

WBERC's Draft for Amendment to Cogeneration and Generation of Electricity from Renewable Sources of Energy Regulations

The WBERC notified draft for the amendment to Cogeneration and Generation of Electricity from Renewable Sources of Energy Regulations, 2013. The details of the proposed amendment are below:

Proposed Changes in RPO:

- The proposed RPO targets:

Year	Minimum RPO (in %)	
	Solar	Non-solar
2020-21	3.0	9.0
2021-22	4.5	10.0
2022-23	6.0	11.0

- DISCOMs are proposed to procure 100% of energy from waste to energy plants in their respective areas.
- Unmet solar RPO obligation above the 85% of total RPO can be met by non-solar energy, and vice-versa.
- RE drawl by an open access consumer above his RPO, can be considered towards RPO of DISCOM.
- Energy generation from rooftop generators who are not obligated entities, to be counted towards RPO of DISCOMs.

Proposed Changes for Rooftop Regulations:

- Consumer can install rooftop system of 1 kW or above capacity (up to total sanctioned load or contract demand) and can claim net-metering/net-billing benefits.
- Domestic consumer can avail net-metering benefits for load up to 6 kW, above 6 kW net billing arrangement will be applicable.
- Electricity consumption in peak hours/off-peak hours to be adjusted against peak hour/off-peak hour generation. Further, excess electricity injection beyond 90% of the consumer's consumption to be carried forward to next month.
- At the end of the year, any excess energy injection above 90% of the total consumption, shall be treated as unwanted/inadvertent electricity and shall not be payable by the licensee
- For net-billing scheme, licensee to sign PPA with rooftop owner, and licensee to raise bill after adjusting for consumer credit from energy injection. At the end of the year, the licensee is not obligated to pay for any credits due to rooftop owner (consumer).

The draft amendment can be accessed [here](#).

CER Opinion

The relevant regulation proposed to be amended is mentioned in the parenthesis across the rest of the document.

- 1. Definition of RPO without excluding large hydro (3.1):** SERCs are empowered to fix an RPO as per section 86 (e) of Electricity Act (EA), 2003 –

“promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee”

The proposed definition of RPO, which excludes consumption from large hydro generation sources, need to be strictly be in line with the above provisions of the EA 2003. Considering the total consumption for calculating RPO would exclude consumption from the large hydro projects, this would reduce the total RPO quantum to be met through RE sources. Hence, this definitional change would also enhance the RPO compliance of the obligated entities.

- 2. Planning for RPO compliance (3.1):** It is suggested that the RPO trajectory for the state be specified in advance for a medium to long term basis so as to provide opportunity to obligated entities to make appropriate investments or plan to procure RE/REC.
- 3.** First proviso in regulation 3.1 of the proposed amendment –

“Provided that distribution licensee shall compulsorily procure 100% power generated from waste to Energy plants in their respective supply area”

Should be modified as:

*“Provided that distribution licensee shall compulsorily procure 100% power generated from waste to Energy plants **located** in their respective **license area**”*

- 4. Fungibility for RPO compliance (3.1):** Fungibility (substitutability) provided between solar and non-solar RPO to ensure their respective compliance (beyond 85%) would provide much needed flexibility to the obligated entities, and is a welcome proposal. Full fungibility across RE sources would enhance economic efficiency of adoption of clean energy options.
- 5. REC by Location? (3.4 (iii)):** As per clause (iii) of regulation 3.4 of the principal regulation, purchase of RECs seems to be limited to plants located within the area of supply of the licensee. The procurement of REC from exchanges is anonymous in nature and cannot be traced to any location. Hence, this proviso may be modified appropriately.
- 6. Non-Renewable Cogeneration (3.4 (iv)):** The clause (iv) of regulation 3.4 of the principal regulation inadvertently provides for procurement from non-renewable cogeneration plants as well.

