

COMMENTS ARE INVITED ON DRAFT J&K STATE HYDEL POLICY 2010

JUNE 2010

Comments may be sent on jkspdcl@gmail.com or
by post/in person at the following address:-

**Jammu & Kashmir State Power Development
Corporation Limited
Corporate Office Exhibition Ground , Srinagar
Kashmir-J&K 190009**



GOVERNMENT OF JAMMU & KASHMIR



**STATE HYDEL POLICY FOR
DEVELOPMENT OF HYDRO
POWER PROJECTS IN J&K**



**Jammu & Kashmir State Power
Development Corporation Limited**

(Harnessing the Power of the Heavens)

ABBREVIATIONS/DEFINITIONS

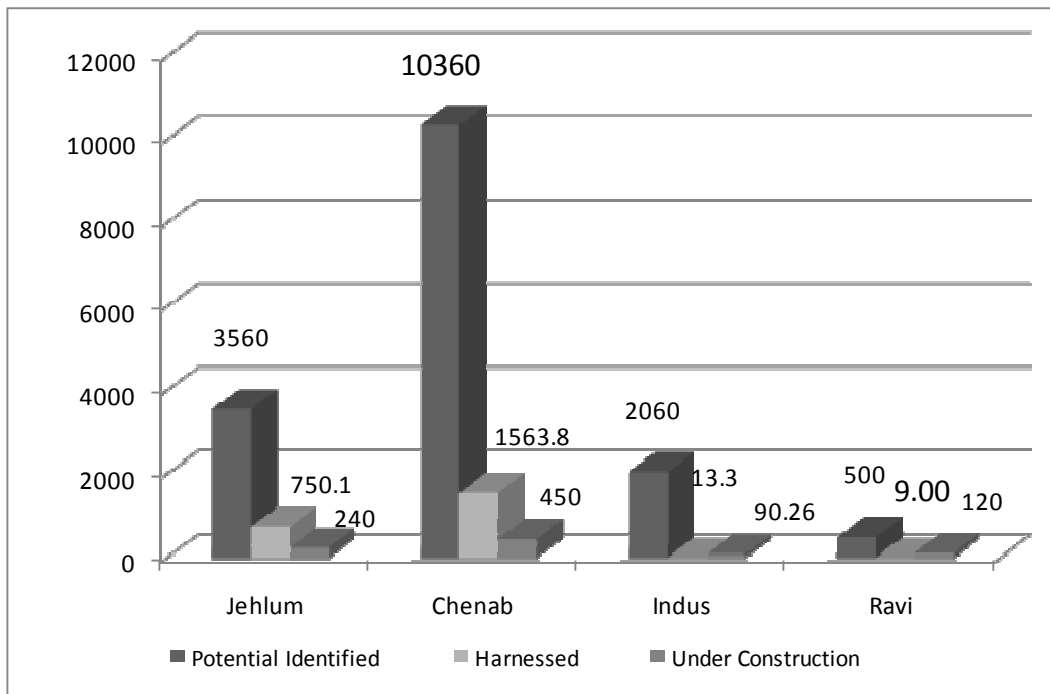
BOOT	Build Own Operate Transfer
Concession Period	Concession period shall mean a period of 35 years from scheduled date of commissioning at the end of which the project will be transferred back to JKSPDCL.
CPSU	Central Public Sector Undertaking
CSR	Corporate Social Responsibility
CTU	Central Transmission Utility
EIA	Environment Impact Assessment
EMP	Environment Management Plan
GoJK	Government of Jammu and Kashmir
GoI	Government of India
HEP	Hydro Electric Project
IA	Implementation Agreement
ICB	International Competitive Bidding
IPP	Independent Power Producer
JKSPDCL	Jammu & Kashmir State Power Development Corporation Limited
JKSERC	J&K State Electricity Regulatory Commission
JKPDD	Jammu & Kashmir Power Development Department
JV	Joint Venture
LADF	Local Area Development Fund
MoU	Memorandum of Understanding
NHPC	National Hydroelectric Power Corporation Limited.
O&M	Operation and Maintenance
PPA	Power Purchase Agreement
R&R	Resettlement and Rehabilitation
RFP	Request for Proposal
RFQ	Request for Qualification
SHP	Small Hydro Power Project
SDU	State Distribution Utility
STU	State Transmission Utility
T&D	Transmission and Distribution
Transmission Utility	Jammu & Kashmir State Power Development Department or its successor(s)
UI	Unscheduled Interchanges

1.0 PREAMBLE

Hydropower is one of the State’s key resources and J&K intends to accelerate harnessing this potential as an integral part of its economic development. With the rising hydropower generation & improving efficiencies in distribution of electricity, J&K can provide energy at stable prices for eco- friendly industrial development. Even though the state is yet to achieve self-sufficiency in meeting its own requirement, there is an urgent need to develop its huge untapped hydro potential expeditiously and in an efficient manner. The development of hydro potential in the State is expected to usher in huge economic benefits in the form of infrastructure development, industrialization, employment generation etc. The social & political dimensions of such a development may not be quantifiable but shall have a major bearing on the overall situation in the State.

