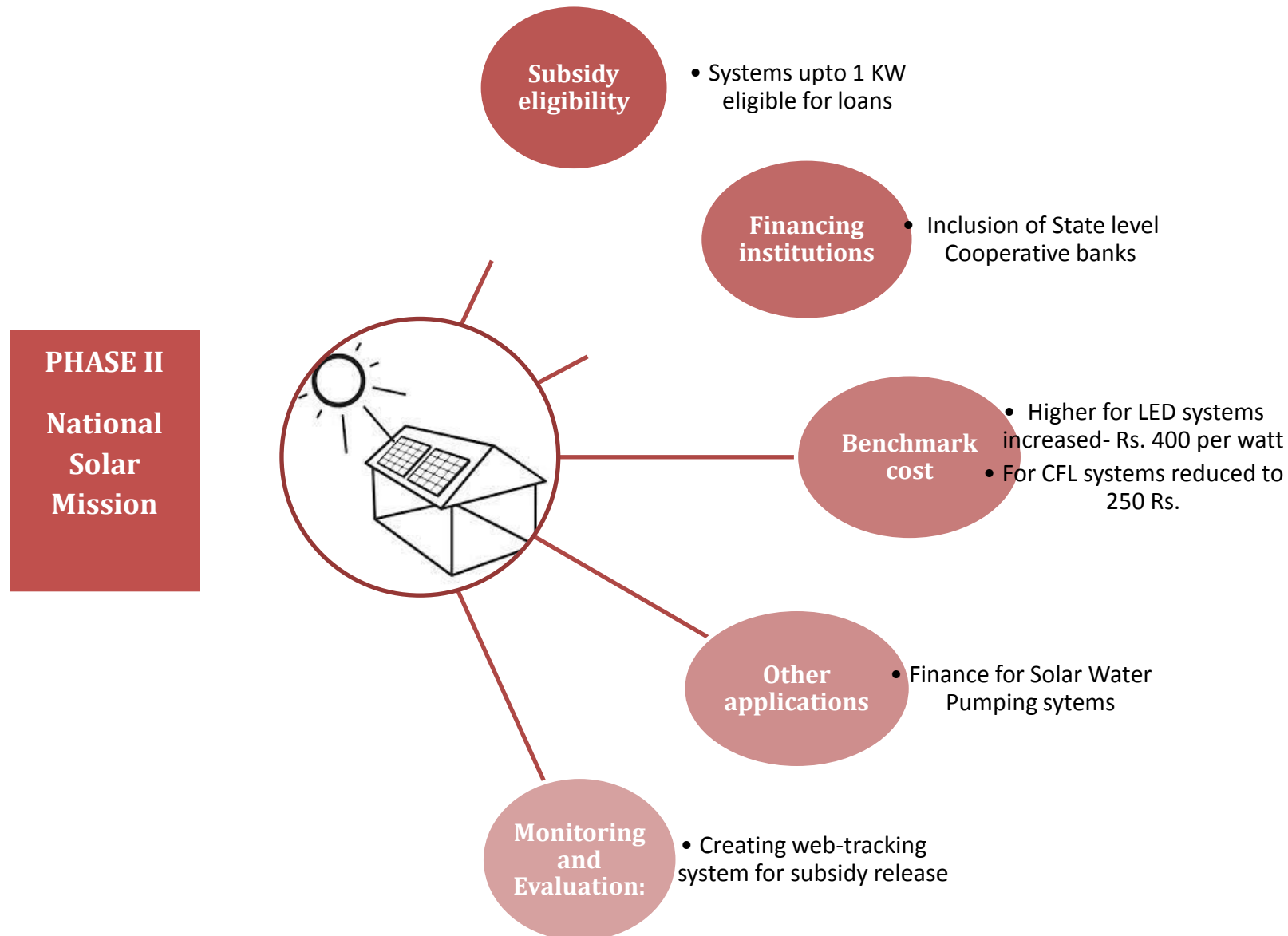


## Changes introduced in Phase 2 of the National Solar Mission (Off-grid)



Category	Barriers and Issues (February 2012 –March 2014)	SELCO's Efforts/ Recommendations (December 2012- December 2013)	Changes implemented (MNRE and NABARD circulars : June- July 2014)
<b>Subsidies</b>	<p><b>Low standards for system eligibility:</b></p> <ul style="list-style-type: none"> <li>Loans available only for systems up to 300W</li> </ul>	<ul style="list-style-type: none"> <li>Need for increasing system capacity to enable additional poor households to avail of financing<sup>i</sup></li> </ul>	<p><b>Increased System Eligibility</b> for financing from 210W to 1 KW.<sup>ii</sup></p> <ul style="list-style-type: none"> <li>10W - 300W at 40% capital subsidy;</li> <li>300W - 1KW at 30% capital subsidy</li> </ul>
<b>Inclusion of Cooperative Banks</b>	<p><b>Cooperative Banks not covered under NSM Financing:</b></p> <ul style="list-style-type: none"> <li>Financing and subsidy through NABARD was only restricted to Commercial Banks and Regional Rural Banks (RRBs).</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion of Cooperative banks in list of financial institutions to enable poorer households not connected to banks to access credit<sup>iii</sup></li> </ul>	<p><b>State level cooperative Banks included as institutions eligible to provide financing and subsidies under National Solar Mission<sup>iv</sup></b></p>
<b>Technology Considerations</b>	<p><b>Underestimated Benchmark Costs</b></p> <ul style="list-style-type: none"> <li>Rs.300 per watt in 2011-12 (reducing by 10% every year)</li> </ul> <p><b>Banks use benchmark costs to estimate loans and not just subsidies</b></p>	<ul style="list-style-type: none"> <li>Higher benchmark cost required since systems are of lower wattage; current costs based on larger system costs and fail to consider servicing and maintenance<sup>v</sup></li> <li>Letter to MNRE requesting a clarification to banks to use Benchmark cost only for calculating subsidies, not for deciding maximum loan value of PV lighting system</li> </ul>	<p><b>Differentiated benchmark costs decided:</b></p> <ul style="list-style-type: none"> <li>Benchmark has been revised in the latest circular to Rs. 400 per watt peak for LED systems; while for CFL lighting systems, the cost has been reduced to Rs 250 per watt peak<sup>vi</sup></li> </ul> <p><b>Clarifications issued by MNRE and NABARD</b> (verbal and written) that Benchmark cost to be used to calculate subsidy only, not maximum loan value.<sup>vii</sup></p>
<b>Financing for Solar Water Pumping systems</b>	<p><b>Lack of financing schemes for Solar Water Pumping systems:</b></p> <ul style="list-style-type: none"> <li>Loans and subsidies limited to solar thermal and PV solar lighting systems alone</li> </ul>	<ul style="list-style-type: none"> <li>Need for bridge gap financing for end-users to access other solar off-grid appliances, including Irrigation Pump sets.<sup>viii</sup></li> </ul>	<p><b>Inclusion of Solar Water Pumping systems<sup>ix</sup></b></p> <ul style="list-style-type: none"> <li>As part of NSM-NABARD subsidy programme</li> <li>With financing through Bank loans<sup>x</sup> (30,000 pump sets to be financed)</li> </ul>
