

Comments and Suggestions on draft Regulations of the Madhya Pradesh Electricity Regulatory Commission (Cogeneration and Generation of Electricity from Renewable Sources of Energy (Revision-II) Regulations 2021(Fourth Amendment) [ARG-33(II)(iv) of 2024]

Prayas (Energy Group), 13th January, 2025

Madhya Pradesh Electricity Regulatory Commission issued draft Madhya Pradesh Electricity Regulatory Commission (Cogeneration and Generation of Electricity from Renewable Sources of Energy (Revision-II) Regulations 2021(Fourth Amendment) [ARG-33(II)(iv) of 2024] on 18th December, 2024 and asked for public comments / suggestions by 13th January, 2025.

Considering the national target of 500 GW non-fossil fuel capacity by 2030 and that renewables (mainly wind and solar) will account for the bulk of that addition due to their low cost of generation, the proposed amendment in MPERC RPO regulation is very timely and welcome. Madhya Pradesh has and can continue to play a big role in contributing to this national goal through various initiatives, one of which is the regulation on procurement of energy from RE sources by the obligated entities in the state.

Our suggestions and comments on the proposed draft regulation are detailed below.

1. Aligning RPO Trajectory with MoP Notification

In the present regulation, the RPO targets are specified as under:

Financial Year	Wind RPO	HPO	Other RPO	Total RPO	Storage (on Energy basis)
2022-23	0.81%	0.35%	23.44%	24.60%	
2023-24	1.60%	0.66%	25.13%	27.39%	Nil
2024-25	2.46%	1.08%	25.63%	29.17%	Nil
2025-26	3.36%	1.48%	26.13%	30.97%	1.0%
2026-27	4.29%	1.80%	26.63%	32.72%	1.5%
2027-28	5.23%	2.15%	27.13%	34.51%	2.0%
2028-29	6.16%	2.51%	27.63%	36.30%	2.5%
2029-30	6.94%	2.82%	28.13%	37.89%	3.0%

The MoP Notification dated on 20th October 2023, states the minimum share of consumption of non-fossil sources (renewable energy) by designated consumers as energy or feedstock and different share of consumption for different types of non-fossil sources for different designated consumers in respect of electricity distribution licensee and other designated consumers who are open access consumers or captive users to the extent of consumption of electricity from sources other than distribution licensee as a percentage of their total share of energy consumption indicated in the Table below:

Year	Wind renewable energy	Hydro renewable energy	Distributed renewable energy*	Other renewable energy	Total renewable energy
2024-25	0.67%	0.38%	1.50%	27.35%	29.91%

2025-26	1.45%	1.22%	2.10%	28.24%	33.01%
2026-27	1.97%	1.34%	2.70%	29.94%	35.95%
2027-28	2.45%	1.42%	3.30%	31.64%	38.81%
2028-29	2.95%	1.42%	3.90%	33.10%	41.36%
2029-30	3.48%	1.33%	4.50%	34.02%	43.33%

MoP order on RPO and ESO Trajectory till 2029-30 dated on 22nd July 2022 read with corrigendum dated on 19th September 2022 states storage trajectory as follows:

F.Y	Storage (on Energy basis)
2023-24	1.0%
2024-25	1.5%
2025-26	2.0%
2026-27	2.5%
2027-28	3.0%
2028-29	3.5%
2029-30	4.0%

Further, Madhya Pradesh's Renewable Energy Policy 2022¹ mentions 20% RE in State's energy mix by FY 2024, 30% by FY 2027 and 50% by FY 2030. Hence, we suggest that the **proposed draft regulations should notify new RPO trajectory aligning with MP RE policy 2022 i.e. 50 % RE by 2029-30.**

2. Composite RPO better for RE planning

In clause 3.1.9 of Regulation 3, Fungibility across various RPO categories is allowed, i.e., excess consumption in any one category can be considered in another category to fulfil RPO. We suggest that there can be a composite RPO structure instead of having separate RPO categories (Wind, HPO, DRE RPO and other RPO). Hence, there can be only 2 categories of targets after aligning targets with MoP notification as mentioned above: RE and DRE (as DRE is not fungible), apart from ESO. This will help OEs in planning their renewable power purchase in a better way.