Power is a critical infrastructure on which the socio-economic development of the Country depends. The growth of the economy hinges on the availability of quality power at competitive rates. Therefore, it is imperative that electricity is made readily available for growth of infrastructure, economy and overall better quality of life of the people.

The State is endowed with a hydro power potential of 20,000 MWS out of which a mere 11.68 % i.e. 2336.20 MWs has been harnessed so far. The following chart depicts the basin wise identified & harnessed potential:-



The sector-wise breakup of hedel potential harnessed so far is as under:-

S.No	Sector	Capacity (MW)
1	State	758.70
2	Central	1560
3	Private(IPP)	17.5
	Total	2336.20

The capacity of projects which are under execution and planned for execution sector wise is tabulated as under:-

S.No	Sector	Capacity (MW)
A	Projects under Execution	
1	State (450 MW BHEP-II, 1.26 MW Sanjak)	451.26
2	Central (45 MW Nimo Bazgo, 44 MW Chutak, 240 MW Uri-II, 120 MW Sewa-II, 330 MW Kishanganga)	779
3	Private(IPP- Phase-I)	70.5
	Total (Under Execution)	1300.76
B	Planned for Execution	
1	State (1200 MW Sawalkote, 37.5 MW Parnai, 50 MW Lower Kalnai, 3 MW Hanu & 3 MW Dah)	1293.50
2	Central (Bursar)	1250
3	Public Private Participation (240 MW Kirthai-I & 93 MW NGHEP)	333
4	Joint Venture (600 MW Kiru, 520 MW Kavar & 1000 MW Pakaldull)	2120
5	Private/ IPP Large (Ratle)	690
	Total (planned)	5686.50

In J&K, power generation is responsibility of the State owned Jammu & Kashmir State Power Development Corporation Limited (JKSPDCL) while transmission and distribution that of Jammu & Kashmir Power Development Department (JKPDD). JKSPDCL was carved out of JKPDD in 1989 and incorporated as a Company in 1995 with the mandate to plan, execute, operate and maintain all generating

stations including such stations that existed at the time of creation of the Corporation. The installed capacity of the 21 powerhouses presently in operation with JKSPDCL is 929.70 MW comprising of 175 MW of Gas turbines and 754.70 MW of Hydel Stations with the largest being 450 MW Baglihar HEP Stage I and the smallest 0.10 MW Sumoor HEP. Also 4 MW Stakna HEP continues to be operated by JKPDD. In addition, the installed capacity of the projects under operation with NHPC is 1560 MW from which free power to the extent of 12 % of the installed capacity is available to the State. The Projects in operation in the are as follows:-

S. No	Name of Project with Basin	Location/ District	Capacity in MWs	Unit Configuration.
A.	State Sector			
1	LJHP , Baramulla on Jehlum	Gantmulla, Baramulla	105	3*35
2	USHP-I Sumbal on Jehlum	Sumbal Ganderbal	22.60	2*11.3
3	USHP-II Kangan on Jehlum	Kangan Ganderbal	105	3*35
4	Ganderbal on Jehlum	Ganderbal	15.00	2*4.5+2*3
5	Karnah on Jehlum	Karnah, Kupwara	2.00	2*1
6	Chenani-I on Chenab	Ladden, Udhampur	23.30	5*4.66
7	Chenani-II on Chenab	Ladden Udhampur	2.00	2*1
8	Chenani-III on Chenab	Kawa, Udhampur	7.50	3*2.5
9	Sewa-III on Ravi	Mashka, Katuha	9.00	3x3
10	Iqbal on Indus	Kargil	3.75	3x1.25
11	Igo- Marcelloung on Indus	Karu, Leh	3.00	2x1.5
12	Marpachoo on Indus	Drass, Kargil	0.75	3x0.25
13	Haftal on Indus	Sainin Zanskar ,Kargil	1.00	2x0.5
14	Sumoor on Indus	Nobra, Leh	0.10	1x0.1
15	Hunder on Indus	Nobra, Leh	0.40	1x0.4
16	Bazgo on Indus	Bazgo, Leh	0.30	1x0.3
17	Pahalgam on Jehlum	Pahalgam, Anantnag	3.00	2x1.5

