

F. No. 3B/1/2013-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

New Delhi, the November 4<sup>th</sup>, 2013

OFFICE MEMORANDUM

**Subject: Record of Discussion for the 18<sup>th</sup> Meeting of the Empowered Committee for Viability Gap Funding (VGF) support.**

Please find enclosed the Record of Discussion (RoD) for the 18<sup>th</sup> Meeting of the Empowered Committee (EC) for Viability Gap Funding (VGF) support held on September 18, 2013 in North Block, New Delhi for information and further necessary action. The Finance Minister has also accorded approval of the proposals.

2. The Election Commission has stated with respect to the proposal from Government of Mizoram that no publicity in respect of the approval granted shall be made and that bid process shall be made after completion of poll in Mizoram.

Encl: as above

  
(Abhilasha Mahapatra)  
Deputy Secretary (PPP)

**Finance Secretary & Secretary, Department of Expenditure, North Block, New Delhi.**

2. Secretary, Planning Commission, Yojana Bhawan, New Delhi
3. Secretary, Ministry of Power, Shram Shakti Bhavan, New Delhi
4. Shri G.Sai Prasad, Joint Secretary (Hydro), Ministry of Power, Shram Shakti Bhawan, New Delhi.
5. Shri C.L. Thangliana, Engineer- in Chief Power & Electricity Department, Mizoram, Aizwal.

Copy also to:

- a) PSO to Secretary, Economic Affairs.
- b) Sr. PPs to Additional secretary, economic Affairs.
- c) Sr. PPs to Joint Secretary (I&E)

Government of India  
Ministry of Finance  
Department of Economic Affairs  
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Empowered Committee for the Scheme to Financial Support to Public Private  
Partnerships in Infrastructure

18<sup>th</sup> Meeting on September 18, 2013

The 18<sup>th</sup> Meeting of the Empowered Committee (EC) for the Scheme for Financial Support to PPPs in Infrastructure chaired by Secretary, Economic Affairs was held on September 18, 2013. The list of participants is annexed.

2. The EC noted that there was one proposal for grant of in-principle approval from Government of Mizoram in Power sector for Viability Gap Funding (VGF) support under the Scheme. The EC would also consider the proposal for amendment to DEA Notification No. 3C/1/11-PPP dated May 4, 2011 providing clarification in respect of eligible projects in the health sector projects.
3. The EC noted that the Scheme for Financial Support to PPPs in Infrastructure prescribes that VGF up to Rs 100 crore for each project may be sanctioned by the Empowered Institution (EI), proposals for VGF up to Rs 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC, with the approval of the Finance Minister. In accordance with the Guidelines of the Scheme, the project from Government of Mizoram was examined by the members of the EI who recommended the same to the EC for grant of approval.

**Agenda Item I: Proposal from Government of Mizoram (GoM) for grant of in-principle approval for: Development of Tuivai Hydro Electric Project (210 MW) on DBFOT basis.**

Capacity of generation: 210 MW of hydro electric power; Total Project Cost: Rs. 1700 crore; Concession Period: 35 years including 5 years of construction period. VGF from Government of India: Rs. 340 crore (20 percent of TPC)

Major development works/ structures: Construction of 155m high Dam, 491 m long chute spillway, 1200 m long diversion tunnel of 12.5 m dia, water conductor system comprising 4950m long head race tunnel of 6m dia through a hill between Ngopa and Phuaibuang town, a surge shaft, a pressure shaft of 750m length, a surface power house at Pullen near Phuaibuang for an installed capacity of 3\*70 MW (210 MW), switch yards, construction of haul and approach roads of 70 km length

4. Deputy Secretary, DEA informed that the project was considered in the 47th EI meeting held on July 23, 2013. EI recommended the proposal to the Empowered Committee for grant of in-principle approval for VGF of Rs.340 crore (20 percent of TPC of Rs. 1700 crore), subject to fulfillment of the following conditions:

- a. GoM shall confirm in writing that 90 percent of land is available along with the details of total land required, available land and balance land to be acquired.
- b. GoM shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and MoP which have been agreed to by GoM in their response to the appraisal note.
- c. MoP to facilitate GoM obtaining written confirmation from CEA/CERC that fixed Unitary charges during the Concession Period are in line with extant policy.
- d. GoM shall confirm that project documents have been vetted by the Central Electricity Authority (CEA).
- e. GoM shall ensure that legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents, and the final DCA shall be shared expeditiously with the short listed bidders.
- f. GoM shall obtain clearances such as environment and forest clearance, before commencing work on the project site.

- g. GoM shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
- h. GoM shall circulate the final documents to the members of the EI for record.

5. GoM vide letter dated 16<sup>th</sup> September, 2013 furnished written confirmation agreeing to comply with all the conditions imposed by the EI.

