POLICY FOR ENERGY SAVING PROJECTS

1. Purpose: To extend finance to energy efficiency projects executed by Energy Service Companies (ESCOs) or by the entities taking energy efficiency measures themselves.

2. Eligibility:

Energy saving projects for govt./PSUs owned buildings, townships, street lights owned by municipal corporations and other govt. agencies and industrial energy saving projects of PSUs.

Energy saving projects for privately owned buildings, townships including street lights and other industrial energy saving projects.

ESCO being the applicant should have successfully executed at least one project.

The Entity and Project eligibility criteria under Operation Policy Statement will be applicable for assistance to energy saving project executed by the Owner or by ESCOs.

3. Type of Financing:

Term loan
Re-financing / replacing existing high cost term loan.

4. Appraisal:

The detailed project report (DPR) shall be prepared and submitted by the applicant. The appraisal will focus on entity and project including promoters' technical and financial capabilities, their strengths & weaknesses, assessment of energy audit findings, load survey, assessment of baseline calculations, energy efficiency measures proposed, past experience with such measures, method/structure of execution of energy management system, measurement and verification protocol for establishing savings, payment mechanism, financial modeling, payback period, debt servicing, securities, etc.

The corporation's appraisal will also focus on structuring of Energy Management Service agreement/contract and Payment Security Mechanism.

5. Payment security:

The payment on account of energy savings must be fully secured and channelised through an escrow account mechanism which will be governed by an agreement between the Owner, ESCO, their bankers and lenders. An identified revenue stream of the Owner will be directly deposited into escrow account and the Owner shall be responsible for adequately funding the account.

The ESCO to provide Bank Guarantee to meet any shortfall in Guaranteed energy savings. The Owner to provide guarantee for the payment of Guaranteed energy savings and Deemed energy savings, as attributable to the acts of the Owner, to the satisfaction of PFC. The Guaranteed energy savings shall be defined in the Energy Management Service Agreement. Both the guarantees will be linked to Trust and Retention Account- / Escrow Account.

6. Extent of assistance:

State/Central Sector borrowers: Up to 90% of the total cost (irrespective of project cost)

Private Sector borrowers:
Where project cost less than Rs.25 crs. - Debt up to 70% of total project cost
Where project cost exceeds Rs.25 crs - Debt - 70% of Rs. 25 crore and 50% of the project cost exceeding Rs. 25 crore

7. Minimum loan amount: Minimum loan amount of Rs.1.00crore shall be considered under the scheme.

8. Upfront Equity: The Promoter(s) will bring and invest 100% upfront equity in the Energy Saving Project.

9. Interest rate & other charges: To promote the energy saving projects, the interest rates as applicable currently to renewable energy projects for private sector will also be applicable to energy saving projects being executed by private/state/central sector borrowers.

10. Financial Charges: Financial charges such as upfront fee / commitment charges, processing fee, penal interest etc. shall be levied as per PFC policy.

11. Moratorium & repayment period: The maximum repayment period of 5 years shall be allowed with moratorium of 3 months from the date of commissioning of the project.

12. Security: As per standard policy of PFC as applicable to state/private sector.

12.1 State/central sector promoter(s):

(i) State/Central Govt. guarantee or Charge on Assets
(ii) Escrow Account/Letter of Credit

12.2 Private sector promoter(s)

(i) Primary security: Charge on assets
(ii) Collateral security: The requirement of collateral security for covering various risks at different stages of the project would be assessed during appraisal.

In addition, a Trust and Retention Account Mechanism or Escrow mechanism through which the cash flows of the project are captured monitored and utilized in a manner decided by PFC during construction as well as operation period.

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