

Shram Shakti Bhawan, Rafi Marg,  
New Delhi, the 03<sup>rd</sup> October, 2022

To,

1. The Chief Secretary / Secretary(Energy), All State Governments and UTs
2. The Chairperson, All State Transmission Companies /Utilities

**Subject: Guiding Principles for Monetization of Transmission Assets in the Public Sector through Acquire, Operate, Maintain and Transfer (AOMT) based Public Private Partnership model – reg.**

Sir,

I am directed to convey that the Government of India have been emphasizing the need for quality infrastructure creation, as it results in increased employment opportunities, access to market and materials, improved quality of life and empowerment of vulnerable sections. In order to fast-track quality infrastructure creation, the Government of India have identified asset monetization as an important financing option for creation of infrastructure, as it serves two critical objectives, unlocking value from public investment in infrastructure and tapping private sector flexibility in operations and management of infrastructure.

2. Monetization of assets unlocks their value, eliminates their holding cost and enables scarce public funds to be deployed to new projects, thus fast-tracking new infrastructure creation. India has developed a solid track record of attracting institutional investment in infrastructure assets utilizing innovative structures such as Infrastructure Investment Trusts (InvITs) and PPP based models [Toll Operate Transfer (TOT), Operation, Management and Development Agreement (OMDA) etc.] to monetize assets such as toll roads, transmission assets, pipelines and telecom.

3. In this regard, Power Grid Corporation of India Limited (POWERGRID), a Central Power Sector Enterprise under the Ministry of Power, had monetised more than Rs. 7700 crore in May 2021 by monetizing 5 of their transmission assets through Infrastructure Investment Trust (InvIT).

4 The States also have a significant potential for monetisation of their transmission assets, so that the much needed capital for creation of transmission assets in the States is available. With a view to evolve a common framework and approach for transmission companies desirous of undertaking monetisation of transmission assets, Ministry of Power has developed the "Guiding Principles for Monetization of Transmission Assets in the Public Sector" in consultation with relevant stakeholders. A copy of the same is enclosed.

5. Considering the need to retain a degree of oversight through contractual mechanisms, protection of user interests and maximization of value to the public authority, this document lays down the contours of monetisation of transmission assets through an Acquire, Operate, Maintain and Transfer (AOMT) based Public Private Partnership model. The model suggested comprises of a limited period transfer of ownership of a transmission service provider SPV along with a mandatory buy back to the asset owning public sector entity at the end of the transaction period.

Cont/...

6. It is requested that the States may consider the monetisation of transmission assets with the principles suggested in the Guiding Principles.

Encls: As above

Yours faithfully,



(Sanjeev Jain)

Under Secretary to the Govt. of India

Tele: 011- 23730264

Copy to:

1. The Chairperson, Central Electricity Authority, New Delhi
2. CMDs of all CPSEs under administrative control of Ministry of Power
3. CTUIL, Saudamini Plot 2 Sector 29 Gurugram, 122001
4. Vice Chairman, NITI Aayog, NITI Bhawan, Sansad Marg New Delhi 110001
5. In-Charge, NIC Cell, MoP with a request to upload the Draft Guideline on the website of Ministry of Power for wider publicity.

## **Guiding Principles for Monetization of Transmission assets in the Public Sector through Acquire, Operate, Maintain and Transfer (AOMT) based Public Private Partnership model**

