

Association of Power Producers (APP)

Comments/Suggestions on Draft Scheme for Supply of Round-The-Clock (RTC) Power from RE Power Projects, complemented with Power from Thermal Power Projects.

At the outset, we welcome the initiative of MNRE in floating the proposed scheme for supply of Round-The-Clock power. The bundling of RE power with power from thermal power projects will be of significant relief for the Discoms who presently have to make arrangements themselves to mitigate the intermittency of their RE power sources. The blending of RE and thermal power will also result in optimal utilization of transmission infrastructure. Further, this scheme will also help with utilization of untied thermal power capacity, especially since the new supercritical coal based thermal power plants have quite high ramp rate which can be effectively utilized to provide combined RE blended RTC power.

In order to make this scheme a success, we would like to provide our submissions below, which may be considered by MNRE while finalizing the scheme:

1) Ref: Clause 6.1

“6.1 RE power may include solar, wind, small hydro, or a combination thereof, with or without any Energy Storage System (ESS). The option of selecting the type and mix of RE sources and the usage of ESS shall be with the Generator.

Comment/Suggestion - As the new Hydro Policy recognizes large hydro plants also as renewable energy, thus this policy may also include hydro plants above 25 MW capacity and Pumped Storage Hydro plants as RE power.

2) Ref: Clause 8.2, 8.3 & 8.4

“8.2. Tariff shall be quoted at the Delivery Point which shall be at the CTU interconnection point. Different components of RTC power i.e. solar, wind, small hydro, and thermal can be connected with CTU at different CTU sub-stations, but within the same RLDC area.

8.3. All Transmission related charges and losses from the Delivery Point onward shall be borne by the DISCOMs.

*8.4. Generator(s) shall obtain Open Access for supply of power up to CTU-STU interconnection point of the Procuring state and **entire cost** shall be borne by the Generator(s) only.”*

Comment/Suggestion: The word ‘entire’ has the potential of creating some confusion. Clause 8.4 may be modified as follows – “Generator(s) shall obtain Open Access for supply of power up to CTU-STU interconnection point of the Procuring state. The cost of obtaining Open Access up to the CTU-STU interconnection point shall be borne by the Generator(s) only.”

3) Ref: Clause 8.2

*“8.2. Tariff shall be quoted at the Delivery Point which shall be at the CTU interconnection point. Different components of RTC power i.e. solar, wind, small hydro, and thermal can be connected with CTU at different CTU sub-stations, but within the **same RLDC area.**”*

Comment/Suggestion:

In our country, the RE resources are primarily located in the western and the southern region. However, the low-cost pit head power plants can be set up in the coal rich regions of central and eastern India. Thus, it may be economical for the customers and generators if the generator is allowed to pool power from plants located in different geographical regions, **without restriction of location within same state, same RLDC region etc.**

This may also be amended in the current Tender requirements for Hybrid Renewable PPAs as well.

4) Ref: Clause 8.7, 8.8, 8.9

“8.7 Composite Fixed Charges(CFC) and Composite Variable Charges(CVC):

*The bidders shall specify the break-up of composite tariff, into “**Composite Fixed Charges**” and “**Composite Variable Charges**”. In the composite tariff, the “Composite Fixed Charges” shall be reflective of RE charges, capacity charges of thermal power and the non-variable component of energy charges for thermal power. The “Composite Variable Charges”, on the other hand, shall be reflective of variable component of energy charges for thermal power. The “Composite Variable Charges” shall be payable in accordance with fuel price index used for evaluation of the bid.*

8.8 The bids shall be evaluated for the composite levlised tariffs. The index to be adopted for decreasing / increasing the variable charges shall be specified in the RFS. The variation rate, as notified by the CERC from time to time on the basis of historical data, of the relevant fuel index (as identified in the RFS) in the international market or domestic market as the case may be, shall be used for increasing / decreasing the variable charges.”

Comment/Suggestion:

Our past experience with competitive bidding in the thermal power segment has clearly shown us the futility of trying to second guess future cost escalations. It is due to this very reason that the current version of Standard Bidding Documents for procurement of thermal power only requires the Bidder to specify his first year tariff, segregated into capacity charge (fixed) and energy charge

(variable). The energy charge is thereafter escalated on the basis of Escalation Rates notified by CERC.

Therefore, for this RTC Scheme, the Supplier should quote composite tariff (along with the specified breakup) for first year only and the bid should be evaluated on the basis of this first year tariff only.

Further the document should clearly specify that additional compensation would be available to the Thermal Power Plant as per Grid Code for cost incurred on account of change in the following parameters due to frequent ramp up/ramp down and frequent start/stop:

- a. SHR degradation
- b. Increase in Oil Consumption
- c. Increase in Maintenance Cost

5) Ref: Clause 9.1

“9.1 Total generation from the combine sources should be given priority for dispatch and scheduling by the concerned SLDC/RLDC. Plant shall have the “must-run” status, or the merit order dispatch based on composite variable charges.”

Comment/Suggestion:

This needs clarification. Our understanding is as follows - the RE capacity (in the mix) would continue to be treated as MUST RUN and the scheduling of thermal capacity would be based on MERIT ORDER as per current regulations.

If our understanding above is correct, it is requested that the clause may be reworded appropriately to clearly reflect the above understanding.

6) Ref: Clause 9.2.

“9.2 For deviations from schedule, the DSM (Deviation Settlement Mechanism) can be made applicable as per applicable RE/Thermal regulations in force. The DSM shall be settled by the Generator and States as per the applicable regulations.”

Comment/Suggestion: With above clause, we understand that DSM applicability for Thermal and RE schedule will be kept separate and not on the combined quantum of RTC power. Please confirm.

7) Ref: Clause 9.3.

“9.3 For any shortfall below the 80% availability on an annual basis, a penalty may be charged, corresponding to this shortfall in energy, at 25% of PPA tariff.”

Comment/Suggestion: As per the existing Standard Bidding Documents for Long Term Procurement of Power from Thermal Power Plants, the fixed charge recovery is linked to plant availability. If the actual availability of the plant is lower than the normative level, a penalty is imposed at 25% of the fixed charges only. Similar methodology may be adopted here and penalty should be linked to 25% of composite fixed charges.

8) Ref: Clause 10.8.

“10.8 No back-down/curtailment to be ordered without giving formal/written instruction for the same.”

Comment/Suggestion: Clarification may be provided whether this is applicable for the entire bundled energy.

9) Bid Document:

Comment/Suggestion: As approved SBD (Standard Bid Document) for both RE & Thermal power procurement are available and well accepted, it is suggested that the bid document for bundled RE-Thermal power may be drafted taking them into account.