*“purchasing **renewable and/or cogeneration energy from any generator through open access at a mutually agreed price within the capping price as mentioned in regulation 6.0 or through power exchange at market determined price** or from Solar Energy Corporation of India Limited (SECI) at competitively determined price or from other sources where tariff is discovered in accordance with section 63 of the Act;” (emphasis added)*

Similarly, clause (v) and (vii) of regulation 3.4, and 3.7, 3.10, and multiple instances across the document allude to the same. All such instances should be suitably amended.

7. **‘Renewable Energy’ procurement through Power Exchanges (3.4 (iv)):** Procurement of energy through power exchanges is anonymous in nature and cannot be identified with the source/technology of the generator. Hence, such procurement cannot be attributed to RE energy for accounting towards RPO compliance, until a RE specific contracts are available on PXs.
8. **Price Cap (6.0):** It is not clear if a constant price cap, as per Regulation 6.0 of the principal regulation, is applicable for all three years. The regulation may provide for subsequent revision (based on an escalation factor) of the same in the subsequent years.
9. **Price cap for tariff discovered through competitive bidding (6.0):** In case the tariff for RE has been discovered under section 63 of EA, 2003 and has been adopted by the commission, the same should not be subjected to the price cap under regulation 6.0.
10. **Online publication for RE procurement for RPO compliance (3.5):** Under regulation 3.5, the Commission should mandate publication of advertisement for RPO compliance on website as well.
11. **RPO Compliance Reporting (3.8):** Regulations 3.8 should also provide for reporting of necessary details regarding quantum of solar and non-solar RPO compliance including any quantum of RPO shortfall in solar/non-solar RPO met through non-solar/solar energy, respectively. Further, RPO compliance met through REC procurement should be separately identified.
12. **RPO Compliance Framework:** An RPO compliance framework, supported with penalty in proportion to the shortfall, would help ensure that obligated entities take adequate steps to meet their RPO target including through purchase of RECs. A mechanism akin to the buyout price may be implemented by the commission. The Commission may like to refer to some of the relevant research papers on the subject¹.
13. **Banking and rollover of RPO (3.10):** RE sources are subjected to uncertainty, thus exposing the obligated entities to fall short or exceed the RPO target. Provision for limited banking and rollover of RPO would provide necessary flexibility to the obligated entities towards their RPO compliance. A shortfall of 0.25-0.50 percentage points may be allowed to be banked (in case of exceeding RPO target)/rolled (in case of shortfall to RPO target).
14. **Accounting of excess RE by OA consumer/captive generators (3.10):** Excess RE procurement by OA consumer/captive generators has economic value, which can be traded as RECs, or can be banked (if permitted) to adjust towards RPO compliance in the later years. The OA consumer/captive generators should firstly be allowed to derive benefit of such excess RPO (in REC equivalent terms), and thereafter, with their consent, any remaining excess RE can be allowed for accounting towards distribution licensee’s RPO.
15. **Distribution/wheeling losses (3.10):** Accounting of wheeling losses of procured RE to the distribution network should not be accounted towards RPO, which is defined (as per section 86 (e) of the Act) with

respect to the consumption in the area of the distribution licensee. Further, calculation of wheeling losses embedded 'in kind' for RE procurement may be complex on account of differential contractual provisions entered into by different procuring agencies for individual contracts. Thus, this provision may be excluded or suitably modified.

16. Competitive bidding vs negotiated tariff (3.11): Removal of regulation 3.11, abrogating the preference for the negotiated tariff over the competitive bidding for procurement of RE power, is a welcome step. In line with the spirit of EA, 2003, preference for RE procured through competitive bidding may also be specified.

17. Negotiation of tariff for power procurement (6.5)- As per section 86 (b) EA, 2003, the SERCs are to regulate power procurement of the distribution licensee

*“regulate electricity **purchase and procurement process** of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;”*

Accordingly, any power procurement for RE sources should either be based on section 63 or as per the tariff determined by the commission under section 62. The provision for 'negotiation' of tariff for procurement of power between buyer and seller, as provided for regulation 5.2, 6.5, 16.1 needs a reconsideration.