

POLICY FOR SETTING UP MICRO HYDEL PROJECTS UP TO 100 kW CAPACITY IN HIMACHAL PRADESH.

Ministry of New & Renewable Energy Govt. of India vide Notification No 16/34/2009-SHP dated 18-02-2009 had sanctioned a scheme for setting up of Micro hydel projects (up to 100 kW capacity) during 2008-2009 and up to the end of 11th Plan i.e 31st March 2012. The scheme was continued during the 12th plan also. At present the scheme is under consideration of MNRE, GoI for its continuation. These Micro Hydel Projects (MHPs) have the potential to meet the power requirements of remote areas in a decentralized manner. To encourage and accelerate the development of Micro Hydel Projects in remote and hilly areas, this scheme provides for grant of Central Financial Assistance (CFA). Till date no specific studies have been taken up for assessing the potential for the projects up to 100kW but potential of 50 MW has been roughly estimated in Himachal Pradesh. The policy as given in the paras below has been formulated in order to meet local demand of remote areas in a decentralized manner and to enable potential developers to avail Central Financial Assistance to harness micro hydel potential in the state.

- 1. Identification of sites:** Only self identified sites for Micro Hydel Projects upto 100 kW will be considered for allotment. Applications for allotment will be invited through advertisement by HIMURJA.
- 2. Eligibility:** Micro Hydel Projects up to 100 kW will be implemented only by State Govt. Departments / State Nodal Agency/Local bodies/Co-operatives /NGOs registered under the Societies Registration Act 1860/Tea garden & Individual Entrepreneurs. Every member of a Co-operative Society /NGO/ Tea garden & Individual Entrepreneurs applying under this scheme should be a bonafide Himachali. The bylaws of the concerned organization should restrict membership accordingly.
 - 2.1 One of the objectives of the applicant society should be development of the hydro power.
 - 2.2 One applicant shall be eligible for allotment of maximum one project at a time, and will become eligible for further allotment after commissioning of the first project. However there will be no limit for allotments to the State Govt. Department / State Nodal Agency.
 - 2.3 The minimum financial capability of the applicant should not be less than Rs.10 lakh of net worth. In case of a Co-operative/NGO specifically formed to execute such a

project, the net worth of individual members shall be taken into account in computing the net worth of the applicant. However the allotment will be provisional till the requisite net worth is demonstrated in terms of actual member's contribution to the Co-operative /NGO.

Net worth = Paid up capital + reserves created out of profit /loss account - intangible assets.

Reserves created out of Profit / loss account	Net profit after tax (-) dividend to share holders (-) interest on debentures etc.
Paid up capital	It is the capital generated by the company by way of equity.
Intangible assets	Accumulated losses & misc. expenditure (to the extent not written off or adjusted)
Market value	The value of the assets (land, building, jewellery etc.) duly approved by approved valuator (latest valuation certificate to be attached).

Net worth calculation in the case of societies shall be based on following.

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| i) Cash in hand / bank | Name of the bank, nature of account & account no / FDR No /amount invested /date of maturity (with proof). |
| ii) Detail of asset owned | Full description of property, purchase price, market value, detail of title deed, whether free from encumbrance (land, building and other immoveable assets) (with proof) |
| iii) Detail of investment, if any | Name of the company /No of shares /units /bonds etc with face value /present market value/NSCs jewellery etc. (with proof). |
| iv) Loan and advances | Loan / Advances given which can be released in ordinary course (with proof) |
| <ul style="list-style-type: none"> Insurance policies on own life held. | Policy No., amount insured, surrender value, date of commencement /maturity, annual premium whether encumbered (with proof) |
| <ul style="list-style-type: none"> Other assets valued at depreciated cost /market value & unencumbered. | Moveable assets, car, security deposits etc with complete details and proof thereof. |
| Less:- | |

vii) Detail of borrowings	Amount of loans/borrowing, from whom borrowed, security offered, when payable.
Viii) Details of personal guarantee, given if any.	Amount of guarantee given, in whose favour, purpose of guarantee.
ix) Any other liabilities if any	Give complete details.
x) Total Income	Copy of IT returns for the last three years to be enclosed in case of income tax payee.

