

New and Renewable Energy Department
Vallabh Bhavan, Bhopal

**English Translation of Policy for Implementation of Biomass based Electricity
(Power) Projects in Madhya Pradesh, 2011 (As Amended on 21st February
2013 & 24 August 2015)**

**(Notified in Gazette in Hindi vide notification 460 dated 12th October 2011 &
notification 688, dated 24 August 2015)**

1. Preamble:—

- 1.1. Government Madhya Pradesh (GoMP), with the aim of promoting setting up of renewable energy-based power plants, has issued policies for various energy sources to encourage investors/developers. (GoMP) issued a policy in the year 2006 for promoting power generation through new and renewable energy sources in the State. In policy-2006, provisions were made for establishing biomass-based power projects in Madhya Pradesh as well as giving incentives for the same.
- 1.2. Considering the large potential of biomass based energy available in Madhya Pradesh need has been felt for preparing a new policy for implementation of biomass based power projects for investors/developers.
- 1.3. This policy shall be called as “Madhya Pradesh Biomass based Electricity (Power) Project Implementation Policy, 2011.”

2. Criteria for Registration:—

- 2.1. Project Allotment Process- Allotment of new projects shall be done by department by inviting applications time to time, keeping the area of 25 KM radius reserved for the project sites registered with the department. Allotment of project will be made for the particular site on the basis of maximum free energy per MW offered to (GoMP) by the developer.

Clause-2(A-1) - Public Sector Institutions shall any time apply for allotment of projects on Government land. There will be no upper limit towards capacity of a project. Land use permission shall be provided free of cost for the projects in case of anytime application for allotment of a project. In these projects Government of MP shall have its stake equal to the cost of land calculated as per policy of New and Renewable Energy Department, on the following options. The right of selection of option shall vest with the concerned Public Institution.

- i- The Public Sector Institutions can establish the project by forming a Joint Venture Company or, under Joint Ownership Agreement with M P Urja Vikas Nigam Limited. For the projects be established under this mode, the cost of land calculated as per policy of New and Renewable Energy Department shall be adjusted as equity amount Of M P Urja Vikas Nigam Limited under Joint Venture Company or, under Joint Ownership Agreement.
- ii- In case Public Sector Institutions establish the project by their own, the cost of proportionate energy, calculated as ratio of cost of land calculated as per policy of New and Renewable Energy Department and the standard project cost to the ratio of total energy generated from the project shall be given to M P Urja Vikas Nigam Limited. The value for this energy shall be calculated at the rate decided by the concerned Regulatory Commission.

Clause-2(A-2) As per policies of New & Renewable Energy Department , M.P Urja Vikas Nigam Ltd. shall deposit the amount payable towards the cost of land to State Government within the prescribed time limit. If the amount is deposited after the prescribed time limit, then amount to be deposited, shall be calculated on the basis of Net Present Value.

- 2.2. Maximum Capacity of any project shall not exceed 15 MW.
- 2.3. If the availability of biomass is reduced than the required then for continuous and smooth operation of plant the developers shall be allowed to use 15 percent conventional fuel (other than firewood) on the basis of declared rated heat rate.
- 2.4. Developer/Promoter shall have to follow the guidelines issued by Ministry of New and Renewable Energy, Government of India, New Delhi and relevant guidelines/regulations issued time to time by the (GoMP).
- 2.5. The developer will be free for captive use of the electricity generated, within the state / sale to third party consumer within the state or sale to state owned power trading company. The eligibility for third party sale will be as per the related provisions of Electricity Act-2003 and the Orders/Regulations issued by M P Electricity Regulatory Commission from time to time. The developer can also sale the electricity generated under REC Mechanism. The first right of purchase of electricity, generated from the project established on government land, shall be of state owned power trading company.
- 2.6. In view to ensure forest protection, the proposed biomass-based plant shall be established at a distance of minimum 2 kilometres or more from the periphery of reserved and protected forests of the State.
- 2.7. In view to forest conservation, any block/region of the State where forest cover is more than a specified limit, shall be declared restricted

for setting up of biomass-based power plants. Notification of this effect shall be issued within a month of this policy becoming operative. This restriction shall not be applicable to the projects which were registered prior to coming in force of this policy.

