



SOLAR POWER DEVELOPERS ASSOCIATION

3rd Floor, The Press Trust of India Building, 4, Parliament Street, New Delhi - 110001

Phone: +91-9560999255, +91-8750394442, Email: spda@solarpda.com

Website: www.solarpda.com

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Shri Anand Kumar

Secretary

Ministry of New & Renewable Energy

Block 14, CGO Complex

New Delhi

Sub: Request for reduction of Performance Bank Guarantee (PBG) requirement for upcoming solar tenders

Dear Sir,

We appreciate MNRE's efforts towards Govt. of India's Green energy mission and steering the 100 GW solar target through consistently inviting and concluding solar tenders under various phases of National Solar Mission and State Solar Policies. We also thank you for considering our request for reduction of BG towards EMD amount from INR 10 lacs/MW to 4 lacs/ MW.

In past few years, solar tariff and solar project costs have reduced from Rs.18/kWh (INR 15 Crore per MW) in 2011-12 to Rs.2.44/kWh (INR 4 Crore per MW) respectively in recent times. This has been possible due to decrease in cost of solar components, design optimisation and scale of projects. **Despite significant reduction in the cost of solar projects and tariff, value / amount for the PBG to be submitted has remained unchanged as visible in the recent tender documents.**

High Cost of Performance Bank Guarantee: PBG for most tenders range around INR 20 lac/MW corresponding. The cost of PBG ultimately forms part of the Project Cost and thus increases the final tariff of any bid. Also, considering the quantum of tender capacity and many tenders being ongoing simultaneously, it restricts the participation capacity of serious IPPs due to such high amounts.

A meeting was called by your good office jointly inviting SECI, NTPC, PGCIL and solar developers for rationalisation of EMD and PBG amount on 6th Dec 2018 and all developers requested for reduction in EMD and PBG amounts in line with the current Tariff and Project Cost. It was concluded from the meeting that the subject matter

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will be reviewed for upcoming bids and further EMD amount will be reduced to INR 4 lacs/ MW and PBG amount shall be reduced after taking inputs from SECI and NTPC during the meeting. It was also decided in the meeting that SECI and NTPC will review project costs on quarterly basis to finalise the EMD and BG amounts for respective tenders during that period.

Our Request:

In view of above, we request you to kindly consider the reduction in PBG in upcoming solar tenders to INR 8 Lacs/ MW which would encourage SPD's to quote more competitive tariff in the current bids while broadening the participation capability as well.

Thanking you

Yours sincerely



Ravi Verma
Member-Governing Council