

Comments & Suggestions of U.P. Sugar Mills Cogen Association, Lucknow
on
Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022

1. About Us

U.P. Sugar Mills Cogen Association ("**UPSMCA**") is a representative body of sugar mills in the State of Uttar Pradesh having forty one members, that are engaged in power generation through cogeneration power plants based on bagasse fuel. The association is registered under the Uttar Pradesh Societies Registration Act, and has its office at 4th floor, Room No. 403, Chintels House, Trade Centre, 16 Station Road Lucknow - 226001. Shri Deepak Guptara, is the Secretary General of U.P. Sugar Mills Cogen Association (UPSMCA) and is authorized to represent the association before this Hon'ble Commission in the present proceedings.

2. Our Comments & Suggestions

S. No.	Regulation	Text of Draft Regulation	Comments / Remarks
1.	2 (1) (f)	<i>'Complete application' means the application complete in all respects in the format as may be stipulated in the Detailed Procedure;</i>	<ul style="list-style-type: none"> • Methodology/rules to be defined for determination of floor price and forbearance price separately. • Meaning of Central Government to be defined whether Ministry of Power/MNRE/CERC/Any other government body. • RPO to be adopted by all SERC in line with any direction of Central Government / Ministry of Power.
	(g)	<i>'Detailed Procedure' means the procedure issued by the Central Agency under these regulations;</i>	
	(l)	<i>'Power Exchange' means a power exchange as defined under sub-clause (as) of clause (1) of Regulation 2 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021;</i>	
	(m)	<i>'REC Regulations, 2010' means the Central Electricity Regulatory Commission (Terms and Conditions for Recognition and Issuance of Renewable Energy Certificate</i>	



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	(o)	<p><i>for Renewable Energy Generation) Regulations, 2010, as amended from time to time;</i></p> <p>'renewable energy sources' means sources of renewable energy such as hydro, wind, solar including its integration with combined cycle, biomass, bio fuel cogeneration, urban or municipal waste and such other sources as recognized or approved by the Central Government</p>	<ul style="list-style-type: none"> • REC mechanism is meant to provide alternative / additional option for the obligated entities such as Discoms, captive consumers and open access consumers etc. to meet their RPO. • Since RPO comes within the remit of State Commissions. Therefore, RE sources approved by State Commissions for meeting RPO should also be recognized and brought under the REC dispensation. Accordingly, it is suggested that the definition of 'renewable energy sources' be modified appropriately to also include such RE sources that have been approved by State Commissions for fulfilling RPO. UPERC has allowed power procurement from slop • This would be in line with the objective of expanding the definition of renewable energy sources as stated in the Explanatory Memorandum to the Draft Regulations.
2.	4 (1) a) b) c) d)	<p>Eligibility for Issuance of Certificates –</p> <p><i>Following entities shall be eligible for issuance of Certificates :</i></p> <p><i>Renewable Energy generating station</i></p> <p><i>Captive generating station based on renewable energy sources,</i></p> <p><i>Distribution licensee, and</i></p> <p><i>Open access consumer</i></p>	<ul style="list-style-type: none"> • Cogeneration power plant which are not falling into CPP need to be included for eligibility, • Renewable energy generation plant 100% captive but not connected to grid are to be added for Captive REC. • Multiple renewable energy projects through one common transmission lines are also to be included.



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	<p>(2)</p> <p>a)</p> <p>b)</p>	<p><i>A renewable energy generating station shall be eligible for issuance of Certificates, if it meets the following conditions:</i></p> <p>...</p> <p><i>the tariff of such renewable energy generating station has not been either determined or adopted under section 62 or section 63 of the Act, or the electricity generated is not sold either through an electricity trader or in the Power Exchange, for RPO compliance by an obligated entity;</i></p> <p><i>such renewable energy generating station has not availed any</i></p> <p><i>(i) waiver or concessional transmission charges or</i></p> <p><i>(ii) waiver or concessional wheeling charges or</i></p> <p><i>(iii) facility of banking of electricity.</i></p>	<ul style="list-style-type: none"> • Whether co generator are eligible entity for issuance of certificates as per section 4(2)(a). If not then our comments and suggestion should mention to include the co generator by way of proviso. Reason being cogenerator tariff is determined under section 62. And our understanding is cogenerator are not eligible entities as per section 4(2)(a). • Availing of banking facility debar a RE generator from qualifying for issuance of REC. Therefore, it is important that there is absolutely clarity as what constitutes 'banking'. The Draft Regulations does not define the term 'banking'. • The extant Regulations defines 'banking facility benefit' to mean 'only such banking facility whereby any renewable energy generator gets the benefit of utilizing the banked energy at any time (including peak hours) even when it has injected into grid during off-peak hours.' • It is suggested that this definition is also incorporated in the Draft Regulations so as to avoid any ambiguity on this account. • Definition/elaboration of following : Facility of Banking of Electricity : Banking for sale only to be considered as benefit.



