

Press Information Bureau
Government of India

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Ministry of New and Renewable Energy

GENERATION BASED INCENTIVE FOR GRID CONNECTED WIND
POWER PROJECTS

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BACKGROUNDER

Grid connected renewable power has been a major focus area in the Ministry of New & Renewable Energy. By the end of the tenth plan period, the installed capacity of renewable power was about 12400 MW. This constitutes about 8.8% of the installed capacity. Wind Power has made significant contribution to this achievement by installed capacity to the tune of 8760 MW. These activities have mainly shown results in the states of Tamil Nadu, Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Rajasthan. Wind Electric Generators of unit sizes between 225 KW to 1.65 MW has been deployed across the country. India now ranks 4th in Wind Power Generation in the world after Germany, Spain and USA.

Various fiscal policies support measures by the Government and State Electricity Regulatory Committees helped to achieve progress in procurement of power from Wind Sector. The fiscal policy support measures includes accelerated depreciation under Income Tax Act and Tax holiday as per 80 I(A). The provision of Electricity Act, 2003, State Electricity Regulatory Committee, have announced detailed tariff orders and guidelines for procurement of power from Wind.

Under the incentives of the provision of 80% accelerated depreciation, the investor base remained restricted only to those investors, who have a strong balance sheet to absorb the depreciation benefits. To achieve the planned target of 10500 MW for 11th plan period, the Ministry is planning to attract new and large independent power producers to wind sector through an alternative Generation Based Incentive (GBI) scheme. This scheme will provide a level playing field to those investors, who are unable to absorb the benefit of accelerated depreciation. It is expected to expose the wind power industry to the market forces and competitive pressures to reduce the cost of the wind power equipment.

Grid interactive Wind Power Generation plants of a minimum installed capacity of five MW will be eligible for GBI. The GBI would be available only for projects commissioned i.e. Synchronized to the grid and certified by the concerned utility. It will be also provided only for projects installed at wind potential site validated by Centre for Wind Energy Technology (C-WET). The scheme will be applicable only to those independent power producers, whose capacities are commissioned for sale of power to the grid.

The GBI does not favour to those who set up capacities for captive consumption, third party sale, merchant plants etc. and to those who avail the benefits of depreciation under the Income Tax Act.

The investors, apart from getting the tariff as determined by the respective State Regulatory Commissions would get an incentive of Rs.0.50 per unit of electricity for a period of 10 years provided they do not claim the benefit of accelerated depreciation. The incentive is expected to give a tremendous fillip to the wind sector as a whole and is likely to promote higher efficiency in wind electricity generation

The Ministry of New & Renewable Energy will provide the generation based incentive of Rs.0.50 per unit for a period of ten years to the eligible project promoters through IREDA. The Indian Renewable Energy Development Agency (IREDA) would disburse the GBI to the generators through their designated bank account on a half-year basis through e-payment.

The GBI would induce improvement in quality of wind turbines as well as proper citing and optimal layout of wind farms. The incentive is linked to the actual generation and not commissioning of the plant. It will also improve the standard of Operation & Maintenance of wind farms to improve the generation. Thus it would result in optimal utilization of the wind resource.

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