18	Bhaderwah on Chenab	Bhaderwah, Doda	1.00	2x0.5
19	Baglihar-I on Chenab	Chanderkote, Ramban	450	3 * 150
20	Gas Turbine-I	Pampore, Srinagar	75	3x25
21	Gas Turbine-II	Pampore, Srinagar	100	4x25
22	Satkna (with PDD) on Indus	Choglasmer, Leh	4	-
B	Central Sector			
1	Salal on Chenab	Salal, Reasi	690	6*115
2	Uri-I on Jehlum	Uri, Baramulla	480	4*120
3	Dul Hasti on Chenab	Kishtwar	390	3*130

Since thermal projects are rarely operated due to their high cost of operation, the total reliable power availability in the State is restricted to the power available from Hydel Projects only i.e.758.70 MW, excluding allocation from Central Generating Stations and free power share from NHPC projects. Besides this the share as per Gadgil formula as purchase against tariff as decided by CERC is also being provided to the State. Unallocated quota from Salal & Uri HEP is also being allocated to J&K against cost as per tariff.

At present the unrestricted demand in the State is 2120 MW while suppressed demand is 1450 MW with scheduled curtailment. Thus there is a deficit of about 500 MW even vis-a-vis restricted demand. However, this deficit does not capture the grim situation properly- the peak demand in the harsh winter surges and that is precisely the period when generation from hydel stations in the State dwindles substantially due to lean discharge in the rivers. Consequently the State has to rely mainly on the allocation from Central Stations and is forced to overdraw attracting Unscheduled Interchange and Penal rates.

The demand pattern in the State comprises of 35% domestic and 65% non-domestic. The per capita consumption in the State is 750 units compared to 872 units in Himachal Pradesh, 706 units in Uttarakhand, 1506 units in Punjab, 1208 units in Haryana, 623 units North Average and 671 units India Average. As per national average growth pattern, the power demand is estimated to be about 2600 MW in 2012-13 and about 5500 MW in 2025-26.

Despite hydropower being recognised as one of the most economic and preferred source of electricity with it being the best choice for meeting peak demands, the depleted capacity of hydro stations during winter months poses serious challenges to the State Government in providing electric power supply to its people during the period. Due to purchase of considerable amounts of power from the northern grid and overdrawals under UI regime to meet even the restricted supply gap major expenditure is incurred by the State on this account. The average generation from State Sector projects is about 3400 units annually, out of which about 1300 units from Baglihar HEP are traded through PTC. The balance electricity requirement of the State is met through imports / purchases from the Central Power Generating Stations through the Northern Grid. It is, therefore, evident that the State is largely dependent on import of power. The extent of dependence has been increasing every year and is expected to continue for the time being until the available potential is harnessed.

In spite of the large hydroelectric potential available, its exploitation has been very low. If potential is adequately harnessed, not only would the state's own demand-supply gap be narrowed, but the state will also be relieved of the heavy expenditure incurred on Power Procurement. It is, therefore, a matter of great importance that the hydel potential of the state is harnessed within the shortest possible time.

With huge hydro-potential on one side and increasing power demand adversely affecting its economy on the other side, the State is continuously losing the opportunity of reducing huge expenditure possible in the event of development of available potential.

Government of Jammu & Kashmir has laid maximum emphasis on the full development of its hydro potential being clean & renewable source of energy. It has been alive to the need for encouraging private sector participation in development of Hydro Projects. The process of exploitation of hydel potential in small hydro sector through private sector participation began seriously in the State in 2003 through State Hydel Policy issued vide Govt. Order No. 211-PDD of 2003 dated 9.10.2003, under which 10 small projects were awarded to various Independent Power Producers (IPPs), which are at various stages of implementation. The Status of these projects is as follows:-

SI No	Name of SHP with Source	Capacity MW	(Estd. cost) Rs in crore	status
1	Athwathoo, Bandipora Distt (old Baramulla district) Madhumati Nallah	10	62.75	Commissioned
2	Brenwar SHP District Budgam Doodhganga Nallah	7.5	32.50	Commissioned
3	Tangmarg SHP, Distt Baramulla Ferozpora Nallah	10	62.75	Work in Progress
4	Aharbal SHP District Pulwama Vishow Nallah	22.5	169.26	Work not started Yet.
5	Hirpora SHP District Pulwama Rambhir Nallah	12.00	82.40	IPP engaged in obtaining clearances and land acquisition.
6.	Kahmil SHP District Kupwara Kahmil Nallah	4	26.85	Clearances obtained. Order for diversion of forest land issued and payment made. Work not started yet.
7.	Boniyar SHP District Baramulla Hapathkhai Nallah	12	90.78	Clearances in progress. Forest land diverted. Propriety land acquisition initiated. Work not started yet.
8.	Mandi SHP District Poonch Mandi Nallah	12.5	96.49	Clearances awaited Private Land acquired 95 %, State Land yet to be transferred. Main Works not started yet.
9.	Ranjala Dunadi SHP District Doda Lower Kalnai Nallah	15	90.67	Work in progress. Project in advanced stage of execution.
10.	Drung SHP District Kathua Ujh Nallah	5	30.12	Clearances obtained from Fisheries, I&FC and PHE. Awaited from Wild life, Pollution Control Board, Tourism and PWD. Land acquisition in progress. Work not started
Total (10 Projects)		110.50 MWs		

