



# **Rajasthan Electricity Regulatory Commission**

Vidyut Viniyamak Bhawan, Near State Motor Garage, Sahakar Marg, Jaipur-302001

Phone: 0141-2741299, 2740067, Fax: 0141-2741018, E-mail: rercjpr@yahoo.co.in

website: www.erc.rajasthan.gov.in

## **PUBLIC NOTICE**

**Subject: Invitation of comments/suggestions on staff paper on “Renewable Energy Projects registered under REC mechanism in Rajasthan State”.**

Renewable Energy Certificate (REC) mechanism was introduced in the country in 2010 to address the mismatch between availability of RE sources and requirement of obligated entities to meet their RPOs. In order to facilitate REC mechanism at the State level, Commission notified the RERC (Renewable Energy Certificate and Renewable Purchase Obligation Compliance Framework) Regulations, 2010. At that time there was a huge difference between the price of renewable energy and conventional electrical power. Now due to unprecedented fall in prices, the wind and solar projects which were set up under REC mechanism are facing challenges. To deal with these challenges a Staff Paper has been prepared.

The Staff Paper can be downloaded from the Commission's website [www.erc.rajasthan.gov.in](http://www.erc.rajasthan.gov.in) and the copy of the same may also be obtained from the Receiving officer of the Commission on a payment of Rs 100/-.

Interested persons may submit their views and suggestions on the Staff Paper to the Receiving officer on or before 06.11.2018.

(Himanshu Khurana)  
Secretary (I/C)

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(Not to be published)

(Himanshu Khurana)  
Secretary (I/C)

# **RAJASTHAN ELECTRICITY REGULATORY COMMISSION**

**Staff paper**

**on**

## **Renewable Energy Projects registered under REC mechanism in Rajasthan State**



**October 2018**

This paper analyzes the issues being faced by wind and solar generators registered under REC mechanism and having PPAs with the State Discoms, suggests a way out and soliciting inputs of the interested persons in this regard.

## Introduction

1. The Central Commission introduced the Renewable Energy Certificate (REC) mechanism in the country to address the mismatch between availability of RE Sources and requirement of obligated entities to meet their RPOs across the States. In order to facilitate REC Mechanism at the State Level, Commission has notified the RERC (Renewable Energy Certificate and Renewable Purchase Obligation Compliance Framework) Regulations, 2010 ('RERC REC Regulations 2010'). These Regulations provide the terms and conditions for the RE projects registered under REC mechanism have been specified. A number of wind and solar generator showing their interest got registered under the REC mechanism.
2. As per the scheme of the Regulation the RE Generators have to options- either to sell the Renewable Energy ('green energy') to Discoms at preferential tariff fixed by the Commission or to opt REC Mechanism. Under this mechanism the environmental attribute can be exchanged in form of REC and sell electricity component ('brown energy') to (i) distribution licensee at pooled cost of power purchase determined by the Commission for a particular year or (ii) To open access consumers or captive users at mutually agreed price. The purchase of electricity component from Renewable energy having been issued REC would not be counted in fulfilment of RPO. The Regulations further provided that pricing methodology for electricity component and REC shall be reviewed at periodic intervals as may be considered appropriate by the Commission.
3. Regulation 12(2) of the said Regulations also allows such RE generator switching over to preferential tariff mechanism at a tariff to be determined by the Commission and/or sell renewable energy at mutually agreed price to other obligated entities.
4. Regulation 35 of the RERC (Terms and Conditions for determination of Tariff for Renewable Energy Sources Wind and Solar Energy) Regulations, 2014 provides that in case a wind or solar generator desires to switchover from REC mechanism to preferential tariff mechanism and if Discoms agree to purchase such renewable power considering scope to accommodate in RPO target, in that condition for such purchase the levellised tariff determined in accordance with these Regulations for sale to Distribution Licensee in respect of the year in which the plant was commissioned shall be applicable. In case purchase by the Discom in the same year in which such plant(s) was commissioned has been at a rate lower than the levellised tariff determined for that year, the lowest rate of such purchase

