

## APERC 2<sup>nd</sup> Amendment to Open Access Regulation

APERC notified a draft for 2<sup>nd</sup> amendment to its Open Access Regulation 2005 and proposes to substitute provisions of the first amendment to Open Access Regulation 2016. A brief summary is below:

1. Captive use or third-party sale within the state for wind and solar power projects are proposed to pay transmission and wheeling charges.
2. Removal of exemption from distribution losses for solar power projects injecting power at 33 kV or below is proposed.
3. Solar projects supplying power under third party sale to pay 100% cross-subsidy surcharge and additional surcharge.

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### CER Opinion

**2. Revenue Implications for Removal of Exemptions:** The additional revenue to the utilities on account of removal of above exemptions would be much smaller as compared to the total cost of power procurement of the state and thus would not contribute to the 'financial performance' of the utilities. Enumeration of such implications would assist decision making by the APERC.

**3. Impact on Captive and 3rd Party Sale of RE Power Procurers:** Given the significant difference in the tariff applicable for industrial and other large consumers, and the levelised cost of solar and wind power projects, additional cost implications on account of removal of above exemptions would only reduce the cost advantage for Captive and OA consumers but would not eliminate it. Further cost reduction in cost of RE projects and increasing tariff of such consumers in future would negate any adverse implications of the proposed amendments.

**4. Making VRE more Accountable to the Grid:** It is understood that increasing share of energy injection by Variable Renewable Energy (VRE) sources is placing stress on system operation on account of intermittency. However, improvement in forecasting techniques for renewable energy resources along with gradual tightening of the provisions of the application deviation settlement mechanism can help ameliorate this impact to some extent.

The abolition of exemptions would not address the cause that needs attention. We propose the following.

**5. Regulatory Approach:** To address the impact of variability and intermittency, the regulatory approach may include tightening of band for forecasting error and the associated deviation penalty structure under Andhra Pradesh Electricity Regulatory Commission Forecasting, Scheduling and Deviation Settlement of Solar and Wind Generation Regulation, 2017. This would induce application of better forecasting solutions and further assist scheduling of conventional power plants, reducing stress on their operation.



**6. Role of Storage:** The enhanced framework for RE forecasting and penalty deviation, as highlighted above would also provide room for innovation and adoption of grid connected storage, as they become more economical in future.