

No. V-1/2007-IPC(Pt.)
Government of India
Ministry of Power

Shram Shakti Bhavan
New Delhi, dated 9th August, 2007

To

Principal Secretary(Energy)
All States and Union Territories

Subject: Signing of State Support Agreement /MOU for facilitating setting up of
Power Plants including those *using imported coal*.

Sir,

I am directed to state that numerous enquiries have been received on the requests by entrepreneurs for signing State Support Agreement/MOU with States for facilitating setting up power stations *including those to be set up on imported coal*.

2. *Section 7 of the Electricity Act, 2003 provides that a generating station may be established, operated and maintained without obtaining a license under the Act. The States could assist the developers through MOUs for securing land, obtaining the requisite environment and other clearances and in achieving financial closure.*

3. These projects could thereafter tie up sale of power in accordance with the provisions of the Electricity Act, 2003 and the Tariff Policy, 2006:-

- a) under provisions of Section 63 of the Electricity Act, 2003 i. e. by responding to tariff based bids from the distribution companies, or
- b) making use of open access for transmission and operate as merchant power plants selling their power:-
 - i) *directly to a consumer (w/s 49 of the Act) or to a distribution licensee for short term sales (under proviso to Section 62(1)(a) of the Act), or*
 - ii) *to an electricity trader w/s 10 of the Act.*

c) functioning as a captive/group captive power plant wheeling surplus power to open access consumers (w/s 49) or to a distribution company in short term {under proviso to Section 62(1)(a)}, making use of 'open access in transmission'. Surplus power will be determined as per the Electricity Rules, 2005.

4. The power plant can also operate as a captive power plant, and the power can be consumed by the owners in terms of the provisions of the Electricity Act, 2003 and the Electricity Rules, 2005.

Yours faithfully,



(S. Narayanan)

Under Secretary to the Government of India