GOVERNMENT OF INDIA
MINISTRY OF POWER

LOK SABHA
UNSTARRED QUESTION NO.3278
ANSWERED ON 20.03.2025

HYDRO POWER PROJECTS

3278. SHRI ARUN BHARTI:

Will the Minister of POWER
be pleased to state:

(a) the initiatives undertaken by the Government to declare large hydropower projects as renewable energy sources;

(b) the provisions of Hydro Renewable Energy Consumption Obligation for the designated consumers;

(c) the measures implemented to rationalize tariffs for hydropower projects and their impact on electricity prices;

(d) the quantum of budgetary support provided for flood moderation and storage hydroelectric projects; and

(e) the progress made in developing the enabling infrastructure like roads, bridges, and transmission lines for harnessing hydro potential?

A N S W E R

THE MINISTER OF STATE IN THE MINISTRY OF POWER

(SHRI SHRIPAD NAIK)

(a) : The Government of India vide OM dated 08.03.2019 (Annexure-I) issued measures to promote hydropower sector which, inter-alia, included declaring Large Hydropower Projects (capacity more than 25 MW) as Renewable Energy source.

(b) : Ministry of Power vide Gazette Notification dated 20.10.2023 (Annexure-II) has specified the minimum renewable energy consumption targets for different designated consumers viz. electricity distribution licensees, open access consumers and captive users to promote consumption of non-fossil energy sources.

(c) : The Government of India vide OM dated 08.03.2019 (Annexure-I) issued measures to promote hydropower sector which, inter-alia, included tariff rationalization measures viz. providing flexibility to the developers to determine tariff by back loading of tariff after increasing project life to 40 years, increasing debt repayment period to 18 years and introducing escalating tariff of 2%. Also, Central Electricity Regulatory Commission vide Tariff Regulations, 2024 has taken specific measures to rationalise hydropower tariff viz. recovery of depreciation extended till first 15 years of the useful life and remaining depreciable value to be spread over the balance useful life besides allowing hydro

generating stations to charge depreciation lower than rates specified in Tariff Regulations, 2024 to enable reduced front loading of tariff, incentives for efficiency, optimized Return on Equity (RoE) of 17% for new storage / pondage projects etc. The details of these measures are in Annexure-III.

(d) : Cabinet Committee on Economic Affairs (CCEA) on 27.02.2023 has sanctioned an amount of ₹6159.40 crore towards flood moderation component of Dibang Multi Purpose Project (MPP) to be reimbursed on quarterly basis to NHPC. The quantum of budgetary support provided by Ministry of Power for flood moderation and storage hydroelectric projects is as under:

Sl. No.	Name of the project &Installed Capacity	Project Developer	State	Grant released by Ministry of Power till date (₹ in crore)
1.	Dibang MPP (2880 MW)	NHPC	Arunachal Pradesh	546.86

(e) : Ministry of Power, vide O.M. dated 28.09.2021 has issued guidelines for providing budgetary support towards cost of enabling infrastructure for construction of roads / bridges. The ambit of budgetary support for the cost of enabling infrastructure has been widened vide O.M. dated 30.09.2024 by including the cost incurred for construction of transmission line from powerhouse to the nearest pooling point (including upgradation of pooling sub-stations of State or Central Transmission Utility), ropeways, railway sidings and communication infrastructure.

The budgetary support is in the form of 'reimbursement' after achievement of 25% financial progress w.r.t. approved/original project cost. The amount released by Ministry of Power for construction of roads / bridges for hydroelectric projects is given below:

Sl. No.	Name of the project &Installed Capacity	Project Developer	State	Grant released by Ministry of Power till date (₹ in crore)
1.	Luhri Stage-I HEP (210 MW)	SJVNL	Himachal Pradesh	42.75
2.	Dhaulasidh HEP (66 MW)	SJVNL	Himachal Pradesh	6.38
			Total	49.13

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ANNEXURE-I

ANNEXURE REFERRED IN REPLY TO PARTS (a) & (c) OF UNSTARRED QUESTION NO. 3278 ANSWERED IN THE LOK SABHA ON 20.03.2025

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F.No.15/2/2016-H-I (Pt.)
Government of India
Ministry of Power

