

**Press Information Bureau
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Ministry of New and Renewable Energy**

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Implementation of scheme for setting up over 2,000 MW of Grid-Connected Solar PV Power Projects with Viability Gap Funding (VGF) under Batch-III of Phase II of the JNNSM.

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for setting up of over 2,000 MW of Grid-Connected Solar PV Power Projects on Build, Own and Operate basis by Solar Power Developers (SPDs) with Viability Gap Funding (VGF) under Batch-III of Phase-II of the Jawaharlal Nehru National Solar Mission (JNNSM).

This would help in:

- Creation of additional 2000 MW capacity of Grid-connected solar PV power generation projects.
- Employment generation of about 12,000 people in rural and urban areas.
- Reduction of about 3.41 Million T of CO₂ emissions into the environment every year.

The total investments expected under this scheme is about Rs 12,000 crore. The estimated requirement of funds to provide VGF for 2,000 MW capacity solar projects is estimated to be Rs. 2100 crore [Rs 1 crore / MW for open category and Rs 1.31 crore / MW for Domestic Content Requirement (DCR) Category]. This includes handling charges to SECI @ 1 percent of the total grant disposed.

The phasing of investment is estimated as under:

Year	Amount (Rs. Cr.)
2016-17	1000
2017-18	260
2018-19	210
2019-20	210
2020-21	210
2021-22	210
Total	2100

The tenders will be State-specific based on the demand from particular State. States/Union Territories/Discomes/State Utilities are the beneficiaries. This will also facilitate to create employment and infrastructure in the States. Installation of 2000 MW Solar PV plants will generate about 3,320 Million Units per year, which caters power to almost one Million Households.

The Viability Gap Funding (VGF) scheme will be implemented for setting up over 2000 MW capacity of grid connected solar power projects by solar power developers on Build, Own and Operate basis through open and transparent competitive bidding to provide solar power at a pre-defined tariff of Rs. 5.43 per kWh for the first year, with escalation of 5 paise per kWh each year till the tariff reaches the level of Rs. 6.43 per kWh. This would take 21 years and the tariff, thereafter, would remain fixed at Rs. 6.43 per kWh. The levelized tariff would be Rs. 5.79 per kWh. The overall effort is to continuously reduce Government financial support for grid connected solar power as the prices of solar power comes down.

The Scheme will be implemented by Solar Energy Corporation of India (SECI) as per Ministry of New and Renewable Energy (MNRE) Guidelines. Solar Energy Corporation of India (SECI) shall prepare necessary bidding documents for inviting the proposals for setting up of projects on a competitive bidding through e-bidding. SECI will enter into Power Purchase Agreement (PPA) with the selected developers and the Power Sale Agreement (PSA) with the buying entities.

Requisite funds for provision of the VGF support will be made available to MNRE from the National Clean Energy Fund (NCEF), operated by Ministry of Finance.

Out of 2000 MW, 250 MW will be developed with mandatory condition of solar PV cells and modules made in India. This will be called the DCR category and remaining 1,750 MW will be in open category. Some other important features are as follows:

- a) Project Locations: Projects could be set up in the Solar Parks being developed under a separate MNRE Scheme and also at other locations, which could be selected by bidders on their own.
- b) Commissioning period would be 13 months from the date of signing of PPAs.
- c) The VGF is to be disbursed in six tranches; 50 percent after commissioning and balance 50 percent at the rate of 10 percent at the end of each year subsequently for the next 5 years,
- d) Tenders will be State-specific based on the demand from particular a State.
- e) Due to competitive bidding, there may be savings in the VGF amount of Rs 2100 crore. In that case, the total capacity will be increased from 2000 MW, so that, maximum capacity can be set up in the VGF of Rs 2100 crore after accounting for grant to be given for payment security mechanism.
- f) Bidders will be free to avail fiscal incentives like Accelerated Depreciation (AD), concessional customs and excise duties, tax holidays, etc. available for such projects. However, no bidders will be allowed to claim both AD and VGF.

Background:

The Jawaharlal Nehru National Solar Mission (JNNSM) was launched in January 2010 by the Government of India with a target to setup 20,000 MW of grid connected solar power by 2022.

In addition to Government of India, several States have taken initiatives and come out with solar policies to support setting up solar power projects. Amongst others Andhra Pradesh, Karnataka, Tamil Nadu, Telangana, Uttar Pradesh and Uttarakhand have come out with tenders for procurement of solar power recently.

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