

REGULATORY SUBMISSION

# **SUBMISSION ON DRAFT CERC (TERMS AND CONDITIONS FOR TARIFF DETERMINATION FROM RENEWABLE ENERGY SOURCES) REGULATIONS, 2020**

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**Submitted To**

CENTRAL ELECTRICITY REGULATORY COMMISSION



CENTRE FOR ENERGY, ENVIRONMENT & PEOPLE

Central Electricity Regulatory Commission (CERC) has invited comments/suggestions on “Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2020.” The present submission is in response to the notice published on the commission's website. We request the Commission to accept this submission on record.

## GENERAL COMMENTS

1. The control period as prescribed by the regulations is less than three years whereas there is significant volatility in the markets and consistent evolution of technology. This is especially true for solar project pricing and costs of procurement of biomass and fuels. Therefore, it is suggested to conduct an annual review of norms specified in the regulations to capture real prices. This shall ensure efficient and optimal tariffs for developer and consumers.
2. The regulations do not mention status of Despatch of the Renewable Energy projects and have no provision of ‘Must Run.’ The earlier regulations mandated these projects to be not treated under ‘Merit Order’ Despatch principles and therefore a clarity on the same should be provided.
3. The regulations do not provide any monitoring mechanism for usage of fuel by the Renewable Energy Projects and the same may be addressed.
4. Competitive reverse bidding has been established as a fair and transparent process for wind, solar and solar-wind hybrid projects thereof. Hence, it is recommended that the same are excluded from the scope of regulations, or at least tariff determination of solar, wind and solar-wind hybrid projects shall be allowed only in exceptional cases, and such cases be defined in the regulation.

## CHAPTER 1: GENERAL PRINCIPLES

5. Cl. 8.1 petition and proceedings for determination of tariff

Provided that for first year of Control Period i.e., from 1.7.2020 to 31.3.2021, the Generic Tariff Order shall be issued prior to 30.6.2020.

### Our Submission

The regulations may specify applicability of previously determined tariff (previous year or previous regulations) in case of delay in tariff determination by commission. Appropriate adjustments may be made once tariff is determined by the commission.

6. Cl. 8.2 “A petition for determination of project specific tariff shall be accompanied by such fee as may be specified in the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012 as amended from time to time or any subsequent re-enactment thereof, and shall be accompanied by:

Information in forms 1.1, 1.2, 2.1 and 2.2, as the case may be, as appended to these regulations.

## Our Submission

The regulations may consider capital cost and completion period envisaged during financial closure and submitted to authorities as the baseline and allow necessary deviations only after prudence checks.

7. Cl. 8.2 (e) “Consent from beneficiary for procurement of power from renewable energy project at tariff approved by the Commission, in the form of initialled Power Purchase Agreement or Memorandum of Understanding;”

## Our Submission

The regulations may make production of consent for procurement of power by beneficiary in the form of initial Power Purchase Agreement or Memorandum of Understanding optional since it would be an additional burden for generators. The regulations may make provision for determination of tariff for all such generators with no consent from beneficiaries by levying additional fees. The commission is also requested to specify better mechanism for generators to be eligible for determination of tariff.

8. Cl. 8.2 (f) “Following documents in case of petition for determination of project specific tariff by renewable energy projects, where tariff from such renewable energy sources is generally determined through competitive bidding process in accordance with provisions of Section 63 of the Act: ....”

## Our Submission

Commission may specify special cases wherein project specific tariff determination of renewable energy projects may be allow when competitive bidding is feasible. Such cases may include instances where tenders are under-subscribed and tariffs discovered through competitive bidding are higher than tariffs discovered in similar projects in the region or in other regions, subject to the condition that tariff determined through commission shall be capped by tariff discovered through competitive bidding. Similarly, other exception may be defined by commission, and other requests for tariff determination shall be considered after prudence check.