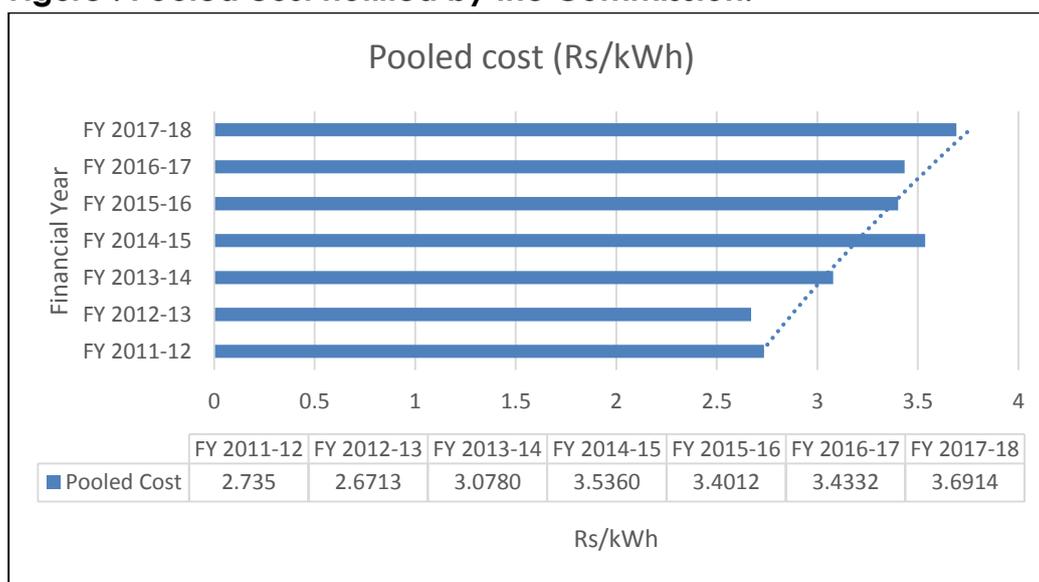
would be applicable.

- The Commission notifies the Pooled Cost of Power Purchase (hereinafter the 'pooled cost') for each year for purchase of electrical component from such projects by the State Discoms envisaged under the Regulation 10(2) of the RERC REC Regulations 2010. All projects irrespective of their year commissioning registered under REC Mechanism are being paid at same pooled cost determined for a year.

### Challenge being faced

- At present the Discoms have executed PPAs for 233.60 MW solar capacity and 388.4 MW wind capacity commissioned under REC Mechanism for electricity component ('brown energy'). The PPAs are due to expire on 31.03.2019. Almost all projects set up in the State under the REC mechanism are supplying electricity to Jodhpur Vidyut Vitran Nigam Limited ('JdVVNL'). The pooled cost so far determined by the Commission for JdVVNL is as follows:

**Figure : Pooled cost notified by the Commission.**



(Source: Various Commission orders on pooled cost)

- From above, a rising trend in the pooled cost is noted. However, in contrast to the above, decreasing trends have been noticed in the solar and wind energy prices in the recent auctions, which have gone even below the pooled cost notified for the Discoms. On account of this unprecedented situation, the State Discoms may prefer to purchase renewable energy ('green energy') itself instead of continuing to purchase only the electricity component, i.e., brown energy from such projects, which does not even contribute to their RPO compliance. The PPAs executed by Discoms with such projects for brown energy due to expire on 31.03.2019 and in view of

the situation described above, the Discoms may be reluctant to extend their executed PPAs beyond 31.03.2019.

8. As stated hereinabove, a number of projects have been set up in the State under REC mechanism and a huge investment has already been committed by them in the State, out of which a considerable share is from CPSUs. In such an unprecedented situation mentioned above, if the executed PPAs are not extended further, the capacity would get stranded and huge investments made in above projects would be put at stake.

### **Suggested way out**

9. Commission in its order dated 14.11.2017 observing the shortage in meeting their RPO directed the State Discoms to comply with RPO and to also make up for the past shortfall in RPO in next five years. Above projects are already set up in the State. Considering their shortfall in meeting RPO, if renewable energy (instead of electrical component) is purchased from these projects by the State Discoms, such projects will not only start contributing towards meeting their RPO targets but will also help the State utilities in avoiding/minimising their future investments to be made in addition/up-gradation of the transmission system.
10. Section 86(1)(e) of the Electricity Act, 2003 mandates the Commission for promotion of generation of electricity from renewable energy sources. In order to protect the investment made in RE projects already registered under REC mechanism in the State, it has become necessary that PPAs by the State Discoms with these projects further be extended for their balance useful life also.
11. In order to address concerns of such projects and also balancing the interests of the State Discoms, It is proposed that Discoms should purchase the RE power generated from such projects at the lowest of the pooled cost notified by the Commission since 2010,i.e., Rs 2.67/kWh. The PPA for the same shall be extended by the Discoms for their balance useful life.
12. The proposal in the Staff Paper is prepared by the staff and may not necessarily reflect the views of the Commission.
13. It is requested that interested persons may furnish their views/suggestions/comments. The interested persons are also requested to furnish any documents or materials as may be available in support of their views/proposals.

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