The Government attaches significant importance to the exploitation of hydro potential for which it has approved an implementation framework consisting of the following modes:-

1. Execution of projects as purely state projects with 100% ownership by JKSPDC.
2. Execution of large projects through Joint Venture of JKSPDC with Central Public Sector Undertakings under Memorandum of Understanding (MoU) route.
3. Execution of projects through Public Private Partnership(PPP) mode in the form of Joint Venture of JKSPDC with private sector for large projects and selection of JV partner through transparent process.
4. Execution of large projects through independent power producers(IPP) on build, Own, Operate and transfer(BOOT) basis through international competitive bidding(ICB).
5. Execution of small projects through Independent Power Producers(IPP) on Build, Own, Operate and Transfer(BOOT) basis through competitive bidding.

Meanwhile GoJK decided to revise the State Hydel Policy of 2003 in order to remove the difficulties faced by IPPs in implementation of the projects awarded under Phase-I as well as make the entire process lucid and transparent outlining the steps to be followed in the award of projects to private developers. The objectives of the revised policy are as follows:-

1. To harness the hydropower capacity of the State in a manner that is consistent with policy of the State Government.
2. To generate and provide employment opportunities to the people of the State, particularly those who live in the project areas.
3. To develop hydropower projects in an eco-friendly manner causing minimum distress to affected people.
4. To secure the long term financial interests of the State.
5. To provide for creation of social and development infrastructure of local area through hydro power developers and Local Area Development Fund.
6. To accelerate the pace of hydropower development through private sector participation.
7. To bring in the investment from private sector and associated efficiency.

Accordingly the following principles are laid down for the purpose in the following policy called the "State Hydel Policy 2010", which replaces the State Hydel Policy of the State issued vide Government order No. 211-PDD of 2003 dated 9.10.2003

2. OPERATIVE PERIOD AND PARTICIPATION:

2.1 This policy shall be in operation from the date of its publication as shall be notified by the Government of Jammu & Kashmir. All projects awarded under this policy will be governed by this policy for their entire duration.

2.2 All Hydropower projects/stations estimated to have an installed capacity of 2-100 MWs and as notified by the Jammu & Kashmir State Power Development Corporation from time to time for execution by non GoJK agencies shall be covered under this policy.

2.3 Hydropower Projects of capacity more than 100 MWs shall not be covered by this policy. Policy framework , guidelines ,bidding parameters, etc for this category will be project specific and notified seperately .

2.4 The bidders for notified projects will be termed as IPPs. The IPPs would include any Private Investor such as Private Ltd. Company/Public Ltd. Company/Public Sector Undertakings/ Partnership concern/ Sole Proprietary/Co-operative Society /State Governments other than J&K or any other Government or non Government entity or their joint ventures or consortiums.

2.5 Projects upto 5 MWs shall be reserved for execution by IPPs that are permanent residents of Jammu & Kashmir which includes Consortiums in which permanent residents of J&K hold majority share of at least 51 % .

3. Nodal Agency:

Jammu & Kashmir State Power Development Corporation Limited a Government of Jammu & Kashmir undertaking, incorporated under the Companies Act in 1995 and having its registered office at Exhibition Grounds, Srinagar Kashmir, shall be the Nodal Agency on behalf of the State

Government to conduct the bidding process for the award of the projects, award the projects, carry out necessary documentation sign agreements and take over the projects from the IPPs as per the provision of the policy.

4. PREQUALIFICATION:

4.1 There shall be a pre-qualification of the bidders for the projects in the State based on (a) primary qualification: financial capacity to mobilize the required resources and bring in or raise their equity contribution; and (b) secondary qualification: past experience with development, construction and operation of hydro projects or other power sector experience. The bidders will be required to provide proof of their qualification viz., balance sheets, annual reports and other reported evidence of financial and technical capacity. While evaluating the financial capacity of the bidders, the projects already under execution by the bidder in the State shall netted off. Detailed criteria for evaluating financial capacity shall be laid down in the Request for Qualification document.

