

# POLICY

## Updates

### What's Inside

IEEMA Representation to West Bengal...	Page 1
IEEMA Representation...	Page 1
IEEMA Representation...	Page 1
Government Approved 12,000 MW...	Page 2
Government Approved Phase-II...	Page 2
Government Approved Kisan Urja Suraksha...	Page 3
Hydro Power Projects Declared...	Page 3
Certain Recommendations of the High...	Page 3
Cabinet approves various Thermal...	Page 4
Released National Guidelines on...	Page 4
Cabinet approves continuation...	Page 5

### IEEMA Representation to West Bengal State Electricity Distribution Company Ltd. on major issues faced by Indian Energy Metering Industry

**I**EEMA submitted representation to above distribution utility stating major issues of the Meter Industry, such as, enormous delay in release of balance 10% payment, Delayed payment and LD, short delivery schedule of first lot, replacement process of defective meters etc.

### IEEMA Representation on Hardships to Domestic Electrical Industry due to Concessional Import Duty under Chapter 98

In its representation, IEEMA stated that while imports of electrical equipment under Chapter 84 and 85 attract a basic customs duty ranging from 7.5% to 10%, the same equipment are also imported under Chapter 98 (project imports) at a concessional basic customs duty of 5%. Therefore, this differential duty of 2.5%- 5% is a clear disadvantage to the domestic industry. The concern of IEEMA is about absence of a level playing field to the Indian manufacturing sector. Grant of tariff concessions to imports and absence of comparable concessions on supplies made by domestic industry has taken away competition.

A significant portion of electrical equipment (approx. 10% of total imports) are presently being imported under Chapter 98.

The precise reason for introducing project imports was that domestic

industry did not have sufficient capacities at that time (when project imports regulation was notified in 1986); however, today the industry has sufficient capacities, and is operating at about 60-70% capacity utilization due to significant imports. Looking at the present scenario, IEEMA recommended to the Government to revoke the provision of concessional import duty under Chapter 98.

### IEEMA Representation on Challenges and Interventions to Reduce Trade Deficit with China

In its representation, IEEMA stated that in 2017-18, India's electrical equipment exports, including power project exports, were only Rs. 41,677 crore (around USD 6.46 billion). The power projects exports had a negative CAGR of 4.07 per cent during the past 12 years.

The top 10 countries where exports of Indian electrical equipment took place (value wise from largest to smallest) were USA, United Kingdom, United Arab Emirates, China, Germany, Bangladesh, France, Singapore, Vietnam and Saudi Arabia, which testifies to the quality of electrical equipment

manufactured in India. With the electricity sector being a sunrise sector across the entire developing world, there exists significant potential for India to tap the export markets. India should target a 5% share of global trade in electrical equipment in the next ten years so that our exports reach a level of USD 25 billion.

However, the Indian industry is not able to compete effectively in the world market because of strong support of governments of some countries to their industry, like China, Brazil, South Korea and Russia, in terms of export subsidy, subsidy on raw material, subsidy on social security, and long-term line of credit at low rates of interest, which are also helping those countries in their economic development. IEEMA recommended some specific measures to increase exports of electrical equipment, such as, reduction in transaction costs of exports, improvement in port infrastructure, Competitive Policy Support of the Government, Review of Trade Agreements, Funds Availability and Long Term Buyer's Credit, Support from Indian Missions Abroad, Removal of Technical Barriers, Carrying out projects on R&D, more participation of industry in International Fairs, Trade Delegations and Buyer-Seller Meets etc.

China's share in Indian imports of electrical equipment dramatically increased and now it stands at 35.40% (2017-18) of the total imports from 15.26% in 2005-06. Imports from China have grown at a CAGR of 20.46% in the last 12 years and were Rs. 19,683 crore (approx. USD 3.05 billion) in 2017-18.

India has a huge trade deficit with China, comprising of approx. Rs. 18,000 Crore, which has significantly increased over last decades.

