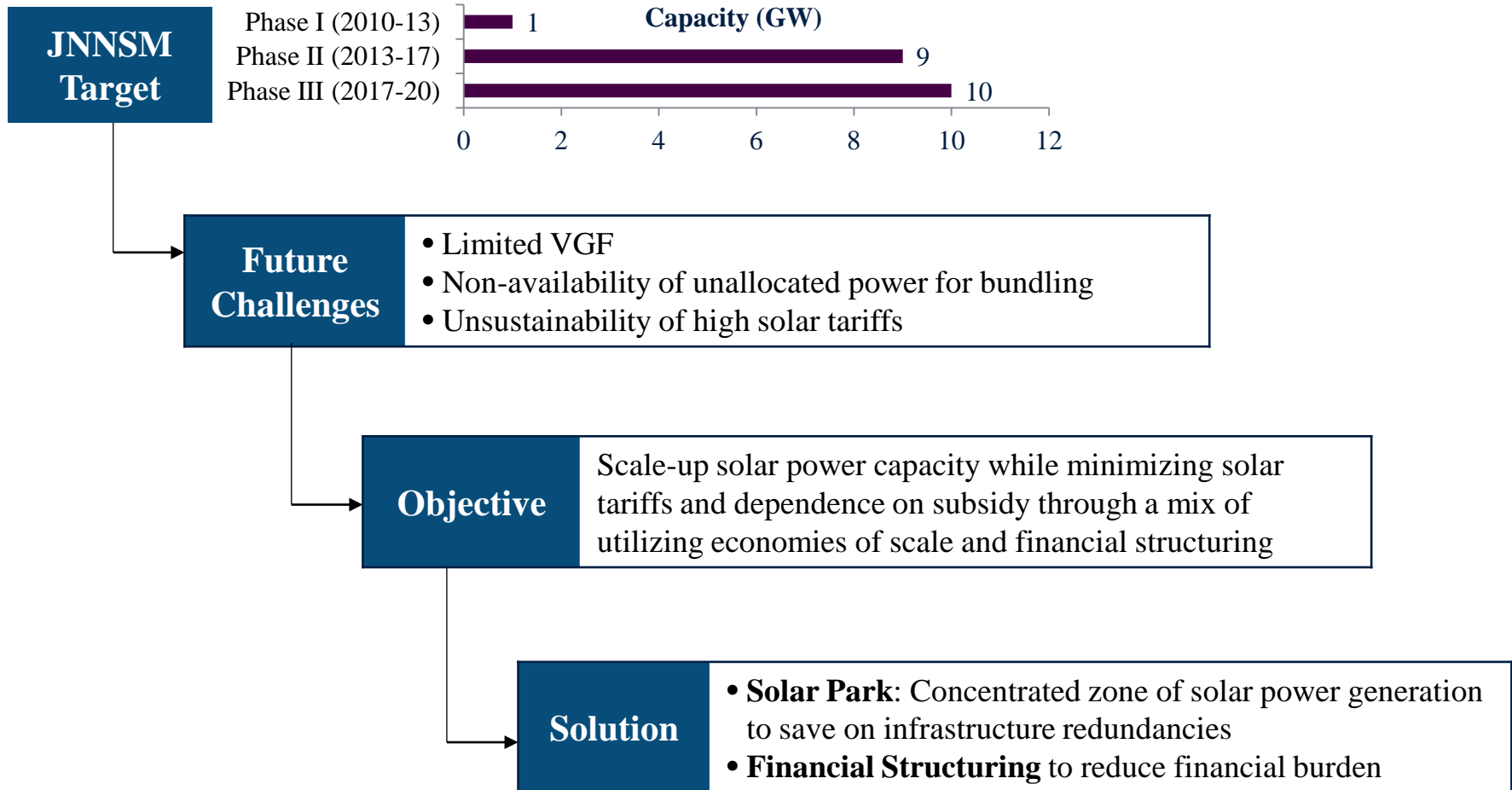


# DRAFT SOLAR PARK POLICY



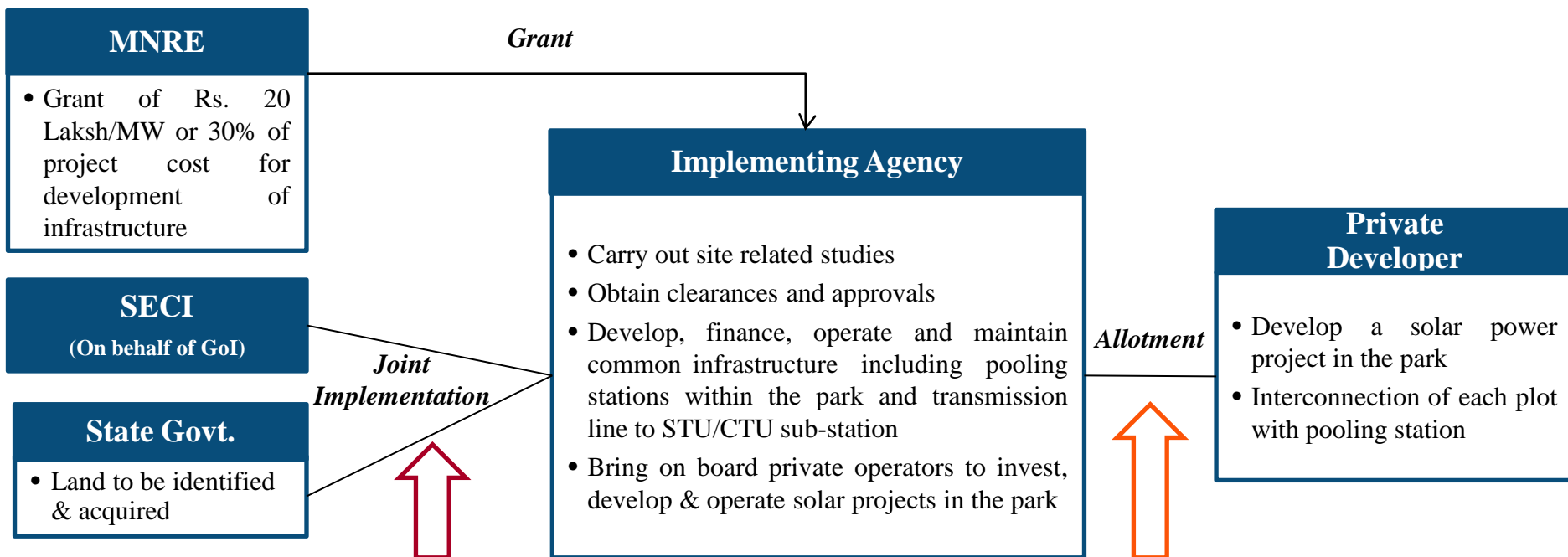
November 1, 2014

# POLICY RATIONALE



# SOLAR PARK POLICY (DRAFT)

- Solar Parks are concentrated zones of solar projects of min 500 MW
- UMPP is a single project of 500 MW which may be part of or an entire solar park



## Joint Implementation Modes

1. State undertakes development & management of park under SECI's guidance
2. SECI undertakes development & management of park on its own
3. SECI & State Govt. JV undertakes development & management of park
4. Any of the three alternatives with private sector owning 49%

## Allotment Process Options

1. Sell or lease the plots to project developers once the infrastructure is developed
2. A one-time registration fee collected from prospective buyers using which the solar park's infrastructure is developed

# TARIFF STRUCTURE & POWER OFF-TAKE

## Tariff Structure

### Single Flat Tariff

- Higher initial period tariff might not be competitive for SECI to sell
- Flat tariff results in reducing revenues because of degradation, even as expenses increase

### Escalating Tariff

- Counter to past tariff trends
- Competitiveness of future higher prices
- At what level should the tariff be capped

## Power Off-take

### Off-taker Risk

- Developers to independently secure PPAs from DISCOMS
- Higher probability of individual projects failing

### Payment Security

- Different developers would end up having varying payment security mechanisms

# MODE OF PARTICIPATION & LAND TRANSFER

## Mode of Participation by Private Sector

### Equity in JV

- Conflict of roles
- Majority share (51%) to SECI & State Government ?
- Board Composition?

### Separate Project SPV

- Role of JV during Construction and O&M to be clearly defined