4.2 The requirement/threshold value in respect of financial capacity, technical capability, past experience and other relevant attributes of the applicants, the sub-categories of these attributes for pre-qualification shall be specified in the bid documents inviting bids for pre-qualification. Bidders possessing attributes above the threshold value shall be declared qualified for submission of Proposals.

4.3 Ordinarily not more than 3 Projects or 100 MWs whichever is more will be awarded to an IPP including the Projects already under execution by it in the State.

5. PROJECTS

5.1 The projects available for development with indications of estimated capacities, and for which development of pre-feasibility studies is in progress or completed shall be notified by JKSPDCL from time to time.

5.2 JKSPDCL will undertake to prepare the pre-feasibility studies in a time bound manner.

5.3 The projects shall be offered for a period of 35 years from the date of the scheduled commissioning. The scheduled date of commissioning shall be fixed while according of TEC by JKSPDCL after allowing for suitable construction period from the date of award of the project. At the end of these 35 years the projects shall be transferred back to JKSPDCL free of cost and without any encumbrances.

5.4 The Project assets would be maintained by the successful concessionaire in a condition that would ensure a residual life of the project at the rated capacity for at least 20 years at any point of time during the 10th, 20th, 30th, 40th (i.e the last year of concession). JKSPDCL or one of its appointed agencies would carry out a mandatory inspection of the project site to ensure that the project assets are maintained to the required standards for specified generation capability and the residual life of the plant. The IPP shall provide unhindered access to JKSPDCL for the project.

5.5 If such inspections find that the plant capacity and/or life are being undermined by inadequate maintenance, JKSPDCL shall have the powers to order remedial measures to be taken by the IPP. If the IPP fails to comply with these requirements, the JKSPDCL shall have the powers to terminate the concession by payment of compensation to be computed as follows:-

"The termination compensation value shall be determined on the basis of estimated net cash flows to equity shareholders for the next ten years or residual period of concession, whichever is less, discounted at a suitable rate- Both the assessment of cash flows as well as the discount rate would be approved by the JK SERC which will also factor in the costs of refurbishment, renovation, repairs, etc. required to bring the project assets to the standards specified by JKSERC".

5.6 The IPP will be responsible for R&R(Rehabilitation and Resettlement), EIA(Environment Impact Assessment) studies and preparation of EMP (Environment Management Plan) and its implementation. These measures shall be governed by Central/State policies in this regard.

5.7 In case of canal fall schemes, the availability of water in the canal will be subject to irrigation demand and to that extent the IPP shall not have any right over water for power generation.

5.8 JKSPDCL will take the responsibility of acquiring land strictly as per component wise project requirement for the IPPs including State Subjects and shall handover the same to them on payment of premium and rentals for a period of 35 years plus period allowed for construction of the Project . After expiry of the concession period, the project including all its assets ,land and works shall deemed to have been transferred to JKSPDCL without any cost or compensation to the IPP.

5.9 Construction of approach roads , arrangement for water supply and power supplies for construction purposes etc. shall be the responsibility of the IPP and the cost thereof shall be borne entirely by the IPP .

5.10 As the potential sites have been identified on the basis of preliminary reconnaissance only, the interested Private Investors should, in their own interest, visit the potential sites, (which are essentially the rivulets/streams on which the small hydro Projects can be developed), for verifying various Project related parameters viz. discharge, head, water availability, habitation etc. They shall also ensure that the Project components do not fall in the wild life sanctuaries, National parks, eco protection zones etc. and also do not interfere / overlap with the existing/ ongoing Hydel Projects before they submit their offers on the prescribed format.

6. PROCESS OF ALLOTMENT:

6.1 The projects shall be advertised in order to seek competitive bids. A two stage bidding process comprising of Request for Qualification (RfQ) and Request for Proposal (RfP) shall be conducted.

6.2 Application in response to the advertisement and Request for Qualification should be accompanied by a non-refundable deposit towards processing fee in the shape of demand draft of Rs. 2.00 lakh (Rupees two lakhs) in the name of Jammu & Kashmir State Power Development Corporation (JKSPDCL) payable at Srinagar/Jammu.The processing fee of Rs 2.0 lacs shall be per bidder per Project.

6.3 All bidders will be subject to pre-qualification as provided in paragraph 4. Qualified bidders will be provided with the pre-feasibility studies prepared by the JKSPDCL alongwith Request for Proposal documents.

6.4 Proposals shall be invited from the qualified bidders on the basis of premium per MW payable upfront to JKSPDCL in the case of each project/site, which shall be above the threshold premium .Bids received beneath the threshold premium will be rejected. The threshold premium shall be as follows:-

2-25 MWs	25-100
Rs 5 Lacs per MW	Rs 10 Lacs per MW

6.5 Projects will be allotted to the bidder making the highest bid of upfront premium. Bidders should quote the upfront premium upto nearest hundred rupees.