Shram Shakti Bhawan, Rafi Marg
New Delhi, dated the 8th March, 2019

OFFICE MEMORANDUM

Subject: MEASURES TO PROMOTE HYDRO POWER SECTOR

In reference to communication received from Cabinet Secretariat vide D.O. No. 11/CM/2019(iii) dated 7.3.2019, the undersigned is directed to inform that the Government has approved the following measures to promote hydropower sector:-

2. **Declaring LHPs (> 25 MW projects) as Renewable Energy source:**

2.1 Large Hydropower Projects (LHPs, i.e. > 25 MW projects) are declared as Renewable Energy source. However, LHPs would not automatically be eligible for any differential treatment for statutory clearances such as Forest Clearance, environmental clearance, NBWL clearance, related Cumulative Impact Assessment & carrying Capacity study, etc., available to Small Hydropower Projects (SHPs), i.e., projects of capacity up to 25 MW. Ministry of Power shall continue to be the administrative Ministry for LHPs.

3. **Hydro Purchase Obligation (HPO) as a separate entity within Non – solar Renewable Purchase Obligation (RPO):**

3.1 Hydropower Purchase Obligation (HPO) is notified as a separate entity within Non - Solar Renewable Purchase Obligation (RPO). The HPO shall cover all LHPs commissioned after issue of this Office Memorandum as well as the untied capacity (i.e., without PPA) of the commissioned projects. This HPO will be within the existing Non-Solar RPO after increasing the percentage assigned for it so that existing Non-Solar RPO for other renewable sources remains unaffected by the introduction of HPO. The trajectory of annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.

4. **Tariff rationalisation measures for bringing down hydropower tariff:**

4.1 Tariff rationalisation measures including providing flexibility to the developers to determine tariff by back loading of tariff after increasing project life to 40 years, increasing debt repayment period to 18 years and introducing escalating tariff of 2%.

4.2 The levellized tariff over the useful life of the project may be calculated on the basis of the norms specified in the CERC regulations and thereafter, the determination of year wise tariff, for a long term PPA for procurement of Hydro Power for a period of not less than specified years (depending upon the repayment plan for the debt raised by the generator such that major part of the loan is repaid during the tenure of such PPA), may be left to the Developer and DISCOMs as per their feasibility and depending upon the terms of repayment of loan negotiated with the lenders subject to-

(a) submission of such complete calculations with assumptions to be provided by the generator of hydro power at the time of filing of the application; and
(b) upfront approval by the appropriate Regulatory Commission.

5. **Budgetary Support for Flood Moderation/ Storage Hydro Electric Projects (HEPs):**

5.1 In-principle approval is accorded for providing budgetary support through the budgetary grant of Ministry of Power for Flood Moderation component for Storage HEPs to be set up in future. The value of flood moderation component will be worked by technical agencies, viz., CWC, etc. in accordance with the guidelines. The amount required for flood moderation/ storage costs shall be released, through MoP budgetary provisions after appraisal of each project, on a case to case basis, by Public Investment Board (PIB)/ Cabinet Committee on Economic Affairs (CCEA) as per due process.

6. **Budgetary Support to Cost of Enabling Infrastructure, i.e., roads/ bridges:**

6.1 In-principle approval is accorded for providing budgetary support through the budgetary grant of Ministry of Power for funding enabling infrastructure for hydropower projects i.e. roads / bridges. This support shall be applicable for projects starting construction after notification of this Office Memorandum. This budgetary support would be provided after appraisal/ approval of each project by PIB/ CCEA as per the extant rules/ due process. The limit of this grant for such roads and bridges would be as follows:

a) Rs. 1.5 crore per MW for projects upto 200 MW,
b) Rs. 1.0 crore per MW for projects above 200 MW.

