

OFFICE MEMORANDUM

Subject: MEASURES TO PROMOTE HYDRO POWER SECTOR

In reference to communication received from Cabinet Secretariat vide D.O. No. 11/CM/2019(iii) dated 7.3.2019, the undersigned is directed to inform that the Government has approved the following measures to promote hydropower sector:-

2. Declaring LHPs (> 25 MW projects) as Renewable Energy source:

2.1 Large Hydropower Projects (LHPs, i.e. > 25 MW projects) are declared as Renewable Energy source. However, LHPs would not automatically be eligible for any differential treatment for statutory clearances such as Forest Clearance, environmental clearance, NBWL clearance, related Cumulative Impact Assessment & carrying Capacity study, etc., available to Small Hydropower Projects (SHPs), i.e., projects of capacity up to 25 MW. Ministry of Power shall continue to be the administrative Ministry for LHPs.

3. Hydro Purchase Obligation (HPO) as a separate entity within Non – solar Renewable Purchase Obligation (RPO):

3.1 Hydropower Purchase Obligation (HPO) is notified as a separate entity within Non - Solar Renewable Purchase Obligation (RPO). The HPO shall cover all LHPs commissioned after issue of this Office Memorandum as well as the untied capacity (i.e., without PPA) of the commissioned projects. This HPO will be within the existing Non-Solar RPO after increasing the percentage assigned for it so that existing Non-Solar RPO for other renewable sources remains unaffected by the introduction of HPO. The trajectory of annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.

4. Tariff rationalisation measures for bringing down hydropower tariff:

4.1 Tariff rationalisation measures including providing flexibility to the developers to determine tariff by back loading of tariff after increasing project life to 40 years, increasing debt repayment period to 18 years and introducing escalating tariff of 2%.

4.2 The levelized tariff over the useful life of the project may be calculated on the basis of the norms specified in the CERC regulations and thereafter, the determination of year wise tariff, for a long term PPA for procurement of Hydro Power for a period of not less than specified years (depending upon the repayment plan for the debt raised by the generator such that major part of the loan is repaid during the tenure of such PPA), may be left to the Developer and DISCOMs as per their feasibility and depending upon the terms of repayment of loan negotiated with the lenders subject to-

- (a) submission of such complete calculations with assumptions to be provided by the generator of hydro power at the time of filing of the application; and
- (b) upfront approval by the appropriate Regulatory Commission.

5. **Budgetary Support for Flood Moderation/ Storage Hydro Electric Projects (HEPs):**

5.1 In-principle approval is accorded for providing budgetary support through the budgetary grant of Ministry of Power for Flood Moderation component for Storage HEPs to be set up in future. The value of flood moderation component will be worked by technical agencies, viz., CWC, etc. in accordance with the guidelines. The amount required for flood moderation/ storage costs shall be released, through MoP budgetary provisions after appraisal of each project, on a case to case basis, by Public Investment Board (PIB)/ Cabinet Committee on Economic Affairs (CCEA) as per due process.

6. **Budgetary Support to Cost of Enabling Infrastructure, i.e., roads/ bridges:**

6.1 In-principle approval is accorded for providing budgetary support through the budgetary grant of Ministry of Power for funding enabling infrastructure for hydropower projects i.e. roads / bridges. This support shall be applicable for projects starting construction after notification of this Office Memorandum. This budgetary support would be provided after appraisal/ approval of each project by PIB/ CCEA as per the extant rules/ due process. The limit of this grant for such roads and bridges would be as follows:

- a) Rs. 1.5 crore per MW for projects upto 200 MW,
- b) Rs. 1.0 crore per MW for projects above 200 MW.

7. This issues with the approval of the Competent Authority.

S. Benjamin
(S Benjamin)

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1. The Chairman, All State Electricity Boards / State Power Utilities
2. The Chairman, Central Electricity Authority, New Delhi.
3. The Principal Secretary / Commissioner (Power), All State Government and U.T.s
4. The CMDs of all PSUs under the administrative control of Ministry of Power
5. Chairperson, CERC
6. Chairpersons of all SERCs

Copy to:

1. Secretary, Department of Economic Affairs, Ministry of Finance
2. Secretary, Department of Expenditure Ministry of Finance
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