

No.15/2/2016-H-I(Pt.) (230620)
Government of India
Ministry of Power

Shram Shakti Bhawan, New Delhi,
Dated, the 28th September, 2021

OFFICE MEMORANDUM

Subject: Budgetary Support for Flood Moderation/Storage Hydro Electric Projects (HEPs) - regarding.

Ministry of Power (MoP), vide OM no. 15/2/2016-H-I(Pt.) (230620) dated 08.03.2019, notified various measures approved by the Union Cabinet to promote Hydropower in the country. This included budgetary support for Flood Moderation component for Storage Hydropower projects to be set up in future. The basic objective of budgetary support for Flood Moderation component is to reduce tariff of Hydropower projects by ensuring that consumers are charged cost related to power components only. The value of flood moderation 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 Ministry of Power 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.

2. One of the important objectives is to promote ease of doing business i.e. devising a mechanism without duplication of checking and evaluation by multiple agencies. Accordingly, Central Electricity Authority (CEA) and the CWC shall verify the claims of Developer and recommend expenditure to be reimbursed to MoP for release of funds to the Developer. The Designated Independent Agency (DIA) of CERC/SERC would approve the final project cost/ flood moderation cost at the time of filing of tariff petition by the Developer.

3. Eligibility for Budgetary Support for Flood Moderation component

- i. Eligible projects shall mean All Central, State and Private Sector storage hydro projects (above 25 MW capacity) having explicit Flood Moderation component which have been concurred either by CEA or the State Government and wherein Letter of Award (LoA) for any major works has been issued or is being issued on competitive bidding basis after the date of notification of above mentioned OM dated 08.03.2019. This is applicable to all eligible projects which shall be taken up for construction by 31st March, 2030.

- ii. Flood Moderation works shall comprise Dam & appurtenant works and other related activities and their respective joint cost would be apportioned. The eligible expenditure shall also include the following:
 - a. Interest During Construction (IDC) and any variation in cost with respect to originally sanctioned amount,
 - b. Land acquisition cost for flood moderation,
 - c. All statutory taxes/levies, duties, cess, entry tax, etc., including any variation thereof.
- iii. Any expenditure, which is not directly related to Flood Moderation works shall be counted as ineligible expenditure. Further, any enhancement of the expenditure on land acquisition after the commissioning of the project shall be treated as ineligible expenditure.
- iv. This OM shall be applicable to all eligible hydro projects i) wherein tariff is determined by CERC/ SERC under Section 62 of the Electricity Act 2003, ii) tariff is determined through competitive bidding under Section 63 of the Electricity Act 2003 iii) projects developed by agencies like BBMB which do not approach CERC/SERC for tariff determination/ adoption.

4. Ceiling Limit for Reimbursement of Expenditure Incurred

- i. There is no normative ceiling limit for reimbursement of expenditure incurred on Flood Moderation. However, the reimbursement of the cost of Flood Moderation component to the Developers shall be limited to the total cost of Flood Moderation component of as per 'In-principle' approval issued by Ministry of Power, on case-to-case basis, based on recommendation of CEA/ CWC as mentioned in succeeding para 5. However, if the awarded cost is less than the estimated cost as per approval then the flood moderation component will be calculated based on the awarded cost. The expenditure on flood moderation works incurred by the developer beyond the expenditure approved by CEA/ CWC, otherwise found admissible by CERC/SERC, shall be charged to the Project and recovered through tariff.

5. Methods for estimation of Flood Moderation component

- i The cost towards flood moderation works would be worked out as the least of the apportioned costs arrived out using the following methods:
 - a. Bearability Concept
 - b. Use of facilities Method
 - c. Equal apportionment method

- ii. The joint cost to be apportioned shall comprise cost of Dam & appurtenant works incl. Spillway and Outlet works etc., cost of land acquisition and any other related activities. The inputs used in the above cost apportionment methods, as decided by CWC/ CEA, shall be final and binding on Project Proponent.

