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PRESS RELEASE

CERC notifies tariff regulations for green power

CERC has notified the tariff regulations for electricity generated from renewable energy sources. These regulations have been finalized keeping in view the statutory mandate to Electricity Regulatory Commissions for promoting co-generation and generation of electricity from renewable sources of energy. The Tariff Policy had also mandated CERC to lay down guidelines for pricing non-firm power, especially from non-conventional sources to be followed in cases where such procurement is not through competitive bidding.

2. These regulations assume special importance in view of the National Action Plan on Climate Change which stipulated that minimum renewable purchase standards may be set at 5% of the total power purchases in year 2010 and thereafter should increase by 1% each year for ten years. The new tariff regulations are expected to promote new investments so that renewable electricity supply could expand to meet the goals stipulated in the National Action Plan.

3. Specifying capital cost norms and fixing tariff upfront for the whole tariff period are the two main features of the new regulations. The regulations provide normative capital costs for projects based on different renewable technologies. These capital costs are to be revised every year for incorporating the relevant escalations. The norms themselves would be reviewed in the next control period which will start after a period of three years. However, the regulations has enabling provisions to review the capital cost norms for solar power projects every year in

view of the fact that the costs for these technologies are expected to decline more rapidly.

4. However, the tariff permitted to a project under these regulations would apply for the whole tariff period which is 13 years. The tariff period for solar power has been kept as 25 years and for small hydro below 5 MW, it has been kept as 35 years in view of the special considerations required for these technologies. This feature of upfront tariff for whole tariff period is a major initiative to ensure regulatory certainty.

5. Tariff philosophy in these regulations is to give a preferential tariff to the projects based on renewable technologies during the period of debt repayment. Preference has been given mainly in respect of return on equity, shorter loan repayment period, higher normative interest on loan. Thereafter, these projects are expected to sale power through competitive route.

6. Tariff model adopted is levellized tariff in order to avoid front loading of tariff while at the same time ensuring adequate project IRR.

7. These regulations also provide that in case of solar power which is comparatively an evolving technology and also for other new technologies such as municipal waste based generation, the project developer can also approach Commission for a project specific tariff.

8. The Forum of Regulators has also agreed to implement Renewable Energy Certificate (REC) mechanism which will be an alternative route for fulfilling renewable purchase obligations. This mechanism is mainly aimed at addressing the mismatch between renewable resources availability in the local region and the renewable purchase obligations. CERC would play a supportive role for designing and regulating national level REC registry and REC market.

9. Further, in order to address the technical problems relating to absorption of large volumes of non-firm power such as wind in the grid, CERC has constituted an expert task force which has representation from Central Electricity Authority, States, System Operator and C-WET. The Task Force has been mandated to give

recommendations in respect of forecasting of generation from these technologies, ensuring grid reliability and equitable sharing of costs involved in ensuring reliable operations. The Task Force would also recommend appropriate grid connectivity standards for renewable sources based generating stations.

Sd/-
(Alok Kumar)
Secretary