

ORISSA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN
UNIT – VIII, BHUBANESWAR – 751012

Present : Shri K.C. Badu, Member
Shri B.K. Misra, Member

Case No.32/2010

IN THE MATTER OF: Petition under Sections 8 (4) of OERC (Conduct of Business) Regulation, 2004 for seeking further clarification on the Commission's order dtd.09.09.2009 in Case Nos.62, 96, 97 & 98 of 2009 filed by M/s. Solitaire Energy Pvt. Ltd., M/s. Lanco Solar Pvt. Ltd., M/s. Sahara India Corporation Ltd. & M/s. New Era Power Corporation Ltd. regarding determination of tariff for solar grid connected PV power in Orissa.

AND

IN THE MATTER OF :

GRIDCO Ltd,
Janapath, Bhubaneswar and 2 others

... Petitioner

Vrs.

Department of Science & Technology
Government of Orissa

Department of Energy
Government of Orissa

OREDA, S 59
Mancheswar Industrial Estate

... Respondents

For the petitioners : Shri A C Mallick, Director (Com.), GRIDCO

For the respondents : Shri A.K. Chaudhury, Dy. Director (Projects),
OREDA & Science & Technology Dept.,
Government of Orissa

Shri Das, SO, Department of Energy,
Government of Orissa

Shri K.C. Mohapatra, Chairman, PDC

Date of Hearing: 04.05.2010

Date of Order: 21.06 .2010

ORDER

1. The petitioner in this case has prayed for seeking clarification with regard to the Commission's order on generic tariff for solar PV dated 9.09.09 and other policies of Govt of India in the matter of tariff, subsidies/incentive etc. The prayer of GRIDCO is as follows:

- i) Many developers of the SPV projects have shown interest in setting up solar projects in the state and are approaching GRIDCO to sign PPA.
- ii) In the Board of Director's meeting of GRIDCO held on 17.08.2009, it was decided to sign PPA for 20 years and GRIDCO will pay a maximum tariff of Rs.3/- per unit for the power from the solar projects.
- iii) There has been multiplicity of orders from agencies/ Commissions/ Departments and developers are asking for highest tariff. Developers, however, are not clearly stating the quantum of incentives/subsidies/benefits that they are to get in a firm manner and modalities of payment of tariff.
- iv) Whether GRIDCO will pay only the portion of tariff payable by it without waiting for the receivables towards incentives/subsidies/benefits?
- v) If such incentives/subsidies/benefits are not available what would be the impact on the tariff payable by GRIDCO.
- vi) In case incentives/subsidies/benefits are to be routed through GRIDCO and in a situation when such incentives/subsidies/benefits are not available what will be the liability of GRIDCO.
- vii) Whether GRIDCO is bound by orders of OERC, requirements of CERC regulations, mandate of JNNSM etc. to buy a certain percentage of power from the renewable/solar and for that GRIDCO may have to pay more than the tariff mandated by the Board of Directors of GRIDCO, in case OERC allows the same through tariff.

The petitioner GRIDCO has therefore sought clarification on the above points.

2. The Department of Science and Technology, Govt. of Orissa and OREDA was represented by Sri A.K. Choudhury, DD (Project) who reiterated that they were facilitating the setting up of solar PV projects in Orissa.

3. Director (Commercial), GRIDCO in his submission stated that GRIDCO was committed to the development of solar PV in Orissa and they had taken necessary steps as required in this regard. He informed that the Board of Directors of GRIDCO has approved a draft standard PPA for the proposed projects of 5 MW Grid interactive solar PV power projects in Orissa. Board of Directors have also approved GRIDCO to pay maximum Rs.3/- per unit for the power from such solar projects. GRIDCO has accordingly sent draft PPAs to Department of Science and Technology who in turn have sent it to OREDA to give its comments, which are yet to be received by GRIDCO.
4. The draft PPAs were also sent to the two developers namely, M/s. Sahara India Power Corporation Ltd. (SIPCL) and M/s. Solitaire Energies Pvt. Ltd. (SEPL) for their consent. Director (Commercial) informed that SIPCL has agreed to sign the PPA incorporating the CERC (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulation, 2009 and M/s. SEPL would come through non-MNRE route.
5. Director (Commercial), GRIDCO further submitted that their concern was mainly regarding incentives/subsidies/benefits which presently are not available from Govt. of India. If such incentives/subsidies/benefits are not available the entire burden of Rs.15 per unit for procuring solar power would fall on GRIDCO and that would severely impact their tariff.

Commission's observations

6. Commission heard the submissions made by Director (Commercial) GRIDCO and the prayers in question. Commission is aware that there is virtually no progress towards the development of solar PV projects in Orissa. Many developers have shown interest in setting up of solar PV projects but the stalemate continues with regard to crucial aspects such as land assembly, signing of power purchase agreement, availability of incentives/subsidies/benefits, financial closure of the projects etc.
7. Commission in its order dtd.09.09.2009 had fixed the generic ceiling tariff for solar PV projects in Orissa to be established before March, 2010 in the following manner:

Considering all the above and after careful consideration the Commission fixes the ceiling tariff of such solar PV projects which could be established in the state by March, 2010 as follows: -

For the 1st to 12th years : Rs.15.00/KWh

For the 13th to 25th years : Rs.7.50/KWh

The above tariff is generic in nature and all incentives/subsidies received by the developers from MNRE/ GoI/ GoO shall be factored into the same. Therefore, GRIDCO shall pay to the developers the net amount after deducting such incentives/subsidies. However, both GRIDCO as well as the developers are free to negotiate for an agreed tariff within the above ceiling rate. The connectivity of these 5 MW solar PV projects shall be at 33 KV voltage level.

