Similarly, in case there is a separate policy on any specific power generation technology or fuel source that is prevalent at present or is declared in future, then that policy would be applicable to those specific cases. In all other cases, this particular power generation policy shall be applicable.

3.4 This policy shall also cover power projects set up in Special Economic Zones (SEZ's) in the state of Punjab.

4. ROLE OF THE GOVERNMENT OF PUNJAB, PUNJAB STATE POWER CORPORATION LTD, AND PUNJAB STATE TRANSMISSION CORPORATION LTD.

4.1 Selection of suitable sites for the projects located in the State of Punjab.

4.2 Creation/Up-gradation of connecting infrastructure to the project site such as roads for the projects located in the State of Punjab.

4.3 Arranging Right of Way for the projects located in the State of Punjab.

4.4 Facilitating water supply linkages for the projects located in the State of Punjab depending upon the water availability. However, cost of up gradation of existing canal network if required for this purpose would be borne by the developer.

4.5 Facilitating clearances, approvals, linkages, which are required for setting up of the power plant. However, these shall remain the responsibility of the developer.

4.6 Recommending the project (subject to qualification) to avail benefits under Mega Power Policy or any other policy declared or to be declared by the Government of India/Punjab.

The State Government shall facilitate and assist the developer in arranging above facilities subject to availability and feasibility. However, the project developer should qualify under the relevant acts/rules/regulations and should meet all requirements applicable for obtaining the clearance / permission from the said State agency.

5. INCENTIVES BY THE STATE GOVERNMENT

5.1 The State Government shall extend following incentives/ benefits to the projects covered under this policy & located in the State of Punjab.

(i) 100% exemption from payment of fee and stamp duty for registration for the land to be acquired for the project and for other facilities incidental thereto.

(ii) 100% exemption from payment of Change of Land Use Charges, EDC & License/Permission fee for the land under the project including residential, institutional and commercial components within power plant complex and for other facilities incidental thereto.

(iii) Waiver of 50% Electricity Duty for construction power.

(iv) 100% exemption from entry tax in respect of all supplies (including capital goods, civil construction material and raw materials) made for setting up and trial operations of the projects.

(v) All projects developed under this policy will be treated as industry in terms of industrial policy of the state and all the incentives available to new industrial projects will be applicable to power plants set up under this policy as per industrial policy of the State.

(vi) Any benefit declared under any relevant policy such as Mega Project Policy of State Government can be availed by the project covered under this policy, subject to qualifications, if any, and subject to conditions as may be prescribed on case to case basis.

Incentives at Sr. No. 5.1(iii), 5.1(iv) and 5.1(v) shall not be applicable to expansion plan (additional capacity) of projects specified in Clauses 3.1(b) i & ii.

5.2 Developer shall have to furnish a Bank Guarantee at the time of signing of PPA @ Rs. 7.5 lakhs per MW of the installed capacity, which will be liable to forfeiture in case important milestones for development of the power plant are not achieved by the developer.

6. LAND ACQUISITION

The project developer shall be responsible for acquisition of land for the project. However, if so required, on the request of the developer the State Government shall acquire the entire or the portion of land, as the case may be, for the projects located in the State of Punjab at the cost of

the developer under the provisions of the Land Acquisition Act. Project developer shall be responsible for Relief & Rehabilitation as per the Policy of the State where the project is located.

7. FUEL SOURCING

7.1 The responsibility of sourcing and transportation of fuel to the project site shall lie with the developer.

7.2 In the case of mine allocation by the Government of India where State recommendation is desired, the State may give letter of recommendation for such allocation of mine to the project covered under this policy.

7.3 In the case of fuel linkage by Government of India where State recommendation is desired, State may give letter of recommendation for such fuel linkage to the project covered under this policy.

7.4 Coal linkage/coal blocks allocated for the projects covered in Clauses 3.1(b) i & ii shall not be used for expansion plan (additional capacity).

8. EVACUATION OF POWER FOR PROJECTS LOCATED IN STATE OF PUNJAB

8.1 The State Government, through Punjab State Transmission Corporation Ltd or Punjab State Power Corporation Ltd or other assignees, will facilitate the clearances and approvals for connecting the power plant to the designated grid sub-station of the State Transmission Utility. However, the responsibility for obtaining these clearances and approvals would lie with the developer.

