

**POWER FINANCE CORPORATION LIMITED**  
**(Business Development Unit)**

**Grid Connected Solar PV Power Generation Projects**

So far non-grid connected and decentralized solar power projects have been given importance in India. The installed capacity of grid connected solar PV power is only 2.12 MW as against the estimated potential of solar energy of around 20 MW per square km area. With a view to develop and demonstrate technical performance of grid interactive solar power generation, the MNRE has launched a demonstration programme to encourage grid quality power generation from megawatt size solar power plants through the generation based incentive and accordingly grid connected solar PV projects would come up.

Keeping in view the enormous potential of solar generation projects, the corporation has framed the policy for financing solar PV power generation Projects.

**1.0 Eligibility criteria**

The entity and project eligibility criteria under Operational Policy statement (OPS) will be applicable for assistance to solar PV power generation projects. The project size from one MW to five MW will be considered. The projects must be approved by MNRE for generation based incentive under its Guidelines issued vide the notification No. 32/61/2007-08/PVSE dated 24<sup>th</sup> January, 2008 for grid interactive solar power generation projects.

**2.0 Types of Financing**

The corporation shall extend financial assistance in the form of term loan.

**3.0 Extent of financing**

The extent of funding applicable for all types of borrowers under this scheme will be restricted to 70% of the project cost.

**4.0 Moratorium and repayment period of loan**

Depending upon the project's cash flows and PPA period, moratorium and repayment period will be fixed on case to case basis. However, the moratorium of six months and repayment period up to eight years from the commissioning date, in equal quarterly installments, will be allowed. Interest shall be paid quarterly by the borrowers on the due date(s) as per the existing policy of the corporation. There will be no moratorium for payment of interest.

## **5.0 Upfront equity**

The promoters from private sector will invest 100% upfront equity. The promoters in the state sector / central sector may invest equity as per the outcome of appraisal.

## **6.0 Mode of disbursement**

The disbursement will be made in line with the existing disbursement procedure of the corporation applicable for project financing.

## **7.0 Appraisal**

The application in the prescribed format will include information relating to technical and performance features including technical specifications, requirement and availability of land, title of the land, capital cost, estimated life of the PV power plant, quantum of electricity expected to be generated and fed to the grid, proposed sale price, duration of power purchase agreement and power purchase rates, incentive from MNRE, arrangements for power evacuation and the time frame for installation / commissioning of the grid connected PV power plant, etc. The detailed feasibility study report / detailed project report (DPR) shall be prepared and submitted along with the application. The assistance shall be based on financial viability / cash-flows of the project. The warranty given by the manufacturer of solar PV equipment(s) will also be considered in the appraisal process. The appraisal process will ensure that tariff for such projects are approved by the state regulator (SERC).

## **8.0 Security**

### **8.1 State/central sector promoter(s)**

- (i) State/Central Govt. guarantee or Charge on Assets
- (ii) Escrow Account/Letter of Credit

### **8.2 Private sector promoter(s)**

- (i) **Primary security**
  - a) Charge on assets
- (ii) **Collateral security**

The requirement of collateral security for covering various risks at different stages of the project would be assessed during appraisal. In addition, a Trust and Retention Account Mechanism or Escrow mechanism through which the cash flows of the project are captured monitored and utilized in a manner decided by PFC during construction as well as operation period.

## **9.0 Interest Rate and other charges**

Interest rate and other charges would be as notified from time to time. However, to promote the Grid connected solar PV power generation projects under MNRE scheme, the loan assistance is being offered at very attractive rate of interest.

## **10.0 Other conditions**

- i The loan would be sanctioned under this scheme to the entities who have given / would be giving PFC a business of at least Rs . 1000 Crore in a financial year. However, The State / Central sector entities engaged solely in promotion and development of renewable energy projects, State distribution utilities and all private sector entities would be exempted from the above condition.
- ii Projects up to 10 MW per State as covered and approved under MNRE's guidelines for Generation based incentive scheme will be considered for financial assistance on first come first basis.
- iii Any solar PV project not covered under MNRE guidelines for Generation based incentive scheme for solar PV project may be considered for financial assistance, subject to it being viable and bankable.
- iv The solar thermal power generation projects as covered and approved under MNRE Generation based incentive guidelines will also be covered under this policy.

**Note : For any clarification and information please contact Additional General Manager, Business Development Unit.**

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