

Draft Solar Energy Policy
Government of Madhya Pradesh
2010

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1. PREAMBLE

Energy is the prime mover of the development of any economy. While conventional fuels viz coal and oil has been the primary sources for energy, their long term availability has been an area of concern. Besides their increased usage has led to high concentrations of greenhouse gases (GHGs) in the atmosphere which is an increasingly important concern with regard to global warming and resultant climate changes.

The current energy requirement of the state of Madhya Pradesh is heavily dependent on the conventional energy sources. The Government of Madhya Pradesh acknowledges the increasing issues related to climate change & global warming and has recognised the urgent need to address these issues. The promotion of renewable energy is one of the key measures taken by the Government of Madhya Pradesh in this direction. Today renewable energy is increasingly becoming an integral part of energy security initiative in the state of Madhya Pradesh.

The promotion of solar energy in Madhya Pradesh should be seen from a broader and long term perspective. Today the cost of generation of solar energy is relatively high, however harnessing the solar energy offers energy security & environmental benefits and other benefits namely:

- (a) Contribute to enhancing power availability, reducing the energy shortage, stabilisation of tail-end grid & addressing the peak demand deficit faced by the state of Madhya Pradesh.
- (b) Enhancing energy security by developing diverse energy mix: Majority of electricity generation in Madhya Pradesh is based on conventional energy; solar energy can contribute towards diversifying the energy base to reduce dependence on conventional energy sources.
- (c) Providing clean & reliable energy: Solar energy helps in meeting the energy requirements of people in remote rural areas.
- (d) Leads to sustainable development: Promotion of solar energy will contribute directly towards the overall improvement of living standard of rural populace. It will also help maintain ecological balance, replacing conventional energy use, generate additional employment opportunities, improve health and increase access to education to rural children.

The state of Madhya Pradesh is endowed with high solar radiation with around 300 days of clear sun. The state offers good sites having potential of more than 5.5 kWh/ sq.m. for installation of solar based power projects. The Government of Madhya Pradesh (GoMP) wants to incentivize the promotion of solar energy in the state.



The Policy endeavours to create an enabling environment to attract public & private investments in generation and manufacturing of solar energy based plant & machinery. The Madhya Pradesh Solar Energy Policy – 2010 aims to provide a comprehensive policy for promotion of solar energy in the state of Madhya Pradesh.

2. TITLE

The Policy shall be known as the “Madhya Pradesh Solar Energy Policy -2010”

3. OBJECTIVE OF THE POLICY

The key objectives of the Madhya Pradesh Solar Energy Policy- 2010 are:

- (a) accelerate the harnessing and development of solar energy in the state
- (b) enhance energy security
- (c) promoting efficient & cost-effective solar installations by providing fiscal and non-fiscal incentives
- (d) promotion of local manufacturing facilities
- (e) harnessing solar energy by developing local capabilities and enhancing public awareness

4. APPLICABILITY

To all solar energy based power project developers (Solar PV/Solar thermal) and manufacturing units of equipment and ancillaries related to solar power projects.

5. TARGETS

The Government of Madhya Pradesh targets a total capacity of 500 MW from solar power generators for installation during the operative period of the policy.

A minimum capacity of a large grid connected Solar Power Generator (SPG), in case of solar photovoltaic & solar thermal, shall be 1 MW each.

6. NODAL AGENCY

The Madhya Pradesh Urja Vikas Nigam (MPUVN) Limited shall be the nodal agency for implementation of the Madhya Pradesh Solar Power Policy – 2010.



7. ELIGIBLE SITES

The solar power project may be set up at sites identified by Madhya Pradesh Urja Vikas Nigam (MPUVN) and/ or any other sites identified as potential site, within the State of Madhya Pradesh by the project developer.

8. ELIGIBLE UNITS

Any enterprise willing to establish power generation projects based on solar energy (Solar PV/Solar thermal) in Madhya Pradesh shall be eligible for incentives under this policy. Eligibility for availing benefits under this scheme shall be based on techno-economical viability and available resources. Captive units will also be eligible to get benefits under this policy as an investor/consumer.

