



केन्द्रीय विद्युत विनियामक आयोग
CENTRAL ELECTRICITY REGULATORY COMMISSION



Dr. Pramod Deo
Chairperson

D.O.No.10/4/2011-Statutory Advice/CERC
28th December, 2011

Dear *Shri Uma Shankar,*

I am writing to you in connection with the need for making specific provisions in the Electricity Act, 2003 for promotion of Renewable Energy (RE) sources:

The Act provides for regulatory interventions for promotion of Renewable Energy sources through determination of tariff, specifying Renewable Purchase Obligation (RPO) and facilitating grid connectivity. Powers are also available with the Regulators under section 66 of the Act for development of market in electricity which also includes development of Renewable Energy segment of the sector. Central and State Commissions have taken a number of steps in discharge of these mandates under the Act. For instance, tariffs are determined for different RE technologies by CERC as well as SERCs. RPOs are being fixed by the State Commissions. Facilitative framework for grid integration of renewable has also been provided by CERC in its Regulations. The Central Commission in exercise of its powers under Section 66 of the Act has also evolved the framework for Renewable Energy Certificate (REC).

It is, however, felt that there is a need for more specific provisions in the Act to catalyse the efforts at promoting development of green energy in the country.

- A stable and long-term RPO trajectory and strong deterrent against non-compliance of RPO have worldwide been used as important interventions for promotion of green energy. It is, therefore, desirable that we build in the Act itself the requirement of a long-term RPO trajectory and deterrent against non-compliance of RPO. While the National Electricity Policy and Tariff Policy can provide for a trajectory of RPO for five to ten years, the Act can provide that the regulators shall specify RPO target in accordance with the provisions of the National Electricity Policy and Tariff Policy. The Act can also have a specific provision empowering the Regulatory Commission to specify (including measures by way of penalty) for non-compliance of RPO. This penalty can be in addition to the penalty already provided under section 142 of the Act.


.....2/-

- Equally important is the need for making specific provision in the Act empowering the Regulators to create innovative market based instruments like REC for development of the RE sector.
- Another important issue that demands specific mention in the Act relates to the requirement of including likely RE capacity, in the transmission planning. Traditionally, in the country, transmission planning has been done primarily with conventional sources in mind.
- Yet another issue which has created multiple interpretations relates to the definition of co-generation in the Act. While the definition of the word 'co-generation' in section 2(12) of the Act does not distinguish between co-generation based on fossil and non-fossil fuels, the intent of section 86 (1) (e) of the Act seems to promote co-generation along with Renewable Energy sources which are generally based on non-fossil fuels. There is, therefore, a need for clarity in the Act to this extent.
- It is also felt necessary to clearly provide in the Act the requirements of levying RPO on the consumption of the Open Access consumers as well as captive power producers.

In view of the above the Central Commission in exercise of its powers under Section 79 (2) of the Act advises the Ministry of power to take necessary steps to initiate the process of amendment in the Act to make specific provision on above lines, in the larger interest of promoting green energy which is required for energy security and climate change.

Best regards.

Yours sincerely,


(Dr. Pramod Deo)

Encl.: as above

Shri P. Uma Shankar
Secretary
Ministry of Power
Government of India
Shram Shakti Bhavan
Rafi Marg New Delhi - 110 001.