



25th March, 2022

To,
The Secretary
The Central Electricity Regulatory Commission
New Delhi

Respected Sir,

Subject: Comments/ Suggestions/ Objections from Grasim Industries Limited, Unit Harihar Polyfibers, Kumarapatnam, Haveri, Karnataka the stakeholders and interested persons on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022.

Reference: Public Notice No. RA-14026(11)/1/2022-CERC dated 15th Feb, 2022

M/s. Harihar Polyfibers a Unit of Grasim Industries Limited., Kumarapatnam, engaged in manufacturing of Rayon Grade Pulp.

Grasim Industries Limited, a legal entity is operating many Units across India and is operating various types of Power Plants including renewable energy which is being redeemed against the RPO obligations of applicable various units

In exercise of powers conferred under sub-section (1) of Section 178 and Section 66 read with clause (y) of sub-section (2) of Section 178 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after previous publication, the Central Electricity Regulatory Commission on 14th January, 2010 introduced following regulations viz., Central Electricity Regulatory Commission (Terms and Conditions for



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Fibres from Nature

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recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 for the development of market in power from Non-Conventional Energy Sources by issuance of transferable and saleable credit certificates. The basic objective of this Regulation is to bring Renewable Energy Certificate (REC) mechanism as a market based instrument to promote renewable energy.

With introduction of Renewable Energy Certificates mechanism as mentioned supra in the year 2010, the Unit has installed new high efficiency recovery boiler in the year 2013-2014 by incurring high capital expenditure of Rs. 95 Cr. and started generating Renewable Energy replacing the fossil fuel.

Thus, M/s Harihar Polyfibers is the only plant in India engaged in manufacturing of Rayon Grade Pulp and this plant generates electricity from its 10 MW Captive RE Generator using Biomass fuel. The power generated is 100% captive used and REC accruing out of this is either being redeemed against Grasim's various Units across India or partly trading on Power Exchanges.

The Central Electricity Regulatory Commission New Delhi has issued Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 and vide its Public Notice No. RA-14026(11)/1/2022-CERC dated 15th Feb, 2022 inviting comments/suggestions/objections from the stakeholders and interested persons on the above Draft Regulations.





Regulation 4 of the draft 2022 REC Regulations proposes to extend the list of eligible entities for RECs that would now specifically cover all captive generating plants (CGP) based on renewable energy sources. There is no condition whatsoever on the date of commissioning of such CGP. Having regard to India's persistent thrust for achieving exponential increase in renewable energy share, we welcome this step to broad base CGP coverage.

We being the REC generator will be adversely affected by restriction that are imposed in below mentioned Regulations and Proviso of the Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, that are *ultra vires* and defeating the very purpose of giving the benefit to Captive RE Generator using Biomass fuel:

I. Eligibility for RECs and sale of RECs for Captive and Self-consumption:

Clause 4.7 of the explanatory memorandum states that - "The primary purpose of setting up renewable energy stations by captive consumers is to fulfil its renewable purchase obligation".

The purpose for which our captive renewable energy station is set-up is to enable better usage of natural resources leading to captive power generation. Our Unit is using left over component of wood pulp generated (Biomass) in the Process of Rayon Grade Pulp Manufacturing. This Biomass thus produced is used for generating power.

The REC Regulation 2010 and its 4th amendment by the Hon'ble Commission had a very well detailed explanation of these issues and captured such nuances carefully.





The current Draft Regulation 4(3) on eligibility of RECs for captive generating stations creates more questions than it answers.

