

POLICY FOR ENERGY SAVING PROJECTS

1. **Purpose:** To extend finance to energy efficiency projects executed by Energy Service Companies (ESCOs) or by the entities taking energy efficiency measures themselves.

2. **Eligibility:**
 - Energy saving projects for govt./PSUs owned buildings, townships, street lights owned by municipal corporations and other govt. agencies and industrial energy saving projects of PSUs.
 - Energy saving projects for privately owned buildings, townships including street lights and other industrial energy saving projects.
 - ESCO being the applicant should have successfully executed at least one project.

3. **Type of Financing :**
 - Term loan
 - Re-financing / replacing existing high cost term loan.

4. **Appraisal:** The detailed project report (DPR) shall be prepared and submitted by the applicant. The appraisal will focus on entity and project including promoters' technical and financial capabilities, their strengths & weaknesses, assessment of energy audit findings, load survey, assessment of baseline calculations, energy efficiency measures proposed, past experience with such measures, method/structure of execution of energy management system, measurement and verification protocol for establishing savings, payment mechanism, financial modeling, payback period, debt servicing, securities, etc.

The corporation's appraisal will also focus on structuring of Energy Management Service agreement/contract and Payment Security Mechanism.

5. **Extent of assistance:**

State/Central Sector borrowers: Up to 90% of the total cost (*irrespective of project cost*)
Private Sector borrowers:
Where project cost less than Rs.25 crs. - Debt up to 70% of total project cost
Where project cost exceeds Rs.25 crs - Debt - 70% of Rs. 25 crore and 50% of the project cost exceeding Rs. 25 crore

6. **Minimum loan amount:** Minimum loan amount of Rs.1.00crore shall be considered.

7. **Upfront Equity:** The Promoter(s) will bring and invest 100% upfront equity in the Energy Saving Project.

- 8. Interest rate & other charges:** Special rates will be offered to energy saving projects being executed by private/ state/ central sector.

- 9. Financial Charges:** Financial charges such as upfront fee / commitment charges, processing fee, penal interest etc. shall be levied as per PFC policy.

- 10. Moratorium & repayment period:** The maximum repayment period of 5 years shall be allowed with the moratorium of 3 months from the date of commissioning of the project.

- 11. Security:** As per standard policy of PFC as applicable to state/private sector. ESCO to provide bank guarantee to meet any shortfall in Guaranteed energy saving. The Owner to provide guarantee for the payment of guaranteed energy savings and Deemed energy savings, as attributable to the acts of the Owner, to the satisfaction of PFC.

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