

HIMALAYA POWER PRODUCERS ASSOCIATION

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Lr.No.HPPA/08/2013

Dated: 12th Aug, 2013

To.

The Hon'ble Chief Minister,
Government of Himachal Pradesh,
HP Secretariat, Chotta Shimla-171002,
Himachal Pradesh

Sub: Urgent need to address the issues hindering the development of Small Hydro Electric Projects in Himachal Pradesh- thereof.

Respected Sir,

Himalaya Power Producers Association is a group of progressive likeminded allottees of Small Hydro Electric Power Projects that were allotted to the SHPs soon after the H.P. Hydro Power Policy, 2006 was announced. An overwhelming majority of such allottees are Himachalies. The Association, ever since its creation in the year 2008 has been working as an interface between the developers and the government and has been endeavoring to help to resolve the issues with the only aim that Small Hydro Electric Projects of which Himachal is blessed with abundance are harnessed speedily for benefiting the State by providing the much needed electricity. For this purpose some of the reputed designers, consultants and machinery manufacturers have been given associate membership. The creation of single window at District and State Level and management mechanism of LADA are some of the issues where the Association has stood shoulder to shoulder with the Govt. for resolving the issues.

Now, Sir we have come to apprise your goodself that the time has come where issues that are roadblocks in the smooth development of the SHP Projects, need to be brought to the notice of your goodself to ensure that hydro sector so dear to you Sir, comes successfully out of the handicaps. Some of the urgent issues are listed hereunder:-

1. 6% ROYALTY ON THE WATER UTILIZATION

At the time of advertisement of SHPs in near 2007, it was specifically stated that water utilization for the first 12 years in respect of SHPs shall be free from any cess. This was rightly the view of the policy framers that the in the first 12 years after COD the

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developer is under great financial stress in respect of servicing the loan and investing into overcoming the teething troubles.

Sir, subsequent to the issue of allotment letters a clause has been added that 6 % royalty shall be payable by the developers even for the first 12 years. It needs to be noted that good number of projects have negative cash flow during the first 12 years on account of the burden stated above.

It is therefore, humbly prayed that this 6% royalty chargers may kindly be withdrawn.

2. EXTENSION CHARGES.

The time period allowed for implementing the projects is 24 months. Similarly a period of six months have been allowed for obtaining the mandatory clearances. It has been noted that these time lines are extremely unrealistic. It is requested that period of 24 months needs to be extended to 48 months and six months time period for clearances may please be deleted and merged into 48 months time line. This is essential to save the developer from payment of penalty on account of extension charges as also save the precious government time of unnecessary correspondences. The extension charges, if at all needed to be paid in some specific cases be allowed to be deducted from the generated energy bill of the project after commissioning. The time spent due to Force Majure conditions/ Acts of God should be excluded from the above period.

3. LEASE DEED

- a. The Lease process should be simplified. Nominal circle rate for the forest land/ government land and prevailing in the neighboring hilling state should be allowed to be followed to arrive at the lease amount. For projects upto 5MW a token lease of Rupee 1 per Sq. Mtr. as prevailing in other states in respect of non conventional energy projects be allowed to be charged.
- b. There is a recent instruction from the forest department directing the DFOs/ field officers not to hand over the land till the lease deed is signed. This instruction is in variance to the earlier decision of the Govt. which allowed the forest land to be handed over to the developer after clearance of MoEF, payment of NPV amount and CA charges. The developer was thus able to start the construction of project at site pending signing of lease deed which is only a procedural matter. It is requested that these instructions may please be withdrawn.

Sir, there are a number of other important issues concerning the development of SHPs in the state which the Association wants to discuss with your goodself in full strength of developers discussing their view point face to face with your goodself in a seminar/ workshop for which suitable time and date in the last week of Sep-2013 or as convenient to your goodself may please be given. We also request that Secretaries of the concerned departments and DCs of the districts where hydel projects are located be also asked to be present in the proposed interaction. We shall be looking forward to a favourable response from your goodself.

Thanking you,

Sincerely yours,

For Himalaya Power Producers Association.

(Er. C.J. Rai)

Secretary General.

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Copy to:

1. Honble Minister of Power, Govt. of HP, Shimla-171002 (HP) for kind consideration and necessary action please.
2. The Pr. Secretary Power, Govt. of HP, Shimla-171002 (HP) for kind consideration and necessary action please.