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3.	4 (3)	<p><i>Captive generating stations based on renewable energysources and meeting the conditionsas specified under clause (2) of this Regulation in respect of renewable energy generating stationsshall be eligible for issuance of Certificates;</i></p> <p><i>Provided that the Certificates issued to such captivegenerating stations to the extent of self-consumption, shall not be eligible for sale.</i></p>	<ul style="list-style-type: none"> • In order to encourage RE based co-generation units andto address the issues related to quantum of self-consumption, in particular ofbagasse-basedco-generation plants with co-located load of sugar millwhere the capacity available for PPA based sales varies from season to season and year to year depending on the nature of the self-consumption, the extant REC Regulations provides the following: <ul style="list-style-type: none"> <i>“Provided that in case of renewable energy sourcesbased co-generation plants, theconnected load capacity as assessed or sanctioned by the concerned distribution licensee, shall be considered as the capacity for captive consumption for the purpose of issue ofcertificates, irrespective of the capacity of such plants covered under the power purchaseagreement”</i> • It is requested that the same dispensation may be continued under the Draft Regulations and Reg. 4 (3) may, therefore, be suitably modified by adding the proviso as reproduced above. • Definition of Self Consumption and inclusion of non CPP renewable energy sources like cogenerations.
4.	10 (2)	<p><i>Issuance of Certificates</i></p> <p><i>Application for issuance of Certificates shall be made to the Central Agency within six months from the corresponding generation by the eligible entity ;</i></p> <p><i>Provided that no Certificate shall be issued for applications</i></p>	<ul style="list-style-type: none"> • Period should be twelve months from corresponding generation.



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	<p>(4)</p> <p>(ii)</p> <p>11 (4)</p>	<p><i>made beyond the period of six months from corresponding generation.</i></p> <p><i>The certificates shall be issued on the basis of the electricity generated and injected into the grid or deemed to be injected in case of self-consumption by the eligible captive generating stations based on renewable energy sources and duly accounted in the Energy Accounting System:</i></p> <p><i>Based on written communication of distribution licensee to the concerned State Load Despatch Centre or Regional Load Despatch Centre with regard to the energy input by the renewable energy generating stations and captive generating stations based on renewable energy sources which are not covered under the existing scheduling and despatch procedures.</i></p> <p><i>Exchange of Certificates through electricity traders shall be subject to the following:</i></p> <p><i>(a) The eligible entities shall inform, in advance, to the Central Agency about the number of Certificates intended to be sold through electricity traders;</i></p> <p><i>(b) The Central Agency shall block the Certificates in the Registry as informed by eligible entity in terms of sub-clause (a) of this clause;</i></p> <p><i>(c) The Certificates blocked under sub-clause (b) of this clause shall not be allowed to be exchanged through Power Exchange(s);</i></p> <p>...</p>	<ul style="list-style-type: none"> • In case of multiple generating station on single transmission line JMR reading by concern distribution licensee must be allow to be a valid communication as per para 10(4)(ii) • The proposal to allow transaction of RECs both through power exchanges as well as electricity traders is a welcome step. It will add dynamism and depth to the REC market. • However, the logic of requiring the eligible entities to make an advance declaration about number of RECs they intend to sell through traders and then blocking of such RECs for sale only through traders is beyond comprehension. • The Draft Regulations in effect requires a REC seller to make <i>a priori</i> decision on the medium through which it intends to sell its RECs. Once such an election is made, then the power exchange route for such RECs is permanently shut. This is particularly