The share of China's exports of electrical equipment to India, out of its total exports of electrical equipment to the world, is estimated to be only 3% - 4%. This makes the share of India's imports of electrical equipment from China as 35.40% (out of India's total imports of electrical equipment from the world). If this share of Chinese exports to India increases by even 1%, it would have a significant adverse impact to the

Indian electrical equipment industry.

Electrical and Power System is a part of critical infrastructure of any country. The Central and State Grid is becoming increasingly smart. The Smart Grid on one hand will increase the efficiency, and at the same time, become more vulnerable to threats from embedded malware and cyber-attacks. The same applies for distribution network also. Since our relationship with China is suspect and there is posturing every six months, theoretically a potential conflict in future cannot be ruled out.

IEEMA recommended some specific measures to reduce imports from China, such as, Reciprocity in terms of business activity with China, removal of concessional duty imports under Chapter 98, putting up mandatory standards, Insulate Indian Electrical Grid from Cyber Security Threat, mandatory testing of Chinese equipment in Indian test laboratories, considering life cycle cost of equipment vis-à-vis L1 concept etc.

## Government Approved 12,000 MW of Solar Power Project

The Cabinet Committee on Economic Affairs approved setting up of 12,000 MW grid-connected solar photovoltaic power projects. These projects will be set up by government producers, who will be provided with a viability gap funding (VGF) support of Rs 8,580 crore. The VGF support could also be used by government or government entities at both the central and state

levels. The projects will be set up in a time period of four years, from 2019-20 to 2022-23.

## Government Approved Phase-II of Grid Connected Rooftop Solar Programme

The Cabinet Committee on Economic Affairs approved Phase-II of the Grid Connected Rooftop Solar Programme. This seeks to achieve the cumulative capacity of 40,000 MW from rooftop solar (RTS) projects by 2022. The programme will be implemented with total central financial support of Rs 11,814 crore. Under Phase-II, central financial assistance will be provided as follows:

- Residential sector: 40% assistance will be provided for RTS systems with up to 3 kW capacity, and 20% for capacity between 3 and 20 kW.
- Group Housing Societies/Residential Welfare Associations: The assistance will be limited to 20% for RTS plants for supply of power to common facilities.
- No assistance will be provided to other categories such as institutional, educational, social, government, commercial, and industrial sectors. In addition, performance based incentives will be provided to distribution companies based on the RTS capacity achieved in a financial year (over and above the base capacity).







## Government Approved Kisan Urja Suraksha Evam Utthaan Mahabhiyan

The Cabinet Committee on Economic Affairs approved the launch of Kisan Urja Suraksha Evam Utthaan Mahabhiyan (KUSUM). The scheme aims to add solar capacity of 25,750 MW by 2022. The total central financial support provided under the scheme would be Rs 34,422 crore. The proposed scheme consists of three components:

- i. Component-A: 10,000 MW of decentralised ground mounted grid connected renewable power plants. Under this component, renewable power plants of capacity 500 kW to 2 MW will be setup by individual farmers/ cooperatives/ panchayats/ farmer producer organisations on their barren or cultivable lands. The power generated will be purchased by the distribution companies.
- ii. Component-B: Installation of 17.5 lakh standalone solar powered agriculture pumps. Under this component, individual farmers will be supported to install standalone solar pumps of up to 7.5 HP capacity.
- iii. Component-C: Solarisation of 10 lakh grid-connected solar powered agriculture pumps. Under this



component, individual farmers will be supported to solarise pumps of up to 7.5 HP capacity.

## Hydro Power Projects Declared as Renewable Energy Sources

The Union Cabinet approved certain measures to promote the hydro power sector. Key measures approved include:

- **Large hydro projects:** Large hydro power projects (capacity above 25 MW) will be considered as renewable energy sources. Earlier only small hydro projects (capacity less than 25 MW) were considered



as renewable energy sources. However, the large projects will not be automatically eligible for any differential treatment for statutory clearances such as forest and environmental clearances, or impact assessment studies that are available for smaller hydro projects.

