

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Explanatory Memorandum for CERC Draft (Terms and Conditions for Tariff determination  
from Renewable Energy Sources) (Second Amendment) Regulations, 2014**

**1. Amendment of Regulation 41 of the First Amendment Regulations**

1.1. The Commission came out with the RE Tariff (First Amendment) Regulation, 2012 on 18.03.2014, wherein it is specified that the usage of fossil fuel in the biomass power plant is not allowed. Regulation 41 of the RE Tariff Regulation, 2012, as amended, is reproduced as under:

***“41. Use of Fossil Fuel***

*The use of fossil fuels shall not be allowed.”*

1.2. Thereafter, the Ministry of New and Renewable Energy (MNRE) vide its letter dated 18.7.2014 requested the Commission to reinstate the original provision regarding usage of fossil fuel in biomass based power plants/bagasse based cogeneration plants in the RE Tariff Regulations on following grounds:

- i. Technical difficulties and other managerial issues in organizing adequate quantities of biomass during rainy season or during other months due to unforeseen situation such as drought;
- ii. Start up of the plant, fossil fuel is required to attain the critical temperature at a quicker pace compared to usage of biomass fuel;
- iii. MNRE on 30.7.2014 issued an administrative approval of a scheme to support promotion of grid interactive biomass power/bagasse cogeneration in sugar mills during 12<sup>th</sup> Plan Period, after due approval of Cabinet Committee on Economic Affairs (CCEA).

1.3. The Commission has taken note of the above points raised by the MNRE. Considering the same it is proposed to amend Regulation 41 of the RE Tariff Regulations as under:

**1.4. Proposed Amendment:**

**Amendment of Regulation 41 of Principal Regulations:**

*The following Proviso shall be added at the end of the Regulation 41 of the Principal*

*Regulations, namely:*

*“Provided that this Regulation shall come into force from 1.4.2017 and till such time use of fossil fuel is permitted for biomass projects up to 15% in terms of calorific value on annual basis”*

## **2. Amendment of Regulation 4 (C) of the RE Tariff Regulations, 2012**

2.1. The Regulation 4(c) of the RE Tariff Regulations, 2012 (Principal Regulations) specifies the eligibility criteria for biomass power projects based on Rankine cycle technology. The same is reproduced as under:

*“4 (c): Biomass power project based on Rankine cycle technology – Biomass power projects using new plant and machinery based on Rankine cycle technology and using biomass fuel sources, provided use of fossil fuel is restricted only up to 15% of total fuel consumption on annual basis.”*

2.2. Considering the above referred proposed amendment to the Regulation 41 of the First Amendment Regulations, the Regulations 4 (c) the Principle Regulations is needed to be modified. Following amendment is proposed to the Regulation 4 (c) of the Principle Regulations, for approval of the Commission.

### **Amendment to the Regulation 4 of the Principle Regulations:**

The Clause (c) of the Regulations 4 of the Principle Regulations shall be substituted as under:

*“Biomass power project based on Rankine cycle technology – Biomass power projects using new plant and machinery based on Rankine cycle technology and using 100% biomass fuel sources.*

*Provided this Regulation shall come into force from 1.4.2017 and till such time use of fossil fuel is permitted for biomass projects up to 15% in terms of calorific value on annual basis.”*

## **3. Impact of permitting usage of fossil fuel up to 15% in terms of calorific value on annual basis, on the Station Heat Rate (SHR):**

3.1. The Commission specified normative Station Heat Rate considering the usage of 100% biomass. The Commission is of the view that the proposal of permitting usage of fossil fuel up to 15% in terms of calorific value on annual basis might have an impact on SHR. The Commission directs staff to examine the same in the meanwhile and submit a report for consideration and suitable action in future.

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