6. 'In-principle' approval of Ministry of Power for Grant of Budgetary Support

The hydro projects costing more than Rs. 1000 Crores are presently being concurred by CEA while projects costing upto Rs. 1000 Crores are concurred by State Governments. The complete technical and financial details on Flood Moderation component shall be incorporated in the Detailed Project Report (DPR) for concurrence either by CEA or the State Government, as applicable, and the Flood Component cost would be estimated as under:

- i. For the DPRs already concurred prior to the issuance of this OM, the cost of Flood Moderation component of Storage hydro projects would be updated by the developer based on indexation which shall be appraised/ vetted by CEA in consultation with CWC in accordance with the extant guidelines.
- ii. For the DPRs concurred after the issuance of this OM, the DPR shall include a chapter indicating technical and financial provisions for Flood Moderation along with a comparison between 'with' and 'without' scenarios of Flood Moderation supported by proper justification. The same shall be appraised/ vetted by CEA in consultation with CWC at the time of DPR concurrence/ appraisal in accordance with the extant guidelines.
- iii. A cost benefit analysis for arriving at the economically viable height of storage Dam by optimizing flood cushion during Monsoon and minimizing cost of energy generation would be incorporated by the Developer in the DPR.
- iv. The application for 'In-principle' approval of funds shall be submitted by the Developer to Nodal Agency (CEA) at least six months prior to the date of start of construction (Zero Date) in prescribed format (**Annexure-I**). The Zero Date of construction for purpose of this OM shall be the date of Letter of Award for Dam works.
- v. CEA shall examine the applications received in each quarter and forward its recommendations (**Annexure-II**) to Ministry of Power within one (01) month of the end of each quarter.
- vi. Ministry of Power shall issue 'in-principle' approval for budgetary support in the specified format (**Annexure-III**) to the Developer after receiving recommendations from CEA. This 'in-principle' approval is only for purpose of facilitating financial closure, etc. of projects and will not create any obligation or commitment on part of government to provide budgetary support subsequently till all the conditions for grant of budgetary are satisfied.

7. **Procedure for Grant of the Budgetary Support through Reimbursement**

- i. The total cost of Flood Moderation component shall be reimbursed to the developer in five equal instalments during the construction based on achievement of milestones relating to dam height above Bed Level (H) as under:

		INSTALMENT				
		1	2	3	4	5
Actual Height above Level	Dam (H) Bed	10% of H	25% of H	40% of H	70% of H	100% of H

Note: The Reimbursement shall be limited to actual expenditure if it is less than the instalment due.

- ii. The application for reimbursement of expenditure incurred on Flood Moderation works shall be submitted by the project developer as per **(Annexure-IV)**.

iii. The developer shall submit a Bank Guarantee in specified format **(Annexure-VI)** to the CEA for an amount equivalent to eligible Budgetary Support (or the Support requested whichever is less) with validity period up to date of determination of tariff by the regulatory commission. Ministry of Power may encash the Bank Guarantee, in part or full, upon the recommendation of CEA, in cases where (a) the project is delayed by more than two years beyond the scheduled commissioning date excluding any delays attributable to force majeure conditions and (b) in cases where the funds are found being used/ diverted for works other than those related to enabling infrastructure. CEA shall maintain a proper account of the Bank Guarantee and shall be the custodian of Bank Guarantee.

iv. CEA shall examine the applications received during the quarter and forward its recommendations **(Annexure-V)** to Ministry of Power within one month after end of each quarter.

v. On receiving recommendation from CEA, Ministry of Power shall process and obtain the approval of the competent authority for grant as per delegation of powers and General Financial Rules issued by Ministry of Finance, GoI which would be released through budgetary Provisions of Ministry of Power.

8. If ownership of the project changes before the commissioning of the project, MoP and CEA would be duly informed within three (03) months of such change.