<b>Targets and Monitoring Mechanisms</b>	<p><b>Monitoring Mechanisms:</b></p> <ul style="list-style-type: none"> <li>No agency tracking of off-grid systems that have been installed through Bank loans</li> <li>Information not publicly available</li> </ul> <p><b>Lack of targets for bank lending under NSM</b></p>	<ul style="list-style-type: none"> <li>Need for setting up Bank-related targets and monitoring mechanisms enforced through State Level Bankers' Committee (SLBC)</li> </ul>	<p><b>Creation of tracking system:</b></p> <ul style="list-style-type: none"> <li>Guidelines assure creation of a web-enabled system to track subsidy release and number of systems which have been installed</li> </ul> <p><b>Karnataka State Monitoring Committee open to adding</b></p>

			<p><b>targets for banks (to be confirmed)</b></p> <ul style="list-style-type: none"> <li>Acting on a recommendation, Karnataka Vikas Grameen Bank (KVGB) to fix specific internal targets for their branches to ensure solar lending</li> </ul>
<p><b>Ecosystem development and Capacity building</b></p>	<p><b>Lack of skilled HR base:</b></p> <ul style="list-style-type: none"> <li>Lack of skilled Human Resource base to run various operations of providing energy access-technicians, operators, micro entrepreneurs etc.</li> </ul> <p><b>Limited capacity amongst financial institutions<sup>xi</sup>:</b></p> <ul style="list-style-type: none"> <li>Most Bankers unaware of procedures for solar financing; mitigation of risks associated etc.</li> <li>Lower levels of interest amongst RRBs outside of Karnataka, Uttar Pradesh.</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration with GIZ, to introduce Renewable energy courses as part of the current Electrical, Electronics courses in ITIs Karnataka.</li> <li>Ongoing talks with the Karnataka Energy Department to design Solar Energy Module for ITIs in the state.</li> <li>Organized Access to Finance workshop with Bankers from North India in 2013; Supported Bhartiya Vikas Trust (BVT) in conducting banker sensitization workshops on existing financial schemes, subsidies, need for solar loans etc.</li> <li>Creating Financial innovation and training modules for capacity building amongst Bankers</li> </ul>	<p><b>No specific guidelines or documents published (to be pursued further).</b></p> <p>However, SELCO employees have been given key positions in various important government bodies:</p> <ul style="list-style-type: none"> <li>Harish Hande appointed as a key member for "High Powered Task Force for NSM" for strengthening off-grid policy in Phase II of JNNSM</li> <li>B. Satyanarayana appointed as member of the State Level Monitoring Committee in Karnataka</li> </ul>