8. As mentioned in the above generic tariff order for solar PV projects all the incentives/subsidies received by the developers from any source shall be factored into the same. The GRIDCO would therefore pay to the developer net amount after deducting such incentives/subsidies. Commission also observed that both GRIDCO and developers are free to negotiate for an agreed tariff within the ceiling rate.
9. The developers are willing to sign PPA with the ceiling tariff as fixed by the Commission in its order dtd.09.09.2009 but have not committed on incentives/subsidies. GRIDCO, on the other hand, is willing to pay not more than Rs.3/- as a higher rate would impact its power purchase costs significantly.
10. Commission is also aware that the subsidies as available under Generation Based Incentives (GBI) of MNRE, GoI is already over, and therefore, there are no subsidies/incentives are presently available for grid connected solar projects. The other possibility of availing subsidy/incentives for solar projects is available under Jawaharlal Nehru Nation Solar Mission (JNNSM) through migration route. Commission was informed by the OREDA that name of 11 project developers have been sent under JNNSM scheme to avail benefits under migration route.
11. Commission has perused the guidelines issued for migration of existing development grid connected solar projects, from existing arrangements to that of Jawaharlal Nehru National Solar Mission (JNNSM). The guidelines enumerates following regarding the migration scheme.

“XXXXXXXXXX

In order to facilitate grid connected solar power generation, a mechanism of bundling solar power with power from the cheaper unallocated quota of NTPC coal based stations and selling this power to Distribution Utilities at the CERC determined price, has been proposed in the JNNSM. In this regard, JNNSM stipulates that NTPC Vidyut Vyapar Nigam Ltd. (NVVN) will be designated as a Nodal Agency for entering into a Power Purchase Agreement (PPA) with Solar Power Generation Project Developers who will be setting up Solar Projects during the next three years, i.e., before March 2013 and are connected to the grid at voltage level of 33 kV and above. For each MW

installed capacity of solar power for which PPA is signed by NVVN, Ministry of Power (MoP) shall allocate to NVVN an equivalent amount of MW capacity from the unallocated quota of NTPC coal based stations and NVVN will supply this bundled power to the Distribution Utilities.

Considering the fact that some of the grid connected solar power projects are at various stages of development, it is important that the projects that have made progress may be considered for migration from their respective existing arrangements to the ones envisaged under JNNSM, subject to the consent of the Distribution Utility/ State Government and willingness of the developer.

The specific objectives of these guidelines are as follows:

- 1. To facilitate quick start up of the JNNSM*
- 2. Ensure serious participation for projects to be selected under JNNSM*
- 3. Facilitate speedier implementation of the projects under advanced stage of development.*
- 4. Enhance confidence in the Project Developers.*

2. Scope of the Guidelines

- 2.1. The scope of these guidelines is limited to the migration of existing/ under development grid connected solar projects from their existing arrangements to JNNSM. These guidelines are not applicable for the projects, which have already been commissioned on or before November 19, 2009.*
- 2.2. The guidelines for new solar projects to be selected under JNNSM will be issued separately.”*

13. The Commission is aware of the features of the Jawaharlal Nehru National Solar Mission (JNNSM) for installation of solar power projects connected to the Grid at voltage level of 33 KV and above. The outcome of this migration scheme under JNNSM is not known as yet. At the same time, the proposed Draft Guidelines for Rooftop PV and other small Solar Power Plants connected to distribution network (below 33 KV) under JNNSM have not yet been finalized. The later scheme includes projects with proposed installed capacity of 1 MW and upto 3 MW and connected at below 33 KV. The Commission in the meantime, has floated a draft OERC (Renewable Purchase Obligation and its Compliance) Regulation, 2010 and invited suggestions/opinion on the Draft Regulation. The Draft RPO Regulation envisages fulfilling 5% of the total renewable obligation from 2011-12 onwards out of which 0.5 percentage point from the generation based on solar energy. GRIDCO being the bulk procurer of energy in the State is obligated to procure power from either solar projects or by way of purchasing solar RECs as regulated under the CERC (Terms and

Conditions for Recognition and Issuance of Renewable Energy Certificate for Renewable Energy Generation), Regulations, 2010. Also we had engaged WISE of Pune as consultant to study Renewables tariff, connectivity and Policy in the context of Orissa State and the Final Report is already available with us.

14. In the above circumstances, in order to kick start the renewable generation in the State, we decide to conduct a public hearing based on WISE Recommendations for determination of tariff, RPO obligations and determination of Policy in respect of all sources of renewable energy very soon which will give the right signal to the developers of renewable energy. This will also clarify the doubts of the petitioner in this case. We are aware that after wood, coal, oil, natural gas and nuclear fuel, the Sun and the Wind are the ultimate sources of energy which will last forever. We are also aware about the global concern about climate change after the world-wide initiatives such as Kyoto Protocol in 1997, Copenhagen conference of 2009 and the recent preparation of the Draft Climate Change Action Plan covering eleven sectors by Govt. of Orissa wherein emphasis has been made for promotion of small and medium hydro plants, harnessing bio-mass potential, promotion of grid based wind power generation, maximize solar power generation in both PV and thermal routes, development of biogas plants etc.

15. In the meantime, we direct GRIDCO to undertake a study on the impact on GRIDCO's power purchase cost if RPO obligations are met at the tariff worked out based on CERC Regulations. A number of scenarios may be worked out which will minimize cost while fulfilling RPO obligations. The outcome of the study may be submitted to the Commission within 15 days of this order.

16. Accordingly the case is disposed of.

Sd/-
(B.K. Misra)
Member

Sd/-
(K.C. Badu)
Member