



U.P. SUGAR MILLS  
COGEN ASSOCIATION

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अमृत महोत्सव

Ref. No.: 015/Cogen/2024

April 1<sup>st</sup>, 2024

To,

The Secretary,  
Hon'ble Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chandralok Building,  
36, Janpath,  
**NEW DELHI**

**Sub.: Submissions by the U.P. Sugar Mills Cogen Association regarding Draft CERC (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2024**

Dear Sir,

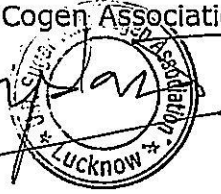
We write with reference to the virtual meeting of various stakeholders held on 19.03.2024 in connection with Draft CERC (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2024, wherein our Association was also a participant.

With reference to the aforesaid virtual meeting, we are enclosing herewith our written submission with a request that this be taken on record for due consideration by the Hon'ble Commission.

Thanking you.

Yours faithfully,  
for U.P. Sugar Mills Cogen Association

*Deepak Gupta*  
(Deepak Gupta)  
Secretary General



Enclosure : As above

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*SO (CS)*

*L-50/Sr. Adv. (Reg.)*  
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**U.P. SUGAR MILLS COGEN ASSOCIATION**

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**BEFORE**  
**THE HON'BLE CENTRAL ELECTRICITY REGULATORY COMMISSION,**  
**NEW DELHI**

Notification Ref. No. RA-14026 (11) / 1 /2023-CERC

**IN THE MATTER OF:**

**DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR TARIFF DETERMINATION FROM RENEWABLE ENERGY SOURCES) REGULATIONS, 2024 AND SUBMISSIONS THERE ON BY U.P. SUGAR MILLS COGEN ASSOCIATION, LUCKNOW**

**WRITTEN NOTE**

1. The present written submissions are being filed in view of the liberty granted by this Hon'ble Commission pursuant to the public hearing held on 19.03.2024 to receive comments/suggestions on the draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 ("Draft RE Regulations").
2. UP Sugar Mills Cogen Association herein after referred to as UPSMCA is a representative body of sugar mills in the State of Uttar Pradesh. U.P Cogen is registered under the Societies Registration Act, 1980 and has its registered office at 4<sup>th</sup> Floor, Room No. 403, Chintels House Trade Centre, 16, 16, Station Road, Lucknow - 226001. UPSMCA has 42 members, who are engaged in power generation through cogeneration power plants using Bagasse as fuel.



3. That this Hon'ble Commission, on 17.02.2024, issued the draft RE Regulations which specifies the terms and conditions for the cases where the tariff, for a grid connected generating station or a unit thereof commissioned during the Control Period and based on renewable energy sources, is to be determined by the Commission under Section 62 read with Section 79 of the Electricity Act, 2003 ("the Act") subject to eligibility criteria prescribed under Regulation 4 of the draft RE Regulations. These regulations upon promulgation will be made applicable on the Renewable Energy Source based plants including Bagasse-based cogeneration plants during the Control Period of financial years 2024-2027.
  
4. It is respectfully submitted that Bagasse-based cogeneration plants are promoting the renewable energy sector in several ways. Since sugarcane is a renewable crop which can be harvested year after year, it forms a reliable and continuous source of energy. It helps in meeting the increasing energy demands without relying on finite fossil fuels and fostering the growth of renewable energy in the regions. Additionally, utilizing Bagasse for generating electricity encourages investment in the renewable energy sector, leading to the development of new technologies and infrastructure. This, in turn, creates job opportunities and improves the economic growth of the country. Overall, Bagasse plays a vital role in promoting the renewable energy sector by providing a sustainable, environmentally friendly, and economical energy source. UPSMCA, by way of the present written submissions, is highlighting the cause of its constituent sugar mills



members with Bagasse-based cogeneration facilities for generation of electricity w.r.t. the draft RE Regulations.

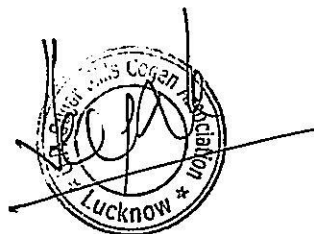
5. It is respectfully submitted that the the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2020 (“2020 Regulations”) provides for the definition of “*Renewable Energy Source*” under Regulation 2(1)(y) in following manner:

*“y) ‘Renewable energy source’ means renewable source of energy such as water, wind, sunlight, biomass, bagasse, municipal solid waste and other such sources as approved by the MNRE;”*

As evident from above, the definition of “*Renewable Energy Source*” under the 2020 Regulations contains “*Bagasse*” under its purview. However, in the proposed draft RE Regulations, the term “*Bagasse*” has been left outside the scope of definition of “*Renewable Energy Source*” which reads as under:

*“y) ‘Renewable energy source’ means and includes sources of renewable energy such as hydro, wind, and solar, including its integration with combined cycle, biomass, biofuel cogeneration, urban or municipal waste, and such other sources as recognised or approved by the Central Government;”*

In view of the above, it is humbly prayed that the term “*bagasse*” may be included in the definition of “*Renewable Energy Source*” to make it adequate under the upcoming Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 (“**upcoming 2024 Regulations**”).