3. Process for Registration

- 3.1.1 The projects registered and approved, under Energy Policy-2006 shall be migrated in this policy.
- 3.1.2 The developers shall have to commission the projects, approved under Energy Policy-2006, within 12 months from the date of migration. The developers of other registered projects shall have to submit the Detailed Project Report within 3 months and shall have to commission the project within 18 months from date of migration.
- 3.1.3 The migrated projects shall have to deposit the performance guarantee as per the clause no. 4.3 of the policy.
- 3.2. The issue related to the applications pending for allotment of projects prior to issue of this policy shall be resolved by participation of such developers in Application Invitation Process for registration of project by the department. These developers shall be informed as possible, during Application Invitation Process.
- 3.4 The applicant shall submit the following documents for registration—
 - i. Application in prescribed format.
 - ii. Memorandum of Articles of Association of Company/Certified copy of Bye-laws of Registered Society.
 - iii. Certified copy of Partnership deed (if applicable).
 - iv. Copy of Accounts (Balance sheet) of last three years.
 - v. Pre- feasibility report.
- 3.5 If the project is found eligible than demand letter to deposit the registration fees shall be issued within 15 days and the selected applicant have to deposit registration fees at the rate Rs. One lakh per Megawatt within 15 days to register the project. This registration fees shall non refundable.
- 3.6 In case the registration fee is not deposited within the prescribed time limit (15 days) than the application shall be cancelled and new developer shall be selected as per Clause 3 for the respective project capacity.

4. Process after the Registration

- 4.1. Developer shall present the following documents for approval within the prescribed time-limit (three months)—
 - i. Detail Project Report
 - ii. Biomass assessment Report

- iii. Land related documents (site identified for the project)
- iv. C.P.M./Pert Chart (for implementation of proposed project)
- v. Water allocation order on the basis of water availability at project site and map indicating grid status.
- vi. Affidavit to follow the Policy of State government issued by Madhya Pradesh Electricity Regulatory Commission and guidelines/notifications issued by competent authorities, from time to time, that applies to the Biomass based power projects.
- vii. In principle consent of grid connectivity for power evacuation from local electricity Transmission/Distribution Company.
- viii. Required Performance Guarantee as per the Clause 4.3 of this Policy.
- ix. Certificate from Divisional Forest Officer verifying that the plant is at minimum distance of 2 kilometres from the range of nearest protected/reserved forest.
- x. If the project is located in urban/rural area than No Objection Certificate of the concerned municipal body/gram panchayat.

4.2. **Extension in time limit**— As mentioned in Clause 4.1 of this policy, if there is delay in expected activities and this delay is beyond developer's control then after resolving the reason of delay (as per the specific circumstances of the case) time limit may be extended in two blocks, each of 2 months.

4.3. **Performance Guarantee**—

To ensure the commitment towards the commissioning of the project, developer shall have deposit the performance guarantee of the amount equal to 1% of the total project cost. Performance guarantee shall be deposited in two stages. The developer shall have to deposit in first stage, the performance guarantee at the rate of Rs 1 lakh per MW within one month time from project allotment and in second stage, the performance guarantee of balance amount at the time of submission of DPR. The validity of performance guarantee will be for 30 months.

- (1) After evaluating the achievements of project milestone as per the specified time lines performance guarantee shall be released at different stages according to the Clause 6.1 of this policy.
- (2) If developer fails to achieve progress in accordance with the time-bound activities and the project is cancelled as per the provisions mentioned in Clause 7 of this policy then the remaining performance guarantee shall be forfeited and shall be in-cashed as penalty. Selection of new developer for these cancelled project locations shall be carried out as per the project allotment process of this policy.

5. Approval of the Project:—

After examining the proposal received as per the clause 4.1 if the proposal is found appropriate then it shall be approved within one month time.

6. Activities after approval:—

6.1. Commissioning of the project shall be done within the stipulated time limit of 24 months from the date of approval. Monitoring of the progress achieved by developer shall be done on following basis—

Internal Benchmarks of Biomass based Power Project and its time limits

S. No.	Benchmark	Time limit (from 0 days)	Release of Performance Guarantee (%)
1	Date of issuance of administrative approval	0 day	--
2	Land's ownership/possession /Diversion Information	3 months	25 %
3	Allotment— <ul style="list-style-type: none">•Consent of Pollution Control Board for project installation•Power Purchasing Agreement /Power Sale Arrangements•Financial Closure	8 months	25 %
4	Appointment of E.P.C. (Erection, Procurement and Commissioning) Contractor	10 months	--
5	Certificate of 50% completion of Physical and Financial progress of the total project	18 months	--
6	Commissioning— <ul style="list-style-type: none">•Commercial Operation Date	24 months	50 %

6.2. Developer shall obtain the in principle consent from power Distribution/Transmission company for grid connectivity for power evacuation prior to approval of the project (in accordance with Clause 5). Power Distribution/ Transmission Company shall provide consent on the basis of agreement by developer to deposit estimated amount for power evacuation. This permission shall subject to the provisions of Electricity Supply Code issued by Madhya Pradesh Electricity Regulatory Commission, Grid Code and other related regulations. The developer shall incorporate the estimated amount of the concerned

Power Distribution/ Transmission Company in the detail project report (D.P.R.).