7. This issues with the approval of the Competent Authority.

S. Benjamin

(S Benjamin)
Under Secretary to the Govt of India
Telefax: 23324357
Email: ben.gangte@nic.in

1. The Chairman, All State Electricity Boards / State Power Utilities
2. The Chairman, Central Electricity Authority, New Delhi.
3. The Principal Secretary / Commissioner (Power), All State Government and U.T.s
4. The CMDs of all PSUs under the administrative control of Ministry of Power
5. Chairperson, CERC
6. Chairpersons of all SERCs

Copy to:

1. Secretary, Department of Economic Affairs, Ministry of Finance
2. Secretary, Department of Expenditure Ministry of Finance
3. Secretary, Department of Financial Services, Ministry of Finance
4. Secretary, Department of Revenue, Ministry of Finance
5. Secretary, MNRE
6. Secretary, MoEF
7. Secretary, DoNER
8. CEO, NITI Aayog
9. Secretary, MoWR
10. Chairperson, CWC

Copy also for kind information to:

1. Director, Cabinet Secretariat, Rashtrapati Bhawan, New Delhi w.r.t D.O. No. 11/CM/2019(iii) dated 07.03.2019
2. Director, PMO, South Block, New Delhi.
3. All Joint Secretaries/ FA /EA of the Ministry of Power, Shram Shakti Bhawan, New Delhi.
4. All Director, Ministry of Power, Shram Shakti Bhawan, New Delhi.
5. Director (Tech.) NIC cell, MoP with the request to upload on the website of Ministry.

Copy to:

1. Chief Engineer (R&R) Ministry of Power, Shram Shakti Bhawan, New Delhi- with a request to issue appropriate directions to CERC/SERCs per Section 107 of the Electricity Act-2003 to incorporate above tariff rationalization measure as mentioned at Para 3.1, 4, 4.1 & 4.2 above in the Tariff Regulations and also for appropriate changes for other Paras above.

2. Chairperson, CEA- with a request to take necessary action to implement the above decisions.

ANNEXURE REFERRED IN REPLY TO PART (b) OF UNSTARRED QUESTION NO. 3278 ANSWERED IN THE LOK SABHA ON 20.03.2025

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रजिस्ट्री सं. डी.एल.- 33004/99 REGD. No. D. L.-33004/99

भारत का राजपत्र
The Gazette of India

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असाधारण
EXTRAORDINARY

भाग II—खण्ड 3—उप-खण्ड (ii)
PART II—Section 3—Sub-section (ii)

प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

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No. 4438] NEW DELHI, FRIDAY, OCTOBER 20, 2023/ASVINA 28, 1945

विद्युत मंत्रालय

अधिसूचना

नई दिल्ली, 20 अक्तूबर, 2023

का.आ. 4617(अ).—केन्द्रीय सरकार, ऊर्जा संरक्षण अधिनियम, 2001 (2001 का 52) की धारा 14 के खंड (ढ) और (भ) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए ऊर्जा दक्षता ब्यूरो के परामर्श से, ऊर्जा या फीडस्टॉक के रूप में अभिहित उपभोक्ताओं द्वारा गैर-जीवाश्म स्रोतों (नवीकरणीय ऊर्जा) के उपभोग का न्यूनतम हिस्सा तथा अनुज्ञप्तिधारी विद्युत वितरण के संबंध में विभिन्न अभिहित उपभोक्ताओं के लिए गैर-जीवाश्म स्रोतों के विभिन्न प्रकारों के उपभोग का भिन्न हिस्सा और अन्य अभिहित उपभोक्ता जैसे निर्बाध पहुंच वाले उपभोक्ता या आबद्ध उपयोगकर्ता जो उसके विस्तार तक अनुज्ञप्तिधारी वितरण से भिन्न अन्य स्रोतों से बिजली का उपभोग करते हैं, निम्न सारणी उनकी कुल इंगित ऊर्जा उपभोग के हिस्से के प्रतिशत को, विनिर्दिष्ट करती है

सारणी

क्र .सं.	वर्ष	पवन नवीकरणीय ऊर्जा	जल नवीकरणीय ऊर्जा	वितरित नवीकरणीय ऊर्जा*	अन्य नवीकरणीय ऊर्जा	कुल नवीकरणीय ऊर्जा
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2024-25	0.67%	0.38%	1.50%	27.35%	**29.91%**
2.	2025-26	1.45%	1.22%	2.10%	28.24%	**33.01%**
3.	2026-27	1.97%	1.34%	2.70%	29.94%	**35.95%**