9. CEA shall constitute a Monitoring Committee to monitor the physical progress of the Flood Moderation works. The developer shall submit progress report on quarterly basis to Monitoring Committee for its review which shall be sent to MOP each quarter. An Annual Report of the 'In-principle' approvals granted and Budgetary Support released during the year shall also be compiled by CEA and sent to Ministry of Power.

10. By 15th July of every year, the CEA shall send Annual Budgetary Estimates for the next financial year to Ministry of Power. The budgetary estimates would be based on projects scheduled for achievement of Dam height milestones in the next year.

11. This issues with the approval of Hon'ble Minister of Power.


(Raghuraj Rajendran)
Joint Secretary

To:

1. **Principal Secretary/Secretary (Power / Energy), State Governments/UTs.**
2. **Secretary, CERC/FOR, Chanderlok Building, Janpath, New Delhi**
3. **Secretary, State Electricity Regulatory Commissions/Joint Electricity Regulatory Commissions**

Copy to:

1. **Secretary, MNRE, CGO Complex, New Delhi**
2. **Secretary, Jal Shakti**
3. **Chairperson, CEA, Sewa Bhawan, RK Puram, New Delhi**
4. **Chairperson, CWC, RK Puram, New Delhi**

Copy also for information to:

1. **All Joint Secretaries/EA, Ministry of Power**
2. **PS to Hon'ble Minister of Power/ PS to Hon'ble Minister of State for Power.**
3. **Sr. PPS to Secretary (Power)/ Sr.PPS to AS&FA/ Sr.PPS to AS(Hydro)/PPS to JS(Hydro).**

Annexure-I

Application for 'In-principle' approval of funding of Cost of Flood Moderation of Storage Hydro Electric Projects from Ministry of Power

To,

CEA

Sewa Bhawan, Sector-1, R K Puram,
New Delhi 110066.

Sir,

In terms of OM no. 15/2/2016-H.I(Pt.)(230620) dated 08.03.2019 and subsequent OM no. 15/2/2016-H.I(Pt.)(230620) dated: 28 /09/2021, it is requested to grant "in-principle approval" for budgetary support towards cost of flood moderation for _____ project of ____ MW as per details below:

Sr. No.	Particulars of the Project	Description
1.	Name of the Developer	
2.	Date of Implementation Agreement between State Govt. & Developer	
3.	Date of Concurrence of DPR (TEC letter enclosed)	
4.	Salient features of the Project (details enclosed)	
5.	Total Updated Project Cost Estimate as per TEC in Rs.	
6.	The total amount (updated, based on indexation) corresponding to Flood Moderation component in Rs.....	
7.	Zero Date of Start of Pre-construction works	
8.	Zero Date of Start of Construction	
19.	LoA for Dams Works	
10.	Target Date for completion of River Diversion Works.	
11.	Status of Clearances:	
	Environmental Clearance, Forest Clearances – I & II from MoEF&CC	
	Wildlife clearance by National Board of Wildlife	
	State Govt. approval for State Sector projects	
	Clearance from MoWR, RD&GR for International aspects	
	Defence Clearance from Ministry of Defence (if required)	
	Clearance from Ministry of Tribal Welfare (if required)	
	PIB/CCEA Approval for Govt. funded/ Central Sector Projects and State Approval for State funded projects	
	Ministry of Home Affairs Clearance for participation of foreign companies in tenders for work packages of Hydroelectric Projects in sensitive areas.	
12.	Timeline of activities of Flood Moderation works	

	Description	Year..... to Year.....					
		Y1	Y2	Y3	Y4	(Yn)
	Letter of Award, signing of Contract & Mobilization						
	Details of Flood Moderation Works 1.----- 2.-----						

We hereby certify and agree as follows:

- a. The information given as above is correct as per records maintained for the purpose.
- b. No proposals have been submitted to CEA for approval/vetting for this scheme in the past.
- c. The work to be carried out under the above project is as per the sanctioned scheme and is in line with relevant Standards / Guidelines issued by CEA/CWC etc. or any other such Authority.
- d. The BG is liable to be encashed by the CEA , in part or full, in case of delay in completion of works by the developer by more than two years excluding the delay attributable to force majeure conditions and if fund is found being used for works other than those related to flood moderation or if the Project gets abandoned.
- e. No tariff shall be claimed for the cost of flood moderation to the extent funded/ reimbursed under the Scheme by Ministry of Power.