7.Monthly Progress Report and Project Cancellation:—

- 7.1. The developer shall have to submit monthly progress report in the prescribed format along with the supporting documents, from the date of registration to the date of commercial operation (Date of Commissioning).
- 7.2. The status of project- progress shall be reviewed with the time limits and benchmarks of this policy. Explanation for any delay or failure in this regard shall be obtained. In case the explanation is not found satisfactory then the project shall be cancelled.

8.Increase in time limits under special circumstances:—

Under special and exceptional circumstances the time limit of 24 months as mentioned in Clause 6.1 may be extended reasonably by the State government.

9.Tariff:—

Developer may sell the power generated to the Third Party or M P Electricity Trading Company/Distribution Company. Madhya Pradesh Trading Company/Distribution Company may purchase the biomass power generated from the project on the prevailing rate as declared in the tariff order issued by the Madhya Pradesh Electricity Regulatory Commission or as per the State's Policy for power purchase. In case of Third party sale there shall be freedom for sale at the mutual agreed rate. The orders of Madhya Pradesh Regulatory Commission shall be applicable in this regard.

10. Development of Infrastructure

Developer shall arrange separately for ABT (Ability Based Tariff) metering on his own expenses for which suitable meter and metering equipments, on injection and drawl points, shall be installed as per the provisions mentioned in Clause 16 of "Terms and Conditions of Intra State Open Access in Madhya Pradesh Regulations, 2005" issued by Madhya Pradesh Electricity Regulatory Commission. Developer shall have to follow the Transmission Metering Code (Part 5, Section 16) of Madhya Pradesh Electricity Grid Code issued by Madhya Pradesh Electricity Regulatory Commission and related Regulations issued by Central Electricity Authority (C.E.A.) for setting up and operation of meters.

11. Facilities and Incentives:—

11.1. **Electricity Duty and CESS exemption** —All the Biomass-based Power Generating projects (including Captive) shall be entitled for exemption from Electricity duty and CESS for a period of 10 years from the date of commissioning of the project.

11.2. **Wheeling Charges**— As per the wheeling charges determined by Madhya Pradesh Electricity Regulatory Commission, the Biomass-based Power Projects shall be provided the wheeling facilities by M.P. Power Transmission Company.

Subsidy of 4 % shall be provided by the State government on above wheeling charges, for a period of 10 years from the date of commissioning of project. The balance amount of wheeling charges after subsidy shall be borne by the project developer.

11.3. **Contract demand reduction**—The Industrial units, which are the consumer of Madhya Pradesh State Electricity Board/Subsequent Company, install Biomass-based Power Plants for Captive use or purchase power generated from biomass sources as third party, shall be provided the facility of reduction in contract demand.

11.4. **Third Party Sale**— Eligibility for Third party sale shall be in accordance with the related provisions of Electricity Act, 2003 and orders/regulations issued, from time to time by Madhya Pradesh Electricity Regulatory Commission in this regard.

11.5. **Status of Industry**— Projects implemented under this policy shall receive the status of industry and shall be eligible for all the incentives provided under “Industrial Promotion Policy” of State government as amended from time to time. If there is any contradiction between the provisions of Industrial Promotion Policy of the State and the Biomass Incentive Policy then the provisions of Biomass Incentive Policy of the State shall be applicable.

11.6. If the required quantity of water is available, then the developer shall be permitted to use water at the prevailing rates of Narmada Valley Development Authority/Water Resources Department or at the rates determined by the State Government.

11.7. **Land Allotment**—

11.7.1 Terms and Conditions applicable for Government revenue land allotment— The terms and conditions laid down in the circular No. F-16-14/2013/Seven/Gov.2A , dated 30-05-2013 issued by Revenue Department of Madhya Pradesh Government shall be applicable for government revenue land allotment and for permission to use the land.

11.7.2 For just utilisation of the land, maximum 2 acres of land per megawatt may be used for establishment of biomass-based power generating plants.

11.7.3 If the Government revenue land has been recorded as forest of small-big trees in Revenue records or defined as a forest land under the provisions mentioned in the Circular of Revenue department dated 18-01-1997 then the applicant shall obtain permission for the project under the provisions of Forest Conservation Act, 1980 through the competent officer of Forest Department.