4.	2027-28	2.45%	1.42%	3.30%	31.64%	**38.81%**
5.	2028-29	2.95%	1.42%	3.90%	33.10%	**41.36%**
6.	2029-30	3.48%	1.33%	4.50%	34.02%	**43.33%**

टिप्पण 1: * पहाड़ी और पूर्वोत्तर राज्यों/संघ राज्य क्षेत्रों, अर्थात् अरुणाचल प्रदेश, असम, मणिपुर, मेघालय, मिजोरम, नागालैंड, सिक्किम, त्रिपुरा, जम्मू-कश्मीर, लद्दाख, हिमाचल प्रदेश और उत्तराखंड के लिए, वितरित नवीकरणीय ऊर्जा घटक सारणी में दिए गए का आधा होगा और इन राज्यों का शेष घटक अन्य नवीकरणीय ऊर्जा स्रोतों में सम्मिलित किया जाएगा।

टिप्पण 2: पवन नवीकरणीय ऊर्जा घटक की पूर्ति 31 मार्च, 2024 के पश्चात् आरंभ की गई पवन ऊर्जा परियोजनाओं (डब्ल्यूपीपी) से उत्पन्न ऊर्जा से की जाएगी ।

टिप्पण 3: जल नवीकरणीय ऊर्जा घटक की पूर्ति 31 मार्च, 2024 के पश्चात् आरंभ की गई जल विद्युत परियोजनाएं [जिसके अंतर्गत पंप भंडारण परियोजनाएं (पीएसपी) और लघु जल विद्युत परियोजनाएं (एसएचपी) भी हैं] से उत्पन्न ऊर्जा से की जाएगी:

परंतु, यह कि, जल नवीकरणीय ऊर्जा घटक की पूर्ति 31 मार्च, 2024 के पश्चात् आरंभ की गई जल विद्युत परियोजनाओं से राज्य/डिस्कॉम को प्रदान की जा रही नि:शुल्क बिजली से भी पूरी की जा सकती है:

परंतु, यह और कि, जल नवीकरणीय ऊर्जा घटक की पूर्ति भारत से बाहर स्थित जल विद्युत परियोजनाओं से भी पूरी की जा सकती है, जैसा कि केन्द्रीय सरकार द्वारा अलगअलग मामले के - आधार पर अनुमोदित किया जाए।

टिप्पण 4: वितरित नवीकरणीय ऊर्जा घटक की पूर्ति केवल 10 मेगावाट से कम आकार की नवीकरणीय ऊर्जा परियोजनाओं से उत्पादित ऊर्जा से पूरी की जाएगी और इसमें केन्द्रीय सरकार द्वारा अधिसूचित सौर संस्थापना के अधीन सभी कॉन्फ़िगरेशन (नेट मीटरिंग, ग्रॉस मीटरिंग, वर्चुअल नेट मीटरिंग, ग्रुप नेट मीटरिंग, मीटर स्थापना और किसी अन्य कॉन्फ़िगरेशन के पीछे) सम्मिलित होंगी।:

परंतु, यह कि वितरित नवीकरणीय ऊर्जा के संबंध में अनुपालन को सामान्यत: ऊर्जा (किलोवाट घंटा इकाइयों) के निबंधनों के अनुसार माना जाएगा:

परंतु, यह और कि अभिहित उपभोक्ता की दशा में वितरित नवीकरणीय ऊर्जा संस्थापनों के संबंध में उत्पादन डाटा प्रदान करने में असमर्थ है, तो रिपोर्ट की गई क्षमता को, प्रति दिन 3.5 यूनिट प्रति किलोवाट (किलोवाट घंटा/किलोवाट/) के गुणक द्वारा ऊर्जा के निबंधनों अनुसार वितरित नवीकरणीय ऊर्जा उत्पादन में परिवर्तित किया जाएगा।

