

**GOVERNMENT OF INDIA
NEW AND RENEWABLE ENERGY
LOK SABHA**

UNSTARRED QUESTION NO:789
ANSWERED ON:01.03.2013
FINANCIAL INCENTIVES FOR SOLAR ENERGY
Satpathy Shri Tathagata

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

- (a) the details of background research in taking up Viability Gap Funding as a financial incentives for solar energy;
- (b) whether it is better than interest rate subsidy and generation based incentives:
- (c) if so, the details thereof;
- (d) whether the financial incentives have helped in development of solar energy in the country including Odisha;
- (e) if so, the details thereof; and
- (f) the details of the new steps being undertaken to generate solar power at a larger scale in the rural areas in the country including Odisha?

Answer

MINISTER FOR NEW AND RENEWABLE ENERGY (DR. FAROOQ ABDULLAH)

(a) During Phase-1 of the Jawaharlal Nehru National Solar Mission (JNNSM), the Government had adopted a model of bundling of costly solar power with unallocated thermal power from NTPC stations on equal capacity basis so as to make the bundled solar power affordable to Utilities. However, as there are now limited prospects of further availability of the unallocated thermal power, the alternative of Viability Gap Funding has been considered a viable proposition to incentivise solar power projects.

(b)&(c) Each scheme has its own relative merits. While the scheme of interest rate subsidy serves to reduce the interest burden on the developer over the loan duration, that of generation based incentives serves to ensure outgo of the incentives based on actual generation performance of the project. The VGF model serves mainly to lessen the initial capital investment requirement of the developer.

(d)&(e) The scheme of generation based incentive has facilitated setting up of 75 projects of aggregate 107 MW installed capacity in different parts of the country, of which 8 projects of 1 MW each are in the State of Odisha. In addition, 48 projects of aggregate 315 MW capacity have come up in the country under the scheme of bundling with thermal power implemented through the NVVN, of which 1 project of 5 MW is in the State of Odisha. No projects have so far been supported under schemes of interest rate subsidy and VGF.

(f) The Government has formulated a draft policy for the second phase of Jawaharlal Nehru Solar Mission (JNNSM) scheduled to commence from April 2013. It envisages a much larger target than in the first phase for grid-connected solar power generation projects, including those in rural areas, as under:

10 GW utility scale solar power capacity (cumulative) by the end of Phase-II (March 2017): 4 GW under central schemes and 6 GW under various State specific schemes.

The different models of VGF, generation based incentive and bundling with thermal power are envisaged under the central schemes. The policy has not been finalized as yet.