- **Hydro Purchase Obligation (HPO):** HPO will be a separate category within the existing renewable purchase obligation (RPO, obligation on certain entities to purchase a fixed minimum percentage of power from renewable sources). It will cover all large hydro projects commissioned post this approval. The Ministry of Power will notify the trajectory for HPO targets based on the projected hydro capacity addition.
- **Tariff rationalisation:** Tariff rationalisation measures include: (i) providing flexibility to the developers to determine tariff by back loading of tariff (progressively increasing it) after increasing project life to 40 years, (ii) increasing debt repayment period to 18 years, and (iii) introducing escalating tariff of 2%.
- **Budgetary support:** Providing budgetary support for: (i) flood moderation component of certain hydro power projects, and (ii) funding cost of enabling infrastructure such as roads and bridges. The latter will be limited to Rs 1.5 crore per MW for projects up to 200 MW capacity, and one crore rupees per MW for projects above 200 MW.

## Certain Recommendations of the High Level Empowered Committee on Stressed Thermal Projects Accepted

The Cabinet Committee on Economic Affairs approved the recommendations of the Group of Ministers constituted to examine the specific recommendations

of High Level Empowered Committee constituted to address the issues of Stressed Thermal Power Projects. The approved recommendations provide for certain changes to the coal linkage policy, SHAKTI. Key recommendations that have been approved include:

- All power plants (including private), which do not have power purchase agreements (PPAs), will be granted coal linkages by Coal India Limited (CIL), as per SHAKTI. These linkages will be provided for a period from three months up to one year. The power from these plants must be sold: (i) in the day-ahead market on power exchanges, or (ii) in short-term through transparent bidding process.
- A generator which terminates the PPA due to default in payment by the power distribution company (discom), may be allowed to use coal from the existing linkage for sale of power through short-term PPAs. Such sale would be allowed for a period of two years or until they find another buyer under long/medium term PPA, whichever is earlier.
- Central and state generation companies can act as aggregators of power of stressed power assets and procure it through transparent bidding. They can offer this power to the discoms against their existing PPAs, till their own plants get commissioned. The central and state companies may use existing unutilised bridge linkages for such stressed assets, provided they meet certain guidelines.
- Any net surplus generated through the above methods (after paying operating expenses) will be entirely used for servicing the debt.
- The Ministry of Coal may earmark more coal for power sector under special forward e-auction by reducing the equivalent quantity from spot e-auction. CIL may earmark at least 50% of the total coal for evacuation for power.
- Discoms, CIL, other government bodies may be advised not to cancel

PPAs, or fuel supply agreements, transmission connectivity, and other approvals including water even if the project is referred to the NCLT, or acquired by another entity. All clearances may be linked to the plant and not the promoter.

## Cabinet approves various Thermal and Hydro Power Projects

The Cabinet Committee on Economic Affairs approved several thermal and hydro power projects. Details of the projects are as follows:

### Thermal Projects

- (i) A 2x660 MW Thermal Power Project has been approved in Buxar, Bihar at an estimated cost of Rs 10,439 crore. The plant will be set up by SJVN Thermal Private Ltd., a wholly owned subsidiary of SJVN Ltd., a mini ratna CPSU, under the Ministry of Power.
- (ii) A 2x660 MW Thermal Power Project has been approved in Khurja, Uttar Pradesh at an estimated cost of Rs 11,089 crore. The project will be set up by THDC India Limited (formerly Tehri Hydro Development Corporation Limited), a mini ratna CPSU, under the Ministry of Power.