<sup>i</sup> Also articulated in the Financing Review report: <http://www.selcofoundation.org/publication/view/financing-review-nsm/>

<sup>ii</sup> Concerned Circular: <http://mnre.gov.in/file-manager/UserFiles/Lighting-Scheme-through-NABARD.pdf> ; mentioned on Page 1 – Clause (b); with detailed size and model specifications elaborated on Page 4 – Annexure 1.

<sup>iii</sup> Expressed in the following report: <http://www.selcofoundation.org/publication/view/financing-review-nsm/> on Page 5, Clause 3 wherein a SWOT Analysis identifies the inclusion of Cooperatives banks as a potential measure for ensuring easy credit access

<sup>iv</sup> Concerned NABARD Circular: <https://www.nabard.org/uploads/Solar%20-%20Modified%20Scheme.PDF> , Circular No. - 102/DoR-GSS - 34 /2014, page 2, clause 3.

Concerned MNRE Circular: <http://mnre.gov.in/file-manager/UserFiles/Lighting-Scheme-through-NABARD.pdf> ; Page 1, Clause (a) mentions the inclusion of Cooperative banks under NSM.

<sup>v</sup> Recommendations made through meetings with MNRE and NABARD as part of State Level Monitoring Committee for NSM off grid policy; Also articulated in report on "Financing Review of NSM: Has It Made Off-grid Solar Affordable?" <http://www.selcofoundation.org/publication/view/financing-review-nsm/>

<sup>vi</sup> Concerned Circular: <http://mnre.gov.in/file-manager/UserFiles/CFA-offgrid-decentralised-solar-applications-programme-2014-15.pdf> ; Circular No. 5/23//2009-P&C (Pt. III) (dated 3/11/2014).

<sup>vii</sup> Letter number :P/HO/2012/-13/0802

<sup>viii</sup> Recommendation submitted through Renewable Energy Working Group (REWG)- as part of Comments on Draft Phase 2 guidelines for Off-grid decentralized energy component of the NSM

<sup>ix</sup> Concerned MNRE Circular: <http://mnre.gov.in/file-manager/UserFiles/scheme-SPV-water-pumps-NABARD.pdf>

<sup>x</sup> Concerned NABARD Circular: Circular No. 131/DoR-GSS-41/2014; <https://www.nabard.org/uploads/Cir%20131%20H%20-%20Revised%20Solar%20P.set%20circular.PDF>

<sup>xi</sup> SELCO's detailed recommendations can be found in the following Report: "Ecosystem Creation For Off-Grid Solar: Achieving Diffusion Across India" ; [http://www.selcofoundation.org/wp-content/uploads/2013/10/ecosystem-development\\_nsm.pdf](http://www.selcofoundation.org/wp-content/uploads/2013/10/ecosystem-development_nsm.pdf)

## Priority Focus Areas Going Forward:

### Feedback on Phase II of JNNSM

- Feedback to be collected from Bankers and Practitioners working on the ground on the ramifications of the changes implemented in Phase II of JNNSM
- Also, their opinion on the further changes/clarifications required in the policy framework of JNNSM

### Strengthening Ecosystem Development

- Ongoing efforts on engaging with state cooperative banks and decision-making bodies in the finance space e.g. RBI, NABARD
- Ongoing work to develop a Bankers' training module which can then be used to conduct sensitization workshops for capacity building and financial innovation for end-user and enterprise financing
- Carry forward talks with Karnataka Energy Department to implement Solar Energy Module in ITIs in the state (in collaboration with Directorate of Employment and Training)
- Energy Curriculum being designed which can be utilised by RSETIs

### Empanelment of new Entrepreneurs and Invoicing

- Resolve issues related with new regulations laid out by MNRE for raising invoices by manufacturers rather than dealers
- Review and work towards relaxation of criteria for receiving Empanelment under NABARD scheme for SELCO incubatees

### Clarifications regarding Solar water pumping scheme

- SELCO has been selected to receive Empanelment under the "Young Entrepreneurs" for the scheme
- Timelines and procedures for subsidy disbursement
- Tackle issues related to achieving Certification of solar pumps