

Implementation of off-grid solar PV project under JNNSM

FAQ

1. What is the Procedure to register as Channel Partner?

There are 5 types of channel partners and they can participate in the programme through the following procedure:

A **RESCO** is a entity which would install, own & operate RE systems and provide energy services to consumers. These entities may tie up with FIs for accessing the financial support under the scheme. These are in fact the only entities which would approach the MNRE on their own. CRISIL is in the process of putting in place a system of accreditation. From September 2010 these entities could approach either CRISIL, CARE or FITCH to have themselves accredited and if they meet the minimum requirements laid down by MNRE they would be in a position to approach the Project Appraisal Committee (PAC) with their proposal for a in principle approval.

The PAC would then provide the entity “ in principle “ approval and allow it to move forward with the implementation. The PAC would also specify that on completing the project, 50% of the funds would be made available automatically and the remaining on completing monitoring.

As far as the **Financial Institutions** as channel partner is concerned, a comprehensive re-finance scheme has already been notified by IREDA. The SPV Division has also floated an EoI, wherein they have received over 80 applications from entities interested in partnering in the bank led scheme. The SPV Division would shortlist the manufacturers region-wise or across the country depending on the strength of their existing after-sales network. The Division will also identify various products after verifying how each of the product is meeting the standards laid down by MNRE, and then along with NABARD, design a pre-approved scheme which will allow RRBs to proceed with the lending for the above identified products and empanelled manufacturers. It is highlighted that the process of empanelling both the manufacturers and products would be an ongoing process in order to make sure that if there are new players who meet the requisite standards can also be appropriately empanelled. This process it is hoped will result in enabling NABARD to announce their pre-approved scheme to all the financial institutions, which have a re-finance agreement with them. IREDA will, after signing the agreement in Mumbai on 25th August, place token funds with NABARD to initiate the implementation of this scheme.

System integrators can approach the PAC, with their project in the formats finalise to seek an ‘in principle’ approval. Since these are entities who would first interact with their market and build a project based on the tentative orders that they have been provided by their clients, the PAC would appraise the project on three basic parameters:-

- (i) The ability of the entity to implement the project in terms of the skill set of their personnel.
- (ii) Details of how parameters of quality would be met as per the standards specified by MNRE.
- (iii) O&M Plan.

System integrators would however need to approach a bank/banks who would be willing to have a three way tie up with their clients, themselves and the bank. The bank/banks would also need to have a re-finance agreement in place with either IREDA, NHB or NABARD. Based on the 'in principle' approval, the bank would be in a position to provide the lending support to the clients that have been identified by the system integrators. It is envisaged that both the capital and interest subsidy would flow to the beneficiaries of the scheme only through the banking channel. Requisite arrangements for providing this flow have already been clearly delineated in the re-finance scheme notified by IREDA.

Financial integrators are entities who need to enter into a tri-partite agreement before coming to MNRE. This tripartite agreement has to be between the manufacturers/service providers, financial integrators and any other financial institutions, which is willing to support this kind of a business model. It is envisaged that the financial integrators would approach the PAC with details of their financial model as well as the product or service that they wish to provide through this financial/business model.

The PAC would appraise the project on the following parameters:

- (i) Details of how parameters of quality would be met as per the standards specified by MNRE.
- (ii) The ability of the entity to implement the project in terms of the skill set of their personnel.
- (iii) O&M Plan.
- (iv) Financial/business models and its viability.

It is expected that the financial integrators would also tie up with a schedule commercial bank in India so that the subsidy both capital and interest can flow through the banking channel and would be covered under the re-finance scheme of IREDA.

In so far as the implementation of the scheme through **programme administrators** is concerned, there is complete clarity in how to move forward. Formats for both SPV and Solar Thermal have also been prepared.

2. How to submit a project proposal?

Formats for submission of proposal are given on the Website of the Ministry. Two sets are required to be submitted to PAC.

3. How the project will be approved?

Once the proposal of the channel partner is received a in- principle approval from PAC will be given within a maximum of 45 days. In case additional information is required PAC will inform within 30 days. After full information is received proposal will be cleared in two weeks.

4. What is the subsidy disbursement mechanism?

The release of funds for the project shall be back ended as reimbursement on completion and verification thereof. However for programme administrators, the release of funds could be front ended, with installments of 70% on sanction and 30% on completion. However, this could be extended to other entities on provision of appropriate sureties. In respect of credit linked capital subsidy and interest subsidy the scheme would be implemented through IREDA, which will be the designated Nodal agency for disbursement of funds.

5. Procedure for accreditation for channel partner/ financial integrator/ systems integrator/RESCO?

As above in (1)

6. Can NGOs directly approach MNRE for implementation of projects?

Only the NGOs who have already been working closely with MNRE can access the scheme directly. Otherwise, the NGOs should collaborate with SNAs.

7. Whether lighting systems to be provided should be certified by SEC or other test centers?

Compliance to standards is mandatory. Certificate from test centres will help in this regard and should be provided to ensure complainace..

8. What is the policy on local content of modules, batteries and other balance of systems in Off grid programme?

The scheme requires the project proponents to strictly adhere to the national/international standards specified by the Ministry from time to time. The Use of imported complete PV systems is not permitted under the scheme. However, use of imported components of a complete PV system is permitted, subject to adequate disclosure and compliance to specified quality norms and standards.

The minimal technical requirements and Quality Standards in respect of the off-grid SPV power plants/ systems are given in Annexure-3 of the scheme for

Solar off-grid applications. These will come into effect from 1st September 2010 to allow sufficient time to the SPV industry to gear up for the same.

9. What are financial limits assigned to channel partners?

The financial limits will get decided based on the ability of the channel partner to deliver the implementation of the project within a period of 1 year. But the PAC would not accept any proposal of value less than Rs One crore or 30 kWp. Less than this amount would need to be aggregated at State level.

10. Whether commercial entities can avail accelerated depreciation?

The commercial entities can claim all the benefits, which are presently available for renewable energy applications, including solar, under the Income tax act and other notifications, subject to fulfillment of the conditions.

11. Whether any channel partner interested only in capital subsidy whom should he approach?

Only accredited channel partner and Programme administrators can access 'only capital 'subsidy. The commercial entities can access either capital subsidy or interest subsidy. They should approach a channel partner to avail subsidy.

12. Whether RESCOs require any permission from Electricity boards to produce power?

Guidelines under the Electricity Act ,2003 and the extant regulations of that particular State will need to be read in conjunction to determine the process for captive power generation.

13. Whether any new technologies invented anywhere can be introduced in the programme?

The Ministry could provide up to 100% CFA for undertaking pilot and demonstration projects through manufacturers and other organizations for demonstrating new and innovative applications of solar systems. The maximum CFA that would be permissible under this provision would be up to Rs 1 crore. The PAC would evaluate the proposal based on parameters like – new applications for solar (not merely using solar as a power source), possibility of reduction of cost of BoS or system design improvement, or a new concept etc.