## 9. Cl. 9 Tariff Structure

The tariff for renewable energy sources shall consist of the following components:

Provided that for renewable energy projects having fuel cost component, like biomass gasifier-based power projects, biogas-based power project, non-fossil fuel-based cogeneration projects and refuse derived fuel-based power projects, single part tariff with two components, fixed cost component and fuel cost component, shall be determined.

## Our Submission

## 10. Cl. 11 Treatment of Over-Generation

“In case a renewable energy project, in a given year, generates energy in excess of the capacity utilisation factor or plant load factor, as the case may be, specified under these Regulations, the renewable energy project may sell such excess energy to any entity, provided that the first right of refusal for such excess energy shall vest with the concerned beneficiary. In case the concerned beneficiary purchases the excess energy, the tariff for such excess energy shall be 75 percent of the tariff applicable for that year.”

### Our Submission

Discount offered needs to be technology specific or it may be reflective of fixed costs and variable costs in the single part tariff. 85-90% discount on the tariff part corresponding to fixed costs may be recommended in the latter case.

## CHAPTER 2: FINANCIAL PRINCIPLES

## 11. CL. 14 Loan Tenure and Interest on Loan

### Loan Tenure

For determination of generic tariff and project specific tariff, loan tenure of 15 years shall be considered.

### Our Submission

For determination of generic tariff and project specific tariff, loan tenure of minimum 15 years shall be considered.

## 12. Cl. 17 Interest on Working Capital

“(1) c Maintenance spares equivalent to 15% of Operation and Maintenance expenses.”

### Our Submission

Maintenance of spares based on percentage of Operation and Maintenance expense should be reflective of industry benchmarks for respective technology. Same may be determined by the commission based on analysis of commissioned projects.

## 13. Cl. 17 Interest on Working Capital

“(4) Interest on Working Capital shall be at interest rate equivalent to the normative

Interest rate of three hundred and fifty (350) basis points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenor) prevalent during the last available six months.”

### Our Submission

The rate of interest on Working Capital should be at interest rate equivalent to the normative interest rate of three hundred (300) basis points above the average State

Bank of India MCLR during last six months as in earlier regulations to ensure efficiency in debt financing.

### **CHAPTER 3: PARAMETERS FOR WIND POWER PROJECTS**

15. Cl. 26 Operation and Maintenance expenses

“The Commission shall determine only project specific O&M expenses considering the prevailing market trends.”

#### **Our Submission**

To dispel ambiguities for developers, the commission may specify benchmark values for O&M expenses with a provision of annual review based on market trends.

### **CHAPTER 4: PARAMETERS FOR SMALL HYDRO PROJECTS**

16. Cl. 27 Capital Cost

“(1) The normative capital cost for small hydro projects during first year of Control Period i.e. financial year 2020-21 shall be as follows:...”

#### **Our Submission**

Considering that West Bengal does not face similar logistics, supply chain and law & order challenges as North-eastern states, the inclusion of entire state of West Bengal in the category of high capital cost in terms of lakhs/MW at par with other hilly states should be reconsidered.

17. Cl. 28 Capacity Utilisation Factor

#### **Our Submission**

Given the potential for hydro to provide ancillary services, provisions may be made to design tariff of hydro projects to reflect ancillary and generation services.

### **CHAPTER 7: PARAMETERS FOR SOLAR PV POWER PROJECTS, SOLAR THERMAL POWER PROJECTS, AND FLOATING SOLAR PROJECTS**

18. Cl. 47 Capacity Utilisation Factor

“Provided that the minimum capacity utilisation factor for solar PV power projects shall be 21%:...”

#### **Our Submission**

Capacity utilisation factor of 21% for solar PV projects is not possible in Indian conditions for DC to AC ration of 1, i.e., where solar PV capacity is equal to capacity of inverters installed. Capacity utilisation factor of 18% suggested for DC-AC ration of 1, and factor for respective plants should be determined as below:

Capacity Utilisation Factor = 18% x (Solar PV DC Capacity Installed/Sanctioned AC capacity)

You are kindly requested to accept this submission on record and to allow us to make further submissions in person in this matter, if any.