9. FACILITIES & INCENTIVES

(a) Plant & Machinery

Only new plant & machinery shall be eligible for installation under this policy.

(b) Fossil fuel usage

The usage of fossil fuel (coal, gas, lignite, naphtha, diesel, wood etc.) shall not be allowed in the grid connected solar thermal power projects.

Hybrid systems shall be allowed as per the guidelines of the Ministry of New and Renewable Energy (MNRE).

(c) Purchase Rate

The purchase rate of electricity generated by solar power generators will be as per the orders of the Madhya Pradesh Electricity Regulatory Commission (MPERC).

The power will be purchased by the distribution licensee in Madhya Pradesh or MP Power Trading Company Limited based on quantity, rate and terms & conditions, as decided by the MPERC from time to time. The quantity of power purchased from power generated by the solar energy based power projects will be shown by the distribution licensee in their annual tariff proposal for approval of MPERC. This will include details of the power purchased in the previous year.

(d) Renewable Purchase Obligation

As per the MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy) Regulations 2008, the following Renewable Purchase Obligation (RPO) has been specified:



Financial Year	Wind	Biomass	Cogeneration & other sources
2010-11	6%	2%	2%
2011-12	6%	2%	2%

The purchase of electricity from solar projects will form part of the 2% RPO fixed for Cogeneration & other sources. This will be subject to any amendments and further Regulations provided by the MPERC from time to time. The MPERC may define separate sub-limits for purchase of electricity from solar energy based power projects.

(e) Wheeling Charges

Facility of wheeling will be available to the solar power project through M.P. Power Transmission Company, as per wheeling charges decided by the MPERC. For above wheeling charges, Govt. of Madhya Pradesh will provide grant of 4% and the balance, if any, shall be borne by the project developer.

(f) Open Access charges

Solar power projects will be exempted from open access charges. This will be subject to any amendments and further Regulations provided by the MPERC from time to time.

(g) Third Party Sale

Third party sale will be eligible as per Electricity Act 2003 (No. 36 of 2003) and the orders issued by the MPERC, from time to time, for which purchase rate can be mutually decided between generating unit and consumer unit.

(h) Electricity duty

All generating units, including captive units also, are entitled for exemption of Electricity Duty and Cess the date of commissioning of the project, provided the unit generates at-least 70% of the power generation declared in the Detailed Project Report (DPR). For generation less than 70% power, the documents establishing that reasons were beyond the control of the unit have to be provided for satisfaction of the State Government / M.P. Urja Vikas Nigam, after examination of the same M.P. Government can allow exemption in the matter.

(i) Demand Cut

Those Industrial units who are consumers of MPSEB/Successor Company, if they install unit for generation from solar energy for captive use or purchase generated power from solar energy as a third party, then such units shall be given facility to reduce their contract demand equivalent to the 50% of the installed capacity of the solar power generators & these units can utilize full power generated from solar energy.



(j) Metering

Metering equipments for the power generation & sale will be installed at site by unit at their own cost as per specification of MPSEB/Successor Company. Testing of these equipments will be carried out by MPSEB/Successor Company at Units cost.

Locations at which where more than one projects are installed, MPUVN will develop common infrastructure (Power evacuation facility, Road, etc.) and make necessary arrangements. For individual investor, facility for separate metering will be done as per the consultation and cost of investor.

(k) Power Evacuation Facility

Power evacuation will be an integral part of the solar power project. All expenses for power evacuation facility shall be borne by the project developer. Transmission, distribution line and synchronizing equipment required for installation will be installed by project developer as per technical details of MPSEB/Successor Company or it shall be provided by MPSEB/Successor Company at the cost of solar power project developer. Maintenance of the above line & equipments shall be done by MPSEB/Successor Company at the cost of solar power project developer. All incidental/operational cost towards power evacuation shall be borne by the project developer during the entire life span of the project.

