



Financial Management of the SNAs

A Futuristic View

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Efficient financial management: foundation for success

- Financial management is that managerial activity which is concerned with the planning and controlling of the firm's financial resources.
- Activities involved in Financial Management
 - ✓ Raising of funds
 - ✓ Allocation of funds
 - ✓ Investment decision
 - ✓ Profit planning

Why financial autonomy of SNA is a must?

- Renewable energy is a new emerging sector which requires innovative thinking and research. So financial autonomy will be key to innovation and avoiding red tape.
- **Benefits of financial autonomy**
 - ✓ Quick decision making
 - ✓ Flexible policies
 - ✓ Appointment of experts on governing body.
 - ✓ Attractive H R policy to attract skilled and qualified manpower
- Ultimately this helps to boost the R E sector.

A business approach is the key factor

- To run any organisation, people need to think critically and creatively.
- SNAs should consider developing innovative and new business approaches, to accelerate RE development and to generate revenue.

Possible sources of funds

Funds are required mainly for long-term sustainability of the organisation and financial support to ongoing programmes / projects. With simple government policy support it is possible to make the SNA financially self-sustainable within a few years. Besides this, sufficient funds could be generated by the state government for running the programme/projects on a long term basis without additionally burdening the exchequer.

Possible sources of funds

Own RE power projects:

- SNAs can have their own RE power projects. All that is required is minimum equity support from the respective state government or MNRE, and balance project cost can be raised as debt. This will indirectly enable the state govt in saving budgetary provision of non-plan funds.
- This also helps SNAs to have first-hand performance data of respective RE technology for analysis.
- The ideal example will be RRECL, which meets all its organisational expenses through its own power projects of 42 MW.

Possible sources of funds

Green Cess:

- This concept was first adopted in USA, by charging environmental cess on many items, which effectively supported some important government programmes.
- In India, Maharashtra is the first and only state to impose a green cess of 4 paise per unit of electricity consumed by commercial and industrial consumers. In the last three years, around Rs 450 crore has been collected. This concept was pioneered by G M Pillai, DG, WISE when he was DG of MEDA.
- Karnataka, in their new R.E. Policy, has announced that a Green Cess of 5 paise per unit.
- In the 2010 budget, the Union Finance Minister has announced a National Clean Energy Fund by imposing a cess of Rs 50 per tonne of coal, both domestic and imported. During F.Y. 2010-11 this would amount to Rs.2500 crores (500 million tonnes coal consumption). The details of utilisation of the Central Fund are not known.
- So the principle of levying cess on fossil fuels for development of clean energy is accepted. In the same line, the government of the given state may charge a green cess to commercial and industrial consumers, which will amount to the collection of reasonably good fund per year. This fund can then be deployed for R.E. Development.

Possible sources of funds

Processing Fees:

- Processing fees or user fees could also be another sources of revenue.
- Private Investors of grid connected RE projects need basic (in-principle) clearance from the SNA before forwarding the project documents for further processing by different departments. The SNA can provide services such as:
 - a) Identifying potential sites,
 - b) Certifying micro-siting,
 - c) Preparing a grid-connectivity master plan for future requirements,
 - d) Processing fiscal incentive applications,
 - g) Inspecting and certifying commencement of installation and its commissioning,
 - j) Providing CDM related services.
- The concerned SNA of a specific state may charge suitably rationalised processing fees to private promoters. Details of the processing fees for each state are given in the respective chapters.

Efficient deployment of funds

The deployment of funds in an efficient manner is also one of the key requirements for success. The ideal SNA will make optimum use of funds to achieve its social and commercial goals.

Small budgetary support for large business transactions make good business sense

Financials for the period of 2011 – 12 – 2014 – 2020

(Rs. crores)

Particulars	NEDCAP	CREDA	HIMURJA	REAP	RRECL	WBREDA
Total Business Transaction (Grid + off-grid)	60330.90	14962.53	13074.16	860.84	117552.19	3733.37
Govt. Budgetary Requirement	880.56	547.18	220.04	64.91	1136.73	44.67
Funds Generated	1642.95	1490.96	622.35	127.39	1421.22	1572.09
Funds Surplus / Deficit	762.40	943.79	402.31	62.48	284.49	1237.67

Win-win situation for all stakeholders, country, state, SNA, Society and environment

- Stakeholders : Good return on their investments
- Country : Energy Security, Energy Availability
- State : Employment Generation, Increase in Tax collection, attracting more investment in state, etc.
- SNA : Overall development – Increase in revenue, availability of new innovative technologies, etc
- Society : Economic growth
- Environment : Pollution free energy, reduced deforestation, etc.

Other possible new business approaches

- Imposing carbon tax on certain designated areas (e.g. congestion tax on cars in designated areas in cities).
- Charge fees for calibration and testing the various RE devices e.g. PV panels, small RE gadgets, SWHS, Energy efficient devices, etc.
- Facilitation centre for green building, solar passive architecture.
- Technical support to banking and non-banking financial institutions for facilitating macro & micro credits.
- Renting out measuring equipments to energy auditors.
- Charging for library access.

Thank You