टिप्पण 5: अन्य नवीकरणीय ऊर्जा घटक की पूर्ति टिप्पण 2, 3 और 4 में विनिर्दिष्ट से भिन्न किसी भी नवीकरणीय ऊर्जा विद्युत परियोजना से उत्पन्न ऊर्जा से पूरी की जा सकती है और 1 अप्रैल, 2024 से पूर्व आरंभ हुई सभी डब्ल्यूपीपी और जल विद्युत परियोजनाएं [जिसके अंतर्गत पंप भंडारण परियोजनाएं (पीएसपी) और लघु जल विद्युत परियोजनाएं (एसएचपी) हैं] ऊर्जा समाविष्ट करेगा, जिनमें नि:शुल्क बिजली भी शामिल है ।

2. किसी विशिष्ट वर्ष में अनुबद्ध पवन नवीकरणीय ऊर्जा उपभोग की उपलब्धि में किसी भी कमी को जल नवीकरणीय ऊर्जा से पूरा किया जा सकता है, जो उस वर्ष के लिए और विपर्ययेन उस ऊर्जा घटक से अधिक है।

3. उस वर्ष में पवन नवीकरणीय ऊर्जा या जल नवीकरणीय ऊर्जा घटक के अधीन अतिशेष अधिक ऊर्जा उपभोग को अन्य नवीकरणीय ऊर्जा घटक का हिस्सा माना जा सकता है।

4. किसी विशिष्ट वर्ष में अन्य नवीकरणीय ऊर्जा घटक के अधीन किसी भी अधिक ऊर्जा उपभोग का उपयोग, अनुबद्ध पवन नवीकरणीय ऊर्जा या जल नवीकरणीय ऊर्जा उपभोग की उपलब्धि में कमी को पूरा करने के लिए किया जा सकता है ।

5. अभिहितउपभोक्ता, जो निर्बाध या आबद्ध विद्युत संयंत्र वाले उपभोक्ता हैं, गैर-जीवाश्म ईंधन स्रोत के बावजूद विनिर्दिष्ट कुल नवीकरणीय ऊर्जा लक्ष्य के अनुसार उनकी बाध्यताओ को पूरा करेंगे।

6. विनिर्दिष्ट नवीकरणीय ऊर्जा उपभोग लक्ष्यों को भारत के राजपत्र, असाधारण, भाग 3, खण्ड 4, तारीख 24 मई , 2022: में प्रकाशित, केंद्रीय विद्युत नियामक आयोग (नवीकरणीय ऊर्जा उत्पादन के लिए नवीकरणीय ऊर्जा प्रमाणपत्रों के लिए निबंधन और शर्तें) विनियम, 2022 के अनुसार सीधे या प्रमाणपत्र के माध्यम से पूरा किया जाएगा।

परंतु, यह कि विनिर्दिष्ट नवीकरणीय ऊर्जा उपभोग लक्ष्यों में किसी भी कमी को अननुपालन माना जाएगा और उक्त अधिनियम की धारा 26 की उपधारा (3) के अधीन विनिर्दिष्ट ऐसी दर पर शास्ति अधिरोपित की जाएगी।

7. ब्यूरो अभिहित उपभोक्ताओं द्वारा नवीकरणीय ऊर्जा उपयोग के अनुपालन से संबंधित डाटा अनुरक्षित करेगा और केन्द्रीय सरकार को रिपोर्ट प्रस्तुत करेगा।

8. यह अधिसूचना 1 अप्रैल, 2024 को प्रवृत होगी और उस समय तक, विद्युत मंत्रालय के तारीख 19 सितम्बर, 2022 के शुद्धिपत्र के साथ पठित, आदेश संख्या 9/13/2021-आरसीएम, तारीख 22 जुलाई, 2022,के पैरा 5 से 14 में विनिर्दिष्ट आरपीओ प्रक्षेपवक्र लागू रहेगा।

[फा. सं. 9/13/2021-आरसीएम]

