

Statement of Objects and Reasons

**Assam Electricity Regulatory Commission (Renewable
Purchase Obligation and its Compliance) Regulations,
2010, (Second Amendment), 2017**

**Assam Electricity Regulatory Commission
ASEB Campus, Dwarandhar, G.S. Road,
Sixth Mile, Guwahati – 781022**



ASSAM ELECTRICITY REGULATORY COMMISSION

A.S.E.B. Campus, Dwarandhar,

G. S. Road, Sixth Mile, Guwahati – 781 022

e-mail : aerc_ghy@hotmail.com

Phone: (0361) 2234442 Fax: (0361) 2234432

Date: 14th March, 2017

CORAM

Shri Naba Kr. Das Chairperson
Shri Dipak Chakravarty, Member
Shri Subhash Ch. Das, Member

Statement of reasons for Assam Electricity Regulatory Commission (Renewable Purchase Obligation and its Compliance) Regulations, 2010, (Second Amendment), 2017

STATEMENT OF OBJECTS & REASONS

1. Introduction:

- 1.1. The Electricity Act, 2003, mandates the State Electricity Regulatory Commissions to promote cogeneration and generation from renewable energy sources by providing suitable measures for connectivity with the grid, and also to specify for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee.
- 1.2. The National Electricity Policy reiterates that the power purchase obligation from non-conventional sources of energy, as envisaged in section 86(1)(e) of the Electricity Act, 2003 should be specified by the SERCs. Progressively the share of electricity from non-conventional sources would need to be increased as prescribed by the State Commission and the same should be reflected in tariff determination. The Tariff Policy also mandates the SERCs to fix the ‘minimum’ percentage of energy to be procured from Non-conventional energy sources taking into account the availability of such resources in the region and its impact on retail tariffs.
- 1.3. Sub-section 1 of section 181 of the Act empowers the Commission to make regulations consistent with the Act and the rules generally to carry out the provisions of the Act. The relevant extract is reproduced below:

“Section 181. (Powers of State Commissions to make regulations): --- (1) The State Commissions may, by notification, make regulations consistent with this Act and the rules generally to carry out the provisions of this Act.”

- 1.4. The Assam Electricity Regulatory Commission (hereinafter referred as “the Commission”) notified the AERC (Renewable Power Purchase Obligation and its Compliance) Regulations, 2010, (hereinafter referred as “the Principal RPO Regulations, 2010”); which were published in the ASSAM GAZETTE, dated 2nd November, 2010. Subsequent to that the Commission has made amendment of Regulation 4.1 of the principle RPO Regulation, 2010 and

notified the AERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010, (Amendment), 2015 which were published in the ASSAM GAZETTE, 15th October, 2015 and the RPO trajectory was:

FY	Renewable Purchase Obligations (%)	
	Non –Solar	Solar
2015-16	6.75%	0.25%
2016-17	3.00%	1.00%
2017-18	3.25%	1.25%
2018-19	3.50%	1.50%

- 1.5.** AND WHEREAS the Ministry of Power (MoP), GoI notified the new Tariff Policy which was published vide Gazette of India, Extraordinary, Part-1, Section-1 dated 28.01.2016.
- 1.6.** Para 6.4(1) of the Policy provides that pursuant to provisions of Section 86(1) (e) of the Act, the Appropriate Commission shall fix a minimum percentage of the total consumption of electricity in the area of a distribution licensee for purchase of energy from renewable energy sources, taking into account availability of such resources and its impact on retail tariffs. Long-term growth trajectory of Renewable Purchase Obligations (RPOs) will be prescribed by the Ministry of Power in consultation with Ministry of New and Renewable Energy (MNRE).
Further, Para 6.4 (1) (i) also provides that within the percentage so made applicable, to start with, the SERCs shall also reserve a minimum percentage for purchase of solar energy from the date of notification of this policy which shall be such that it reached 8% of total consumption of energy, excluding Hydro Power, by March, 2022 or as notified by the Central Government from time to time.
- 1.7.** The MoP, GoI in consultation with MNRE, GoI has notified the Long-term growth trajectory of Renewable Purchase Obligations (RPOs) for Non-Solar as well as Solar Energy, uniformly for all States/Union Territories, initial for three years from 2016-17 to 2018-19 vide Order No. 23/3/2017-R&R dated 22.07.2017.;
- 1.8.** The Ministry of New and Renewable Energy (MNRE), GoI Vide Order No. 11/1/2017-EFM dated 11.02.2017 has issued instructions for developing an action plan for achieving targets in respect of States for the year 2021-22. The action plan suggested year wise RPO trajectory to the SERCs for notification so as to reach 17% in the total energy mix by the year 2022 including minimum 8% from Solar

This has necessitated the amendment of Regulation 4.1 of the AERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010, (Amendment), 2015;

- 1.9.** NOW, THEREFORE, in exercise of the powers conferred by sub-section (1) of section 62, section 66, clauses (a), (b) and (e) of section 86 and sub-section (1), clause (zi) of sub-section (2) of section 181, of the Electricity Act, 2003 (36 of 2003), and all other powers enabling it in this behalf, the Commission proposes to amend the Assam Electricity Regulatory Commission (Renewable Power Purchase Obligation and its Compliance) Regulations, 2010 and as

required by sub-section (3) of section 181 of the said Act and rule 3 of the Electricity (Procedure for Previous Publication) Rules, 2005,

2. PUBLICATION OF DRAFT REGULATIONS:

The above draft amendment regulations were also hosted on the Commission website www.aerc.gov.in The Commission also issued a Public Notice on date 03.12.2017 in the following newspapers “The Assam Tribune, The Sentinel, Amar Asom, Asomiya Pratidin, Purbanchal Prahari and Dainik Jugasankha” inviting objections or suggestions on the above draft amendment regulations clearly stating that the regulations will be taken into consideration after the expiry of twenty one (21) days from the date of notification together with any objections or suggestions which may within the aforesaid period be received in respect thereto.

