

No.P .6/3/2006-SEZ (vol.III)
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)
Udyog Bhawan, New Delhi

Dated 16th February 2016

**Subject: Guidelines for Power Generation,
Transmission and Distribution in Special Economic Zones
(SEZs) - Regarding**

Power Guidelines for Power Generation, Transmission and Distribution in Special Economic Zones (SEZs) were issued on 27th February 2009 and subsequently replaced by the guidelines issued on 21st March 2012. These guidelines were further reviewed and guidelines dated 21st March 2012 were withdrawn vide letter dated 6th April 2015. Representations have been received in the Department for restoring the O&M benefits to Developers operating power plants in SEZs. The matter has been examined and in supersession of all previous guidelines issued by this Ministry, the following guidelines are hereby prescribed for generation, transmission and distribution of power in Special Economic Zones: -

- (i) A power plant, including non-conventional energy power plant, to be set up by developer/co-developer in an SEZ as part of infrastructure facility will be in the Non-Processing Area of SEZ only, and will be entitled to benefits only for its initial setting up and no fiscal benefit would be admissible for its operation and maintenance. There will be no obligation to achieve positive Net Foreign Exchange (NFE) for such power plants. Such a power plant can supply power to DTA after meeting the power requirement of the SEZ subject to payment of customs duty as determined by DOR keeping in view the duty foregone on initial setting up of the power plant.
- (ii) ^a[Henceforth, no stand-alone power plant will be permitted in an SEZ in which there are no other units, except that a stand-alone power plant exclusively meant for export will be permitted, which shall be operated as a unit subject to all obligations and benefits available to SEZ Units.]
- (iii) Henceforth, setting up of captive power plant, including non-conventional energy power plant, can be permitted in Processing area as a unit, and it will be subject to NFE obligations. Such a power plant

^aSubstituted vide file note no P-6/3/2006-SEZ (VOL IV) dated 28th January 2019



will be entitled to all the fiscal benefits covered under section 26 of the SEZ Act including the benefits for initial setting up, maintenance and the duty free import of raw materials and consumables for the generation of the power. They can sell power to DTA on payment of customs duty as determined by DOR keeping in view the duty foregone on installation, as well as O&M, and including service tax exemption.

^b[Provided that, with the approval of Unit Approval Committee, a Unit may setup a non-conventional power plant within the premises of the Unit for the exclusive purpose of captive consumption subject to the condition that no tax/duty benefits stipulated under Section 26 of SEZ Act, 2005 shall be available for setting up as well as operations and maintenance of such power plant. Such captive generating power plants shall comply with all rules, regulations and technical standards framed under the Electricity Act, 2003 as amended from time to time. Captive generative power plants with capacity 500 KW and above has to be re-registered with Central Electricity Authority.]

- (iv) With respect to the IT/ITES SEZs, which require continuous quality power, wherever generation of power has been by the BOA, as authorized operation. to the Developer/Co-developer within the processing area. an in respect of which there is a statutory requirement on developer/co-developer to supply 24 hours uninterrupted quality power supply at stable frequency in the Zone, in terms of Rule 5A of SEZ Rules, 2006; in such cases generation of power will be carried out as a unit within the processing area, and such a power plant including non-conventional energy power plant, will be entitled to all the fiscal benefits covered under section 26 of the SEZ Act including the benefits for initial setting up, maintenance and the duty free import of raw materials and consumables for the generation of the goods, raw material and consumables etc. would be counted towards the NFE obligations of the unit.

This facility will also be extended to R&D facilities, Fabless Semi Conductor Industry, EMS Electronic Manufacturing Services and such other sectors as may be decided by the Central Government, from the date of incorporation of these sectors in Rule 5A Of the SEZ Rules,

They can sell power to DTA on payment of customs duty as determined by DOR keeping in view the duty foregone on installation as well as O&M including service tax exemption.

- (v) SEZs which are connected to State/National Grid, will be allowed to create a backup power facility. Such power backup facility, if it is in the NPA, only duty benefits on capital expenditure for setting up will be available. If the facility is in processing area, then. duty benefits for setting up as well as O&M will be available, subject to the condition that the facility shall

^bInserted vide file note no K-43014/(16)/8/2020-SEZ dated 7th June 2021



be NFE positive -either stand-alone or along with the unit with which it is attached. For DTA sale, customs duty would be charged in both the situations i.e. a power back up utility in NPA or PA at the rate prescribed or each situation/location.

- (vi) Those Power Plants in SEZs which were approved prior to 27.02.2009, and subject to issue of Power Guidelines and provisions of SEZ Act & Rules, either as an infrastructure facility by Developer/Co-developer or as a unit in the Processing Area, will be permitted to operate. It is relevant that during period of installation of such plants, duty benefits on capital investment of mega power plants were available under the then prevalent policy guidelines even in the DTA area.

Henceforth, such power plants will be allowed O&M benefits only with regard to the average monthly power supplied to entities within the same SEZ during the preceding year. Henceforth, no O&M benefits including service tax exemption will be allowed for power supplied to DTA/other SEZs/EOUs from such power plants. The surplus power generated in such power plants may be transferred to DTA, without payment of duty, keeping in consideration of the fact that no duty-free benefits on raw materials, consumables, etc. have been availed for generation of such power. However, those power plants not having the capacity of the mega power plant, as given in DOR Notification No. 21/2002 Customs dated 1.03.2002, will be required to pay duty for sale in DTA, on account of duty-free import of capital goods, as determined by DOR.

2. These guidelines would be effective with effect from 16th February 2016.
3. This has the approval of Hon'ble Commerce & Industry Minister.

(T.V.Ravi)

Director (SEZ)

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To

1. Chief Secretaries of all States/UTs
2. All Development Commissioners of SEZs
3. Ministry of Power, Govt. of India, Shram Shakti Bhawan,
Rafi Marg, New Delhi
4. Department of Revenue (CBDT/CBEC), Govt. of India
5. DG, EPCES



K-43014(16)/8/2020-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Vanijya Bhawan, New Delhi
Dated the 7th March, 2024

OFFICE MEMORANDUM

**Subject: Guidelines for Power Generation, Transmission and
Distribution in Special Economic Zones (SEZs) - Regarding**

The undersigned is directed to refer to the subject mentioned above and to state that in partial modification of Power guidelines issued vide this Department's O.M. of even no. dated 7th June, 2021, it is conveyed that the Duty benefits under Section 26 of SEZ Act, 2005 is allowed to the units for installation as well as O & M of renewable energy equipment exclusively for captive consumption of the unit with a specific condition that the power shall not be wheeled out to DTA.

2. The other conditions laid down vide power guidelines dated 16.02.2016 and amendment dated 28.01.2019 and 07.06.2021 shall remain unchanged.
3. This issues with the approval of Hon'ble Minister of Commerce & Industry.

Yours faithfully

(Sumit Kumar Sachan)
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To

1. Chief Secretaries of all States/UTs
2. All Development Commissioners of Special Economic Zones
3. Ministry of Power, Shram Shakti Bhawan, Rafi Marg, New Delhi
4. DGEI, Department of Revenue
5. DG, EPCES