8.2 The developer would need to bear the following costs of interconnection and transmission facilities:-

8.2.1 Cost of switchyard and interconnection facilities (including the dedicated transmission line, if required) from the generating plant up to the point of injection i.e. up to the designated grid sub-station of the State Utility. The cost of the bay, breaker (including cost of replacement/up gradation/augmentation of the existing equipment, if any) at the designated grid substation of the State utility and equipment for communication of real time data to SLDC will also be borne by the developer. Specifications of the synchronization and other equipment including technical details of connectivity will be prescribed by the Licensee and the developer will ensure compliance therewith.

8.2.2 Cost of interfacing at both ends including work at the Grid Sub-Station, cost of bay, tie-line, if any.

8.3. Cost of Replacement/ Up-gradation/ Augmentation of existing equipment/ Transmission System(s), if any, beyond the designated Grid Sub-Station shall be borne by Punjab State Power Corporation Ltd or Punjab State Transmission Corporation Ltd as the case may be.

9 POWER PURCHASE BY THE NOMINATED AGENCY

9.1 State Government through its nominated agency shall have first right but not obligation for purchase of power up to 70% of the installed capacity from the power projects covered under Clause 3.1(a), at the tariff which shall be got approved from the Appropriate Electricity Regulatory Commission. The first right of refusal for purchase of aforementioned 70% power shall be exercisable by the Government or its nominated agency within 3 months from the approval of tariff by the appropriate regulator or 18 months of signing of the MOU with the Government and/or its nominated agency, whichever is earlier. PPA shall be executed between the Government nominated agency and the developer initially for a period of 25 years which can be extended on mutually agreed terms and conditions.

9.2 For the expansion plan (additional capacity) covered under Clause 3.1(b), the developer shall offer 5% of the installed capacity of the additional units to the State Government through its nominated agency at variable cost (quoted variable cost as approved by the Regulator) and additional 10% of the installed capacity of the additional units at already quoted tariff that has been approved by the Regulator.

9.3 The project cost shall however be got approved by the developer from the appropriate Electricity Regulatory Commission.

9.4 The provisions under this clause shall also be applicable for power projects set up in Special Economic Zones (SEZ's).

10. IMPLEMENTATION METHODOLOGY

10.1 A developer intending to set up a power project under this policy shall submit a comprehensive proposal to Punjab State Power Corporation Limited for appraisal.

10.2 On determination of suitability, PSPCL shall forward the developer's proposal with its recommendation to the Department of Power, Punjab Government for concurrence.

10.3 On concurrence of the Punjab Government, the developer shall be required to sign MOU with Punjab Government nominee viz. Punjab State Power Corporation Limited. Approval of the Appropriate Electricity Regulatory Commission, as required, shall also be taken by the developer.

10.4 The developer shall be required to submit the detailed Project Report (DPR) within six months. This DPR should contain the details of generation technology, fuel, water & land

utilization, environment pollution control technology, cost and spread sheet indicating tariff for life of the project as per cost plus approach etc.

10.5 The developer shall proceed to get clearance of CEA for the size and site of the power plant, acquisition of land, all requisite clearances of MOEF, Defence, Air Port Authority of India, Forest Department etc. as applicable.

10.6 Developer shall arrange fuel and water linkages.

10.7 Developer shall submit proposal to the Appropriate Electricity Regulatory Commission for determination of tariff. On signing of PPA, the developer shall furnish bank guarantee as per Clause 5.2.

10.8 In case of failure of the developer to achieve financial closure or commencement of construction or commissioning of the plant as mentioned in the MOU, the Govt. of Punjab shall have the right to withdraw/cancel/forfeit all the benefits availed under this policy.

10.9 Power Generation Projects Committee headed by Principal Secretary, Power, Government of Punjab and comprising of following members, will regularly monitor the implementation of the project:

- i) CMD, Punjab State Power Corporation Ltd.
- ii) Director/ Generation, Punjab State Power Corporation Ltd. (as Member/Convener).
- iii) Director/ Finance, Punjab State Power Corporation Ltd.

11 This Policy shall come into effect from the date of Notification of the policy and shall remain in force until further orders.