- Common infrastructure responsibility of IA
- Matching timelines with solar plants
- Sources of Funding – Rs. 20 Lakhs/MW is insufficient

## Land Transfer - Mode & Cost

### Lease

- Impact of stamp duty charges
- Impact on other agreements such as PPA, Lenders' Agreement and Implementation Agreement

### Right of Use

- Consideration to be paid for use?
- Impact on other agreements such as PPA, Lenders' Agreement and Implementation Agreement

# CAPACITY PACKAGING & PHASING

## Single Package

### Private Financing

- Large equity commitment
- Number of bidders likely to participate – single? consortium?
- Financial Closure risks

### Single Phase Implementation

- Equipment supply constraints
- Implementation capability for such a large scale project

### Multiple Phase Implementation

- Sensitive to future price reduction/variation in capex
- Total capacity takes longer time to become operational

## Multiple Packages

### Economies of Scale

- Loss in economies of scale on equipment procurement
- Redundant ancillary infrastructure creation

### Project Control

- Multiple Interfaces – Lower control

### Common Infra Maintenance

- Capacity of the Implementing Agency to maintain the solar park
- Funding sources to meet O&M expenses

# ODISHA SOLAR

- IFC is in discussion with Government of Odisha (GoO) to provide advisory support for the development of a ground mounted solar power project
- Estimated Capacity is more than 50 MW
- Land acquisition risk to be borne by GoO
- Various locations across the state of Odisha are under consideration
- Challenges faced by past solar projects in Odisha
  - Aggressive bidding
  - Difficulty in securing land for the project
  - Inadequate payment security mechanisms

THANK YOU



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