

No.32024/23/2001-PFC
Government of India
Ministry of Power

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New Delhi, the 24th December, 2002.

OFFICE MEMORANDUM

Subject :- Extension of AG&SP Scheme to Tenth Five year Plan.

Cabinet Committee on Economic Affairs (CCEA) has approved extension of Accelerated Generation & Supply Programme to Tenth Five year Plan period. The salient features of the scheme are as under :-

- a) Interest subsidy under the scheme has been reduced from 4% in Ninth Plan to 3% in Tenth Plan i.e. 1.4.2002 to 31.3.2007. The subsidy for projects in North-Eastern Region would be 4%. Interest subsidy would be restricted to difference of lending rate and benchmark rate subject to a maximum of 3%. The benchmark rate would be rate of interest on 12 years' Government security for that financial year.
- b) R&M Schemes costing less than Rs.100 crores which were being financed under Accelerated Power Development Programme will now be financed exclusively under AG&SP Scheme.
- c) A small amount of grant under the AG&SP Scheme will be provided to State Electricity Boards (SEBs), State Generating Corporations (SGCs) and State Power Departments (SPDs) for carrying out studies which help to achieve policy objectives of the Government relating to Power Sector. These include Power Sector Reform and Restructuring Studies, System Studies, Renovation & Modernisation (R&M) Studies, Life Extension (LE) Studies. Distribution studies which are covered under the proposed APDRP Scheme will not be eligible for grant of assistance under AG&SP Scheme. Provision for grants of studies under AG&SP Scheme will be fixed in consultation with Finance Wing on year to year basis during Tenth Plan.
- d) Only those States, which perform satisfactorily with respect to the agreed milestones of the reform MoUs entered into with the Ministry of Power and of the Action Plans to achieve commercial viability in accordance with the Reform programme, would be eligible for funding under AG&SP. The better performing states would be given preference. The milestones of Action Plans would be stringent and will aim at progressively reducing the gap between the cost per unit and the revenue collected per unit of electricity.

- e) Interest subsidy in respect of generation project covered under AG&SP will be reduced in proportion to the delay in commissioning of the project in following manner :-

% Delay (D/X)	Reduction	% Delay (D/X)	Reduction
0%-10%	Nil	>55%-70%	2%
>10%-25%	0.5%	>70%-85%	2.5%
>25%-40%	1.0%	Above 85%	3.0%
>40%-55%	1.5%		

D is delay (in days) = Actual Commissioning date – Agreed Commissioning Date.

X (in days) = Agreed Commissioning Date – Date of loan Sanction.

Wherever the interest subsidy is less than 3%, the same would be spread over seven slabs proportionately as per formula laid down above.

- f) All specified projects financed by both PFC and REC will be eligible for assistance under AG&SP Scheme without any limitation of capacity.

2. During Ninth Plan, funds were provided under the scheme on the basis of Net Present Value (NPV) taking discount rate at 12%. In view of the falling interest rates, discounting rates has been fixed at 10.25% for the current year which will be the average of the average between the lowest and highest lending rates of PFC. The discount rate will be fixed once a year. However, in the event of PFC revising the lending rates more than twice a year, the discount rate can be fixed twice a year. The effect of fixation of discount rate will be prospective only. The change in discounting rate once a year (or once in six months as the case may be) would be decided by a Committee headed by Joint Secretary & Financial Adviser, Ministry of Power, Joint Secretary, Ministry of Finance and Director (Finance) of PFC and REC.

3. Similarly, as interest subsidy would be equal to difference of lending rates and benchmark rate, the Committee mentioned in para-2 above will determine the lending rates of PFC/REC.

4. The funds under the scheme will be allocated in equal proportion i.e. 50:50 basis to PFC and REC under the AG&SP Scheme after meeting the spill-over liabilities of Ninth Plan. However, in view of the limited provision available, PFC and REC would need to prioritise the schemes to be covered under this programme.

5. A representative of Finance Wing of the Ministry will be represented in all loans/grants (study) sanctioning committee of PFC and REC. All proposals approved by these Committees will be sent to Ministry for reimbursement of interest subsidy provided to borrowers.

6. This issues with the concurrence of Internal Finance vide their Dy. No.2881/JS(FA), dated 24.12.2002.

(Prabhakar)
Under Secretary to the Government of India
Tele No. 2371 9710

To

1. Ministry of Finance, Deptt. of Expenditure (PF-II Section), North Block, New Delhi.
2. Planning Commission (Shri L.P. Sonkar, Joint Adviser (P&E), Yojna Bhawan, New Delhi.
3. Ministry of Non-Conventional Energy Sources (Shri Ahmar Raza, Director), CGO Complex, Lodhi Road, New Delhi.
4. Chairman & Managing Director, PFC, 36, Janpath, New Delhi.
5. Chairman & Managing Director, REC, Scope Complex, Lodhi Road, New Delhi.

Copy to : PS to MoP/ MOS(P)/ Secretary(P)/ SS(P)/ JS(PFC) /JS&FA/
Controller of Accounts/DS(PFC)/DS(Fin.).

(Prabhakar)
Under Secretary to the Government of India