

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 02/SM/2017

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A.K. Singhal, Member

Shri A.S. Bakshi, Member

Dr. M.K. Iyer, Member

Date of Order: 20th April, 2017

IN THE MATTER OF

Determination of Forbearance and Floor Price for the REC framework to be
applicable from 1st April 2017.

CORRIGENDUM

In the order dated 30.3.2017 in Petition No. 2/SM/2017 on the above subject, it is noticed that the submissions of two stakeholders could not be included on account of accidental omission. The same is sought to be corrected through this order in exercise of the powers under Regulation 103A of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 (as amended from time to time).

2. The numeral "108" in para 9 at page 5 of the order dated 30.03.2017 shall be substituted with the numeral "110".
3. Following names shall be added to the list of stakeholders in Annexure A:
 109. Regent Climate Connect Knowledge Solutions on behalf of Satia Industries Ltd.
 110. Simran Wind Project Limited
4. **Regent Climate Connect Knowledge Solutions on behalf of Satia Industries Ltd.** shall be added to list of stakeholders (along with REConnect Energy Solutions Pvt. Ltd.) on pages 10, 19, 64, and 67.

5. **Simran Wind Project Ltd.** shall be added to list of stakeholders on pages 9 (along with Kanchanjunga Power Company) and 43 (along with Apeiron Renewable Energy).

6. The following comment shall be included at page 16, in the list of comments under **Section II. Computation of Solar and Non-Solar Forbearance and Floor Price:**

- “**Simran Wind Project Ltd.** has suggested establishing a sliding scale of Floor Price and Forbearance Price linked to the vintage and normative capital value of the technology deployed in RE Plants factoring in residual asset life.”

7. The following comments shall be included at page 75, in the list of comments under **Section VIII. Miscellaneous:**

- “**Regent Climate Connect Knowledge Solutions on behalf of Satia Industries Ltd.** has submitted the trends in fuel cost price for biomass projects for the control period 2012-17. It is submitted that the fuel cost for biomass power plants has increased at a CAGR of 7.75% during FY 2011-12 to FY 2016-17. Small hydro or wind energy projects do not incur such costs during the said period.

In terms of capital cost per MW, biomass power plants have witnessed much greater increase as compared to wind and small hydro power projects. Capital Cost per MW for biomass projects has increased by 50% from Rs 4.03 crore in FY 2010-11 to Rs 6.05 crore in FY 2016-17. Capital cost per MW for wind energy projects increased by 33%, from Rs 4.67 crore in FY2010-11 to Rs 6.20 crore in FY2016-17. Capital cost per MW for small hydro power projects (in the northern states) increased by 31%, from Rs 6.03 crore in FY2010-11 to Rs 7.92 crore in FY2016-17. Comparison of CAGR of Capital Cost per MW (2010-11 and 2016-17) for SHP, Wind and Biomass plants has been submitted as 3.98%, 4.13% and 5.98% respectively.

Additionally, they have highlighted that the difference between feed-in-tariff for biomass projects and proposed prices is greatest for biomass and as a result biomass projects stand to lose about Rs 1300/MWh from the feed-in-tariff which is 30% more than the proposed floor price. Thus, there is a strong case of giving technology based multiplier as there is a wide variation in viability tariff requirement of different technologies.

- **Simran Wind Project Ltd.** has suggested to defer trading of RECs issued under the revised price regime till the existing inventory is liquidated.

In addition, they have submitted that IREDA may pay upfront to the RE generators, the difference between the current floor price and new floor price to be determined, for the inventory of unredeemed RECs and recover this from the non-compliant Obligated entities by multiplying the cumulative penalty as per REC Regulations with a factor determined as ratio of Floor Price for 2012-17 control period to Floor Price for 2017-22 Control Period.”

8. Para No. 46(a) shall be inserted below para 46 on page 75.

“46(a). Upon analysis, it has been observed that out of the total 142 projects based on biomass and biofuel registered under REC framework, 111 are under CGP route.

In this context, the Commission would like to reiterate its earlier stand as outlined in Statement of Reasons for CERC (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) (Fourth Amendment) Regulations, 2016. Generally, the CGPs are either commercial or industrial consumers and as such, they save equivalent to the applicable tariff for such consumer categories. Captive consumption from a CGP is already adequately compensated in terms of saving on the tariff because of less procurement of power from the distribution companies. In addition, CGPs do not have credit risk of customer or risk of termination of PPA by the customer.

It has been observed over the last few years that wind projects have a high share among non-solar projects registered under the REC framework, apart from the captive generation plants. Therefore, a weighted average accords the importance in line with current dominance of a technology in the market. A cross-technology price also provides a signal to higher cost projects/technologies to evolve in line with other better performing projects in the market.”

9. Para No. 47(a) shall be inserted below para 47 on page 75:

“Regarding deferment of trading of new RECs, the Commission is of the view that that this deferment would amount to debarring the generators from trading in RECs issued under the revised guidelines and may not be legally sustained. Hence the suggestion has not been accepted.”

10. All other terms of the order remain unchanged.

(Dr. M. K. Iyer)
Member

(A.S. Bakshi)
Member

(A.K. Singhal)
Member

(Gireesh B. Pradhan)
Chairperson

New Delhi

20th April, 2017