अजय तिवारी, अपर सचिव

MINISTRY OF POWER

NOTIFICATION

New Delhi, the 20th October, 2023

S.O. 4617(E).—In exercise of the powers conferred by clauses (*n*) and (*x*) of section 14 of the Energy Conservation Act, 2001 (52 of 2001), the Central Government in consultation with the Bureau of Energy Efficiency, hereby specifies the minimum share of consumption of non-fossil sources (renewable energy) by designated consumers as energy or feedstock and different share of consumption for different types of non-fossil sources for different designated consumers in respect of electricity distribution licensee and other designated consumers who are open access consumers or captive users to the extent of consumption of electricity from sources other than distribution licensee as a percentage of their total share of energy consumption indicated in the Table below:

TABLE

Sl.No	Year	Wind renewable energy	Hydro renewable energy	Distributed renewable energy*	Other renewable energy	Total renewable energy
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2024-25	0.67%	0.38%	1.50%	27.35%	**29.91%**
2.	2025-26	1.45%	1.22%	2.10%	28.24%	**33.01%**
3.	2026-27	1.97%	1.34%	2.70%	29.94%	**35.95%**
4.	2027-28	2.45%	1.42%	3.30%	31.64%	**38.81%**
5.	2028-29	2.95%	1.42%	3.90%	33.10%	**41.36%**
6.	2029-30	3.48%	1.33%	4.50%	34.02%	**43.33%**

Note 1: *For hilly and North-Eastern States/Union Territories, namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Jammu & Kashmir, Ladakh, Himachal Pradesh and Uttarakhand, the distributed renewable energy component shall be half

of that given in the Table and the remaining component for these States shall be included in the other renewable energy sources.

Note 2: The wind renewable energy component shall be met by energy produced from Wind Power Projects (WPPs) commissioned after the 31st March, 2024.

Note 3: The hydro renewable energy component shall be met only by energy produced from Hydro Power Projects [including Pump Storage Projects (PSPs) and Small Hydro Projects (SHPs)], commissioned after the 31st March, 2024:

Provided that the hydro renewable energy component may also be met out of the free power being provided to the State/DISCOM from the Hydro Power Projects commissioned after the 31st March, 2024:

Provided further that the hydro renewable energy component may also be met from Hydro Power Projects located outside India as approved by the Central Government on a case-to-case basis.

Note 4: The distributed renewable energy component shall be met only from the energy generated from renewable energy projects that are less than 10 MW in size and shall include solar installations under all configurations (net metering, gross metering, virtual net metering, group net metering, behind the meter installations and any other configuration) notified by the Central Government:

Provided that the compliance against distributed renewable energy shall ordinarily be considered in terms of energy (Kilowatt hour units):

Provided further that in case the designated consumer is unable to provide generation data against distributed renewable energy installations, the reported capacity shall be transformed into distributed renewable energy generation in terms of energy by a multiplier of 3.5 units per kilowatt per day (kWh/kW/day).

Note 5: The other renewable energy component may be met by energy produced from any renewable energy power project other than specified in Note 2, 3 and 4 and shall comprise energy from all WPPs and Hydro Power Projects [including Pump Storage Projects (PSPs) and Small Hydro Projects (SHPs)], including free power, commissioned before the 1st April, 2024.

2. Any shortfall in achievement of stipulated wind renewable energy consumption in a particular year may be met with hydro renewable energy which is in excess of that energy component for that year and vice-versa.

3. The balance excess energy consumption under wind renewable energy or hydro renewable energy component in that year, may be considered as part of other renewable energy component.

4. Any excess energy consumption under Other renewable energy component in a particular year, may be utilised to meet the shortfall in achievement of stipulated Wind renewable energy or Hydro renewable energy consumption.

5. The designated consumers who are open access consumers or consumers with Captive Power Plants shall fulfil their obligation as per the specified total renewable energy target irrespective of the non-fossil fuel source.

6. The specified renewable energy consumption targets shall be met either directly or through Certificate in accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, published in the Gazette of India, Extraordinary, Part III, Section 4, dated the 24th May, 2022:

Provided that any shortfall in specified renewable energy consumption targets shall be treated as non-compliance and penalty shall be imposed as such rate specified under sub-section (3) of section 26 of the said Act.

7. The Bureau shall maintain data related to compliance of renewable energy utilisation by the designated consumer(s) and submit report to the Central Government.

