



केन्द्रीय विद्युत विनियामक आयोग

CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O. No. Chmn/CERC/2010

Dated : 14th January, 2010

Subject: Statutory advice of CERC in the matter of proposed amendment to Tariff Policy.

Dear *Shri Brahma,*

CERC has received a proposal for amending the Para 6.4(1) of Tariff Policy vide Ministry of Power's letter No. 23/17/2009-R&R dated 31st December, 2009.

2. The Commission has noted that the proposal of the Ministry is to provide for the following:

- a) To mandate the SERCs to reserve a 0.25% for purchase of energy from solar energy with effect from 1.4.2010 which would go up to 3% by year 2022.
- b) This would be complemented by solar specific REC mechanism to allow solar power generation companies to sell certificates to the utilities to meet their solar power purchase obligation.

3. From the proposals, it is noted that 0.25% of solar energy is required to be purchased in the country starting April 2010. Currently, the availability of grid connected solar energy in the country is only few megawatts and the generation capacity to support fulfillment of obligation of 0.25% would take some time to materialize. Therefore, the mandate to provide solar specific renewable purchase obligations should take into account the availability of solar energy in the country.

4. Further, the proposal is only regarding solar specific REC. it needs to be noted that the Forum of Regulators (FOR) had recommended REC mechanism for all the renewable energy technologies and accordingly the FOR has also prepared a model REC regulation for use by SERCs. Also in line with the recommendations of the FOR, CERC has framed its REC regulations to enable functioning of national REC mechanism. The Central Government has also constituted a committee under the Chairmanship of Additional Secretary, Ministry of Power (in which Joint Secretary, MNRE and Secretary, FOR are the members) to suggest necessary steps for implementation of REC mechanism in the country.

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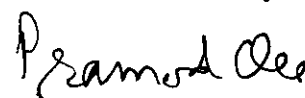
In view of the above, it is necessary that the Tariff Policy should provide for REC mechanism in general for all the renewable energy technologies along with solar specific REC.

5. Accordingly, the Commission has decided to advise the Central Government in discharge of its functions under section 79(2) of the Electricity Act that the proposed amendment in Para 6.4(1) in the Tariff Policy should include the aspect of availability of grid connected solar energy in the country while mandating the solar energy specific purchase obligations, and the REC mechanism in general also. The suggested formulation is enclosed.

With regards,

Encls : as above

Yours sincerely,


(Dr. Pramod Deo)

Shri Harishankar Brahma
Secretary (Power)
Ministry of Power
Government of India
Shram Shakti Bhawan
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Suggested formulation of Para 6.4(1) of Tariff Policy by CERC

Pursuant to provisions of section 86(1)(e) of the Act, the Appropriate Commission shall fix a minimum percentage for purchase of energy from such sources taking into account availability of such resources in the region and its impact on retail tariffs. Such percentage for purchase of energy should be made applicable for the tariffs to be determined by the SERCs latest by April 1, 2006. Within the percentage so made applicable, taking into account the likely availability of grid connected solar energy in the country, SERCs shall also reserve about 0.25% percentage for purchase of energy from solar energy with effect from 1.4.2010 which would go up to 3% by year 2022.

It is desirable that purchase of energy from non-conventional sources of energy takes place more or less in the same proportion in different States. To achieve this objective in the current scenario of large availability of such resources only in certain parts of the country, an appropriate mechanism such as renewable energy certificates (REC) would need to be evolved. Through such a mechanism, the renewable energy based generation companies can sell the electricity to local distribution licensee at the rates for conventional power and can recover the balance cost by selling certificates to other distribution companies and obligated entities enabling the latter to meet their renewable power purchase obligations. In view of the comparatively higher cost of electricity from solar energy currently, the REC mechanism should also have a solar specific REC.

It will take some time before non-conventional technologies can compete with conventional sources in terms of cost of electricity. Therefore, procurement by distribution companies shall be done at preferential tariffs determined by the Appropriate Commission.
