

73046/2024/CER-CERC

Dt. 15-3-24



## INDIAN SUGAR & BIO-ENERGY MANUFACTURERS ASSOCIATION

(Registered under the Societies Registration Act, 1860)

ISMA/ 37 /2024  
13<sup>th</sup> March 2024

To  
The Secretary,  
Central Electricity Regulatory Commission  
3rd & 4th Floor, Chanderlok Building,  
36, Janpath  
New Delhi- 110001

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### **Subject: Comments on Draft Regulations for Renewable Energy Sources**

Dear Sir,

We would like to express our appreciation for the Central Electricity Regulatory Commission's (CERC) proactive approach in shaping the energy landscape, particularly through the formulation of the Draft CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 released on February 17, 2024.

After a thorough review of the draft, Indian Sugar & Bio-energy Manufacturers Association (ISMA) has compiled valuable insights and suggestions that we believe could enhance the effectiveness and comprehensiveness of the proposed regulations. We acknowledge the importance of fostering sustainable and renewable energy sources, and we are committed to contributing constructively to this ongoing dialogue.

Please find our detailed comments and suggestions, attached herewith for your careful consideration. We believe that these insights will further align the regulations with the evolving dynamics of the energy sector and strength the framework for promoting renewable energy.

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S.no	Industry Concerns	Proposed comments
1.	<b>Cogeneration:</b>	<ul style="list-style-type: none"> <li>• <b>Plant Loading Factor:</b> We recommend revising the <u>plant loading factor for Tamil Nadu and Maharashtra from 60% to at least 50%</u>, as the current cane volume does not support the designated factor.</li> <li>• <b>Auxiliary Consumption:</b> We propose setting the auxiliary consumption at a minimum of <u>9.5%</u>, given that <u>8.5%</u> for existing factories, especially at low crush volumes, is not feasible.</li> <li>• <b>Station Heat Rate:</b> The enclosed NSI report highlights concerns about the low thermal cycles (<u>3600/KWH</u>) for cogeneration, leading to higher bagasse per KWH and subsequently higher variable costs.</li> <li>• <b>O&amp;M Cost:</b> The O&amp;M cost considered for cogeneration appears to be significantly low at <u>29.07</u> lacs per MW compared to 72 lacs for biomass. We recommend a reevaluation to ensure accuracy.</li> </ul>
2.	<b>Definition of Biomass:</b>	<ul style="list-style-type: none"> <li>• We propose explicitly including <u>bagasse in the list of Biomass</u> in Regulation 2(1)(c) for clarity and completeness.</li> </ul>
3.	<b>Treatment for Overgeneration:</b>	<ul style="list-style-type: none"> <li>• We appreciate the pragmatic approach in Regulation-11, allowing the sale of <u>surplus power</u>. However, we suggest ensuring a balanced right of refusal to prevent undue advantage based on market fluctuations.</li> </ul>
4.	<b>Control Period:</b>	<ul style="list-style-type: none"> <li>• We urge maintaining the sanctity of the control period unless under exceptional conditions. An extension should only occur with compelling</li> </ul>

		rationale and the satisfaction of the Hon'ble Commission.
5.	<b>Rebate and LPS:</b>	<ul style="list-style-type: none"> <li>The proposed rebate and LPS structure lacks incentives for payments made between the 6th and 29th day. We recommend a uniform rebate of 3.33 bps for each day of payment made before the 45-day credit period.</li> </ul>
6.	<b>Annual Escalation for Fuel Cost:</b>	<ul style="list-style-type: none"> <li>The annual escalation rate for fuel costs has been reduced without a clear rationale. We suggest maintaining the normative fuel cost escalation at 5 % per annum consistency.</li> </ul>
7.	<b>Tariff Stability:</b>	<ul style="list-style-type: none"> <li>Recommend extending the validity of determined tariffs beyond the Control Period to provide long-term stability and assurance for investors in renewable energy projects.</li> </ul>
8.	<b>Incentivizing New Technologies:</b>	<ul style="list-style-type: none"> <li>Propose including provisions that incentivize the adoption of new renewable energy technologies by offering preferential tariffs or additional benefits for projects utilizing innovative and efficient technologies.</li> </ul>
9.	<b>Project-Specific Tariffs:</b>	<ul style="list-style-type: none"> <li>We suggest expanding the scope of project-specific tariffs to include a wider range of renewable energy projects, such as biomass gasifier-based power projects, biogas-based power projects, municipal solid waste-based power projects, and refuse-derived fuel-based power projects, to cater to diverse renewable energy sources.</li> </ul>

10.	<b>Streamlined Petition Process:</b>	<ul style="list-style-type: none"> <li>We propose streamlining the petition process for determining project-specific tariffs by simplifying documentation requirements and ensuring a transparent and efficient process for renewable energy project developers to seek tariff approvals.</li> </ul>
11.	<b>Additional Concerns:</b>	<ul style="list-style-type: none"> <li>The draft suggests extending the usable life of the plant to 25 years, which needs careful examination.</li> <li>The draft regulation appears effective for only three years.</li> <li>The proposed rate of bagasse for 2024 and its subsequent annual increase may impact the per-unit variable cost of power from 2024 to 2027.</li> <li>Clarity is needed regarding the expected rate of power and potential changes in banking/utilization systems.</li> <li>The establishment date/year of the plant should be clarified for any potential implications on the power tariff.</li> </ul>

We appreciate your attention to these matters and believe that our suggestions will contribute to the refinement of the draft regulations.

Thank you for your dedication to ensuring a robust regulatory framework for renewable energy sources.

Thanking you.

Yours faithfully



**Deepak Ballani**  
Director General