To improve the performance of its rural solar power initiative, the Ministry of New and Renewable Energy has done away with the performance bank guarantee of ₹5 lakh per MW clause for solar power generators under the PM-Kusum scheme.

The move to improve the performance of PM-Kusum assumes importance as the Centre, in February 2022, wanted to replace diesel with renewable energy in the farm sector by 2024. In December 2021, the International Energy Agency (IEA) said PM-Kusum is likely to fall short of its target of setting up 31 gigawatt (GW) of solar power by 2022.

**Bank guarantees**
The ministry has also done away with the requirement of submitting a bank guarantee for solarisation of agriculture feeders under component-C, which is the equivalent to the Central Financial Assistance (CFA) for the project, MNRE said in a notification.

Amendments under component-C will be applicable prospectively to all sanctions for feeder solarisation issued by the ministry under the scheme, except for cases where bids have been closed before this notification was issued.

**Poor performance**
The performance of the scheme has been poor with just 42.75 MW of the sanctioned 4,909 MW installed till April 2022 under component A.

Under component B, the Centre sanctioned 3,59,462 standalone solar water pumps for farmers. Of this, 97,463 pumps, or around 27 per cent, have been installed.

Under component C, the government sanctioned 76,150 individual solar pumps, of which only 1,026, have been installed.

The government also sanctioned 9,25,427 feeder level solar (FLS) pumps, but no pump has been installed so far.

**Subsidy matrix**
The Centre’s assistance for component A is a procurement-based incentive at 40 paise per kWh or ₹6.60 lakh per MW per year, whichever is less, and will be provided for the first five years by MNRE to Discoms, for buying power from farmers or developers.

For components B and C, the assistance is 30 per cent of the benchmark cost or the tender cost, whichever is lower.

The State government subsidy is 30 per cent, and the remaining 40 per cent is by the farmer. In north-eastern States, Sikkim, and J&K, Himachal, Uttarakhand, Lakshadweep and A&N Islands, the assistance is 50 per cent, State government subsidy is 30 per cent, and the remaining 20 per cent is by the farmer.