

Comments and Suggestions on draft TNERC (Renewable Energy Purchase Obligation) (Amendment) Regulations, 2025

Prayas (Energy Group), 5th June, 2025

Tamil Nadu Electricity Regulatory Commission issued draft Tamil Nadu Electricity Regulatory Commission (Renewable Energy Purchase Obligation) (Amendment) Regulations, 2025 on 21st May, 2025 and invited public comments / suggestions by 5th June, 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 TNERC RPO regulation is very timely and welcome. Tamil Nadu 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 renewable purchase obligation.

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

1. Specify Energy Storage targets

The proposed draft amendment regulation has stated RE targets as per MoP notification dated 20th October 2023. While the 2023 principal regulations (Annexure 1, points 10-12) specify the Energy Storage Targets, the proposed amendment modifying the Annexure -1 does not mention anything about Energy Storage. It is unclear whether the original ESO is being retained or is being done away with as part of the amendment.

Considering the importance of energy storage in better grid integration of RE and addressing impact of load variability in the state, we suggest that the **Commission should retain the Energy Storage Targets for the obligated entities** as stated in the MoP order on RPO and ESO Trajectory till 2029-30 dated on 22nd July 2022 read with corrigendum dated on 19th September 2022. The storage trajectory specified in the said notification is 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%

Considering that two years have already passed since the notification, **we suggest that the modified ESO targets can be considered by the Commission**, which can be as follows:

F.Y.	Storage (on Energy basis)
2025-26	1.0%
2026-27	1.75%
2027-28	2.50%

2028-29	3.25%
2029-30	4.0%

ESO targets should be treated as fulfilled only when at least 85% of the total energy stored in the energy storage system, on the annual basis, is procured from renewable energy sources (solar, wind or mix of both).

2. Composite RPO better for RE planning

In clause a, b, c of Note 4, 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 Obligated Entities (OEs) in planning their renewable power purchase in a better way.

Further, we would like to highlight that according to Government of Tamil Nadu, Energy Department's Policy Note, 2025-26¹,

*“Tamil Nadu possesses significant renewable energy resources such as solar power, wind energy, and other notable resources. Furthermore, our State currently ranks third in India for overall renewable energy capacity and second in wind energy. In order to address global challenges such as environmental sustainability, the **State government aims to derive 50% of its total energy consumption from renewable sources by 2030** and achieve a reduction of its carbon emissions by 70 percent by the year 2030”.*

In order to promote such target at state level, the Commission may consider to revisit the proposed RE targets and aim to achieve 50% RPO by 2030. We propose following trajectory for the same:

F.Y.	Total RPO targets (on Energy basis)	Out of this, DRE targets
2025-26	33.00%	2.00%
2026-27	37.00%	3.00%
2027-28	41.00%	4.00%
2028-29	46.00%	5.50%
2029-30	50.00%	7.00%

3. Data submission and RPO compliance process

The clause f of the Note 4 states that,

“The Tamil Nadu Green Energy Corporation (TNGEC) shall maintain data related to compliance of renewable energy utilisation by the obligated entities and submit report to Commission quarterly as per the format communicated by the Commission from time to time.”

¹ https://cms.tn.gov.in/cms_migrated/document/docfiles/energy_e_pn_2025_26.pdf

While we appreciate proposed provisions for data reporting, the Commission may further consider specifying timelines for such data reporting on quarterly (by 15th day of next month) and annual basis (by 15th May of next financial year) and including specific penalty provision for non-submission of data and non-adherence to such timelines by the entities for data reporting. Further, the Commission or state RPO monitoring agency (TNGEC) should develop a RPO web portal where various OEs and state RPO monitoring agency can update RPO Compliance data and this portal should be publicly accessible. The data reporting by OEs should 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. 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

4.1. Penalty fund

The proviso of Note 4(e) of the proposed draft amendment states that, *“Provided that any shortfall in specified renewable energy consumption targets shall be treated as non-compliance and consequence of default shall be as per the Regulation 9 of this Regulation.”*

The Regulations 9.1 and 9.2 of TNERC (Renewable Energy Purchase Obligation) Regulations, 2023 states that, the penalty will be imposed for non-compliance of RPO targets as per Section 142 of EA, 2003 and regulatory fund:

“If the obligated entities does not fulfill the RPO as provided in these Regulations or does not purchase the certificates as the case may be, the State Agency, on being directed by the Commission, shall serve notices to the obligated entities to deposit into a separate fund, to be created and maintained by the State Agency, such amount arrived on the basis of the shortfall in

units of the RPO and the maximum REC price traded through the power exchanges during the corresponding year including taxes and levies, besides barring permission to the defaulting entities from availing power through Open Access; Provided that the fund so created shall be utilized, as may be directed by the Commission, for purchase of the certificates by the State Agency: Provided further that the Commission may empower an officer of the State Agency if required, to procure from the Power Exchange the required number of certificates to the extent of the shortfall in the fulfillment of the obligations, out of the fund: Provided also that the distribution licensee shall be in breach of his licence condition if he fails to deposit the amount as directed by the Commission within 15 days of the communication of the direction.”

In this regard, we suggest that there should be transparency about the penalty process, its imposition, collection and utilization. While issuing a separate order for RPO proceedings, any amount of penalty imposed should be clearly mentioned in those orders. It is appreciable that the regulation mentions timeline for deposition of penalty in the fund, which according to last Proviso of clause 9.1, is within 15 days of the communication of such direction. 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.

4.2. Specifying minimum penalty quantum

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 2 times the weighted average REC price² for the FY (in consideration) or Rs. 0.50 per unit, whichever is higher.

4.3. Carry forward provisions

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 In recent months, REC prices are in the range of 20-35 paise per unit. Hence, 2 times of REC price will lead to a penalty of 40-70 paise per unit.