3. **Cost of application form:** Application form and brochure will be available at a non refundable cost of Rs 2500/- (Rupees two thousand five hundred only) from Himurja Head Office, Block No -8A, SDA Commercial Complex, Kasumpti, Shimla, 171009. H.P. Downloaded application forms from web site (www.himurja.nic.in) should be accompanied with application fee in the shape of a demand draft of Rs. 2500/- (Rupees two thousand five hundred only) (non refundable) in favour of Director Himurja, payable at Shimla.
- 3.1 **Earnest money deposit:** Every application should also be accompanied with earnest money of Rs 25,000/- (Rupees twenty five thousand only) in the shape of Demand Draft in favour of Director Himurja payable at Shimla. The applications of those applicants, who do not deposit the earnest money along with the application form, will be summarily rejected. The earnest money shall be refunded immediately to the unsuccessful applicant.
- 3.2 **Security deposit:** The successful applicant within one month of the allotment of the project will have to deposit Bank Guarantee of Rs 4 lakh (Rupees four lakh only) valid for 45 months in favour of Director Himurja to be submitted within one month of issue of allotment/ consent letter failing which EMD will be forfeited and project will be cancelled. The EMD already deposited with Himurja shall be refunded on submission of above bank guarantee within one month of the allotment of the project.
- 3.3 **Processing fee:** A non refundable processing fee of Rs. 5,000/- (Rupees five thousand only) shall be payable by a applicant at the time of submission of application. This shall be in the shape of Demand Draft in favour of Director, Himurja, payable at Shimla.
- 3.4 **TEC fee:** Fees for obtaining TEC will be paid directly to DoE, Govt. of H.P. by the Developers.
4. **Purchase/ Sale of power:**
HPSEBL will mandatory purchase power from these projects.

5. Selection and procedure for allotment: The developer shall submit the documents as per prescribed format to Himurja. After scrutiny of the PFR a joint inspection of the project site shall be carried out by representatives of Himurja and Developers. The Micro Hydel Developer whose project is found viable and not interfering with already allotted /identified schemes shall be recommended and forwarded to Govt. for the allotment.

6. Evaluation & preference: The evaluation of the applications shall be done as per the following order of preference:-

i) No preference will be given to the applicants who have already submitted their proposals in Himurja. All the applicants will have to submit fresh application for each project with requisite fee on the format and complete other formalities mentioned in the policy.

ii) State Govt. Deptt. /State Govt. owned or controlled entity.

iii) Local Bodies/ Gram Panchayat/ Mahila Mandal/ Yuwak Mandal /SHGs.

iv) Other Co-operative society/ NGO

In case of third category above, preference will be given to the Mahila Mandal, Yuwak Mandal, SHGs registered with RD/FD consisting of maximum members belonging to the local Panchayat where the project is located. In case of two or more Societies which have same numbers of members belonging to the local Panchayat, preference will be given to the society whose financial capability is higher.

7. NOCs and clearances:

7.1 NOC in the shape of resolution of the Gram Sabha for setting up of the project will be required with the application form along with one copy of Pre- Feasibility Report covering following parameters:-

Salient features, Elevation Range, Project layout, Hydrology, Power Potential, Surface Geology, Description of Project Structures/Components and Cost Estimate.

7.2 Govt. of Himachal Pradesh has already exempted NOC from PCB, Fisheries and PWD for the projects having capacity up to 100 KW vide notification No. MPP-F (10) 15/2006 dated 21-08-2009. The NOC of IPH department, Wild Life Wing of Forest department and Gram Panchayat will be required.

7.3 Forest clearance, wherever forest land is involved and permission under section - 118 of H.P. Land Reforms and Tenancy Act for purchase of private land will be required.

7.4 Techno- economic clearance to be accorded within two months by Directorate of Energy. The Techno- economic clearance will look at the following:-

a) That there is no significant loss of potential due to construction of this project.

- b) That the Civil and Electro Mechanical works are appropriate from the safety and sustainability point of view.
- c) Plant load factor should not be less than 70%.