### Hydro Projects

- (i) CCEA approved the construction of Kiru Hydro Electric (HE) Project, with a capacity of 624 MW, at an estimated cost of Rs 4,288 crore. The project will be located on River Chenab in Kishtwar, Jammu and Kashmir. It will be set up by M/s Chenab Valley Power Projects Private Limited (M/s CVPPPL). M/s CVPPPL is a joint venture company of NHPC Limited (formerly National Hydroelectric Power Corporation), Jammu and Kashmir State Power



Development Corporation Limited, and PTC India (formerly Power Trading Corporation of India Ltd.), with equity shareholding of 49%, 49% and 2% respectively.

- (ii) CCEA also approved the investment sanction for acquisition of M/s Lanco Teesta Hydro Power Limited and execution of balance work of the Teesta Stage-VI HE Project by NHPC Ltd in Sikkim. The project will be implemented at an estimated cost of Rs 5,748 crore.

## Ministry of Corporate Affairs Released National Guidelines on Responsible Business Conduct

These Guidelines revise the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business, 2011 (NVGs). The NVGs lay down basic requirements for businesses to function in a responsible manner. The new Guidelines seek to capture key national



and international developments in the sustainable development agenda and business responsibility field since the NVGs. These include up-dation in accordance with principles of the Companies Act, 2013 and the UN Sustainable Development Goals. The Guidelines are articulated as a set of nine principles, along with 'Core Elements' of each principle. These Core Elements are requirements or actions that are needed to implement the principle. The principles are:

- Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.



- Businesses should provide goods and services in sustainable and safe manner.
- Businesses should respect and promote the well-being of all employees, including those in their value chains.
- Businesses should respect the interests of all its stakeholders.
- Businesses should respect and promote human rights.
- Businesses should respect and make efforts to protect and restore the environment.
- Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- Businesses should promote inclusive growth and equitable development.
- Businesses should provide value to their consumers in a responsible manner.

## Cabinet approves continuation of the Credit Linked Capital Subsidy and Technology Upgradation Scheme

The Cabinet Committee on Economic Affairs, approved the continuation of the Credit Linked Capital Subsidy and Technology Upgradation Scheme for the period of 2017-18 to 2019-20 with an outlay of Rs 2,900 crore. The objective of the scheme is to facilitate technology upgradation in Micro, Small and Medium Enterprises (MSMEs) by providing an upfront capital subsidy of 15% (on institutional finance of upto one crore rupees) for induction of well-established and improved technology. In



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### Certificate of Origin Service of IEEMA

IEEMA issues "Certificate of Origin (Non-Preferential)", required by exporters at the time of exporting their products out of the country.

The Ministry of Commerce and Industry, Government of India approved IEEMA Delhi as an authorized agency to issue this certificate in the year 2003, vide DGFT Public Notice no. 64/2002-07, dated 19th February 2003. IEEMA's name and contact details appear under Appendix 2 E of Handbook of Procedures (Vol.I) of the Foreign Trade Policy.

On receipt of applications from exporters, IEEMA issues these certificates instantly with zero wait time.

Members desirous to obtain the certificates from IEEMA need to send filled-in format of Certification of Origin, along-with copies of invoice and packing list(s) for each consignment, to the below mentioned address. Applicants may get the certificates either in person or through courier.

A nominal certificate fee of INR 118 (INR one hundred eighteen only - inclusive of GST) is charged per certificate. Applicants need to add INR 50 (INR fifty only) as courier charges. Payment may be made by cash / cheque / DD in favour of "IEEMA" payable at "Delhi".

Exporters are requested to send their requisitions and queries to:

**Mr. Sudeep Sarkar**  
Director

**Indian Electrical & Electronics Manufacturers' Association (IEEMA)**  
Rishyamook Building, First Floor, 85A, Panchkuian Road, New Delhi - 110 001  
Ph: 011- 23363013-14 / 23746634, Fax: 011- 23363015  
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addition, the scheme aims at improving the competitiveness of MSMEs by integrating various ongoing schematic interventions aimed at upgrading technology through: (i) zero defect zero

effect manufacturing, and (ii) increasing productivity through waste reduction, design intervention, and cloud computing.

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