6. Regulation 2(1)(hh)(iii) of the 2020 Regulations prescribes “Useful Life” of non-fossil fuel based co-generation project as 20 years. It is submitted that the life of Bagasse-based project spans between 15-20 years. Therefore, it is requested to reconsider the “Useful Life” of non-fossil fuel-based co-generation projects which includes bagasse-based cogeneration projects as 20 years as prescribed in the extant 2020 Regulations against the proposed “Useful Life” of 25 years stipulated under the draft RE Regulations.
7. The price of bagasse for first year of the Control Period i.e. financial year 2024-25 has been specified as Rs. 2509/ MT with an escalation factor of 3.45% per annum. It is respectfully submitted that the price fixed by this Hon’ble Commission is not reflective of the actual market price. The price of Bagasse has to be matched with the prevailing market prices as derived from the open market sources. The market price of Bagasse is influenced by demand and supply and goes as high as Rs. 3,000 per MT. To substantiate the same, UPSMCA has already produced the invoices issued by sellers of bagasse and study report on the pricing of Bagasse as conducted by IIM Lucknow for FY 2022-23 or FY 2023-24 before this Hon’ble Commission. In view of the same, it is respectfully prayed before this Hon’ble Commission that the price of Bagasse to be matched with the prevailing price i.e. Rs. 3000 per MT.
8. It is to be noted that the normative escalation factor has been proposed to be reduced from 5% as prescribed under the 2020 Regulations to 3.45%. UPSMCA requests this Hon’ble Commission to retain the existing escalation rate of 5% in the upcoming 2024 Regulations. Such



escalation factor of 5% is required to be continued even if such rate is below the inflation rate to support the small-scale Bagasse-based cogeneration plants enabling them to recover the actual rate which may be influenced by factors of demand and supply from time to time.

9. The normative Operation and Maintenance (“O&M”) expenses for the first year of the Control Period, i.e. financial year 2024-25 has been mentioned as 29.07 lakhs per MW and to be escalated at the rate of 5.89% per annum for the Tariff Period in terms of Regulation 19 of the draft RE Regulations. It is respectfully submitted that the rates of O&M expenses proposed under the draft RE Regulations are lower than the rates of O&M expenses prescribed for 200/ 210/ 250 MW thermal power plants (“TPPs”) under Regulation 36 (1) of the the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 (“**2024 Tariff Regulations**”). Further, the rates of O&M expenses proposed under the draft RE Regulations are also lower than the rates of O&M expenses prescribed for Small gas turbine power generation stations under Regulation 36 (3) of the 2024 Tariff Regulations. The disparity in the rates of O&M expenses as stipulated in the 2024 Tariff Regulations vis-à-vis the draft RE Regulations is demonstrated by way of following table:

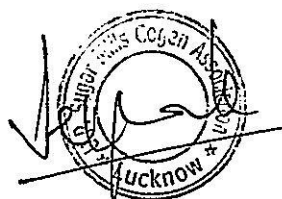


TABLE-1

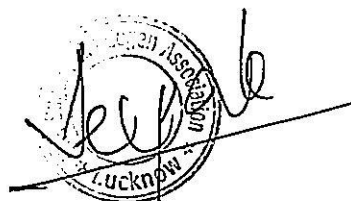
Year	200/210/250 MW	Draft RE Source Bagasse based Cogen	Small gas Turbine
FY 2024-25	40.92	29.07	47.86
FY 2025-26	43.07	30.78	50.37
FY 2026-27	45.33	32.59	53.02
FY 2027-28	47.71	34.51	55.80
FY 2028-29	50.21	36.54	58.73

It is respectfully submitted that the non-fossil fuel based (Bagasse based) cogeneration plants are smaller in size and highly labour intensive. To retain the skilled labour at remote project sites, the labours have to be provided with good remuneration. In the current scenario, O&M cost has increased due to increase in wages and spares cost. In view of the above, it is humbly prayed that the rates of O&M expenses to be increased and be kept at least equivalent to 250 MW TPPs as prescribed under the 2024 Tariff Regulations.