11.7.4 Exemption on Stamp duty on purchase of private land— Developer shall be eligible for 50 % exemption on stamp duty on purchase private land for the project. If the project is not installed on this land then the exemption shall be taken back and actions for recovery shall be taken as per the Notification No. 70 B-4-08-2-V, date 21-08-2008.

11.7.5 Use of non-forest wastelands for biomass production— The revenue department as per the provisions of State Government's Policy for allotment of non-forest wastelands, shall make available Non-forest wastelands for biomass production subject to availability. Such land shall be given for use on the following terms –

1. The maximum area of land for the project will be 100 acres per MW and land will be made available for maximum 5 MW capacity.
2. If the developer does not use the conventional fuel as permitted under provision of clause no.2.3 and the project is completely based on biomass then for biomass production the additional 50 acres per MW of land shall made available for use.
3. The state owned power trading company shall have the first right of purchase of electricity, generated from these projects.

11.7.6 The prime lending institution shall have the right to substitute the developer for land use permission during the loan period.

11.8. C.D.M. Benefits— Developers/Investors of biomass-based power projects shall receive the carbon credit benefits as per the guide lines of M.P. Electricity Regulatory Commission.

- 11.9** The equipments purchased before commissioning of biomass-based power projects shall be exempted from Entry tax.
- 11.10 Transfer of Project—** The developer shall require the approval from the Department for transfer of the project prior to commissioning, to another developer/investor. As per the Clause 3.7 of this policy, an additional amount of Rs. One Lakh per Megawatt shall have to be paid as transfer fee for the transfer of the project, which shall not be refunded.
- 11.11** Provisions regarding other facilities/incentives, which are specified by M.P. Electricity Regulatory Commission about Open Access, Reactive Power, Metering and Renewable Energy Purchase Obligation (R.P.O.) shall be applicable.

12 Other Facilities:—

- 12.1 The cases for addressing the difficulties in smooth implementation of project and to resolve interdepartmental coordination issues can be presented before the Project Clearance and Implementation Board (PCIB) constituted under the chairmanship of Chief Secretary.
- 12.2 Once the commissioning of the project is done, the developer of biomass-based power project shall have to submit following details in hard copy and soft copy (online)—
- A. Monthly**
- i. Monthly Data of electricity generated certified by the concerned Distribution/Transmission Company.
 - ii. Details of the actual fuel used during the month (including biomass, conventional fuel, its quantity and payment cost/price)
- B. Yearly**
- Developer shall present the certificate of the details of monthly fuel used, verified and certified by Chartered Accountant. Every year in the month of September details of the last financial year must be presented necessarily.
- 12.3 Notwithstanding anything incorporated in this policy, the provisions of the Electricity Act, 2003 and the orders of Madhya Pradesh Electricity Regulatory Commission issued from time to time, shall be applicable (valid) for the implementation of this policy.
- 12.4 For implementation of Biomass-based power projects in Madhya Pradesh, this Policy shall become effective from the date of publication of notification in State Gazette.

**TERMS AND CONDITIONS FOR PURCHASE OF POWER UNDER R.E.C. MECHANISM BY M.P.
POWER MANAGEMENT CO. LTD**

1. Within the provisions of State Government policies for purchase of electricity from non-conventional energy from developers, the total or balance energy (left balance after third party sale or captive use) generated from such projects shall be purchased under REC mechanism on APPC rate.
2. M P Power Management Company (MPPCL) shall enter into Power Purchase Agreement for purchase of energy under REC mechanism.
3. The following conditions are to be included in Power Purchase Agreement-
 - 3.1 Developer has to submit performance guarantee at the rate of Rs.7.5 lakh per MW at the time of execution of power purchase agreement, which will be in form of irrevocable bank guarantee and will be released after 3 months from Commercial Operation Date (COD). If commercial production is delayed from scheduled date then M P Power Management Company will impose penalty on daily basis. The performance guarantee payable to department of New and Renewable Energy as per their policy will not be payable in this case.
 - 3.2 During the agreement period Complete or part of the capacity for which the agreement is executed will not be sold to any party by developer without prior consent from M P Power Management Company Ltd.(MPPMCL). On doing so, this will be treated as violation of Power Purchase Agreement and State Government will have right to withdraw incentives (including land) made available under Policy of New and Renewable Energy Department for setting up of the projects.
 - 3.3 In condition of sale of total or part of power to third party by developer, with consent from MPPCL, developer shall have to pay MPPMCL, for the energy sold, at half rate of difference of third party sale rate and prevailing APPC rate of MPPMCL for that year, on monthly basis.

Note: - For the purpose of interpretation of the provisions, the Hindi version of this Policy shall prevail.