

Government of India
Ministry of New and Renewable Energy
(Wind/Biomass Group)

Generation based incentive for Grid Connected Wind Power Projects

The Ministry of New & Renewable Energy has announced a scheme on **Generation Based Incentive (GBI)** for grid connected wind power projects. The broad aspects of the scheme are given below:

Objectives:

The following are the main objectives of the scheme:

- (i) Generation of electricity from grid connected wind power projects through Generation Based Incentives.
- (ii) To encourage IPPs, registered companies, NGOs, Trusts, academic and research institutions, SNAs etc. who will not avail of accelerated depreciation under the IT Act for making investments in wind power projects.
- (iii) To encourage actual energy generation rather than capacity addition only, resulting in optimum utilization of wind resource.
- (iv) To augment flow of power to the grid that would add to grid stabilization.

Eligibility:

The GBI scheme would be applicable only for those power producers **who do not avail of the accelerated/enhanced depreciation benefits under the Income Tax Act.** The power producers who avail of the benefits of the scheme will be required to furnish documentary proof to this effect.

The scheme will be applicable only for those independent power producers having **minimum installed capacity of 5 MW** and whose capacities are commissioned for sale of power to the grid after the announcement of the scheme.

The scheme will **not be applicable to those who set up capacities for captive consumption, third party sale, merchant plants etc.**

Implementation Arrangements:

The Wind power producers, who are eligible as per para-1 & 2 in the guidelines contained in **Annexure-I** will submit application in prescribed format i.e. **Annexure-II** in accordance with the procedure contained in para-3 of **Annexure-I**. They will also deposit Rs.10,000/- per MW capacity that they intend to set up as registration fee by Demand draft to IREDA.

IREDA will assist the Ministry in organizing business meets, awareness programmes and other related activities, as considered necessary for promotion of the scheme.

Generation based Incentives:

The Ministry will provide through IREDA, a generation-based incentive of Rs.0.50 per unit (kwh) for a period of ten years to the eligible project promoters. The IREDA would disburse the GBI to the generator through their designated bank account on a half yearly basis through e-payment.

This incentive is over and above the tariff that may be approved by the State Electricity Regulatory Commissions in various States. In other words, this incentive that is sanctioned by the Union Government to enhance the availability of power to the grid will not be taken into account while fixing tariff.

The generation based incentive approved for a grid interactive wind power generation project may be available for a maximum period of ten years from the date of approval and regular power generation from that project, provided the utility continues to purchase power from that grid interactive wind power project.

The incentive will be released by IREDA to the eligible wind power project developers on half yearly basis, on receipt of grid synchronization letter and certified information about the net electricity fed to the grid from the wind power project during the period of claim. The concerned utility will provide such information to the project developer periodically.

The IREDA shall provide GBI for wind power projects after its commissioning subject to meeting the guidelines and eligibility conditions. However, the response of the incentives to this paradigm and based on the response, the component of scheme will be reviewed when projects aggregating to 49 MW which are estimated to generate about 0.9 billions units of electricity are registered by IREDA.

ANNEXURE-I

GUIDELINES FOR SCHEME ON GENERATION BASED INCENTIVES (GBI) FOR GRID INTERACTIVE WIND POWER PROJECTS

The following are the broad guidelines for submission of proposals by the interested project developers, details of incentives and other related guidelines.

1. Eligibility

- 1.1 All existing registered companies, IPPS, NGOs, Trusts, Financial institutions, academic and research institutions, SNAs, central and state power generation companies and public/private sector wind power project developers who have set up or propose to set up a registered company in India will be eligible for consideration of generation based incentive provided they sell the power to the grid.
- 1.2 The GBI scheme would be applicable only for those power producers who do not avail of the accelerated/enhanced depreciation benefits under the Income Tax Act. The power producers who avail of the benefits of the scheme will be required to furnish documentary proof to this effect.
- 1.3 The scheme will be applicable only for those independent power producers having minimum installed capacity of 5 MW and whose capacities are commissioned for sale of power to the grid after the announcement of the scheme.
- 1.4 The scheme will not be applicable to those who set up capacities for captive consumption, third party sale, merchant plants etc.

2. Eligible Projects

- 2.1 Grid interactive wind Power Generation projects of a minimum installed capacity of five MW will be eligible for generation based incentive.
- 2.2 Any project developer, who fulfills the procedural requirements and the guidelines specified by the Ministry, will be eligible for consideration of generation based incentive.
- 2.3 The GBI would be available only for projects commissioned i.e. synchronized to the grid and certified by the concerned Utility after announcement of the scheme.

