



सत्यमेव जयते

केन्द्रीय विद्युत विनियामक आयोग

CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O. No.:10/4/2011-Statutory Advice/CERC
Dated : 11th March, 2011

Subject: Statutory advice of CERC on the proposal of Payment Security Mechanism for Grid Connected Solar Power Projects under Phase 1 of JNNSM

Dear Shri Gupta,

Please refer to MRRE's OM No. 29/5/2010-11/JNNSM (ST) dated March 4, 2011 seeking comments/recommendations on the proposal of Payment Security Mechanism for Grid Connected Solar Power Projects under Phase 1 of JNNSM.

2. This matter has been considered by the Commission. The Commission has also noted the apprehension raised by the PMO that any such mechanism could incentivize defaults by the Utilities. The Commission endorses the arguments made by MNRE in Para 3.0 of their Note dated 4th March, 2011 for the Committee of Secretaries in response to the observations of PMO. There is an inbuilt deterrent in that default by Utilities would lead to loss of equivalent quantity of cheap thermal power.
3. In addition, the Commission would like to highlight that most of the State Commissions have provided in their Regulations on Renewable Purchase Obligation (RPO)/ Renewable Energy Certificate (REC), for a deterrent against non compliance of RPO target. This is based on the recommendation of the Forum of Regulators (FOR) that non compliance of RPO target would imply payment of compliance charge equivalent to shortfall in energy terms at the rate of forbearance price of REC (which is Rs. 19/kWh in case of solar REC at present) as specified by CERC.
4. Further para 11 of Annexure IV of Note for Committee of Secretaries is not consistent with the present regulation on REC specified by CERC which provides inter alia that only the Renewable Energy generator (and not the trader) is eligible for REC. Eligibility for REC has to be governed in terms of the requirement of the regulations of CERC.
5. In view of the above, the Commission in exercise of powers under section 79(2) of the Electricity Act, 2003 advises that the observations of the Commission as mentioned in para 3 above may be suitably incorporated in the note for Committee of Secretaries. It is also advised that para 11 of Annexure IV of Note for Committee of Secretaries may be omitted to align it with the CERC regulations on REC. Also the expressions "as approved by CERC" in para 2.4 and the expression "as required under CERC's approved guidelines" in para 5.1 of the COS Note may be omitted.

With regards,

Yours sincerely,

(Dr. Pramod Deo)

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