

# CABINET APPROVES MEASURES TO PROMOTE HYDRO POWER SECTOR

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

Cabinet

## Cabinet approves Measures to promote Hydro Power Sector

Posted On: 07 MAR 2019 2:46PM by PIB Delhi

The Union Cabinet, chaired by the Prime Minister Narendra Modi, has approved Measures to promote Hydro Power Sector. These include Declaring Large Hydropower Projects (HPO) as part of non-solar Renewable Purchase Obligation (RPO)

### Details:

- i. Large Hydropower Projects to be declared as Renewable Energy source (as per existing practice, only hydropower projects less than 25MW are categorized as Renewable Energy).
- ii. HPO as a separate entity within non-solar Renewable Purchase Obligation to cover LHPs commissioned after notification of these measures (SHPs are already covered under Non-Solar Renewable Purchase Obligation). The trajectory of annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.
- iii. Tariff rationalization measures including providing flexibility to the developers to determine tariff by back loading of tariff after increasing project life to 40 years, increasing debt repayment period to 18 years and introducing escalating tariff of 2%;
- iv. Budgetary support for funding flood moderation component of hydropower projects on case to case basis; and
- v. Budgetary support for funding cost of enabling infrastructure i.e. roads and bridges on case to case basis as per actual, limited to Rs. 1.5 crore per MW for upto 200 MW projects and Rs. 1.0 crore per MW for above 200 MW projects.

### Major Impact including employment generation potential:

As most of the hydro power potential is located in the higher reaches of Himalayas and North-East Region, it will result in overall socio-economic development of the region by providing direct employment in the power sector. It will also provide indirect employment/ entrepreneurial opportunities in the field of transportation, tourism and other small scale businesses. Another benefit would be of having a stable grid considering 160 GW capacity addition by 2022 from infirm sources of power like solar and wind.

## Background:

India is endowed with large hydropower potential of 1,45,320 MW of which only about 45,400 MW has been utilized so far. Only about 10,000 MW of hydropower has been added in the last 10 years. The hydropower sector is currently going through a challenging phase and the share of hydropower in the total capacity has declined from 50.36% in the 1960s to around 13% in 2018-19.

Besides being environment friendly, hydropower has several other unique features like ability for quick ramping, black start, reactive absorption etc. which make it ideal for peaking power, spinning reserve and grid balancing/ stability. Further, hydropower also provides water security, irrigation and flood moderation benefits, apart from socio-economic development of the entire region by providing employment opportunities and boosting tourism etc. The importance of hydropower is increasing even more as the country has targeted to add 160 GW of intermittent Solar and Wind power by 2022 and 40% of the total capacity from non-fossil fuel sources by 2030 to honour its Nationally Determined Contribution for Climate Change. However, DISOMS are reluctant sign Power Purchase Agreements (PPAs) Hydro Power due to higher tariff, particularly, in the initial years. One of the reasons for high tariff of hydropower is the loading of cost of flood moderation and enabling infrastructure in the project cost. In this backdrop, the decision has been taken to adopt measures to promote hydropower sector including providing budgetary support for flood moderation cost and enabling infrastructure cost and tariff rationalization measures to reduce tariff and thus the burden on the consumer.

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