- 2.4 The GBI would not be available for wind power projects set up for captive use and third party sale.
- 2.5 This incentive is over and above the rates approved by the State Regulatory Commissions or the rates at which the power purchase agreement are signed with utilities.
- 2.6 In case any project developer is desirous of availing the accelerated depreciation benefit for the project under section 32 of the Income Tax Act 1961 read with rule 5 and appendix-1, they would not be eligible for generation-based incentive.
- 3.0 **Procedures to be followed by Project developers for availing Generation base Incentive**
- 3.1 The grid interactive wind power projects will be considered for generation based incentive on registration by IREDA as per procedure indicated in para-3.3 and in accordance with the guidelines of the Ministry and compliance of the procedural requirements for filing the applications/requests and requisite fees for incentive. Mere information to the Ministry and/or IREDA about the intention of the company/project developer to set up a grid interactive wind power plant will not be sufficient basis for this purpose.
- 3.2 Before submission of application, the interested wind power project developers are required to ensure compliance of all legal and procedural requirements, power purchase agreement and obtain all necessary clearances from the concerned State Government/State Utility/State Nodal Agency/local bodies and other organizations, as specified by the concerned State Government and/or Central Government.
- 3.3 The applicants are required to submit complete application in prescribed format **(Annexure-II) to the Ministry** (one copy) with **two copies to IREDA**, after financial closure of the full term loan of the project for its registration.
- 3.4 On receipt of application, which is complete in all respect, the eligibility for generation-based incentive will be examined in accordance with the guidelines of the Ministry by a Committee constituted in IREDA with the Ministry's officers as members.
- 3.5 Applications which are incomplete or do not provide firm and clear information, registration fees and necessary documents will not be considered for GBI.
- 3.6 GBI will be provided **only for projects installed at wind potential site validated by C-WET.**
- 3.7 Wind power project developers shall not avail accelerated depreciation benefit under Section 32 of the Income Tax Act 1961. The wind power project developers who submit their applications to the Ministry with a copy to IREDA

- are required to submit a declaration to this effect. At the end of each financial year, the developer shall file a copy of their I.T. Returns to establish that no accelerated depreciation has been availed. On approval of the project, IREDA will enter into an agreement with the project developer, among other matters, in this regard. If any violation of this condition is found, IREDA will immediately stop release of generation-based incentive to that project. The GBI already released would be liable for complete recovery with interest.
- 3.8 Third party sale, banking and wheeling of power is not permitted while availing generation-based incentive.
- 3.9 The project developers will maintain a record of power generation and other technical features of the power plant for the entire period during which they will receive incentives. Along with documentation of its sale to the grid. A copy of the data should also be available in electronic form. This record will also be made available readily for verification / audit purposes, if required by the Ministry/IREDA.
- 3.10 The developer are required to submit the generation details as per payment receipt from the Utilities/power trading corporation on half yearly basis together with a self declaration about non-claiming of accelerated depreciation to IREDA and the submission of Income tax return at appropriate time.

The application format is available on the website of the Ministry (<http://mnre.gov.in>)

For any clarification please contact :

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ANNEXURE-II

APPLICATION FORM FOR GBI SCHEME

1.	Name, Address, Phone, Fax & email of the developer	
2.	Name and designation of authorized signatory	
3.	Name of the project, location (including state, district taluka etc.)	
4.	Capacity in MW (Indicate the Unit size of WTGs)	
5.	Site name (whether under the list of declared potential site by C-WET), wind power density	
6.	Proof of land availability	
7.	Total Project cost as approved by F.I	
8.	Estimated Generation per Year (MU)	
9.	Means of Finance (i) Debt equity ratio (ii) Promoters contribution (iii) Term loan with rate of interest (iv) Any other source	
10.	Date of Commissioning	
11.	Fees (details of Demand draft such as amount, number and date)	

Enclosures:

- (i) One copy of DPR
- (ii) Proof of land availability
- (iii) Copy of the agreement with state utility (PPA)/power trading company etc.
- (iv) Proof of financial closure.(copy of loan agreement and loan sanction letter)
- (v) An undertaking on non-judicial stamp paper regarding not claiming benefits of accelerated depreciation.
- (vi) Demand Draft for Registration fees.