Date.....

Signature:.....

Name:.....

Seal:.....

(Authorized Representative)

Annexure-II

**Recommendation of CEA to Ministry of Power
for 'In-principle' approval of budgetary support for Flood Moderation**

		<i>(to be filled by CEA)</i>					
	Project Proposal No.						
Sr. No.	Particulars of the Project	Description					
1.	Name of the Developer						
2.	Date of Implementation Agreement between State Govt. & Developer						
3.	Date of Concurrence of DPR (TEC letter enclosed)						
4.	Salient features of the Project (details enclosed)						
5.	Total Updated Project Cost Estimate as per TEC in Rs.						
6.	The total amount (updated, based on indexation) corresponding to Flood Moderation component in Rs.....						
7.	Zero Date of Start of Pre-construction works						
8.	Zero Date of Start of Construction						
19.	LoA for Dams Works						
10.	Target Date for completion of River Diversion Works.						
11.	Status of Clearances:						
	Environmental Clearance, Forest Clearances – I & II from MoEF&CC						
	Wildlife clearance by National Board of Wildlife						
	State Govt. approval for State Sector projects						
	Clearance from MoWR, RD&GR for International aspects						
	Defence Clearance from Ministry of Defence (if required)						
	Clearance from Ministry of Tribal Welfare (if required)						
	PIB/CCEA Approval for Govt. funded/ Central Sector Projects and State Approval for State funded projects						
	Ministry of Home Affairs Clearance for participation of foreign companies in tenders for work packages of Hydroelectric Projects in sensitive areas.						
12.	Timeline of activities of Flood Moderation works						
	Description	Year..... to Year.....					
		Y1	Y2	Y3	Y4	(Yn)
	Letter of Award, signing of Contract & Mobilization						
	Details of Flood Moderation Works 1.-----						
Recommendation of CEA along with reasons therefor?							

Signature of Competent Authority (CEA)
Signature :
Name:

**In-principle approval for Budgetary Support to Flood
Moderation/Storage Hydro Electric Projects**

To,

Sir,

Please refer to your application no. _____ dated ____ to CEA seeking in-principle approval for budgetary support of cost of Flood Moderation of Rs. _____ on the basis of cost concurred in the DPR of _____ project of ____ MW.

In this, regard, in-principle approval is hereby accorded for Budgetary Support of Rs. _____ for Flood Moderation works, as recommended by the CEA and as per OM issued by Ministry of Power vide OM no. 15/2/2016-H.I(Pt.)(230620) dated 28 /09/2021 and in terms of OM no. 15/2/2016-H.I(Pt.)(230620) dated 08.03.2019.

This in-principle approval is only for purpose of facilitating financial closure, etc. of projects and will not create any obligation or commitment on part of government to provide budgetary support till all the conditions are satisfied.

Terms and Conditions

- a. Flood Moderation component works proposed for funding from Ministry of Power shall not be posed for funding under any other scheme of the Government of India.
- b. The developer shall submit Project Status Report to CEA on quarterly basis. CEA would take half-yearly meeting to review progress of flood moderation works. CEA would take periodic review on half-yearly basis of the project progress.
- c. In the event of change in ownership of the project before the commissioning of the project, MoP and CEA would be duly informed within three (03) months of such change in ownership.
- d. All other terms and conditions of OM no. 15/2/2016-H.I(Pt.)(230620) dated 28 /09/2021 shall apply.

Date:

Signature:
Name:
(Authorized Representative)

Annexure-IV

Application for Reimbursement of expenditure incurred during Financial Year (yyyy-yy) towards Cost of Flood Moderation of Storage Hydro Electric Projects from Ministry of Power

Project Proposal Number Date of Submission

To,

CEA,

Sewa Bhawan, Sector-1,
R K Puram,
New Delhi -110066.

