

Comments on Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024

Dear Sir,

The Hon'ble CERC vide Public Notice No. RA-14026(11)/1/2023-CERC dated 17.02.2024 invited comments/suggestions/objections from the stakeholders and interested persons on the provisions of above Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 on or before 14th March, 2024.

In accordance with the above please find below the comments on the same.

Draft Regulation No.	Draft Regulation	Proposed Changes in the Draft Regulation	Reasons/ Comments
16	The normative Return on Equity for renewable energy projects other than small hydro projects shall be 14%, and that for the small hydro projects shall be 14.5% . The normative Return on Equity shall be grossed up by the latest available notified Minimum Alternate Tax (MAT) rate for the first 20 years of the Tariff Period and by the latest available notified Corporate Tax rate for the remaining Tariff Period.	The normative Return on Equity for renewable energy projects shall be 15.5% . The normative Return on Equity shall be grossed up by the latest available notified Minimum Alternate Tax (MAT) rate for the first 20 years of the Tariff Period and by the latest available notified Corporate Tax rate for the remaining Tariff Period.	The increase in ROE would be an extra motivation for investment in Renewable Energy Projects, the following are the reasons for the requirement of the push. <ol style="list-style-type: none">1. At COP-21 in Paris in 2015, India committed to a 40% share of power generation from non-fossil fuel sources.2. The country's vision is to achieve Net Zero Emissions by 2070, in addition to attaining the short-term targets which include:

			<ul style="list-style-type: none">• Increasing renewables capacity to 500 GW by 2030,• Meeting 50% of energy requirements from renewables,• Reducing cumulative emissions by one billion tonnes by 2030, and• Reducing emissions intensity of India's gross domestic product (GDP) by 45% by 2030. <ol style="list-style-type: none">3. Ministry of Power vide Order No. F. No, 09/13/2021-RCM dated 22 July, 2022 has stipulated RPO Target of 43.33% for FY 2029-304. As per Section 107 of Electricity Act 2003 the Central Commission shall be guided by directions of Central Government.5. In addition to the above the Hon'ble Commission while preparing the Draft Regulations has referred various Regulations of State Commission in line with this approach the following State Electricity Regulatory Commissions provide Return on Equity above 14%.
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			<ul style="list-style-type: none">• Regulation 19 (2) of Uttarakhand Electricity Regulatory Commission (Tariff and Other Terms for Supply of Electricity from Renewable Energy Sources and non-fossil fuel based Co-generating Stations) Regulations, 2023. States as follows “ 19. Return on Equity (2) The normative Return on Equity (Post tax) shall be 16% for the Renewable energy source based power projects. The normative Return on Equity shall be grossed up by the latest available notified Minimum Alternative Tax (MAT) rate for the first 15 years of the Tariff Period and by the latest available notified Corporate Tax rate for the remaining Tariff Period to work out the pre-tax RoE.”• Regulation 15 (2) of Madhya Pradesh
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			<p>Electricity Regulatory Commission (Terms and Conditions for Tariff determination of energy from Renewable Energy Sources) Regulations, 2017 “</p> <p>15. Return on Equity</p> <p><i>(2) The normative Return on Equity shall be at 20% per annum for the useful life of the project.”</i></p> <ul style="list-style-type: none"> • Regulation 29.2 (2) of Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023. “ <p>29. Return on Equity</p> <p><i>29.2 Return on Equity shall be computed at the following base rates:</i></p> <p><i>(b) Run of river hydro generating stations: 15.50%;</i></p> <p><i>(c) Storage type hydro generating stations including pumped storage hydro</i></p>
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			<p><i>generating storage and run of river hydro generating station with pondage: 16.50%;</i></p> <ul style="list-style-type: none"> • Order dated 01.01.2015 of Karnataka Electricity Regulatory Commission In the matter of determination of tariff in respect of Mini-Hydel, Bagasse based Co-Generation and Rankine cycle based Bio-mass Renewable Energy Projects <p><i>“</i></p> <p><i>The Commission decides to allow RoE at 16% on the Equity. Any tax paid on RoE is allowed as a pass through which shall be claimed separately from ESCOMs furnishing proof of payments.;”</i></p> <p>6. The Hon’ble Commission as per Regulation 30 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019. is providing Return on Equity for</p>
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			<p>Conventional Generators at 15.50%, the regulation is reproduced below:</p> <ul style="list-style-type: none"> • <i>“Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-ofriver hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage”</i> • Since the State Commissions are being guided by the Hon’ble Commission, taking into consideration the fact that as per Electricity Act 2003 Section 86. (e) (Functions of State Commission): <i>“ (e) promote co-generation and</i>
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			<p><i>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;"</i></p> <p>The Hon'ble Central Commission may in line functions of State Commission promote Conventional sources of Energy. Since most of the State Commissions follow the Regulations framed by the Hon'ble Central Commission (Eg. Uttar Pradesh Electricity Regulatory Commission).</p>
17(4)	Interest on Working Capital shall be at an interest rate equivalent to the normative interest rate of three hundred and twenty-five (325) basis points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenor) prevalent during the last available six months.	Interest on Working Capital shall be at an interest rate equivalent to the normative interest rate of three hundred and Fifty (350) basis points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenor) prevalent during the last available six months.	Since Most of the State Electricity Regulatory Commissions follow the Regulatory provisions set by the Hon'ble Central Electricity Regulatory Commission, and Electricity Act 2003 provides the function of State Electricity Regulatory Commission is to promote Renewable Energy therefore, the Interest on Working Capital may be increased SBI MCLR (one-year tenor) +350 basis points.

			<p>The requested provision would also be in line in the Existing Regulations.</p> <p>Accordingly, the Hon'ble Commission may accept the changes proposed.</p>
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