8. This notification shall come into force on the 1st day of April, 2024 and till such time, the RPO trajectory specified in paragraphs 5 to 14 *vide* the Ministry of Power Order No. 9/13/2021-RCM, dated 22nd July, 2022 read with Corrigendum, dated the 19th September, 2022, shall remain in force.

[F.No. 9/13/2021-RCM]

AJAY TEWARI, Addl. Secy.

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ANNEXURE-III

ANNEXURE REFERRED IN REPLY TO PART (c) OF UNSTARRED QUESTION NO. 3278 ANSWERED IN THE LOK SABHA ON 20.03.2025

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Specific measures to rationalise hydropower tariff:

1. **Measures to reduce front loading of Tariff: Until 2019-24 tariff period, recovery of Depreciation for the first 12 years of the useful life of hydro generating station was based on the Straight-line method (@ 5.28%) and remaining depreciable value to be spread over the balance useful life.**

   Under the Tariff Regulations, 2024 applicable for 2024-29 tariff period, to reduce front loading of tariff, a new provision has been introduced specifically for new projects wherein recovery of Depreciation, based on the Straight-line method has been extended till first 15 years (@ 4.22%) (considering repayment period of 15 years) of the useful life and remaining depreciable value to be spread over the balance useful life. There is no change for projects existing as on 31.3.2024.

   Further, Hydro Generating stations are allowed option to charge depreciation lower than the rates specified in the Tariff Regulations, 2024 so as to enable reduced front loading of tariff. Enabling provision introduced in the Tariff Regulations, 2024 are as under:

   "Provided further that in the case of an existing hydro generating station, the generating company, with the consent of the beneficiaries, may charge depreciation at a rate lower than that specified in Appendix I and Appendix II to these Regulations to reduce front loading of tariff "

2. **Incentives for efficiency: Tariff Regulations provides for incentives for hydro generating companies whose performance exceeds the normative parameters. This rewards efficient operators and encourages them to continuously improve their performance and optimal usage of plants, which may result in cost savings to beneficiaries to avoid expensive procurement of power from the market. Various incentives provided to hydro generating companies are as follows:**

   a) **Additional Annual Fixed Charges upto 3% of Capacity Charge if primary frequency response is provided beyond a threshold level of 30%.**

   b) **Incentive shall be payable to a ROR Hydro generating station @ 50 paisa/ kWh corresponding to the saleable scheduled energy during peak hours of the day in excess of average saleable scheduled energy during the day (24 hours).**

c) **Secondary energy charge rate increased from ₹ 1.20/unit to ₹ 1.30/unit.**

3. **Optimized Return on Equity (RoE): RoE is set at 17% for new storage/pondage projects, while existing projects retain previous rates (16.50%/15.50%).**

4. **Separation of Insurance Costs: Given the rising cost of insurance (due to events like flash floods), insurance expenses will now be allowed separately based on competitive bidding and prudence check. This ensures that tariff calculations are more reflective of actual costs, preventing unnecessary financial strain on consumers.**

5. **Support for Local Infrastructure: Up to ₹ 10 lakh/MW for development of local infrastructure, reducing project delays and cost and time over run.**

6. **Sharing of Non-Tariff Income: Hydro generating companies have considerable resources in the form of assets such as land banks and other enabling infrastructure that can be utilised to increase non-core revenues, ecotourism, etc. Accordingly, in order to encourage Hydro generating companies to further strengthen the eco-tourism, provision of sharing of Non-tariff income from eco-tourism has been introduced:**

   "84. Sharing of Non-Tariff Income: The non-tariff net income in case of generating station and transmission system from rent of land or buildings, ecotourism, sale of scrap, and advertisements shall be shared between the generating company or the transmission licensee and the beneficiaries or the long term customers, as the case may be, in the ratio of 1 : 1."

7. **Further, under the CERC (Sharing of Inter-state Transmission Charges and Losses) Regulations 2020 including amendments, the power scheduled from hydro generating stations are eligible for waiver of transmission charges as per the trajectory specified under the Regulations.**

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