

Approach Paper on Long Term Development of Renewable Energy

Comments

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Framework for RE development

- Prayas welcomes the broad framework suggested by MERC for development of RE
 - Integrated, medium term approach
 - Provides regulatory certainty
 - Facilitates easy,flexible implementation
 - Aggressive RE targets

Need to balance multiple objectives

- Efficient and economical development of RE
 - Equitable distribution of increased financial cost
 - Consumer interests
 - Utility interests
 - Operative and implementation simplicity
- ➔ Suggestions to improve the framework

Suggestions for improving RE development framework ...1

- Levy RPS % on consumers using captive generation
 - To ensure equity all electricity users should be required to use RE
- Allow DISCOMs to purchase RE from anywhere in the state
 - Distribution of RE resources in the state is uneven
 - This will simplify operation of RPS

Suggestions for improving RE development framework ...2

- MEDA's role is crucial to ensure transparency and timely monitoring / actions
 - MERC should specify data formats and direct MEDA to compile and publish such data periodically
 - Data format should include individual project / unitwise
 - Installed capacity,
 - Monthly generation, Aux. Consumption
 - Beneficiary
 - Tariff etc.

Suggestions for improving RE development framework ...3

- RPS operating mechanism
 - Buyer of RE should pay only **marginally higher** cost to RE seller (contributing eligible person)
- Tariff impact of 6 % RE obligation in FY10
 - Approach paper estimates tariff impact on consumers to be less than 2%
 - So consider 2% as ceiling and this should be strictly followed
 - In case of excess tariff impact, RPS approach should be revisited

Suggestions for improving RE development framework ...4

- Financial penalty for enforcement – A welcome approach, but
 - MERC suggested penalty is extremely high (e.g. for 1% shortfall in RE procurement, suggested penalty is Rs. 50 Cr.)
 - Need to adopt a gradual approach
 - ➔ Penalty should be say 20 % of **RE cost** in 1st year, increasing upto 80 % in last year
 - ➔ Penalty should come from DISCOM profit and not consumers

Suggestions for improving RE development framework ...5

	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8
Quantum of RE Purchase								
Wind_MU	156	872	1522	2171	2820	3469	3469	3469
SHP_MU	447	537	611	685	760	834	909	983
Cogen_MU	36	240	492	743	995	1246	1498	1749
Biomass_MU	0	87	409	731	1053	1375	1698	2020
TOTAL	640	1737	3034	4331	5628	6925	7573	8221

MERC Approach Paper - Table 4.7

→ Wind capacity addition ~ 1000 MW (1750 MU/yr.) over and above 750 MW (1300 MU / yr) target in the current tariff order

→ Essentially extending the tariff order validity without any review

Suggestions for improving RE development framework ...6

	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8
Wt. Avg. Rate of RETs								
Wind_AvgRate	3.50	3.53	3.60	3.68	3.75	3.83	3.98	4.13
SHP_AvgRate	2.84	2.87	2.89	2.91	2.93	2.95	2.97	2.99
Cogen_AvgRate	3.05	3.06	3.08	3.11	3.14	3.17	3.20	3.23
Biomass_AvgRate		3.04	3.05	3.07	3.08	3.10	3.11	3.13
TOTAL	3.01	3.23	3.30	3.36	3.41	3.46	3.51	3.55

MERC Approach Paper - Table 4.7

➔ Wind tariff as per present MERC tariff order is highest

Suggestions for improving RE development framework ...7

- National Tariff Policy

*“Benefits of reduced tariff after the assets have been fully depreciated should remain available to the consumers”
(S. 5.3.c)*

➔ MERC tariff order does not ensure benefit of reduced cost after loan repayment / depreciation to consumers as the duration of Wind PPA is only 13 years against plant life of over 20 years.

Suggestions for improving RE development framework ...8

- National Tariff Policy

“The central commission should lay down guidelines within three months for pricing non-firm power, especially from non-conventional sources, to be followed in cases where such procurement is not through competitive bidding”. (S. 6.4.3)

Suggestions for improving RE development framework ...9

- Hence, considering
 - Large likely capacity addition through Wind
 - Existing MERC wind tariff order
 - Very high tariff for wind projects
 - Order expires by end 2007
 - Order not in line with National Tariff Policy
 - National Tariff Policy requires following CERC guidelines
- It is imperative to revisit wind tariff.

Prayers

Adopt the broad framework suggested in approach paper for development of RE, with certain improvements as suggested in our submission especially regarding

- Treating 2 % as ceiling on tariff impact
- Directing MEDA to ensure transparency by publishing data on website
- Re-determination of wind tariff in light of NTP