6.6 The successful bidder shall be required to deposit the premium /other amount due within 15 days of receiving intimation regarding his bid being successful. The successful bidder may be permitted to provide 50% of the bid amount in excess of the threshold premium as bank guarantee encashable at the time of actual or scheduled financial closure, whichever is earlier.

6.7 JKSPDCL may at its discretion award projects on MoU basis or to a bidder selected through Swiss Challenge method.

6.8 In case any project fails to attract any acceptable bid despite being bid out at least twice project may be considered for awarding to a GoJK agency/a private agency through MoU route.

7. SALE OF POWER

7.1 The IPP shall have the option for sale of power from the project, after allowing for Royalty Energy, in anyone or more of the following modes:

2-25 MWs	25-100 MWs
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To JKPDD

i) Sell power to the JKPDD, whether into the grid or in isolated mode to the local areas.

In this case J&K's available transmission/ distribution network shall be utilized and tariff shall be determined by the Regulator. The energy delivered by the IPP shall be metered at interconnection point. Infrastructure as required for evacuation from generator bus to interconnection point shall be developed by the IPP.

Other than JKPDD

ii) Sell power to any High Tension (HT) Power Utility within the State of Jammu & Kashmir; and/or

iii) Wheel/transmit power to any location within J&K state for Company's own bonafide industrial purpose or for use of any member of the Company for his own bonafide industrial purpose.

iv) Sell power outside the State of Jammu & Kashmir.

To JKPDD

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In this case J&K's available transmission/ distribution network shall be utilized and tariff shall be determined by the Regulator. The energy delivered by the IPP shall be metered at interconnection point. Infrastructure as required for evacuation from generator bus to interconnection point shall be developed by the IPP.

Other than JKPDD

ii) Sell power to any High Tension (HT) consumer within the State of Jammu & Kashmir; and/or

iii) Wheel/transmit power to any location within J&K state for Company's own bonafide industrial purpose or for use of any member of the Company for his own bonafide industrial purpose.

iv) Sell power outside the State of Jammu & Kashmir.

8. WHEELING CHARGES:

8.1 The infrastructural facilities of J&K PDD as are available will be provided to IPPs for wheeling and transmitting the generated energy.

8.2 In case of sale of power to JKPDD in grid connected or isolated mode, the JKPDD's available transmission /distribution network can be utilized and IPP will

not be required to pay any wheeling charges. However, T&D losses upto interconnection point will be to the IPP's account.

8.3 In case of sale to parties other than JKPDD, the JKPDD's transmission/distribution network can be utilized for which wheeling /transmission charges shall be borne by the IPP as per JKSERC regulations. T&D losses will also be borne by the IPP, as per JKSERC regulations.

8.4 The T&D losses for intrastate wheeling shall be as per the JKSERC regulations for STU/SDU(State Distribution utility) network and for wheeling beyond STU on CTU network it shall be as per CERC regulations .

9. GRID INTERFACING/TRANSMISSION LINE;

Open Access

9.1 On allotment of the project the IPP will approach the transmission utility for grant of open access. The transmission utility on receipt of the application shall analyze the availability of system and grant open access identifying the interconnection point, and requirements for development of infrastructure by the IPP upto interconnection point.

9.2 The IPP shall be responsible for laying of transmission lines and requisite allied equipment/infrastructure for connectivity to the interconnection point identified by the transmission utility at the appropriate voltage.

9.3 The J&K PDD will determine the specifications of the evacuation facilities required, including identification of the inter-connection point and voltage for evacuation.

9.4 On request from the IPP, the J&K PDD may carry out the construction of evacuation facilities at charges to be borne by the IPP on cost plus basis.

10. BANKING**2-25 MWs**

10.1 Banking shall be permissible for captive use only. No banking shall be permissible for 3rd party sale within or outside the state. IPP can avail of such facility, in accordance with the agreement that shall be executed between the JKPDD and the IPP.

10.2 The energy can be swapped simply or may be monetized on the terms & conditions specified in the agreement between the parties specified above. In case any banked energy remains unutilized at the end of the financial year, the same be paid at the rate equivalent to the weighted average purchase price paid by JKPDD in that month of banking.

10.3 The banked energy cannot be utilized by the captive producer during the period Nov. to March as the power requirement of the State during this period are maximum.

25-100

10.1 No banking shall be permissible whether for captive use or for third party sales within or outside the state.

11. DESPATCH:

11.1 Priority will be accorded for dispatch into the grid by these IPPs ahead of merit order and any other source of supply, subject to any system constraints/grid disturbances at any time or restrictions as may be imposed by the Government/Regulator in the interest of state.

