

THERMAL POWER GENERATION DEVELOPMENT POLICY 2008

Government of Uttar Pradesh

1. Introduction

1.1 Uttar Pradesh is India's most populous State and the State Government is committed to provide reliable and cost-efficient power for social upliftment and economic development of the people of the State. The State has energised about 20,000 villages in 2007-08 and is committed to electrify all households by the year 2012 AD.

1.2 The demand for power in the State of Uttar Pradesh is expected to increase significantly in the years to come and to meet this demand, there is an urgent need to augment the generation capacity in the State. Government of Uttar Pradesh has been making significant efforts for capacity addition through establishment of power generation units. However the State still needs substantial additional capacity to provide adequate power in all sectors. To meet this objective the Government of Uttar Pradesh envisages private participation in the power sector by having a policy conducive to investment by private power developers in the State.

2. Objectives

The objectives of the policy are –

- A. To encourage investment by the private companies in Uttar Pradesh to provide a common implementation frame-work.
- B. To have a definite power sharing agreement between the State Distribution Utilities and the private power developer to augment power availability in the State by providing incentive for investment to facilitate shorter development period for Developers.
- C. Facilitation by the Government of Uttar Pradesh for project development activities.

3. Operative Period

3.1 This policy will be applicable to the projects whose developer is identified after date of announcement of this policy that is 1st August,

2008 till March 31, 2018 and for power plants above 250 MW. This policy is applicable for all types of thermal power plants.

4. Eligibility:

4.1 This policy will be applicable to Thermal Power Projects established by power plant developer with an installed capacity of more than 250 MW, in the State of Uttar Pradesh

a. on the basis of Thermal Power Generation Development Policy 2008 during the Operative Period

or

b. Additional unit(s) of Projects developed at the same location during the Operative Period, where the developer has been selected through the competitive bidding process.

4.2 In all cases fuel linkage for additional capacity / installed capacity under this policy will be the responsibility of the developer i.e. the developer will be entirely responsible to make his own arrangements for sourcing the fuel for the project.

5 Implementation Methodology

5.1 A developer desiring to establish power plant / plants under this policy will have to apply to the Energy Department of Government of Uttar Pradesh or its assignee along with a preliminary project report with details of proposed financing and fuel linkage. The Government of Uttar Pradesh shall provide its decision regarding the in-principle approval of the application within two months from the receipt of such application.

5.1 The approval of the project by Government of Uttar Pradesh will be followed by a Memorandum of Understanding (MoU) and Implementation Agreement (IA) as prescribed by the Government of Uttar Pradesh between the Developer & Government of Uttar Pradesh.

5.2 The MoU would be signed within 30 days from the date of in-principle approval of the project by the State Government.

5.3 The Developer shall identify a suitable site (if not selected earlier by Government of Uttar Pradesh or its assignee) in the State of Uttar Pradesh and carry out necessary survey for availability of land for the

Power Station and ash bund, source of coal, feasibility for movement of coal, water availability, power evacuation, etc. The Developer will prepare the Project Feasibility Report (PFR) within 120 days from the in-principle approval of the project by the Government of Uttar Pradesh. On receipt of the PFR from the Developer, the Energy Department, Government of Uttar Pradesh will examine various requirements and provide its in-principle acceptance to the Company.

- 5.4 The Implementation Agreement will include an implementation schedule proposed by the developer and accepted by the Government of Uttar Pradesh and would be signed between Developer and Government of Uttar Pradesh or its assignee within 180 days from the date of in-principle approval.
- 5.5 On signing the Implementation Agreement, the Developer would be permitted to proceed with the development of the Project including but not limited to land acquisition, water allocation, coal linkage, captive coal block allocation (subject to availability) and statutory and other clearances as required under the applicable Central and State laws for implementation of the Project.

6 Time frame for implementation

- 6.1 Power plant developers under this policy are required to achieve financial closure within 12 months from the date of signing of the MoU. In case of inability of the developer to meet this deadline, the developer shall seek an extension of time frame for financial closure in writing from Government of Uttar Pradesh with suitable reasons for the same. Government of Uttar Pradesh, may permit or reject the same at its own discretion. In case of rejection, the power plants shall cease to be covered under this policy and will not be eligible for any support from the Government of Uttar Pradesh as applicable under the policy.
- 6.2 The developer has to commit a commissioning schedule of maximum 48 months from the date of signing of Implementation Agreement for the first unit of the proposed power plant and commissioning of each subsequent unit, if applicable, within three months from the commissioning of the preceding unit of the power plant. This commissioning schedule will be part of the Implementation Agreement.