3. Data submission and RPO compliance process

The proposed draft regulation mentions State RPO Monitoring Agency/Agencies [Clause 2(xxiii)(a)] to be designated by the Commission for monitoring, verifying and reporting of RPO compliance by each OE. It also mentions the RPO web portal [Clause 2(xx)(a)] developed by the Commission for reporting of RPO Compliance. According to the newly added sub clauses 12.5 and 12.6, all OEs shall report RPO compliance data on the RPO web portal every month and the State RPO monitoring agency shall prepare report of RPO compliance by each OE and submit it by 15th May of each year.

While we appreciate adoption of these timelines for data reporting, the Commission may further consider including specific penalty provision for non-submission of data and non-adherence to such timelines by the entities for data reporting. Further, the RPO web portal where various OE's and State RPO monitoring agency is reporting RPO compliance data should be publicly accessible. The data reporting by OEs should

¹ https://rumsl.mp.gov.in/wp-content/uploads/government_policy/2022/08/English-Policy.pdf

be done in a proper format for ease of understanding and keeping track of the RPO compliance. The potential data reporting formats by different OE's can be found [here](#).

The RPO Compliance data verification is also an important aspect along with the data reporting. Compliance verification should ideally be a public proceeding and should be independent from true-up or tariff determination processes, as has been considered by the Commission in this proposed amendment through separate proceeding. While the proposed amendment has provided some timeline for data reporting, the Commission should incorporate clear and strict timelines of verification of RPO compliance on an annual basis. Indicative timeline for such a process is suggested below. In this way, the verification process can be completed within 180 days. The Commission should publish verified RPO compliance data for each Obligated Entity in the public domain within 15 days of completion of the verification process.

Table: Indicative Timeline for RPO compliance verification process

Process step	Timeline
Data submission by Obligated Entity to state nodal agency (SNA)	Within 45 days of end of financial year
Data submission by SNA to Commission	Within 30 days of data received by SNA
Public notice by Commission for inviting comments on verification process	Within 30 days of data received by Commission from SNA
Finalization of verification process	Within 75 days of issuing public notice to initiate public proceeding

4. Penalty provisions

The penalty will be imposed for non-compliance of RPO targets as per Section 142 of EA, 2003 and the Commission may *“direct the Obligated Entity to deposit into a separate Fund, to be maintained by such Obligated Entity, such amount as the Commission may determine as required for purchase of renewable energy certificates (RECs) to the extent of the estimated obligation on the basis of the shortfall in units of RPO and the average price of the RECs on power exchanges during preceding 6 months, which shall be utilized as may be directed by the Commission, primarily for purchase of the RECs and for development of Transmission infrastructure for evacuation of power from Generating Stations based on Renewable Energy Sources, if after purchase of required RECs, unutilised amount remains in the separate fund :”*

In this regard, we suggest that there should be transparency about the penalty process, its imposition, collection and utilization. While publishing a separate order for RPO proceedings, any amount of penalty imposed should be clearly mentioned in those orders. In the order, the Commission should mention the proposed timelines for payment of penalty while imposing any penalty on obligated entity. Also, State RPO monitoring agency should monitor whether the proposed timelines are adhered to by the entity. The data related to deposition of penalty (amount, date on which penalty was deposited, etc.) and remaining fund for each obligated entity should be published by the nodal agency on a regular basis and be made available in the public domain.

It will be better if the minimum penalty quantum is also specified in the regulation for providing a strong signal to OE for non-compliance. In this regard, we suggest to keep a minimum penalty as either 5 times the weighted average REC price² for the FY (in consideration) or Rs. 0.50 per unit, whichever is higher.

The commission has proposed in regulation 15.4 that

“Provided that the Commission while allowing such carry forward of the compliance requirement to the next year after due diligence , may also direct the concerned obligated entity to procure additional renewable energy or RECs equivalent to the amount computed on the monetary value of RPO shortfall at base rate of late payment surcharge (LPS) as prescribed under Late Payment Surcharge Rules notified by Government of India, Ministry of Power, as may be applicable during the year for which RPO was to be complied with by the obligated entity.”

The proposal suggests that carry forward, if allowed should be with some carrying cost (linked to base rate of LPS). This provision will give a strong signal to OEs to comply with the targets. However, we suggest that the commission provide a clarity on how this cost will be determined (with an example) and how it will be monitored.

Finally, the Commission should routinely not allow carry forward of the shortfall. Furthermore, even if in rare cases carry forward is allowed, the reasons for carry forward of the shortfall/ surplus should be clearly mentioned in the order issued by Commission.

² Presently, REC prices are in the range of 10-12 paise per unit. Hence, 5 times of REC price will lead to a penalty of 50-60 paise per unit.