12. ROYALTY**2-25 MWs**

12.1 Royalty in the shape of free power on account of water usage from the Small Hydel Projects having installed capacity of 2 to 25MW, is waived off for a period of 12 years reckoned from scheduled commercial operation date or actual commercial operation date whichever is earlier. Beyond 12 years, royalty will be @ 15% for remainder of the concession period. The 12 years relaxation in royalty shall however not be applicable to the Projects which make captive use of power or make third party sale within or outside the state. In that case, royalty @ 12% reckoned from scheduled commercial operation date or actual commercial operation date whichever is earlier shall be applicable for first 12 years beyond which royalty @ 15% will be charged for the remainder of the period.

12.2 The above Royalty shall be excluding 1% free power for LADF (Local Area Development Fund) which shall be applicable and due from the IPP immediately on actual commissioning of the project or scheduled commissioning whichever is

25-100

12.1 Royalty in the shape of free power on account of water usage from the Hydel Projects having installed capacity of 25 to 100 MW, shall be charged at the rate of 12 % of net energy generated (after deducting auxiliary consumption) for 12 years from the scheduled commercial operation date or actual COD whichever is earlier. Beyond the 12th Year of Operation, a royalty of 15 % of net energy generated (after deducting auxiliary consumption) will be charged.

12.2 The above Royalty is excluding 1% free power towards local area development fund (LADF) which shall be applicable and due from the IPP immediately on commissioning of the project or scheduled commissioning whichever is

earlier. The free power on account of LADF shall be utilized as per the provisions of National Hydro Policy 2008.

earlier. The free power on account of LADF shall be utilized as per the provisions of National Hydro Policy 2008.

12.3 In case where disposal of power is to be made through two or more modes attracting different rates of royalty, such energy shall be calculated/ segregated on pro-rata basis.

12.3 The scheduled commercial operation date shall be determined/firmed up at the time of according of TEC by JKSPDC. The same shall be considered for extension only if the delay is on account of force majeure conditions or due to reasons beyond the control of the IPP

12.4 The scheduled commercial operation date shall be determined/firmed up at the time of according of TEC by JKSPDC. The same shall be considered for extension only if the delay is on account of force majeure conditions or due to reasons beyond the control of the IPP

13. INCENTIVES¹:

13.1 No entry tax will be levied by the State government on power generation, transmission equipment and building material and equipment for Power projects.

13.2 Income accruing from micro-hydel power projects shall be exempted from income-tax as per the Government of India policy in vogue for backward areas.²

¹ The incentives proposed shall be subject to the approval of the competent authority

² Subject to the incentive being currently available.

13.3 IPP may pursue CDM benefits from the project at its own risk and responsibility. Sharing of the CDM benefits between IPP and JKSPDCL will be as per CERC/SERC regulations.

14. TRANSFER OF ALLOTMENT

14.1 Free transfer of shares will be permitted in the companies allotted projects as per the procedure laid down. However, permanent residents of Jammu & Kashmir shall hold at least 26 % shares in companies which are awarded projects under reserved category as per clause 2.5.

15. TIME LIMIT FOR EXECUTING THE PROJECTS:

15.1 IPP shall prepare and submit the detailed project reports and all other information and make the necessary application for obtaining the statutory clearances and approvals of the State and Central Governments and the Regulator (as applicable) after carrying out the required confirmatory surveys and investigations as per standing regulations/norms within 18 months from the date of allotment.

15.2 JKSPDCL shall accord TEC or otherwise of the DPR submitted by the IPP within 3 months of its receipt after which the Implementation Agreement (IA) will be signed within a maximum of 3 months of TEC. IPP shall then obtain all Statutory and non statutory clearances and financial closure within 6 months after signing of IA i.e obtaining clearances and achieving financial closure shall be carried out within 30 months of letter of award. JKSPDCL will facilitate obtaining of requisite clearances by the IPP. However, the onus of obtaining such clearances shall lie on the IPP.

15.3 The IPP shall be responsible for ensuring submission of documents complete in all respects to concerned authorities. Failure to do so within the stipulated time frame given at 15.2 shall be treated as non-compliance.

15.4 JKSPDCL will consider granting extension to the IPP on request only if it is established that the slippage in fixed timelines has occurred due to force majeure conditions or reasons beyond the control of the IPP.