7.5 Capacity addition approval

Capacity enhancement (maximum limit 100 KW) if any in the project report will be decided as per policy of the State Govt. as applicable from time to time. Prior approval of the Government will be mandatory for enhancement of capacity.

(a) As a measure of optimization maximum installed capacity of the project will remain up to 100 KW after enhancement if so required which shall be admissible without payment of any capacity addition charges but the developer will have to sign Implementation Agreement / Supplementary Implementation Agreement on this account.

(b) The project will be cancelled in case it is found at any stage that a larger capacity project exceeding 100 KW is viable at this site.

7.6 No change of elevations after allotment shall be allowed beyond $\pm 10\%$.

7.7 The Micro Hydel Developer shall ensure minimum flow of 15 % water immediately downstream of the diversion structure of the project throughout the year. For the purpose of determination of minimum discharge, the average discharge in the lean months i.e. from December to February shall be considered.

8. **Milestones:**-Following milestones shall be achieved by the Micro Hydel Developer failing which consequential action as mentioned against each milestone will be taken by Himurja.

Sr No	Milestones	Time period	Extension /consequential action
1	Submission of project report on the basis of available discharge data of lean season.	Within six months from the date of issue of consent letter. TEC will be accorded by	The prescribed period is extendable by maximum of four months subject to payment of extension fee of @ Rs. 10/- per KW per month. In case the Micro Hydel Developer fails to submit the project report with in extension period the allotment of the

		Directorate of Energy.	project shall stand cancelled.
2	Signing of Implementation Agreement with Himurja.	Within one month of obtaining TEC.	The prescribed period is extendable by maximum of four months subject to payment of extension fee of @ Rs. 10/- per KW per month. In case the Micro Hydel Developer fails to sign the IA with in the extended period the project shall stand cancelled.
3	Obtaining statutory clearances / NOCs.	Within one year of signing of IA.	<p>The prescribed period is extendable by maximum of six months subject to payment of extension fee of @ Rs. 10/- per KW per month. In case the Micro Hydel Developer fails to obtain the clearances with in the extended period the project shall stand cancelled(except force majeure events).</p> <p>Extension charges will not be applicable for grant of extension where delay is not attributable to the developer on account of the following clearances:-</p> <p>i) Forest clearance including Forest Rights process at Panchayat level.</p> <p>ii) Lease of Govt. land .</p> <p>Subject to the condition that applicant has processed and submitted the proposals to concerned Deputy Commissioners with the stipulated period and it is</p>

			<p>observed that delay is on the part of Govt Deptt.</p> <p>The IPP shall submit the proposal to the concerned Deputy Commissioner for obtaining approvals/NOCs from different departments including Gram Panchayat.</p> <p>Deputy Commissioner shall forward the same to concerned departments with in 7 days.</p> <p>Deputy Commissioner shall convene a meeting of all concerned departments on the basis of reports and shall ensure issuance of required approvals/NOCs with in 30 days period in the form of single window clearances.</p>
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9. **Royalty:** The royalty rate shall be as per policy prevailing at the time of signing of Implementation Agreement by the developer which should be payable to the local Panchayat instead of H.P. Govt. If the project falls in more than one Panchayat, the royalty will be shared between the Panchayats in proportion to the project area (weir site to Tail race site) falling in that particular Panchayat.
10. **Procedure for availing CFA from MNRE, Gol:** - The Central Financial Assistance for Micro Hydel Projects will be provided by MNRE, Gol as per prevailing policy at the time of signing of Agreement. This policy shall be valid for such period for which CFA (Central Financial Assistance) is available from MNRE.
11. **Pattern for release of CFA:** The Ministry for New & Renewable Energy will examine the proposals for setting up of Micro Hydel Projects and approve grant of CFA on the basis of overall technical viability of the proposal, its social benefits and availability of funds. The CFA shall be released through State Nodal Agency (SNA) Himurja , which will released on submission of bank guarantees by the IPP on the basis of prevailing

policy at that time. Bank guarantee to be deposited by the developer will be based on the CFA pattern as prescribed from time to time.