10. It is submitted that with implementation of the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2022 ("2022 DSM Regulations"), co-generators such as Bagasse-based co-generation plants have been clubbed with coal based thermal power plant for the purpose of imposition of deviation charges. As a result, the 2022 DSM Regulations has been made applicable on the Bagasse-based co-generators

in the state of U.P. It is well known that Bagasse-based generation is infirm power and is an ancillary by-product to the operation of sugar mills. Since there is no certainty of fuel availability, type of fuel availability, etc., the factors which are completely beyond control of the Bagasse-based co-generators, imposition of such exorbitant penalties in form of deviation charges are impractical. For the aforesaid reasons, it is submitted that Bagasse-based co-generation plants cannot be equated with coal-based power plants for the purpose of scheduling of electricity and the consequent imposition of deviation charges. The deviation charges being continuously imposed upon the members of the UPSMCA is causing severe prejudice to them while scheduling power which is not completely within their control. In view of the same, it is respectfully prayed that this Hon'ble Commission may declare in the upcoming RE Regulations that the deviation charges as per the 2022 DSM Regulations will not be made applicable on the Bagasse-based co-generation plants.

11. It is submitted that this Hon'ble Commission has considered the Auxiliary Consumption for non-fossil fuel-based co-generation projects as 8.5% under Regulations 41 of the draft RE Regulations. However, on the other hand, the Auxiliary Consumption for biomass gasifier-based power projects has been considered as 10% under Regulation 52 of the draft RE Regulations. It is respectfully submitted that the electricity consumptions as Auxiliary Consumption is equal for Bagasse-based co-generation plants and the biomass gasifier-based power plants, therefore, different Auxiliary Consumption rates as considered in the draft RE Regulations are not justified. In view of the same, it is requested that this Hon'ble Commission may consider the



The image shows a handwritten signature in black ink over a circular official stamp. The stamp contains the text 'U.P. STATE COMMISSION FOR ELECTRICITY REGULATION' around the top inner edge and 'LUCKNOW' at the bottom. The signature is written in a cursive style across the center of the stamp.



Auxiliary Consumption for Bagasse-based cogeneration plants as 10% in the upcoming 2024 RE Regulations.

12. It is further submitted that the 2024 Tariff Regulations under Regulations 17 provides for '*Special Provisions for Tariff for Thermal Generating Station which have Completed 25 Years of Operation from Date of Commercial Operation*'. The said Regulations stipulates that in case the TPP has completed 25 years from the commercial operation date, the generating company and the beneficiary may agree on an arrangement, including provisions for target availability and incentive, where in addition to the energy charge, capacity charges determined under these regulations shall also be recovered based on scheduled generation. Further, Regulations 27 prescribes for '*Additional Capitalisation on account of Renovation and Modernisation*'. Upon completion of the renovation and modernisation ("R&M"), the TPPs can file a petition for determination of tariff. Expenditure incurred or projected to be incurred in R&M and admitted by the Commission after a prudence check and after deducting the accumulated depreciation already recovered from the admitted project cost shall form the basis for the determination of tariff of such TPPs. Moreover, Regulation 29 stipulates for '*Additional Capitalization on account of Revised Emission Standards*' enabling the TPPs incurring additional capital expenditure in the existing generating station for compliance with the revised emissions standards to share its proposal with the beneficiaries and file a petition for undertaking such additional capitalization. The said Regulation provides that the Commission may grant approval after due consideration of the reasonableness of the cost estimates, financing plan, schedule of




completion, interest during construction, use of efficient technology, cost benefit analysis, and such other factors as may be considered relevant by the Commission. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the reasonableness of the cost and impact on operational parameters shall form the basis of the determination of tariff. Un-discharged liability, if any, on account of the emission control system shall be allowed as additional capital expenditure during the year it is discharged, subject to prudence check. In view of the same, UPSMCA respectfully prays before this Hon'ble Commission for consideration of abovementioned beneficial provisions for the non-fossil fuel-based cogeneration plants and to adopt such provisions in the upcoming 2024 RE Regulations.

13. It is humbly submitted that the abovementioned proposals to the draft RE Regulations have been made keeping in mind the benefits and promotion of Bagasse-based cogeneration plants and to aid in recovery of costs incurred by them in generation of renewable power. Such amendments / modifications are necessitated to facilitate promotion of non-fossil fuel-based cogeneration plants as mandated under Section 61 (h) of the Act, the National Electricity Policy and the National Tariff Policy.

We request the Hon'ble to kindly take our submissions on record for due consideration.

*for* U.P. Sugar Mills Cogen Association

  
( Deepak Gupta )  
Secretary General

