

APP comments on Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2020

Sl. No.	Clause No.	Clause of Regulation	Proposed changes	Rationale for changes
1.	11	<p>Treatment for over-Generation</p> <p>In case a renewable energy project, in a given year, generates energy in excess of the capacity utilization 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, <u>the tariff for such excess energy shall be 75 percent of the tariff applicable for that year.</u></p>	<p>Treatment for over-Generation</p> <p>In case a renewable energy project, in a given year, generates energy in excess of the capacity utilization 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, <u>the tariff for such excess energy shall be the tariff applicable for that year.</u></p>	<p>The generic tariffs determined by the Regulator are based on the generic CUFs for the specific RE technologies. However, the actual generation & project cost would vary from site to site. Hence, the developer should be allowed to recover full tariff on the generation in excess of CUF/PLF specified under this Regulation.</p> <p>The viability of Project would improve if the excess power over the capacity utilization factor or plant load factor specified under Regulations, would be purchased by concerned beneficiary at the same tariff applicable for that year.</p>
2.	16	<p>Return on Equity:</p> <p>(2) The <u>normative Return on Equity shall be 14%</u>, to be grossed up by prevailing rate of Minimum Alternate Tax (MAT) as on 1st April of previous year for the entire Tariff Period.</p>	<p>Return on Equity:</p> <p>(2) The <u>normative Return on Equity shall be 15.5%</u>, to be grossed up by prevailing rate of Minimum Alternate Tax (MAT) as on 1st April of previous year for the entire Tariff Period.</p>	<p>One of the main objectives of Electricity Act & National Tariff Policy, 2016 is promotion of Renewable Energy Sources and to ensure financial viability of sector in order to attract investments.</p> <p>Offering a return on Equity at a rate of 14% for RE developers would be highly detrimental for achievement of the above National objective.</p>

				<p>While CERC Tariff Regulations 2019 for thermal/ large hydro generating stations and transmission utility allows Return on Equity at the base rate of 15.5% for Thermal/ Run of River Hydro generating stations and 16.50% for storage based hydro generating stations including pumped storage and run-of-river generating station with pondage, the proposed 14% return on equity for renewable developers would be highly discouraging specially when these RE projects are based on non-convention technologies resulting in higher Project costs. This would create negative sentiments in investors towards investment in renewable energy projects.</p> <p>It is also important to note that as of Mar'2020, India has achieved 87 GW of renewable power (excluding large hydropower) against the Government's target of 175 GW by 2022. Therefore, India still needs an additional 87 GW to reach the target of renewable energy capacity, resulting in large investment opportunity for investors over the next 2 years.</p> <p>In view of the above, it is requested that normative Return on Equity should be at-least 15.5% in order to fulfil the following:</p> <ul style="list-style-type: none"> • Promote renewable energy generation in the Country in order to achieve ambitious target of 175 GW.
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3.	17	<p>Interest on Working Capital</p> <p>1 (b) Receivables <u>equivalent to 45 days</u> of tariff for sale of electricity calculated on normative Capacity Utilisation Factor or Plant Load Factor, as the case may be; and</p>	<p>Interest on Working Capital</p> <p>1 (b) Receivables <u>equivalent to 90 days</u> of tariff for sale of electricity calculated on normative Capacity Utilisation Factor or Plant Load Factor, as the case may be; and</p>	<p>Power generators including RE generators are facing serious payment problems from many Discoms and many generators have an amount outstanding for equivalent to 3 months and more. In spite of favourable orders by respective SERCs, the developers are facing serious problem in getting the payment on time. Payments which are finally released are without any late payment surcharge.</p> <p>In view of the above, it is requested to provide receivables equivalent to 90 months at least.</p>
4.	20	<p>Rebate</p> <p>(2) Where payments are made on any day after 5 days within a period of one month from date of presentation of bills by the generating company, <u>a rebate of 1% shall be allowed.</u></p>	<p>Rebate</p> <p>(2) Where payments are made on day after 5 days from date of presentation of bills by the generating company, <u>a rebate of 1% shall be allowed. The rebate will be reduced prorata basis for period after 5 days and upto a period of one month</u></p> <p><u>Illustration:</u> <u>Applicable rebate on 10th day from bill date would be:</u> <u>1% X (20/25) = 0.8%</u></p>	<p>In case the beneficiary is not making early payment the applicable rebate needs to be adjusted in similar ratio of delay in making payments. If such kind of provisions are not made then beneficiaries would have no incentive for making early payment once a deadline of 5th day is passed and they would prefer to make payment only on 30th day by availing 1% rebate.</p> <p>In view of above, it is suggested to include provision of prorata reduction of rebate after 5th day of bill date.</p>

5.	21	<p>Late payment surcharge In case the payment of any bill for charges payable under these regulations is delayed beyond a period of 45 days from the date of presentation of bills, a late payment surcharge at the rate of 1.50% per month shall be levied by the generating company.</p>	<p>Late payment surcharge In case the payment of any bill for charges payable under these regulations is delayed beyond a period of 30 days from the date of presentation of bills, a late payment surcharge at the rate of 1.50% per month shall be levied by the generating company.</p>	<p>Late payment Surcharges should be applicable from the due date of 30 days of submission of bill. The developer should not be burdened for additional period beyond due date of 30 days.</p>
6.	32	<p>Plant Load Factor For the purpose of determination of tariff, the Plant Load Factor shall be considered as 80%.</p>	<p>Plant Load Factor For the purpose of determination of tariff, the Plant Load Factor shall be considered as 80%. <u>For first year during stabilisation period, the Plant Load Factor shall be considered as 65%.</u></p>	<p>Biomass based plants generally take one year period for stabilisation. It is suggested to consider PLF of 65% for such plants during stabilisation period.</p>
7.	47	<p>Capacity Utilisation Factor</p> <p>The Commission shall only approve capacity utilisation factor for project specific tariff:</p> <p>Provided that the minimum capacity utilization factor for solar PV power projects shall be 21%</p> <p>Provided further that the minimum capacity utilization factor for solar thermal power projects shall be 23%</p> <p>Provided also that the minimum capacity utilisation factor for floating solar projects shall be 19%.</p>	-	<p>It is proposed that Capacity Utilisation Factor (CUF) of Solar PV/ Thermal and Floating solar plants may also be divided into different zones (as done in the case of wind energy) with different CUF values and hence different tariffs for different zones. Like wind sources, solar resource involve different GHI/DNI measurements and different CUF values in different states. Further, it is proposed that actual generation data from solar plants located at different region/states may be considered for determination of zone wise normative CUF/ PLF.</p>

