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The Government announces guidelines for new solar projects under Phase I of Solar Mission

The Government of India (“GoI”) had announced its National Action Plan on Climate Change (“NAPCC”) in June 2008 which identified development of solar energy as a National Mission. Under this Mission, the GoI in January 2010 approved the Jawaharlal Nehru National Solar Mission (“JNNSM” or the “Mission”) with an objective of creating a policy framework for deployment of solar energy in the country.

The GoI had issued draft guidelines earlier in March 2010 for selection of grid connected solar power projects under Phase I of the Mission. In order to facilitate grid connected solar power generation, on July 25, the GoI announced the final guidelines for selection of new grid connected solar power projects for Solar Photo Voltaic (“PV”) and Solar Thermal power projects.

These guidelines provide a framework for selection of new projects for development of solar projects under the “bundling scheme” for Phase I of the Mission. The total aggregated capacity of grid connected solar projects to be developed under the bundling scheme of Phase I will be 1,000 MW. The proposed capacity will be inclusive of capacity that may come under the migration guidelines (*Till date, projects of capacity totaling 84 MW have been approved under the guidelines for migration*). Further, projects under Phase I of the Mission would be selected to provide deployment of both Solar PV and Solar Thermal power projects in a ratio of 50:50 in MW terms.

Under the bundling scheme, solar power generated from these projects will be bundled with power from the unallocated quota of the GoI generated at NTPC coal based stations. The “bundled power” would be sold to the

distribution utilities at the Central Electricity Regulatory Commission (“CERC”) determined prices.

NTPC Vidyut Vyapar Nigam Limited (“NVVN”), a wholly owned subsidiary of NTPC has been designated as the ‘Nodal Agency’ for procuring solar power by entering into a Power Purchase Agreement (“PPA”) with project developers who will be setting up such projects during the next three years (i.e. before March 2013). For each MW of installed capacity of solar power for which a PPA is signed with the Nodal Agency, the Ministry of Power (“MoP”) would allocate to NVVN an equivalent amount of MW capacity from the unallocated quota of NTPC coal based stations and NVVN will supply this “bundled power” to the distribution utilities.

Electricity generated from these projects will be purchased by NVVN at rates fixed by the CERC for a period of 25 years. For 2010-11, the CERC has fixed the rate of Rs 17.91 per kWhr for Solar PV and Rs 15.31 per kWhr for Solar Thermal power projects. These rates will be applicable for Solar PV power projects commissioned by March 2012 and Solar Thermal power projects commissioned by March 2013.

This bulletin provides a brief overview of the guidelines issued by the Gol for setting up Solar PV and Solar Thermal power projects under the Phase I of the Mission.

Under these guidelines, NVVN would invite project developers to participate in the Request for Selection (“RFS”) for development of Solar PV and Solar Thermal power projects. The project developers will have to submit their RFS within 30 days of the invitation by NVVN.

Project Size and General Criteria

General Criterion	Solar PV	Solar Thermal
Project capacity for each project	5 MW (+/- 5%)	Min ~ 5 MW; and Max 100 MW
Project fees (Non-refundable)	INR 0.1 million	INR 0.1 million
Number of applications by a company (<i>Including Parent, Affiliate or Ultimate Parent or any Group company</i>)	One project	Can submit applications for multiple projects at different locations subject to max

[transaction advisor \(Private Equity\) in 2009, Venture Intelligence League Table](#)

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Contributors

- [Purna Mehndiratta](#)
- [Shweta Aggarwal](#)
- [Kiran Mehra](#)

		capacity of 100 MW
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Financial Criteria

Net Worth*	
Solar PV	Solar Thermal
=> INR 30 million per MW of project capacity	=> INR 30 million per MW of project capacity upto 20 MW. Additional Net Worth of INR 20 million for every MW additional capacity beyond 20 MW
*In case of an existing company, the Net Worth to be based on the 'best year' in the last four financial years, and in case of a newly incorporated company, the Net Worth would need to be satisfied seven days prior to submission of the RFS. The Net Worth will have to be certified by a Chartered Accountant.	

Technical Criteria

Solar PV	Solar Thermal
To promote only commercially established and operational technologies (Details as per Annexure 1A)	To promote technologies that have plants, which have been operational for a period of one year or a technology whose financial closure of a commercial plant has already been obtained (Details as per Annexure 1B)

Domestic Content Criteria

Selection	Solar PV	Solar Thermal
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First Batch (FY 2010-11)	Mandatory for projects based on crystalline silicon technology to use the modules manufactured in India	Mandatory for projects to use 30 percent of local content in all plants/ installations (Land excluded)
Second Batch (FY 2011-12)	Mandatory for projects to use cells and modules manufactured in India	

Short-listing of Projects

All the solar power projects meeting the selection criteria would be short-listed by the Nodal Agency. In the event, the total aggregate capacity of the Solar PV power projects short-listed is upto 150 MW, all the short-listed projects in the first batch (i.e. in FY 2010-11) would be selected and Letter of Intent (“LoI”) will be issued to all such short-listed projects. In the event, the total aggregate capacity of the Solar PV power projects short-listed by NRVN is higher than 150 MW, the final selection of the projects from the list of short-listed projects would be done on the basis of discount to be offered by project developers on CERC approved applicable tariff.

For Solar Thermal power projects, in case the total aggregate capacity is lower than the capacity to be selected, all the short-listed projects would be selected and issued a LoI, however, in case the total aggregate capacity to be selected is higher than the capacity to be selected, the selection would be done on the basis of discount offered by the project developers on CERC approved applicable tariff.

