

THE PROCEEDINGS OF GOVERNMENT OF KARNATAKA

Sub: State Policy for Special Economic Zone, Hassan – Energy Department Order.
Read: Government Order No. C & I 282 SPI 2001 dated 25.2.2002.

PREAMBLE:

In the Government Order dated 25.2.2002 read above, Government has formulated a State Policy for Special Economic Zones and under this policy, Karnataka Industrial Area Development Board (KIADB) will be the Special Agency for implementation of Special Economic Zones either independently or in association with the private sector partners. Special Economic Zone Authority shall administer the incentives and concessions as provided for in the Special Economic Zone Policy. The policy incorporates certain measures relating to the Power Sector.

In order to operationalise the Special Economic Zone, there is an urgent need for issue of consequential notifications/orders relating to the 'Special Economic Zone, Hassan'. Hence, the following order

GOVERNMENT ORDER No.DE 201 PTC 2001, BANGALORE DATED 8th MAY 2003

In the circumstances explained above, Government of Karnataka is pleased to permit:-

- 1) Establishment of independent power plants within the Special Economic Zones by public sector enterprises or Joint Venture Companies which can undertake generation, transmission and distribution besides fixing tariffs for the Zone. Third party sales within the Zone are permissible. If IPPs intend to sell the power for a fixed tariff to the consumers as category, then these IPPs require license from KERC for supplying the energy and they will also have to get the tariff fixed by KERC. Any policy directives issued by the Government will be subject to the provisions of KER Act, 1999.
- 2) The IPPs may establish grid connectivity so as to draw power from the grid as standby arrangement subject to their entering into a separate agreement with KPTCL on mutually acceptable terms. All such arrangements will be further subject to the following:
 - a) It should be ensured that on account of agreeing for wheeling arrangement, there should not be any extra cost/burden to the KPTCL/Escoms.
 - b) It should be ensured that the energy saved on account of wheeling arrangement should be sold to any other consumers, at the point of injection or point of supply, who pay above the cost of supply or above realization rate.
 - c) Such arrangement should not result in KPTCL/Escom to procure more/costlier power to arrange power supply to the third party by 'displacement method'.
- 3) Industrial units and other establishments in the Special Economic Zone for which no IPP has been established are permitted to generate their own power for captive use. This type of arrangement can be ensured to be viable and acceptable only if the same is done through a dedicated network outside the KPTCL grid.
- 4) In Notification No.DE 210 EEB 95 dated 18.6.1997 CPGs have been exempted from payment of electricity tax for captive generation. The same Notification holds good for the Special Economic Zone, until further orders.
- 5) IPPs and CPGs within the SEZ will be allowed, to procure fuel used for power generation at a concessional tax of 4%. Finance Department will issue separate orders in this regard.
- 6) A Senior Officer of the Electricity Supply Company will be a Member of the Special Economic Zone Authority. He would be delegated adequate power to approve sanction of power from the Electricity Supply Company (ESCOM) wherever required, subject to the above mentioned conditions and also any conditions imposed by ESCOM.
- 7) The rate for selling power to State Electricity Board/Electricity Supply Companies by IPPs will be determined by the KERC.

BY ORDER AND IN THE NAME OF
THE GOVERNOR OF KARNATAKA

Sd/-
(B K SRINIVASA RAO)
Under Secretary to Government,
Energy Department