6.3 During the implementation of the project the developer shall submit progress status of the project development activities, including milestones achieved, as per IA, to the Energy Department Government of Uttar Pradesh on a monthly basis.

7 Support from Government of Uttar Pradesh

7.1 All the power plants established under this policy shall be eligible to obtain following support / co-operation from the Government of Uttar Pradesh:

7.1.1 The Government of Uttar Pradesh will make efforts to facilitate all incentives to the Developer that are available to industrial projects in the State as per the applicable industrial policy of the Government of Uttar Pradesh or the incentives that are offered to similar projects announced in this regard from time to time.

7.1.2 The Government of Uttar Pradesh will facilitate expeditious grant of permissions, approvals, no-objection certificates, recommendations, etc. under the purview of the State Government. The Developer shall be responsible to obtain all the statutory clearances/approvals including approvals relating to Foreign Direct Investment, if any, as per law.

7.1.3 The land requirements for the power plant under this policy would have to be identified by the developer and the Government of Uttar Pradesh shall facilitate the acquisition process of the land. However, the cost required for acquiring the land would be fully borne by the developer.

7.1.4 The Government of Uttar Pradesh shall facilitate and provide needed water linkages expeditiously and will assist in obtaining clearances from Centre.

7.1.5 The primary responsibility of development of the Project shall be of the Developer. The Energy Department, Government of Uttar Pradesh will facilitate the Project development activities by extending all possible support/co-operation to the Company.

8 Evacuation Facility:

- 8.1 The cost of the dedicated transmission line, if required, from the Generating Plant to the designated grid sub-station of the State utility/or inter State grid substation and the cost of interfacing at both ends (the Generating Plant and grid substation) including work at the grid Sub-Station, cost of bay, tie- line, if any, and replacement/ up-gradation of existing equipment, if any, shall be borne by the Developer.
- 8.2 The State Government through the State transmission utility or other assignees will facilitate the clearances and approvals for connecting the power plant to the grid sub-station. However, the responsibility of application, clearances and approvals for the same would lie with the developer.

9 Sale of Power

- 9.1 The Government, the State distribution utilities or their assignees will not guarantee purchase of power from additional units by the Developer. However in the case of a project selected under the competitive bidding process in which the coal linkage for the original number of units has been provided by the Government of Uttar Pradesh, the Government shall have the first right to purchase power upto 20% (Twenty percent) of the aggregate capacity of the additional generating units which may be set up by the developer on the basis of his own arrangement for sourcing the fuel, at the rate determined by the bidding process. This condition will be applicable to capacities added by the developer within a period of two years from the commissioning of the last unit of the project supported by the coal linkage provided by the State of Uttar Pradesh.
- 9.2 In the case of additional capacity, for the project being setup by a developer which are commissioned more than two years after the date of commissioning of last unit of the project supported by coal linkage being provided by the State of Uttar Pradesh, the State Government or its assignee shall have the first right of refusal to purchase power upto 30% (Thirty percent) of the aggregate additional capacity from such generation units at a rate to be decided by the Uttar Pradesh Electricity Regulatory Commission.

- 9.3 In the case of a project being setup by a developer outside the competitive bidding process on the basis of Joint Venture/ captive with his own arrangement for sourcing of fuel for the project, the State Government or its assignee or its nominated agency shall have the first right of refusal to purchase power upto 30% (Thirty percent) of aggregate capacity of such generating units at the rate to be decided by the Uttar Pradesh Electricity Regulatory Commission.
- 9.4 The right of refusal will be exercised by the Government each time the Developer is in the process of finalizing its Power Purchase Agreement (PPA). However, the Government would provide its concurrence or otherwise to the PPA to the Developer within three months of the receipt of the same. The PPA term shall be twenty-five years. The PPA shall be approved by the Uttar Pradesh Electricity Regulatory Commission.
- 9.5 The balance power or the total power, as the case may be, may be sold to third party consumers, other licensees, traders, etc. Such sale to third party shall be guided by the applicable regulations such as Open Access Regulations, surcharge or OA charges etc. issued by Uttar Pradesh Electricity Regulatory Commission. The developers will also have to make their own arrangement for entering into a wheeling agreement with State distribution/ State transmission utilities, as may be applicable, as may be mutually agreed upon between the Developer and Licensee(s).

10 CONCLUSION

The Government of Uttar Pradesh will be supporting implementation of the projects under this policy actively and the implementation would be under the over all supervision of the Energy Task Force headed by the Chief Secretary of Government of Uttar Pradesh. The provisions of Power Policy, 2003 (as amended in June 2004) of Govt. of Uttar Pradesh shall stand superseded in respect of Thermal Power Generation stations.