First of all, the captive generating stations (CGS) and self-consumption based renewable energy production needs to be distinguished clearly as it was carried out during the 4th amendment of REC Regulation 2010 by the Hon'ble Commission. Regulation 1(B) of REC Regulation 2010 (including 4th amendment) is reproduced below for your kind reference:

"[(1B) A Captive Generating Plant (CGP) based on renewable energy sources, including renewable energy generating plant not fulfilling the conditions of CGP as prescribed in the Electricity Rules, 2005 but having self-consumption, shall not be eligible for participating in the REC scheme for the energy generated from such plant to the extent of self-consumption, if such a plant:

*a) has been commissioned prior to 29th September 2010 or after 31st March 2016; or
b) is not registered with Central Agency under REC scheme on or before 30th June 2016 shall be eligible for the entire energy generated from such plant for participating in the REC scheme subject to the condition that such plant does not avail or does not propose to avail any benefit in the form of concessional / promotional transmission or wheeling charges and/or banking facility benefit.*

We draw kind attention of Hon'ble commission to the phrase "captive consumer" and "self-consumption" as having two different legal meanings. The definition of captive consumer is well established under the E-Rules, 2005 where the consumer consumes

51% or more energy on an annual basis whereas the "self-consumption" category under the REC regulation was included to accommodate the bagasse based





cogeneration plants (primarily) which were otherwise not qualified as "captive generating plants" as per the E-Rules 2005.

Now, having established different objectives of setting up a captive renewable energy plant and difference between "CGP" and "self-consumption" based renewable energy plants, the **Draft Regulation 4(3)** read along with **Clause 4.6 and Clause 4.7** of the explanatory memorandum raises the following questions:

A captive generating grid-connected biomass plant, currently registered under the REC mechanism, not exporting any energy to the grid continues to generate electricity from renewables, does not avail any form of concessional wheeling / transmission / banking facility.

- a) Would such a plant / similar plants in future continue to remain / be eligible for RECs and sell surplus RECs beyond its RPO obligation?
- b) Such a plant fully meets the CGP requirement of E-Rules 2005. Our Grasim Industries Limited, Unit Harihar Polyfibers off-sets RECs through self-redemption against RPO of its other manufacturing units within same legal entity as mentioned above.

Hope, the eligibility of self-redemption within the same legal entity, for ex. in this particular case M/s Grasim Industries Limited will be allowed to continue as per existing practice.

Our submission to the Hon'ble Commission is that for both a) and b) scenarios above, eligibility for sale as well for self-redemption should be permitted to our





Grasim Industries Limited, Unit (Harihar Polyfibers) as it has replaced the conventional energy through Renewable Energy.

II. Floating or Rooftop Projects connected to Grid:

With current encouragement to solar power under prevailing REC regulation, our Units of Grasim have planned various Rooftop/Floating Solar Projects.

However, there is lack of clarity on the eligibility criteria and detailed procedure for inclusiveness of such projects under the REC mechanism. Specifically, clarity and detailed procedures are required with respect to:

- a) Connectivity and metering requirements,
- b) eligibility of net-metered projects, and c) exclusions of self-consumption to the extent of RPO.

We request to this Hon'ble Commission for including such projects in REC ambit with clearly defined guidelines on procedure and eligibility.

III. Redemption and Exchange of Certificates

The procedure proposed under **clause 9 - (a,b,c,d)** provides NO CHOICE to the generator other than trade through power exchange or through a trading licensee. The Distribution Company, the Obligated Entities, the RE Generators and the voluntary buyers of RECs, need to be given a lot more choice - including transacting directly or through OTC Platform or through Advisory Members of Power Exchanges if Hon'ble Commission really wants to open-up the transactions framework. Alternatively, RECs are better restricted to the power exchanges for ensuring liquidity, transparency and payment security.





Our request to Hon'ble Commission is as under:

Regulation 11(4) under the draft regulation may be amended accordingly considering the above facts as one of the important aspects of regulation.

Similarly, regulation 4(2)(a) also needs to be amended as it implies that even for a physical power sale, an eligible entity is required to sell energy only through a trader or power exchange. This is a highly restrictive clause.

