GOVERNMENT OF INDIA
MINISTRY OF NEW AND RENEWABLE ENERGY
LOK SABHA
STARRED QUESTION NO-300
TO BE ANSWERED ON-15.03.2018

RENEWABLE ENERGY PROJECTS

300. DR. P. VENUGOPAL:

Will the Minister of NEW AND RENEWABLE ENERGY be pleased to state:-

(a) whether the Government has proposed Internal Rate of Return (IRR) of major renewable energy projects to be in the range of 9-11 per cent and if so, the details thereof;

(b) whether the assumptions are based on zero Government incentives, reflecting return rate in a zero subsidy scenario and if so, details thereof;

(c) whether the small hydro plants are seem to fetch IRR between 9 and 10 per cent and if so, the details thereof; and

(d) whether the estimates are based on the assumption of 10.5 per cent of cost of debt and 34.61 per cent income tax rate for all types of renewable projects and if so, the details thereof?

ANSWER
THE MINISTER OF STATE FOR NEW & RENEWABLE ENERGY AND POWER (I/C)
(SHRI R.K. SINGH)

(a) to (d) A statement is laid on the Table of the House.

*****

STATEMENT

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION No. 300 for ANSWER ON 15/3/2018

(a) The Government has not proposed any Internal Rate of Return (IRR) for renewable energy projects. IRR is kept in mind by the Regulators [Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs)] while determining / approving different tariffs. Also, IRR is one of the factors considered by the financial institutions while processing application for loan. IRR varies from project to project depending upon cost of project and revenue stream.

(b) Financial Institutions carry out evaluation of project's IRR after considering the Government subsidies and incentives such as VGF, etc., which may vary from scheme to scheme.

(c) The Detailed Project Reports submitted by the Small Hydro Projects (SHP) developers to the financing institutions/ banks usually show IRR in range of 12-15% depending upon their location and rate of power proposed to be purchased by utilities. However, cost and time overrun of SHP projects may adversely affect its IRR.

(d) Prevailing rate of interest on debt and applicable income tax rate is considered at the time of appraisal of project by the financial Institutions/ Banks.