Sir,

In terms of OM no. 15/2/2016-H.I(Pt.)(230620) dated 08.03.2019 and subsequent OM no. 15/2/2016-H.I(Pt.)(230620) dated 28 /09/2021, it is requested to reimburse the cost of flood moderation for _____project of ____ MW as per details below:

- a. Total Cost for Flood Moderation as per CWC/ CEA concurrence/approval in Rs.....(enclose details)
- b. Percentage of Dam Height achieved:.....
- c. The amount of expenditure incurred on Flood Moderation during this Financial Year (yyyy-yy) for achievement of milestones of Dam height (in Rs.)(enclose details viz., Self Certification, Auditor's Certificate, etc.)
- d. 'In-principle' approval of funding for Flood Moderation component from Ministry of Power (enclose copy)
- e. Authorized Representative and Bank Account to which the funds are to be transferred (enclose details)

2. We hereby certify and agree as follows:

- a. The information given as above is correct as per records maintained for the purpose.
- b. No proposals have been submitted to Nodal Agency for recommendation of reimbursement of expenditure incurred during this Financial Year (yyyy-yy) for approval/vetting in the past.
- c. We also undertake that reimbursement of the expenditure incurred on account of Flood Moderation shall be first utilized for repayment of any outstanding loan amount, whatsoever, to the Banks/ Financing Institutions and thereafter, balance amount if any, may be appropriated by us as deemed fit.

Date.....

Signature:.....

Name:.....

Seal:

(Authorized Representative)

Annexure-V

Recommendation of the CEA to MoP
for reimbursement of funds to Developer

<i>(to be filled by CEA)</i>		
Project Proposal No.		
Sr. No.	Particulars of the Project	Description
1.	Name of the Developer	
2.	Date of Implementation Agreement between State Govt. & Developer	
3.	Date of Concurrence of DPR (TEC letter enclosed)	
4.	Salient features of the Project (details enclosed)	
5.	Total Updated Project Cost Estimate as per TEC in Rs.	
6.	The total amount (updated, based on indexation) corresponding to Flood Moderation component in Rs.....	
7.	Zero Date of Start of Pre-construction works	
8.	Zero Date of Start of Construction	
19.	LoA for Dams Works	
10.	Target Date for completion of River Diversion Works.	
11.	Total Cost for Flood Moderation as per CWC/ CEA concurrence/approval in Rs. (details enclosed)	
12.	Percentage of Dam Height achieved:.....	
13.	Cost of Flood Moderation proportionate to height of Dam in Rs.	
14.	Details of bank account to which funds are to be transferred (details enclosed)	
Recommendation of CEA along with reasons therefor?		

Signature of the Competent Authority (CEA)

Signature: Name:

Stamp:

Certificate by HPM Division, CEA

To Whomsoever it may concern

Ref. No.:

Date:

This is to certify that M/shave achieved physical/ financial progress of enabling infrastructure works being in line with the scheduled timelines as per Format- under these Enabling .

This certificate is issued without prejudices to the rights vested in this Division.

Signature:

Name:

(Authorized Signatory)

Certificate by HPM Division, CEA

To Whomsoever it may concern

Ref.No.:

Date:

This is to certify that M/shave achieved physical/ financial progress of enabling infrastructure works being in line with the scheduled timelines as per Format- under these Enabling .

This certificate is issued without prejudices to the rights vested in this Division.

Signature:

Name:

(Authorized Signatory)

Annexure-VI

Format for Bank Guarantee

(To be on non-judicial stamp paper of appropriate value as per Stamp Act relevant to place of execution.)

