

“Proposed OERC (Procurement of Energy from Renewable Sources and its Compliance) Regulations, 2021 under Section 181 (3) of the Electricity Act”

Odisha Electricity Regulatory Commission (OERC) proposed draft regulation for ‘Procurement of Energy from Renewable Sources and its Compliance’ on 27th April, 2021. Key points of this draft regulation are given below:

- Co-firing of biomass in coal based thermal power station – Non-Solar RPO
- Roof-top Solar PV system under net metering agreements – Solar RPO
- Large hydropower projects (>25 MW and that started commercial operation after March 8, 2019) including pumped storage projects – HPO
- If generation from qualified LHPs is inadequate to meet HPO, small hydro commissioned on or after 8.3.2019 will be eligible for HPO fulfilment. If small hydro generation exceeds the optimal HPO trajectory in such situations, the surplus would be classified as "Other Non-Solar RPO".

Minimum quantum of electricity to be procured from Renewable Sources by Obligated Entity as percentage of total Consumption in KWh

Year	Solar RPO	Non-Solar RPO			Total RPO
		HPO	Other Non-Solar RPO	Total Non-Solar RPO	
2021-22	7.25%	0.18%	5.82%	6.00%	13.25%
2022-23	8.00%	0.35%	6.15%	6.50%	14.50%
2023-24	8.75%	0.66%	6.59%	7.25%	16.00%
2024-25	9.75%	1.08%	7.17%	8.25%	18.00%

The draft regulation can be accessed [here](#)

CER Opinion:

1. **Technology Neutral RPO:** Cost of procurement from solar power plants has been on a decline, and is now even less than other RES. It would be appropriate to dispense with technology-wise RPO differentiation as solar and non-solar RPO. This would reduce the overall cost of compliance for the obligated entities¹.
2. **Purchase Obligation from Renewable Sources (Clause 4.1):** The draft regulation considers co-firing of biomass in coal-fired thermal power plants as renewable energy and which shall be eligible for non-solar RPO. It is also important to specify a framework for verification of the

¹ Please refer to Anoop Singh (2009), “A market for renewable energy credits in the Indian power sector”, Renewable and Sustainable Energy Reviews 13 (3), 643-652. See <https://www.researchgate.net/profile/Anoop-Singh-28>

extent of co-firing of biomass in coal-fired thermal power plants to enable proper estimate of its contribution towards RPO.

3. **Consequences of Default (Clause 10.1):** The draft regulation states that non-compliance of RPO would result in penalty which can be calculated by the State Agency as below:

$$\text{Penalty} = \text{Shortfall in units of RPO} * \text{Forbearance price}$$

- a) As forbearance price for HPO is not defined, a clarification is needed regarding the calculation of penalty for non-compliance of HPO.
- b) In its absence, it is recommended to use non-solar forbearance price in the case of HPO, as HPO is categorized under non-solar RPO.