10. LAND ALLOTMENT

Identification of Land

MPUVN shall identify suitable Government revenue land in the State and create and develop a land bank. Land use permission be given to the project developers as per procedure. However, the developer may identify any other site as potential site, within the State of Madhya Pradesh for installation of solar project.

Allotment of land

- I. For cases where Government revenue land is available, the use of land permission @ Rs. 1/- (token) land premium per year will be given for 30 years or the project life whichever is less. Revenue land will be allocated and transferred to the Non-Conventional Energy Department (GoMP), which will give permission for "use of land" for the project period.
- II. For cases where Government land is not available, GoMP may acquire private land, as per Land Acquisition Act & existing government policies, made available to be provided to the project developer at the acquired cost. For this no service charges will be payable. For use of land, the permission for diversion is not required. Only information regarding use of land will have to be given to the concerned District Collector.



- III. If the unit purchases private land for the project, then they will be eligible for an exemption of 50% on stamp duty & if they do not install the project on this land, then their exemption given will be withdrawn and recovery will be made as per notification of no: 1208 dated 16th May 2008.

11. IMPLEMENTATION

(a) Approval of projects

Applications for installation of solar power projects in the specified formats with specified fees shall be submitted to the M.D., MPUVN.

The complete transparency in allotment of the projects shall be ensured for evaluation of the potential project developer. A comprehensive qualification criteria document shall be designed for inviting proposals listing out technical and financial eligibility parameters of the potential eligible project developers, which would be approved by the dept. of NCE, GoMP.

On the basis of financial & technical parameters contained in the qualification criteria document, proposal would be evaluated by a Project Evaluation Committee appointed by the GoMP. The final approval for allotment of the project shall be given by department of NCE, GoMP.

After getting the above mentioned approval for installation of the project from the GoMP, the period for commissioning & other milestones/activity by the large grid connected solar project shall be as under, then only they will get benefit under the policy, failing which the approval granted for installation of the project will be cancelled.

S. No.	Activity/Milestone	Timeline for Solar PV projects	Timeline for Solar thermal projects
1	Signing of Power Purchase Agreement (PPA)	3 months from the date of Approval	3 months from the date of approval
2	Financial Closure of the project	6 months from the date of signing of PPA	6 months from the date of signing of PPA
3	Commissioning of the Project	12 months from the date of signing of PPA	28 months from the date of signing of PPA

If the project is delayed due to any unavoidable circumstances, the time period can be extended by the GoMP, on the advice of MPUVN/MPSEB after examining the reasons for the delay.



(b) **Implementation of the Project**

In order to ensure speedy implementation of approved projects, an Empowered Committee will be constituted under the chairmanship of Chief Secretary of GoMP and Principal Secretaries of departments (Finance, Revenue, Forest, WRD, Energy and Non-Conventional Energy) as members. M.D., MPUVN will be the Member Convener of the Committee.

12 Registration fee

For large grid connected solar power projects, along with application, developer shall have to pay @ Rs. 50,000/- per megawatt as non-refundable registration fee. The maximum limit for registration fee shall be Rs 50 lakhs per project. The Board of MPUVN may change the registration fee from time to time. No change, however, will have any retrospective effect.

13 Migration of application under 2006- State policy to MP Solar Policy 2010

Under State policy of 2006, various applications have been received which can be clarified under following 3 categories:

- (a): only application / proposal / DPR received.
- (b): Registration fees received and registered
- (c): MOU signed

The following procedure shall be followed to migrate the above category of cases into the new Policy:

- Category (a) : these applicants shall have to apply afresh under the New Policy
- Category (b) : Upon application by category B cases requesting migration to new policy 2010, they shall be deemed to be registered under the new policy and & new registration fees structure under the new policy and balance amount shall be refunded to them without interest.

Those category (B) cases who do not apply to migration to new policy within 60 days of its notification, shall be deemed to expire and then registration fees shall be confiscated



Category (c) : Considering the overall RPO for solar energy of State of Madhya Pradesh, the existing category (C) cases shall be considered for a maximum of 25MW projects under the new Policy up on their application. The registration fee adjustment shall be same as for category (B) cases.