Execution of Power Purchase Agreement (“PPA”)

Within one month from the date of issue of LoI, a PPA would be executed between NRVN and the project developer.

Bank Guarantee

Bank Guarantee	Solar PV	Solar Thermal
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CONTACT

Gokul Chaudhri

T: +91 124 339 5000

F: +91 124 339 5001

gokul.chaudhri@bmr advisors.com

Earnest Money Deposit (EMD)*	INR 2 million per MW in the form of Bank Guarantee along with RFS
Bid Bond*	Bid Bond in the form of Bank Guarantee along with RFP (if applicable)
Performance Guarantee	INR 3 million per MW at the time of signing PPA

** In addition to Performance Guarantee, Bank Guarantee towards EMD and Bid Bond (as may be applicable) will be converted into Performance Guarantee at the time of signing of PPA.*

Minimum Promoter Equity

The company developing the project would not be permitted to change its shareholding from the date of submitting the RFS till the execution of PPA. This condition will not be applicable to a listed company. Post the signing of PPA, the company developing the project will have a lock-in period of one year after the commencement of supply of power. Thereafter, any change can be undertaken upon intimation to the Nodal Agency.

Financial Closure

The project shall achieve Financial Closure within 180 days from the date of signing the PPA. No extension would be granted for achieving this milestone.

At this stage, the project developer would also be required to demonstrate the land required for project development is in clear possession of the developer and the requisite technical criterion have been fulfilled. The project developer would need to specify its plan for meeting the requirement for domestic content. Delay in complying with the above condition will lead to encashment of Performance Bank Guarantee and delisting of the project.

Commissioning of the Project

The guidelines envisage a timely commissioning of project. Solar PV power projects approved under the Phase I of the Mission will have to be commissioned within 12 months from the date of signing of PPA and Solar Thermal power projects will have to be commissioned within 28 months from the date of signing of PPA.

Any delay in commissioning will lead to encashment of the Performance Bank Guarantee.

A maximum period permissible for commissioning such projects with encashment of Performance Bank Guarantee and Liquidated Damages (“LDs”) would be limited to 18 months for Solar PV power projects and 36 months for Solar Thermal power projects from the date of signing of PPA. Delays beyond the specified period would lead to termination and delisting of project.

Time Schedule of the Project

S.No	Event	Solar PV	Solar Thermal
1	Notice for RFS	Zero Date	
2	Submission of application	Zero date + 30 days	
3	Short listing of projects	Zero date +75 days	
4	Tariff discounting process and submission of proposal by short listed developers	Zero date + 90 days	
5	Evaluation of tariff discounting proposals	Zero date + 120 days	
6	Issue of Lol	Zero date + 135 days	
7	Signing of PPA	Lol date + 30 days	

8	Financial closure	PPA date + 180 days	
9	Commissioning	PPA date + 12 months	PPA date + 28 months

Key definitions

“**Affiliate**” shall mean a company that directly or indirectly, (i) controls, or (ii) is controlled by, or (iii) is under common control with, a company developing a project or a member in a consortium developing the project and control means ownership by one company of at least 26 percent of the voting rights of the other company.

“**CERC Applicable Approved Tariff**” shall mean the Tariff as approved by CERC for Solar PV project and Solar Thermal project, as applicable, based on the year of signing the PPA and the year of commissioning of the project. In case, the Solar PV project or Solar Thermal project seeks to avail accelerated depreciation, the net applicable tariff as approved by CERC after adjusting accelerated depreciation shall be considered as applicable approved tariff for such project.

“**Group Company**” of a company means (i) a company which, directly or indirectly, holds 10 percent or more of the share capital of the company or (ii) a company in which the company, directly or indirectly, holds 10 percent or more of the share capital of such company or (iii) a company in which the company, directly or indirectly, has the power to direct or cause to be directed the management and policies of such company whether through the ownership of securities or agreement or any other arrangement or otherwise or (iv) a company which, directly or indirectly, has the power to direct or cause to be directed the management and policies of the Company whether through the ownership of securities or agreement or any other arrangement or otherwise or (v) a company which is under common control with the company, and control means ownership by one company of at least 10 percent of the share capital of the other company or power to direct or cause to be directed the management and policies of such company whether through the ownership of securities or agreement or any other arrangement or otherwise.

Provided that a financial institution, scheduled bank, foreign institutional investor, non banking financial company, and any mutual fund shall not be deemed to be group company, and its shareholding and the power to direct or cause to be directed the management and policies of a company shall not be considered for the purposes of this definition unless it is the project company or a member of the consortium developing the project.

“Parent” shall mean a company, which holds at least 26 percent equity either directly or indirectly in the project company or a member in a consortium developing the project.

“Technology Partner” shall mean an entity from which the bidder proposes to take technology support. This entity can be a member in more than one bidding consortium provided that it does not have more than 10 percent of equity commitment in each consortium.

“Ultimate Partner” shall mean a company, which owns at least 26 percent equity either directly or indirectly in the Parent and Affiliates.

“Project” is defined by a single point of injection into the grid

To view the aforementioned guidelines, [click here](#).

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BMR Advisors has
a new address in the
National Capital Region.

BMR Advisors | 22nd Floor | Building No. 5 | Tower A | DLF Cyber City | DLF Phase III | Gurgaon 122 002
Tel: +91 124 339 5000 | Fax: +91 124 339 5001

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