A minimum contribution of 10% of project cost shall be met by the Micro Hydel Developer. All the expenses, over & above the CFA, for execution of Micro Hydel projects including cost escalations, if any, will be met /borne or arranged by the Micro Hydel Developer. In case of default, the developer will be bound to reimburse CFA released with interest at market rate. However this is subject to the revision of policy by MNRE, Govt. of India.

12. Completion time: The installation of Micro Hydel project must be started within one month of release of first installment of CFA and completed / commissioned within 18 (eighteen) months. In case of default, the released amount of CFA has to be refunded to the Ministry along with interest accrued on CFA.

13. Mode of operation: The Micro Hydel Developer will be permitted to establish, own, operate and maintain the project for a period of 40 (forty) years and the date shall be reckoned after 18 months from release of first installment of CFA. Thereafter the project shall be handed over to Gram Panchayat(s) free of cost and free from all encumbrances.

14. Forfeiture of Security Deposit : If the Micro Hydel Developer does not take effective steps to undertake survey & Investigation & preparation of project report and requisite clearances in the time-bound manner, the allotment shall be cancelled (except to the force majeure condition) and his security deposit shall be forfeited.

15. Force Majeure:

15.1 For the purpose of this agreement, "Force Majeure" shall mean an event which is unforeseeable, beyond the control of the Micro Hydel Developer (second party) and not involving the second party fault or negligence. Such events may include, war, civil war, insurrection, riots, revolutions, fires, floods, epidemics, quarantine restrictions, freight embargoes, radioactivity and earthquake, cloudbursts, land slides and excessive snow etc.

15.2 If a force majeure situation arises, the second party shall promptly inform the first party in writing of such conditions and the causes thereof. Unless otherwise directed by the Govt. of H.P. / Himachal Pradesh (first party) in writing, the second party (developer) shall continue to perform its obligations under the agreement, as far as is reasonably practical, and shall seek all reasonable alternative means for performance, not prevented by the force majeure event.

- 15.3 In the event the second party is rendered unable to perform any obligation required to be performed by it under this agreement by Force Majeure, the particular obligation shall, upon information to the other party be suspended for the period of Force Majeure. The time for the performance of the relative obligations suspended by Force Majeure shall be extendable by the period of delay which is directly attributable to Force Majeure.
- 16. LADF:** - LADF shall not be applicable under this scheme as the royalty from the project is to be paid to the local panchayat(s).
17. Micro Hydel Developer shall have to ensure 70% employment to bonafide Himachali whose names are registered on live register of any Employment Exchange located in the State of Himachal Pradesh, in respect of all the unskilled / skilled staff and other non-executives as may be required for execution, operation and maintenance of the project, through the local Employment Exchanges or from other than such live register from anywhere within the State who are bonafide Himachali.
18. Intentional suppression of potential and fragmentation of the stream/ Nallah shall not be allowed and shall result in rejection of the application.
19. H.P Govt. reserves the right to reject any or all applications without assigning any reason(s).

Annexure-A

Abbreviations used in Policy for setting up Micro Hydel Projects up to 100KW capacity.

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| 1) | BG: | Bank Guarantee. |
| 2) | CFA: | Central Financial Assistance. |
| 3) | DoE: | Directorate of Energy. |
| 4) | HPERC: | Himachal Pradesh Electricity Regularly commission. |
| 5) | HPSEBL: | Himachal Pradesh State Electricity Board Ltd. |
| 6) | IA: | Implementation Agreement. |
| 7) | LADF: | Local Area Development Fund. |
| 8) | MHP: | Micro Hydel Project. |
| 9) | MNRE: | Ministry of New and Renewable Energy. |
| 10) | NGO: | Non Government Organization. |
| 11) | NOC: | No objection certificate. |
| 12) | PCB: | Pollution Control Board. |
| 13) | PFR: | Pre- Feasibility Report. |
| 14) | PLF: | Plant Load Factor. |
| 15) | SHGs: | Self Help Groups. |
| 16) | SNA: | State Nodal Agency. |
| 17) | SOE: | Statement of Expenditure. |
| 18) | TEC: | Techno- Economic Clearance. |