14 Security Deposit

The large grid connected Solar project developer shall be required to provide a irrevocable Bank guarantee on any scheduled bank @ 30 lacs per MW at the time of signing of the Power Purchase Agreement (PPA) with the distribution licensee and in case the project developer fails to achieve the Commercial operation within time period as mentioned in the PPA, the Bank Guarantee shall be forfeited.

If the developer achieves the commercial operation within the time period mentioned in the PPA or extended as per the policy, the Bank Guarantee shall be refunded within 15 days of applying to the concerned distribution utility.

15 Minimum Equity to be held by the Promoter

The Company developing the large grid connected solar power project shall provide the information about the Promoters and their shareholding in the company to MPUVN indicating the controlling shareholding. No change in the shareholding in the Company developing the Solar Power Project shall be permitted from the date of submitting the application and till the execution of the PPA. This shall not be applicable to the Solar Power Projects developed by the public listed companies.

After execution of PPA, the controlling shareholding (controlling shareholding shall mean at least 26% of the voting rights) in the Company developing the project shall be maintained up to a period of (5) five year after commencement of commissioning of the project. Thereafter, any change may be undertaken only after permission of the MPUVN, who may charge fee as decided by the Board of MPUVN.

16. THER FACILITIES

(a) Solar Technology Parks

Solar technology parks for generation and manufacturing units in equipment & related ancillaries for solar systems shall be promoted and established at appropriate locations in the state of Madhya Pradesh. The MPUVN shall be the nodal agency for establishing the Solar technology parks. The SME sector will be promoted for manufacture of various components and systems for solar systems. The Solar technology parks will be given preference in land allocation and creating of essential facilities by the state government.



(b) Research & Development

A State level Solar Research Committee will be set up to oversee the strategy, taking into account ongoing projects, availability of research capabilities and resources and possibilities of international collaboration. The Committee will be under the chairmanship of P.S. (Non-Conventional Energy) in which M.D., MPUVN will be as Member-Secretary and representatives from other concerned Departments/institutions will be included.

(c) Capacity Building & Awareness generation

The MPUVN shall be responsible for capacity building & awareness generation aspects related to promotion of solar energy in the state. This may include:

- Training for entrepreneurs, NGOs, managers, women on aspects related to the management of solar systems
- Capacity building on technical operations of the systems systems to target potential technicians for operating and maintaining the solar systems
- Focussing on business skills i.e., marketing, finance, accounting, billing and project development targeting NGOs, Community Based organisations and entrepreneurs
- Creating awareness and educating masses on the adoption of solar energy sources
- Encourage the schools, polytechnics, colleges and universities in the state to include importance of solar energy in the educational curricula
- Conducting stakeholder conferences from time to time

The MPUVN may collaborate with state/national/international institutions or technical experts to undertake the capacity building and awareness generation activities.

(d) Technical library & Data bank

The MPUVN shall establish & maintain a technical library, a data bank and/or information centre and to collect and correlate information regarding solar energy sources. The MPUVN shall consistently update the information related to solar energy sources on website.

17 Clean Development Mechanism (CDM) benefits

The CDM benefits are proposed to be shared on a gross basis with the distribution licensee, as per GoI norms or equal (50:50) between the developers and the distribution licensee



from day one. The distribution licensee shall pass on 10% of the CDM benefits from its share to the MPUVN.

18 Other incentives

Solar energy equipments and other items related to the equipments will be exempted from Entry Tax. This shall also be applicable for Rooftop PV/Small Power Generators of capacity less than 1 MW connected to grid and Off-grid applications.

Notwithstanding anything contained in this resolution, the provisions of the Electricity Act – 2003, and the MPERC order, as issued from time to time, shall prevail, for the purpose of the implementation of this policy. For Solar energy, this policy shall prevail over the “Incentive Policy for encouraging generation of power in Madhya Pradesh through Non-conventional Energy sources 2006”.

This Policy shall come into effect from the date of issuance and shall remain effective until further orders.

*****END*****