In consideration of the ----- [Insert name of the Developer/Project Company] (hereinafter referred to as 'Developer') (which expression shall unless repugnant to the context or meaning thereof include its executors, administrators, successors and assignees) submitting the application for release of grant under budgetary support for Flood Moderation in Hydro Electric Projects from Ministry of Power (hereinafter referred to as 'Guidelines') for the Project of the capacity of MW, at[Insert name of the place] and as per the terms of the 'Guidelines', the [insert name & address of bank] hereby agrees unequivocally, irrevocably and unconditionally to pay to Ministry of Power at [Insert Name of the Place from the address of the Ministry of Power] forthwith on demand in writing from Ministry of Power or any Officer authorized by it in this behalf, any amount up to and not exceeding Rupees----- [Total Value equivalent to installment eligible under Budgetary Support] only, on behalf of M/s ----- [Insert name of the Developer / Project Company]

This Guarantee shall be valid and binding on this Bank up to and including.....[insert date i.e. upto the date of determination of tariff by the regulatory commission] and shall not be terminable by notice or any change in the constitution of the Bank or the term of contract or by any other reasons whatsoever and our liability hereunder shall not be impaired or discharged by any extension of time or variations or alternations made, given, or agreed with or without our knowledge or consent, by or between parties to the respective agreement.

Our liability under this Guarantee is restricted to Rs. -----only.

Our Guarantee shall remain in force until.....[insert date] Ministry of Power shall be entitled to invoke this Guarantee till[insert date]

The Guarantor Bank hereby agrees and acknowledges that Ministry of Power shall have a right to invoke this BANK GUARANTEE in part or in full, as it may deem fit.

The Guarantor Bank hereby expressly agrees that it shall not require any proof in addition to the written demand by Ministry of Power, made in any format, raised at the above mentioned address of the Guarantor Bank, in order to make the said payment to Ministry of Power.

The Guarantor Bank shall make payment hereunder on first demand without restriction or conditions and notwithstanding any objection by -----[Insert name of the Developer / Project Company] and/or any other person. The Guarantor Bank shall not require Ministry of Power to justify the invocation of this BANK GUARANTEE, nor shall the Guarantor Bank have any recourse against Ministry of Power in respect of any payment made hereunder.

This BANK GUARANTEE shall be interpreted in accordance with the laws of India and the courts at Delhi shall have exclusive jurisdiction.

The Guarantor Bank represents that this BANK GUARANTEE has been established in such form and with such content that it is fully enforceable in accordance with its terms as against the Guarantor Bank in the manner provided herein.

This BANK GUARANTEE shall not be affected in any manner by reason of merger, amalgamation, restructuring or any other change in the constitution of the Guarantor Bank.

This BANK GUARANTEE shall be a primary obligation of the Guarantor Bank and accordingly Ministry of Power shall not be obliged before enforcing this BANK GUARANTEE to take any action in any court or arbitral proceedings against the Developer / Project Company , to make any claim against or any demand on the Developer / Project Company or to give any notice to the Developer / Project Company or to enforce any security held by Ministry of Power or to exercise, levy or enforce any distress, diligence or other process against the Developer / Project Company .

The Guarantor Bank acknowledges that this BANK GUARANTEE is not personal to Ministry of Power and may be assigned, in whole or in part, (whether absolutely or by way of security) by Ministry of Power to any entity to whom Ministry of Power is entitled to assign its rights and obligations under these 'Guidelines'.

Notwithstanding anything contained herein above, our liability under this guarantee is restricted to Rs. only and it shall remain in force till

We are liable to pay the Guarantee amount or any part thereof under this Bank Guarantee only if Ministry of Power serves upon us a written claim or demand.

Signature_____

E-mail ID of the bank:

Name_____

Power of Attorney No._____

Banker's Stamp and Full Address.

For

_____ [Insert Name of the Bank]

Dated this____day of____, 20____

Witness:

Witness:

1. Signature

2. Signature

Name and Address

Name and Address

Notes:

The Stamp Paper should be in the name of the Executing Bank and of appropriate value.

The Performance Bank guarantee shall be executed by any of the Nationalised or leading Private Sector Banks.