IV. Grant of Registration and Grant of Accreditation

Under the proposed **Draft, Regulation 6(2)**, read along with **Regulation 8(2)**, we would like to highlight that while the registration validity has been provided for 15 years for the existing projects (a very welcome move), the accreditation is restricted only for the period of existing validity of the accreditation period. There is inhibition that if the States also change their Regulations, even though the Registration is valid for the existing eligible entity, there could be scenarios where the generator may not be able to get accreditation renewed if the state regulation differs from the CERC regulation (as it has happened in the past).

Hence, we request the Hon'ble Commission to kindly consider 15 years' period for accreditation validity as well.

V. Extension of REC Multiplier to existing RE Generators.

Demand for incentivising higher cost of RE needs to be considered favourably not only for the new projects but also for the existing projects where such projects were commissioned under ambit of the REC Regulation 2010 and its amendments, Our RE Generator commissioned in 2014 is yet to complete 10 years of operations.





We request the Hon'ble Commission's view on keeping "Certificate Multiplier" and its validity for a period of 15 years from the date of commissioning of such project (reference: Regulation 10.4), to enable "revenue recovery during the period of debt obligations of Our project" (reference: Clause 10.3, explanatory memorandum) is indeed a very much a welcome move.

However, it is observed that the same principle is not being applied to the existing set of RE generators who entrusted their investment decisions based on the REC Regulation 2010.

If the Certificate Multiplier is not applied and provided to the existing set of RE Generators registered and operating under the REC Mechanism, this proposed regulation would deny an equal opportunity to all such existing generators.

VI. Certificate Multiplier without Floor Price

Certificate without Floor Price will have the same fate for new RE Generators as being faced by the existing investors in REC Mechanism.

While the technology multiplier will ensure that higher number of certificates are issued to such high-cost RE technology projects through a grandfathering clause, if there is no floor price and the grid-scale RE technologies continue to offer lower and lower energy tariffs (based on past 10 years trend), how will any such high-cost RE technology project would survive in the market where the revenues from RECs will continue to decline rapidly whereas the fixed costs are already being incurred at the start of the project itself?





The grandfathering clause would only be helpful if a) the floor price is determined and notified and b) certificate multiplier is made dynamic, say revised every 3 years. The floor price as well may be determined every 3 years and some revenue protection may be offered to the new projects through a dynamic Certificate Multiplier.

- i. This will ensure that the new projects spending CAPEX based on REC Regulation 2022 does not become unviable by say 2027 as it has happened with many projects operating under the REC Regulation 2010.
- ii. With the renewable energy market being highly dynamic and rapidly evolving, the novel objective and principle of "ensuring revenue recovery during the period of debt obligations of such projects" as laid down under **Clause 10.3**, explanatory memorandum, will only be possible if and only if the floor price is retained along with forbearance price (will bring stability and certainty in RECs transactions) and certificate multiplier as well as the determination of the floor price is made dynamic with both components getting reviewed every 3 years or so.
- iii. This will also ensure that older projects with higher CAPEX sustains for the period of the project life whereas the newer projects with same technology but lower CAPEX gets lower and lower Certificate Multiplier and thereby ensuring an efficient and well-balanced ecosystem promoting the renewable energy across multiplier technologies in India.

In such scenario REC market faith may also become similar to ESCERTs market if some form of price protection is not provided through this regulation.





We request the Hon'ble Commission to provide the benefit of multiplier and maintain the floor price accordingly.

Under these circumstances, we earnestly appeal and pray to your goodself to kindly bestow your personal attention on this subject and direct to review the said provisions on the basis of this representation, drop or amend the provision stated supra and enable our Industry to sustain promote Renewable Energy and continue in the years to towards Green Initiative of Indian Government.

We further request you to kindly send us the invite of Online Video Conferencing on MS Team Public Haring to be commenced on 30.03.2022 for representing our case. (Kindly send the invite to Registered email ID of Grasim Industries Limited, Unit Harihar Polyfibers).

Thanking You,

Yours Sincerely,

For Grasim Industries Limited
Unit: Harihar Polyfibers and Grasilene Division

Ajay Kumar Gupta
Senior President and Unit Head



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