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			<p>harsh & gravely prejudicial especially in light of the fact that the Draft Regulations propose to extend the life-term of RECs till the time they are redeemed. It defies all canons of reasoning as to why a set of RECs be completely removed from power exchange market and thereby deny the seller the opportunity to discover best price for its RECs.</p> <ul style="list-style-type: none"> • Such a course goes against the grain of free market and innovation in REC marketplace that the Draft Regulations stately seeks to promote. • Hence, it is requested that provisions in the Draft Regulations that require a seller to elect either of the two available avenues for transacting in RECs (i.e. between power exchange and trader) and thereupon permanently deny access to the other avenue be deleted and/or suitably amended. Both power exchange and electricity trader routes should be available to REC sellers. 								
5.	12 (2)	<p>Denomination of Certificate <i>The Certificate Multiplier for the period of three years from the date of effect of these regulations or such other period as may be decided by the Commission, as determined in Appendix-1 shall be as under :-</i></p> <table border="1" data-bbox="318 1042 1052 1235"> <thead> <tr> <th><i>Renewable Energy Technologies</i></th> <th><i>Certificate Multiplier</i></th> </tr> </thead> <tbody> <tr> <td><i>On-shore Wind and Solar</i></td> <td><i>1</i></td> </tr> <tr> <td><i>Hydro</i></td> <td><i>1.5</i></td> </tr> <tr> <td><i>Municipal Solid Waste (MSW) and non-fossil fuel based cogeneration</i></td> <td><i>2</i></td> </tr> </tbody> </table>	<i>Renewable Energy Technologies</i>	<i>Certificate Multiplier</i>	<i>On-shore Wind and Solar</i>	<i>1</i>	<i>Hydro</i>	<i>1.5</i>	<i>Municipal Solid Waste (MSW) and non-fossil fuel based cogeneration</i>	<i>2</i>	<ul style="list-style-type: none"> • The Certificate Multiplier for the period may be of five years from the date of effect of these regulations or such other period as may be decided by the Commission, as determined in, • Biomass and biofuel can not be segregated with non-fossil fuel-based cogeneration
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		<p><i>Provided that the Certificate Multiplier for other renewable energy technologies, not covered in the above table, shall be notified by the Commission on a case-to-case basis based on the principles stipulated in Appendix-1:</i></p>			
		<p><i>Provided further that the Commission may, from time to time, based on review of the maturity level and cost of various renewable energy technologies, revise the Certificate Multiplier.</i></p>			
	(3)	<p><i>Applicable Certificate multiplier as per clause (2) of this Regulation shall be assigned to the renewable energy generating stations and captive generating stations based on renewable energy sources, commissioned after the date of effect of these regulations.</i></p>	<ul style="list-style-type: none"> • The benefit of Certificate Multiplier is extended only to RE projects commissioned after the date of notification of the Draft Regulations for the reason that the objective of multiplier is to promote new investment in RE projects. • Existing eligible RE projects have already been commissioned after taking into account the prevailing regulatory framework of REC without any multiplier. So, Certificate Multiplier has not been made applicable to existing RE projects. • It is not clear if capacity expansion of existing eligible RE projects would qualify for Certificate Multiplier or not. It is suggested that this aspect may be addressed and suitably clarified in the Draft Regulations for the sake of regulatory certainty and to avoid future disputes. 		
	(4)	<p><i>The Certificate Multiplier once assigned to a renewable energy generating station, shall remain valid for a period of</i></p>	<ul style="list-style-type: none"> • What about existing certifications ? • Contra to 12.2 whereas in 12.2 it is defined maximum validity of 3 years. 		

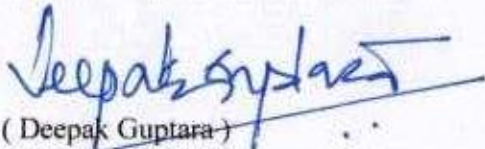


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13	(i)	<p><i>fifteen years from the date of commissioning of such renewable energy generating station or captive generating station based on renewable energy sources.</i></p> <p>Pricing of Certificates</p> <p><i>The price of Certificate shall be as discovered in the Power Exchange(s) or as mutually agreed between eligible entities and the electricity traders;</i></p> <p><i>Provided that the Power Exchange(s) and the electricity traders shall report all transactions with details including but not limited to volume, price, buyers and sellers to the Central Agency on a monthly basis.</i></p>	<ul style="list-style-type: none"> • Concept of floor price and forbearance price should be restored. Otherwise this will lead to crash in market price of REC.
(ii)	<p><i>The Commission, on being satisfied that any of the following circumstances exist or is likely to occur, may by an order give such directions as may be considered necessary:</i></p> <p><i>(a) Abnormal increase or decrease in prices of Certificates;</i></p> <p><i>(b) Sudden volatility in the prices of Certificates;</i></p> <p><i>(c) Sudden high or low transaction volumes of Certificates on a Power Exchange.</i></p>	<ul style="list-style-type: none"> • Abnormal increase or decrease should be defined in % terms for objectivity. 	
16	(2)	<p>Detailed Procedure</p> <p><i>The Detailed Procedure shall contain procedures including, but not limited to:</i></p> <p><i>(a) Procedure for Accreditation for Certificate as referred in clause (2) of Regulation 6 of these regulations;</i></p> <p><i>(b) Procedure for Registration for Certificate as referred to in clause (1) of Regulation 8 of these regulations;</i></p> <p><i>(c) Procedure for Issuance for Certificate as referred to in</i></p>	<ul style="list-style-type: none"> • A portal to be developed by Central Agency to track application/issuance at every stage otherwise it is very difficult to make a contract with Central Agency. It should also include complaint registration and resolution mechanism.



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		<i>clause (1) of Regulation 10 of these regulations; (d) Periodicity for exchange of Certificate through power exchange or through electricity traders as referred to in clause (2) of Regulation 11 of these regulations; (e) other related and incidental matters.</i>	

Signed and submitted
for and on behalf of
U.P. Sugar Mills Cogen Association


(Deepak Gupta)
Secretary General



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