### **1. Preamble**

- 1.1 Infrastructure is critically linked to growth and economic performance. The benefits of higher investment in good quality infrastructure manifest in the form of increased employment opportunities, access to market and materials, improved quality of life and empowerment of vulnerable sections. Recognizing the importance of infrastructure, the Government has continued its focus on sustaining and stepping up the pace of infrastructure investment. Monetization is the key to value creation in infrastructure as it serves two critical objectives, unlocking value from public investment in infrastructure and tapping private sector flexibilities in operations and management of infrastructure.
- 1.2 Infrastructure assets could be appropriately monetized to create greater financial leverage and value for asset owners, be it in public sector or private sector. Monetization of assets unlocks their value, eliminates their holding cost and enables scarce public funds to be deployed in new projects, thus fast-tracking new infrastructure creation. India has developed a solid track record of attracting institutional investment in infrastructure assets utilizing innovative structures such as Infrastructure Investment Trusts (InvITs) and PPP based models (TOT, OMDA etc.) to monetize assets such as toll roads, transmission assets, pipelines and telecom. The Brownfield seasoned transmission assets in particular have demonstrated significant investor appetite from long-term institutional investors owing to underlying asset characteristics and availability-based business model as evidenced by successful InvIT based monetisation for Transmission assets in public as well as private sector.
- 1.3 The States have a significant potential for Asset Monetization by leveraging brown-field transmission assets and mobilizing much needed proceeds for new infrastructure investment which will have multiplier effects on the respective state economies.
- 1.4 India's electricity transmission sector is gearing up to face the challenges posed by a changing power demand and energy mix. In order to meet the future load growth and changing generation mix, huge investments are required to strengthen and ramp up the country's transmission system. The electricity transmission sector in India has witnessed an increased participation of both large domestic and institutional investors, owing to the stability of asset class and an availability-based business model. Revenue for electricity transmission is generated from transmission charges under long-term Transmission Service Agreements (TSAs), with a low level of operating risk and an availability-based payment mechanism.
- 1.5 Over the years, an extensive network of Transmission and Distribution infrastructure has been developed for evacuating power produced by different electricity generating stations and distributing the same to the consumers. These lines have been installed by Generation/ Transmission/ Distribution Utilities including Central Sector Organizations and State/UT Electricity Departments. As on March 31, 2020, India's total transmission line length network stood at around 7,13,400 circuit kms (66 kV

and above voltage)<sup>1</sup>. The country's network is owned and operated by several public sector entities and private companies.

- 1.6 Sections 61 & 62 of the Electricity Act, 2003, provide for determination of tariff of generation, transmission, wheeling and retail sale of electricity by the Appropriate Commission. Such transmission assets are normally referred to as **Regulated Tariff Mechanism (RTM) assets**. With a view to facilitate competition in this sector through wider participation in providing transmission services and tariff determination through a process of tariff-based bidding, Section 63 of the Electricity Act, 2003 provides for adoption of the tariff determined through transparent process of bidding in accordance with the guidelines issued by the Central Government. Such transmission assets are normally referred to as **Tariff Based Competitive Bidding (TBCB) assets**. While the TBCB assets are housed in a specifically created project level special purpose vehicles (SPVs), the RTM assets are typically housed in the balance sheet of the respective transmission undertakings.
- 1.7 The National Highways Authority of India (NHAI) has been employing a Toll Operate Transfer (TOT) based model to monetize public funded operational NH projects generating toll revenues. Under the TOT Model, the right of collection and appropriation of toll are assigned for a pre-determined concession period to concessionaires against an upfront consideration. A ToT concession like model however was not found to be commercially most efficient model for monetisation of transmission assets on account of its being a licensed activity and associated tax incidence apart from other regulatory challenges.
- 1.8 With a view to structure a framework with careful consideration towards the need to retain a degree of oversight through contractual mechanisms, protection of user interests and maximization of value to the public authority, this document lays down the contours of monetisation of transmission assets through an **Acquire, Operate, Maintain and Transfer (AOMT) based Public Private Partnership model**. This model comprises of a limited period transfer of ownership of a transmission service provider SPV along with a mandatory buy back at the end of transaction period to the asset owning public sector entity.
- 1.9 With a view to evolve a common framework and approach for national and state level transmission undertakings desirous of undertaking monetisation of transmission assets, Ministry of Power has developed this document containing the "**Guiding Principles for Monetization of Transmission Assets in the Public Sector**", in consultation with relevant stakeholders (hereinafter referred to as "**the Guiding Principles**"). The specific objectives of these guiding principles are as follows:
  - Make available efficient capital for new investment in the transmission sector through upfront payment received from the monetization process.
  - Facilitate transparency, consistent approach and efficiency in monetization processes to be undertaken by public sector transmission undertakings.
  - Enable proficient project preparation and planning activities under a guiding framework for running credible transaction processes that instill investor confidence.

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<sup>1</sup> Source: All India Electricity Statistics, General Review 2021, CEA, Ministry of Power, GoI