

Shri R.K.Singh approves proposal for acceptance of Letter of Undertaking issued by IREDA, PFC & REC in lieu of Bank Guarantees for Earnest Money Deposit (EMD)

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Shri R K Singh, the Minister for New & Renewable Energy and Power has approved a proposal for acceptance of Letter of Undertaking issued by IREDA, PFC & REC in lieu of Bank Guarantees for Earnest Money Deposit (EMD) by SECI, NTPC and NHPC in the case of tenders/biddings for developing Renewable Energy(RE) projects in the country.

In a letter written to SECI, NTPC, NHPC, the the Ministry of New & Renewable Energy has conveyed that SECI, NTPC, NHPC or any other implementing agency on behalf of MNRE (henceforth implementing agencies) may accept Earnest Money Deposit (EMD), in the form of Bank Guarantee(s) or 'Payment on Order instrument'.

'Payment on Order instrument' means Letter of Undertaking from Indian Renewable Energy Development Agency Limited (IREDA) or Power Finance Corporation Limited (PFC) or REC Limited (REC) [the three non-banking financial institutions under Ministry of New & Renewable Energy (MNRE)/ Ministry of Power (MoP)], to pay in case situation of default of RE power generator in terms of tender conditions and /or Power Purchase Agreement (PPA) arises. Such Letter(s) will have same effect as that of a Bank Guarantee issued by any public sector bank. Such "Payment on Order instrument" would have terms and conditions similar to that of any Bank Guarantee given by any public sector bank and would promise to pay the Procurer on demand within stipulated time. RE power generators can seek such Letters(s) by offering due security to the above mentioned three non-banking financial institutions (IREDA, PFC & REC).

The communication further mentions, "the above decisions may be treated as amendments to the respective Standard Bidding Guidelines (SBG) (solar/ wind) and notified accordingly."

The three non-banking financial institutions – IREDA or PFC or REC may issue such Letter(s) of Undertaking/ 'Payment on Order instrument' to pay as per their policy, on merits and after due diligence.

Shri R K Singh Minister of New & Renewable Energy and Power said, "This decision of the Ministry of New & Renewable Energy will go a long way in ensuring Ease of Doing Business in RE sector as the developers will now have one more option in fulfilling the tender requirement."

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