

**Press Information Bureau
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Cabinet approves setting up of over 5,000 MW of Grid-connected Solar PV Power Projects

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for setting up over 5,000 MW of Grid-Connected Solar PV Power Projects on build, own and operate basis. The work will be implemented by Solar Power Developers (SPDs) with Viability Gap Funding (VGF) under Batch-IV of Phase-II of the Jawaharlal Nehru National Solar Mission (JNNSM). The total investments expected under this scheme is about Rs 30,000 crore.

This would help in creating additional 5000 MW capacity of Grid-connected solar PV power generation projects in four trenches of each 1,250 MW capacity during four financial years viz. 2015-16, 2016-17, 2017-18 and 2018-19. This would also help in employment generation of about 30,000 people in rural and urban areas with reduction of about 8.525 Million T of CO₂ emissions into environment every year.

The tenders will be State-specific based on the demand from particular State. States/Union Territories/Discoms/State Utilities are the beneficiaries. This will also facilitate to create employment and infrastructure in the States. Installation of 5000 MW Solar PV plants will generate about 8,300 Million units per year, which caters power to almost 2.5 Million households.

The estimated requirement of funds to provide VGF for 5,000 MW capacity solar projects is estimated to be Rs. 5,050 Crore (Rs 1.00 Cr / MW). This includes handling charges to Solar Energy Corporation of India (SECI) @ 1% of the total grant disposed and Rs. 500 crore for payment security mechanism for all three VGF schemes of 750 MW, 2000 MW and 5000 MW.

The phasing of investment is estimated as under:

Year	Total (Rs crore)	Handling & Monitoring charges for SECI @ 1% (Rs crore)	Total requirement fund (Rs crore)
2015-16	500.00	5.00	505.00
2016-17	1125.00	11.25	1136.25
2017-18	1125.00	11.25	1136.25
2018-19	1125.00	11.25	1136.25
2019-20	1125.00	11.25	1136.25
Total	5000	50.00	5050.00

The upper limit for VGF will be Rs. One Crore per MW. In case there is savings in the total VGF requirement, quantum of capacity of 5000 MW can be enhanced.

The Viability Gap Funding (VGF) scheme will be implemented for setting up over 5000 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. 4.93 per kWh for the first year. 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 SECI as per MNRE Guidelines. 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 5,000 MW, some capacity in each tranche, will be developed with mandatory condition of solar PV cells and Modules made in India. This will be called the Domestic Content Requirement (DCR) category and remaining 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 the bidders on their own.

b) Commissioning period would be 13 months from the date of signing of PPAs.

c) MNRE will provide 100% VGF to SECI to disburse to Solar Power Developers (SPDs) immediately after commissioning, subject to availability of funds.

d) Due to competitive bidding, there may be savings in the VGF amount of Rs.5,050 crore. In that case, the total capacity will be increased from 5,000 MW, so that, maximum capacity can be set up in the VGF of Rs.5,050 crore after accounting for grant of Rs. 500 crore to be given for payment security mechanism for all three VGF schemes of 750 MW, 2000 MW and 5000 MW.

e) The 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.

The selection of 5,000 MW Solar PV Projects will be under State Specific VGF Scheme and projects will be set up in the Solar Parks of various states, developed through coordinated efforts of Central and State Agencies. SECI will purchase the power from the selected Solar PV plants at the pre-determined tariff and sell the power to willing State Utilities/ Discoms under 25 years Power Sale Agreements (PSAs), at the applicable tariff.

The State Governments shall appoint a State Level Agency for providing necessary support to facilitate the required approvals and sanctions in a time bound manner to achieve commissioning of the projects within the scheduled timeline.

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 which is now enhanced upto 1,00,000 MW.

In addition to Government of India, several States have taken initiatives and come out with solar policies to support for setting up solar power projects. Many states have come out with tenders for procurement of solar power recently.

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