6. The Chair desired to know the reasons for fixing of unit charges at Rs. 3.55 per throughout the concession period, without any provision for escalation especially in terms of operations and maintenance. Joint Secretary, DEA stated that in the EI meeting, Joint Secretary, Ministry of Power (MoP) had explained that "since this is hydro power project, it entails onetime costs installation and development of generation plant and minimum O&M costs are envisaged. Unlike the thermal projects, the unit cost of production of hydro power reduces over a period of time. Hence, no escalation is usually provided in the unit charges for hydro power projects". This had been recorded in the minutes of 44<sup>th</sup> EI Meeting. Further, indexing the unitary charges through WPI is not possible because it has been fixed by SERC and the rate will remain fixed during the entire concession period. EI, as a measure of abundant caution had asked that CEA clears the provision with reference to the Electricity Act ( refer 2(d) above)

7. Director, Ministry of Power (MoP) stated that they support the project and MoP's view is that the project is admissible for VGF support in accordance with the Electricity Act, 2003 and the Tariff Policy amendment of 2008. Further, the project is covered under the Amendment to the Tariff Policy 2006, notified on July 08, 2011. MoP has given written confirmation that methodology adopted is as per the norms of tariff calculations by CERC.

8. The Chair desired to know whether the project is eligible under the VGF Scheme of Government of India and whether, Planning Commission appraisal has been received. Deputy Secretary, DEA stated that "Electricity Generation" comes under the ambit of definition of 'Infrastructure' notified by DEA in the Harmonized list and "Power" is notified as an eligible sector for VGF support under the Scheme. Further, Jhajjar Power Transmission project in Haryana and MPPTCL 400 kV Transmission Line in Madhya Pradesh had been considered by the EI and the projects approved for VGF support with fixed unitary charges and

VGF as the bid parameter. Hence, this is not the first Power Sector project to be covered and cleared by EI. It was further informed that appraisal note from Planning Commission has been received and GoM has confirmed compliance with the observation pertaining to DCA of the project.

9. All the members of EC supported of grant for in-principle approval for the project.

10. The EC recommended the proposal to the Finance Minister for grant of in-principle approval to the project for TPC of Rs. 1700 crore with VGF of Rs.340 crore (20 percent of TPC), subject to fulfillment of the conditions imposed by the EI indicated in para 2 above.

*(Action: GoM)*

**Agenda Item II: Proposal from DEA for Amendment to DEA Notification No. 3C/1/11-PPP dated May 4, 2011 relating to eligibility of medical colleges under Health sector projects for grant of VGF under the scheme for financial support to PPPs in Infrastructure.**

11. Deputy Secretary, DEA stated that a proposal is being placed before the Empowered Committee to consider a proposed amendment to the VGF Guidelines by way of insertion of a proviso limiting eligible Medical College projects in the Health Sector to initiatives in backward and rural areas of the country. The proposed amendment would ensure that the available VGF is not used up for a few large projects in areas which perhaps already have such facilities available, as in urban centers. Therefore, in so far as Medical Colleges are concerned, suitable guidelines/eligibility criteria may be inserted to limit eligibility for grant of VGF support only to those projects that are proposed to be located in any of the following categories:

- (i) A district located in a State having 'Special Category' status.
- (ii) A district located in an area declared to be a 'Scheduled Area' under the Fifth Schedule to the Constitution of India;
- (iii) A district identified in the Backward Regions Grant Fund (BRGF) scheme of the Ministry of Panchayati Raj;

- (iv) A district identified in the Integrated Action Plan (IAP) of the Planning Commission for addressing the development of left wing extremism affected areas;

12. The Chair suggested that it be further provided that VGF would be available to Medical College projects in these identified districts as long as there is no existing Medical College on the date of sanction of the project by the competent authority. This was accepted by the EC.

13. The EC recommended the proposal to the Finance Minister for amendment of para (3 ii. g) of DEA Notification No. 3C/1/11-PPP dated May 4, 2011 as stated above.

*(Action: DEA)*

The meeting ended with vote of thanks to the Chair.

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Government of India  
Ministry of Finance  
Department of Economic Affairs

Empowered Committee for the Scheme to Support Public Private Partnerships  
in Infrastructure

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18<sup>th</sup> Meeting on September 18, 2013

List of Participants

**I. Department of Economic Affairs**

1. Dr. Arvind Mayaram, Secretary Economic Affairs (*In Chair*)
2. Ms. Sharmila Chavaly, Joint Secretary (Infra)
3. Ms. Abhilasha Mahapatra, Deputy Secretary (PPP)

**II. Department of Expenditure**

No representation

**III. Planning Commission**

No representation

**IV. Ministry of Power**

4. Smt. Anju Bhalla, Director
5. Shri Mangal Hembram, Director (F&CA)
6. Shri Ajitesh Kumar, Assistant Director

**V. Government of Mizoram**

7. Shri T.P. Khaund, Principal Advisor to Govt. of Mizoram
8. Shri C.L. Thangliana, Secretary (Power & Electricity)
9. Shri K. Guite, CE, Power