



## **ABSTRACT**

Energy Savings through Energy Servicing Companies (ESCO) in Urban Local Bodies – Concept approval – accorded – Orders issued.

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### **Municipal Administration and Water Supply (MA4) Department**

**G.O.(Ms) No.68**

**Dated 20 .04.2010**

**Read:**

1. From the Managing Director and Chief Executive Officer, Tamil Nadu Urban Infrastructure Financial Services Limited dated 5.10.2009.
2. From the Director of Municipal Administration letter Roc. No.38522/2009/E1, dated 9.01.2010.

### **ORDER:**

The Government of Tamil Nadu made a policy announcement in the Assembly during the year 2007-2008 that “a new concept of energy saving through Energy Servicing Companies (ESCOs) would be proposed for implementation during the year 2007-2008 based on the study sponsored by Tamil Nadu Urban Infrastructure Financial Services Limited(TNUIFSL) and through the firms short listed by TNUIFSL for implementing the scheme”. National Productivity Council (NPC)and The Energy Research Institute(TERI)were appointed by TNUIFSL for carrying out preliminary energy audit study and preparation of database in 45 municipalities across the State. The municipalities were selected based on the interests expressed by the respective urban local bodies during the outreach programme organized by TNUIFSL and Commissioner of Municipal Administration in March 2005. The study revealed that there is a possibility of 30% energy savings in all the 45 municipalities.

2. The Director of Municipal Administration in his letter second read above has stated that the privatization concept was introduced in respect of street light maintenance to bring in private partnership for investing in street lighting power efficient equipments and sharing the savings in electricity charges payable. After a preliminary study in 45 Urban Local Bodies (ULBs) by the consultants appointed by TNUIFSL, namely (1)The National Productivity council and (2)The

Energy Research Institute, it was found that there could be 30% savings in energy through the new concept of ESCO. As the total investment required for the projects is borne by ESCO, there will be absolutely no expenditure to the Municipalities and the actual saving only will be shared by the local bodies and ESCO.

The advantages of the project to the local bodies are tentatively worked out as follows:

- \* Energy saving and improved performance of Electrical Equipments thereby giving better return on investment.
- \* The indirect contributions will result in reduction of Green House Gas emission.
- \* Human resources may be diverted for more productivity work.
- \* By implementing the project through ESCO, the urban local body will gain by saving the energy cost without investing the project .
- \* This energy saving will not only help the municipality to reduce their expenditure but also help them to earn additional revenue through carbon trading.

3. The Director of Municipal Administration has reported that out of 45 municipalities, 16 municipalities have privatized street light maintenance system. So TNUISFL has proposed to take up the remaining 29 municipalities in three groups initially. After approval of the concept by Government, signing of performance contract agreement and opening of Trust and Retention account are to be carried out before execution. He has also reported that there is an assured saving of 15% in expenditure and other indirect benefits without any investment on behalf of the municipalities. Since it is proposed to implement in only one-fifth of the Municipalities, the out come may encourage in extending the project to other eligible municipalities later on. He has further reported that a workshop for disseminating concept and the study made so far was conducted for the elected representatives of the Urban Local Bodies in the identified ones, along with the municipal officials on 25.08.09. The Elected representatives also desired during the interaction section that concept approval may be issued to get the council approval and to go ahead with the proposal. Since the exact amount involved is not known at present, the Director of Municipal Administration has requested the Government to issue an in-principle clearance for implementation of a new concept of energy saving through Energy Servicing companies (ESCOs).

4. After careful examination the Government have decided to accept the proposal of the Director of Municipal Administration for implementing the energy saving project through Energy Servicing Companies (ESCOs) in the Urban Local Bodies and accordingly permit the Director of Municipal Administration to go ahead with the project.

**( BY ORDER OF THE GOVERNOR)**

**NIRANJAN MARDI,  
SECRETARY TO GOVERNMENT.**

To  
The Director of Municipal Administration, Chepauk, Chennai-600 005.  
The Managing Director and Chief Executive Officer,  
Tamil Nadu Urban Infrastructure Financial Services Limited, Chennai- 600 017.  
All Commissioners of Corporation/ Municipalities.  
All Regional Directors of Municipal Administrations.

Copy to:  
Special PA to Deputy Chief Minister, Chennai-600 009.  
Private Secretary to Secretary, Municipal Administration and Water Supply  
Department, Chennai-600 009.  
Municipal Administration and Water Supply (OP-II/ MC-I/ MC-II/TP-II)  
Department, Chennai-600 009.  
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**SECTION OFFICER.**