

**POLICY GUIDELINE  
FOR  
SMALL POWER PLANT (SPP) IN PRIVATE SECTOR**



**POWER DIVISION  
MINISTRY OF POWER, ENERGY AND MINERAL RESOURCES  
PEOPLE'S REPUBLIC OF BANGLADESH.**

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**REVISED NOVEMBER- 2008**

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**1. Background**

The Government of Bangladesh (GOB) has decided to allow private sector investors to establish Small Power Plants (SPP) on a fast track basis, for generation of electricity for own use and sell the surplus to other users. The plant size could be in the order of 10 MW, which could be built up in stages as necessary, and depending on the potential market and load growth. However, if required, permission may be accorded by the government for setting up higher size plant. The SPPs will be developed on a Build-Own-Operate basis.

**2. Plant Location & Type**

The SPPs can be located in any part of Bangladesh. The type of plant is open and the sponsor will be allowed to select plant of any configuration provided the electrical characteristics of the plant match that of the power system in Bangladesh.

**3. Fuel Supply**

Where available, a subsidiary of Petrobangla may supply natural gas to the sponsor on a commercial basis. The price of gas to be charged shall be the same as applicable for supply of gas for captive power generation which may be changed from time to time by the Government or the Energy Regulatory Commission. The sponsor may be required to pay additional costs to the fuel supplier if the SPP is far from the gas supply reticulation. Alternatively, the sponsor may arrange his own fuel.

**4. Power Offtake**

It will be the responsibility of the sponsor to find customers for electricity. Sponsor will have direct contract with the customers for the sale of electricity on terms mutually agreed upon. The distribution system required for the supply of electricity to the contracted customers may be built by the sponsors themselves or they can use the existing transmission and distribution systems, if there is adequate capacity. The sponsor will require to pay a wheeling charge to the owner of transmission /distribution facilities. The wheeling charges and other terms and conditions will be mutually agreed upon between the sponsor and the owner of the transmission /distribution facilities.

**5. Price Regulation**

In areas covered by BPDB/DESA/REB, the tariff announced by GOB from time to time shall apply. In other areas GOB will not regulate the price of electricity which shall be negotiated between the sponsor and the consumers.

## **6. License Requirement**

As per Electricity Act, 1910, the Sponsors will be required to obtain license from the GOB. The SPP will need to comply with all laws of Bangladesh including Environmental Standards.

## **7. GOB Support**

GOB support will be provided on “First Come First Serve” basis. Necessary advice and other assistance will be provided by the Power Cell for the establishment of SPPs. The address of Power Cell, Ministry of Energy and Mineral Resources is given below:

Director, Private Power  
Power Cell  
Ministry of Energy & Mineral Resources  
Govt. of the People’s Republic of Bangladesh  
BTMC Bhaban (8<sup>th</sup> Level)  
7-9 Kawran Bazar  
Dhaka-1215.  
Telephone : 880-2-822440/9130914-18  
Fax : 880-2-9121673  
880-2-8118941  
E-Mail : dgpcmemr@citechco.net

## **8. Fiscal Incentives and Benefits**

The sponsors under this policy including the Captive Independent Power Producer and the sponsors of Captive Power Generation who will set up power plants within a period of three years from the date of its statutory notification under this policy will enjoy the “Fiscal Incentives” and “Other Facilities and Incentives for Foreign Investors” provided under Section 5.0 and 6.0 respectively of the “Private Sector Power Generation Policy of Bangladesh” and any subsequent amendments made thereunder.

Provided that in case of captive power generation, it should be incorporated as a separate entity under the Companies Act, 1994.

**9.** The Government will have no obligation to purchase power from the plants installed under this policy. However, the Government may purchase power from interested SPP in accordance with the provisions of Tariff, Grid connectivity, Conditions of Supply and Period of Supply under the Policy Guidelines for Power Purchase from Captive Power Plant.

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