3. OBJECTIONS AND SUGGESTIONS

In response to the newspaper notification, given to the draft amendment regulations comments/suggestions were received from APDCL, M/S Star Cement Ltd. and IPPAI (Independent Power Producers Association of India).

Subsequently, public hearing was held on January 30, 2017 to hear views of all the stakeholders and consumers. The list of participants of the public hearing is as below:

Name & Designation	Organization
Mr. A. N. Dev Choudhury, AGM (Com.)	APDCL
Mr. Sumanta Chand	M/S Star Cement Ltd.

4. The draft Regulation was placed before the meeting of the State Advisory Committee (SAC) held on 4th March, 2017 and a detailed presentation was also made to the members of the SAC. No comment or objection was received from the members.

5. Consideration of the views of the Stakeholders and Analysis and findings of the Commission on important issues:

The regulations have been finalized after detailed analysis and due consideration of the various issues raised in the submissions. The analysis of the issues and findings of the Commission thereon are discussed in the subsequent paragraphs:

5.1 Comments Received from:

a) APDCL

APDCL mentioned that many developers came with proposals for RE projects but hardly 2 projects could complete the preliminary works also the impact on retail tariff while finalizing the trajectory may be seen. APDCL prayed to the Commission to keep the trajectory at bare minimum till the FY 2018-19. The trajectory proposed by APDCL is given below:

FY	Renewable Purchase Obligations (%)		
	Non –Solar	Solar	Total
2016-17	3.00%	1.00%	4.00%
2017-18	4.00%	2.00%	6.00%
2018-19	5.00%	3.00%	8.00%
2019-20	6.00%	4.00%	10.00%
2020-21	7.50%	6.00%	13.50%
2021-22	9.00%	8.00%	17.00%

b) M/S Star Cement Ltd.

M/S Star Cement Ltd. Mentioned that the RE potential in Assam is comparatively low compared to other states, the proposed RPO trajectory is much higher than the RE potential of the state. Also, they mentioned that the state commission is revising the targets at the behest of government notifications. The state commission is not bound by such Govt directives in view of several judgements by the APTEL. There is a large non compliance by DISCOMs, such drastic increase will only burden the DISCOMS further, and will pass on to consumers. The objective of the RPO is to develop the RE resources within the state as guided by the state commission. Whereas fulfilling the stretched targets through purchasing REC's from IEX will benefit the other state generators but not Assam.

Commission's Decision:

As per the provisions of the Act and the Tariff policy the Commission is required to maintain the RPO trajectory in line with MoP, GoI as well as MNRE, GoI. Looking at the negligible impact on consumer tariff and after considering all the aspects including national Policy on renewable energy, environmental impacts etc. The Commission has decided to prepare the RPO trajectory with energy mix of 17% upto the year 2021-22

5.2 Comments Received (IPPAI):

IPPAI applauds Hon'ble Commission for the steps taken for determination of RPO targets. IPPAI prayed to the Commission for inclusion of provisions for restriction of carrying forward of the shortfall of RPO by the obligated entities, REC purchase as mandatory in case of shortfall, penalty in case of non fulfilment of target and quarterly reporting and monitoring of obligated entities by the nodal agency.

Commission's Decision:

The Commissions noted the suggestions received from IPPAI.

6. As the FY 2016-17 is almost about to end and any change in this stage will be difficult for the obligated entities to meet RPO, the Commission decided to maintain the present RPO trajectory (Solar- 1% and Non Solar- 3%) for FY 2016-17. For maintaining the RPO trajectory in line with MoP, GoI as well as MNRE, GoI notification, the trajectory is made upto FY2021-22 to maintain the total energy mix of 17% including 8% from Solar excluding Hydro power.

7. The regulation have been finalized after detailed analysis and due consideration of the various issues raised in the submissions.
8. Further, any typographical errors pointed out by various stakeholders or noticed in the draft regulations have also been corrected.
9. At the end, Commission would like to thank all the stakeholders/objectors for sharing their views/suggestions on the Draft AERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010,(Second Amendment),2017
10. The Commission after taking into consideration the facts as set out in preceding para orders that the proposed amendment published in draft form be now finalized and notified in the Official Gazette after incorporating the modification/changes as discussed in the foregoing paragraphs.

Sd/-
(Subhash Ch. Das)
Member
AERC

Sd/-
(Dipak Chakravarty)
Member
AERC

Sd/-
(Naba Kumar Das)
Chairperson
AERC