15.5 The project shall be made operational as per timelines tabulated below:-

Activity	Timelines in months	
	2-25 MWs	25-100 MWs
Letter of Award	T ₀	T ₀
Payment of Upfront Premium	T ₀ + 1/2	T ₀ + 1/2
Investigation & submission of DPR	T ₀ + 18	T ₀ + 18
TEC of DPR and signing of Implementation Agreement	T ₀ + 21	T ₀ + 21
Financial Closure and Clearances	T ₀ + 30	T ₀ + 36
Commissioning of Project	Shall be indicated in the TEC approval	Shall be indicated in the TEC approval

15.6 The failure to meet any of the timelines mentioned above shall result in automatic cancellation of the allotment of the site, and forfeiture of upfront premium amounts. No compensation shall be payable to the IPPs in such case.

15.7 Failure to meet the timelines as above shall result in a liability to pay a penalty by the IPP to JKSPDCL. The IPP will submit a bank guarantee equivalent to Rs 10 lac per MW towards performance as per timeline. Failure to meet the time lines as above shall result in a liability to pay a penalty by the IPP to JKSPDCL @ rupees 5 lacs per MW, in case financial closure is not met and another Rs 5 lac per MW in case time line for commissioning is not met.

15.8 The IPP may surrender the allotment if on formulation of the DPR, within the stipulated time-frame, it has grounds to establish that the project is techno-economically unviable. On such surrender, the bank guarantee provided by the IPP in lieu of upfront premium would be released and any premium amount paid in excess of the threshold premium of Rs. 5 lacs/MW would be refunded to the IPPs by JKSPDCL.

16. ROLE OF JKPDD AND JKSPDCL

16.1 The JKPDD will be responsible for executing Power purchase agreement, transmission service agreement as required, determination of evacuation requirements and overseeing scheduling, dispatch, royalty and energy

accounts. The draft PPA & transmission service agreement shall be an integral part of this policy document.

16.2 JKSPDCL will be responsible for preparation of pre-feasibility report, carrying out the bidding process and monitoring of the development of allotted projects/delivery as per time schedules.

16.3 JKSPDCL will not participate in the bidding process. However, after the allotment, upon request from the IPP, the JKSPDCL may consider participating as a minority partner (with less than 50% shareholding interest) or perform certain tasks for the bidder on a consultancy basis including preparation of DPR. Such participation would be independently negotiated between JKSPDCL with the IPP and is not mandatory on the part of JKSPDCL.

16.4 JKSPDCL will prepare detailed bidding document containing among other things the eligibility criteria.

16.5 A two stage bidding process will be adopted comprising Request for Qualification (RfQ) followed by Request for (RfP) . Bidders who are declared qualified after submission of RfQ documents and evaluation will be allowed to participate further and bidders who are declared not qualified will not take any further part in the bidding process.

16.6 JKSPDCL will be responsible for executing Implementation Agreement which is part of this policy document.

17. ROLE&RESPONSIBILITIES OF IPP

The roles & responsibilities of IPPs shall be including but not limited to following:-

17.1 IPP will be responsible for doing all confirmatory survey and investigation including site access etc at its own cost leading to preparation of DPR.

17.2 The onus of obtaining IPP all statutory and non statutory clearances will lie on the IPP. JKSPDCL shall have a facilitation role in this. In respect of clearance from Indus Water Treaty angle, JKSPDCL shall provide necessary support to the IPP.

17.3 IPP shall be responsible for all R&R activities including bearing cost for implementation plan to be approved by GoJK.

17.4 IPP shall endeavour to employ as many local people as possible as per availability and suitability for all project construction as well as O&M activities.

17.5 IPP shall discharge its Corporate Social Responsibility (CSR) as per global/national standards towards the project affected area/people.

17.6 IPP shall at all costs refrain from causing pollution and damage to environment and take all necessary steps for protection of environment.

17.7 IPP shall carry out due diligence in all matters related to project development including bidding for the project and participate in the process in the spirit of partnership towards the common objective of augmenting the power availability in the State.

18. REGULATORY OVERSIGHT:

18.1 Aspects of this policy that require regulatory approvals from the concerned Regulator would be subject to such approvals being given and would apply in the manner approved by the Regulator.

19. DUE DILIGENCE:

19.1 The applicant /IPP shall be responsible for carrying out due diligence with regard to his compliance responsibilities under various applicable Central/State/other laws, rules and regulations and ensure compliance with the same.

20. POWER TO RESOLVE DIFFICULTIES:

20.1 In the event of a dispute, the interpretation of these guidelines by the JKSPDCL shall be final. In all such matters to the extent practicable, an opportunity shall be given to the affected stakeholders to be heard before a decision is taken.

21. COURT JURISDICTION:-

21.1 In respect of all disputes arising out of the bidding process which may arise at any time, the courts in Jammu & Kashmir shall have exclusive jurisdiction