

POLICY FOR FINANCING OF TRANSMISSION PROJECTS

INTRODUCTION

Transmission of electricity is defined as bulk transfer of power over a long distance at a high voltage, generally of 132 kV and above. The entire country has been divided into five regions for transmission systems, namely, Northern Region, North Eastern Region, Eastern Region, Southern Region and Western Region.

The interconnected transmission system within each region is also called the Regional Grid. The Government of India (GoI) has an ambitious mission of 'Power for All by 2019'. To be able to deliver this power to the entire country, an expansion of the regional transmission network and inter regional capacity to transmit power is being carried out at a large scale. This is required because resources are unevenly distributed in the country and power need to be carried over longer distances to areas where load centers (consumption centers) exists.

Further, with the current growth trajectory of Renewable Energy in the country in last few years, coupled with GoI target of integrating 175 GW RE capacity by 2022, the transmission planning has become even more essential so as to integrate and evacuate RE power.

The transmission system planning in the country, in the past, had traditionally been linked to generation projects as part of the evacuation system. Ability of the power system to safely withstand a contingency without generation rescheduling or load shedding was the main criteria for planning the transmission system. However, due to various reasons such as spatial development of load in the network, non-commissioning of load centre generating units originally planned and deficit in reactive compensation, certain pockets in the power system could not safely operate even under normal conditions. This had necessitated backing down of generation and operating at a lower load generation balance in the past. Transmission planning has, therefore, moved away from the earlier generation-evacuation system planning to integrated system planning.

A statutory body under the Ministry of Power, the Central Transmission Utility (CTU) undertakes transmission of energy through inter-State transmission system and discharges all functions of planning and coordination relating to inter-State transmission system with State Transmission Utilities, Central Government, State Governments, generating companies etc. Power Grid Corporation of India Limited (PGCIL) is acting as Central Transmission Utility. Certain provisions in the Electricity Act 2003 such as open access to the transmission and distribution network, recognition of power trading as a distinct activity, the liberal definition of a captive generating plant and provision for supply in rural areas have contributed towards encouraging competition and entry of private players in the electricity sector. It is expected that all the above measures on the generation, transmission and distribution front would result in formation of a robust electricity grid in the country.

RE GROWTH PROSPECTS

Considering the fact that all major transmission networks across the country are linked, the scattered developed of existing and future RE capacities and current 8% (approx..) contribution of RE power in the grid (likely to increase substantially in future), all transmission lines across the country will necessarily have component of RE component as a part of overall energy mix transmitted by the network.

Further, GoI has set an ambitious target of having atleast 20% of renewable energy into the grid by 2020 commensurating with 175 MW RE growth target by 2022, set by GoI. As per the notification of

Ministry of Power on 22nd July 2016, the long term growth trajectory of RPO for solar and non-solar energy for 3 years i.e. 2016-17, 2017-18 and 2018-19 as under:-

Long term trajectory	2016-17	2017-18	2018-19
Non-solar	8.75%	9.50%	10.25%
Solar	2.75%	4.75%	6.75%
Total	11.50%	14.25%	17.00%

Further, it is worthwhile to mention that currently Govt does not plan to add any new thermal generation capacity for next 10 years except for the capacities which are already under implementation. Hence, RE is proposed to increase its share of energy generation in overall energy mix and thermal contribution in energy mix is likely to reduce owing to the fact that most of the thermal plants will be operating at or below 50% PLF, so as to accommodate increasing RE Capacity.

Scheme

In view of the above, as all transmission lines across the country are evacuating RE power (currently 8% and expected to reach to 20% by 2020), IREDA has formulated a scheme to participate in funding of transmission line projects.

Terms and conditions of the scheme

- a. IREDA may participate in funding of transmission projects with an exposure cap of 20% of the total project cost to any single transmission project.
- b. Transmission financing portfolio at any point of time shall not exceed 5% of asset book of IREDA.
- c. The securities and terms & conditions of the transmission project shall be aligned with Lead Lender/ Lead Arranger, to the satisfaction of IREDA.
- d. All other terms and conditions, as may be applicable would be as per the prevalent “Financing Norms” and “Operational Guidelines” of IREDA from time to time.

Note

Beyond the year 2020, the percentage of IREDA’s loan exposure (As mentioned above in Point (a)) may be revised suitably, if required.
