

**File No. 53/1/2008-WE
Ministry of New and Renewable Energy
Wind Power Division
Block No.14, C.G.O. Complex,
Lodi Road, New Delhi - 110003**

Dated 17.12.2009

To

Head, State Nodal Department /
State Nodal Agencies (SNAs) /
Other concerned Implementing Agencies

Subject: Scheme for Implementation of Generation Based Incentives (GBI) for Grid Interactive Wind Power Projects.

I am directed to convey the approval of the President of India for implementation of Generation Based Incentives (GBI) scheme for Grid Interactive Wind Power Projects with the following details:

1. Objectives:

- (i) To broaden the investor base and create a level playing field between various classes of investors.
- (ii) To incentivise higher efficiencies with the help of a generation/outcome based incentive.
- (iii) To facilitate entry of large independent power producers and foreign direct investors to the wind power sector.

2. Incentive and Duration:

2.1 Under the scheme, a GBI will be provided to wind electricity producers @ Rs. 0.50 per unit of electricity fed into the grid for a period not less than 4 years and a maximum period of 10 years in parallel with accelerated depreciation on a mutually exclusive manner, with a cap of Rs. 62 lakhs per MW. The total disbursement in a year will not exceed one fourth of the maximum limit of the incentive i.e. Rs.15.50 lakhs per MW during the first four years. The scheme will be applicable to a maximum capacity limited to 4000 MW during the remaining period of 11th Plan period. The provision of GBI will continue till the end of 11th Plan period. However, provision of accelerated depreciation in parallel with GBI will continue till the 11th Plan period or introduction of Direct Tax Code, whichever is earlier.

2.2 Detailed Guidelines for implementation arrangements will be issued shortly. GBI would be available for wind turbines commissioned after the issue of this scheme and commissioned on or before 31.3.2012 and would be governed by the Guidelines.

3. Eligibility:

3.1 The GBI scheme would be implemented in parallel with existing fiscal incentive including that of accelerated depreciation, for grid connected wind power projects in a mutually exclusive manner, so that companies can avail either accelerated depreciation or GBI, but not both. Once a Company has opted for one benefit, it cannot change the option later. As GBI promotes higher generation, it is intended that the first claim of beneficiary should be on GBI.

3.2 In case of a company which amalgamates, changes its form or name or transfer assets to another company, the GBI may be released only when the claimant produces a proof that it has intimated the concerned Commissioner of Income Tax of the changed position of ownership and henceforth, the new company will not claim the benefit of accelerated depreciation.

3.3 The GBI will cover grid connected generation from wind power projects set up for sale of electricity to grid at a tariff fixed by SERC and/or State Govt. and also include captive wind power projects, but exclude third party sale, (viz. merchant power plants).

4. Implementation Arrangements:

4.1 The GBI would be implemented through Indian Renewable Energy Development Agency (IREDA). IREDA will also assist the Ministry in organizing business meets, awareness programmes and other related activities, as considered necessary for promotion of the scheme.

4.2 The funds provided in the budget of MNRE will be released upfront as advance to IREDA to ensure timely release and flow of funds to the projects. The existing system followed by various state utilities for data collection/metering and billing on the generation of electricity for the purpose of payment to the power producers with modification, if any as deemed necessary, would be followed as the basis for disbursement of the amount due to the power producer for the new turbine(s) to be set up under the GBI.

4.3 All the wind power producers (whether availing AD or GBI) will be required to register with IREDA. IREDA will give an acknowledgement of the registration, which would become a part of the documents required for claiming the AD. An instruction to this effect will be issued by the Department of Revenue shortly. Through this registration mechanism, the turbine owners will provide the required details of the machines including generation data to the IREDA.

4.4 As the GBI scheme would be applicable only for those wind power producers who do not avail the accelerated depreciation benefit under the Income Tax Act, investors would be required to furnish documentary proof to this effect that no accelerated depreciation has been availed. Apart from other required documents for disbursement, the company will also submit a copy of their Tax returns duly certified by the same Chartered Accountant who conducted statutory audit under section 44AB of Income Tax Act that no accelerated depreciation has been claimed. IREDA will build safeguards into the implementation /disbursement process of the scheme to avoid the misuse of the GBI incentive.

4.5 The IREDA would disburse the GI to the developers through their designated bank account periodically through e-payment.

4.6 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 by State Regulators.

4.7 The mechanism of Unique Identification (UI) number developed by IREDA will have to be followed by all the wind power developers to claim the GBI. This will also be used to monitor the performance of the projects including those availing AD, in respect of quantity of electricity fed to the grid and comparative performance etc.

4.8 IREDA would provide feedback to the Ministry regarding implementation of the scheme and would suggest modification to make the implementation more effective. The Ministry will also obtain feedback from other stakeholders in regular intervals and take steps to modify the modalities of implementation, if required.

5.0 Financial Outlay

5.1 The financial liability during the 11th Plan is estimated to be Rs.380 crore, which would be met by the Ministry from its existing Plan allocation.

6. Evaluation of the Scheme:

6.1 The GBI would be evaluated during the last year of the 11th Plan and if the response of the GBI exceeds the expectations, further up-scaling would be considered based on the evaluation.

7.0 This issues with exercise of delegated powers of the Ministry and with the IFD's concurrence dated 11.12.2009 vide their diary no. IFD-1536/2009.

Yours Faithfully
-sd-
(Dilip Nigam)

Copy to:

1. Cabinet Secretariat, Rashtrapati Bhawan, New Delhi, 110004 – in respect of the Minutes issued by Cabinet Secretariat No.CCI/08/2009 (i) dated 23 Nov. 2009.
2. Principal Director of Audit (Scientific Department), AGCR Building, I.P. Estate, New Delhi-110002.
3. Chief Secretaries of the State Governments/Union Territories.
4. Joint Secretary (TPL), CBDT, Department of Revenue, Ministry of Finance, North Block, New Delhi
5. Chairman & Managing Director, Indian Renewable Energy Development Agency (IREDA), India Habitat Centre, Lodhi Road, New Delhi-110003.
6. The Chairman, Indian Wind Turbine Manufacturers Association, Suite A2, OPG Tower, 74 (old No.133), Santhome High Road, Chennai-600004
7. The Chairman, Central Electricity Regulatory Commission, 3 rd & 4 th Floor, Chanderlok Building, 36, Janpath, New Delhi- 110001
8. Directors/Chief Executive Officer of all SNAs.
9. CMD/Heads of all Utilities.
10. PS to Minister (NRE).
11. Principal Staff Officer to Secretary, MNRE.
12. AS&FA/All Advisers/JS (GS)
13. Adv (KPS)/Director (DN)/Dir (F), SO (Wind)/AO (F).
14. Sanction Folder.

(Dilip Nigam)
Director