

Comments/Suggestions on the discussion paper ‘Tariff Framework for Procurement of Power by Distribution Licensees and Others from Solar Energy Projects and Other Commercial Issues for the State of Gujarat’, by Prayas (Energy Group), Pune.

Our detailed comments on some issues highlighted in the discussion paper are noted below.

1. Discontinue determining generic tariff for Solar

The Commission proposes to determine the tariff for all prospective Solar power projects, based on the rates discovered through competitive bidding, and discontinue the practice of determining the generic tariff for Solar power projects.

The discussion paper presents a solid case for the need to continue with the practice of tariff discovery through competitive bidding and hence this proposal is most welcome.

2. Small Scale Distributed Solar Projects

- a. The GERC order in case no 1802 of 2019 has approved the mechanism of applicable tariff for purchase of power under the Government of Gujarat Policy for development of Small Scale Distributed Solar Projects – 2019. This is 20 paise/kWh higher than the tariff discovered through competitive bidding for large projects. Project size would be between 0.5 MW to 4 MW and would be connected to the distribution grid, thereby savings transmission losses.
- b. This is potentially likely to interest small investors who are unable to participate in the large tenders, however whether the Rs.0.2/kWh higher rate would be viable for these small projects remains to be seen.
- c. Since the price of procurement will be fixed for six month periods, and no capacity target for Small Scale Distributed Solar Projects is specified in the policy, this may create some issues in the future. For any particular year, the solar RPO should dictate the minimum solar energy to be procured by obligated entities. Gujarat already has several state solar parks under construction from which a significant share would be earmarked for meeting the DISCOM solar RPO. At the same time, the absolute number of MWs from the small scale projects is not known before hand. Hence, an appropriate planning framework for the DISCOM’s power procurement from large and small solar projects would need to be developed and approved by GERC. This would avoid future problems of prioritizing between large and small projects, especially if there is a significant demand for such small projects from investors/developers. These are some of the potential complications which should be addressed by the GERC.
- d. GERC’s order (no 1802 of 2019) in this matter gives three directives to the DISCOMs, namely
 - i. *The Petitioner shall place on its website the applicable tariff on which it will buy the energy generated from Small Scale Distributed Solar Power Projects of the capacity of 0.5 to 4 MW.*
 - ii. *The rate will be updated every 6 months.*
 - iii. *The Petitioner shall submit a statement showing the details of PPAs executed with the Small Scale Distributed Solar Power Projects Generators to the Commission at the end of every quarter beginning from 01.04.2020 onwards.*

Instead of the DISCOM computing the applicable tariff and placing it on its website every six months, it is suggested that the GERC should issue a formal order every six months based on the

analysis of bidding results, just like it issues a formal order for Additional Surcharge every six months.

- e. The GoG policy has waived the applicability of F&S regulations to these smaller projects (< 5 MW), however GERC's F&S regulations have applicability for projects > 1 MW. GERC should clarify applicability for such projects in order to avoid legal ambiguity.
- f. It is also suggested that the Rs. 0.2/kWh additional tariff under this policy be not made applicable for the PM-KUSUM Component A projects. Experience in Maharashtra suggests that the discovered prices for the solar feeder initiative is between Rs 3.1-3.3/kWh. Other states (Rajasthan, Haryana) have also set the ceiling rate at Rs 3.11-3.14/kWh. A separate exercise should be done for calculating the ceiling rate for Component A projects under KUSUM.

3. Need to remove all waivers/concessions for solar projects under captive and OA route

The discussion paper suggests continuing with some of the concessions for solar projects under the captive and OA route, specifically

- a. *Wheeling Charges and Losses: Solar power projects for captive consumption and not registered under REC Mechanism, 50% of Wheeling charges and losses as applicable to normal Open-Access Consumers shall be applicable.*
- b. *For the Solar project not registered under REC Mechanism with sale of power to third party (including sale of power under NSM) within the State, 50% of Cross-Subsidy Surcharge and Additional Surcharge as applicable to normal Open-Access Consumer shall be applicable.*

Given the fall in the prices of solar PV, we feel that it would be prudent to do away with such concessions for new solar projects. If this is too abrupt a change for the sector, we suggest that GERC at least suggest a sunset clause and gradually phase out such concessions in 2-3 years.

4. Need to comprehensively implement Component A of KUSUM in Gujarat

Considering the benefits of this approach in terms of cost savings for the DISCOM and thereby subsequent direct and cross subsidy saving for the state of Gujarat and other DISCOM consumers, it is crucial that the scheme should be comprehensively implemented across the state. The starting point would be for a tariff order from GERC which would specify the ceiling rate for the competitive bidding process to select projects under this program.

Further, the MNRE recognizing the importance of this farmer-centric yet fiscally prudent pathway for the power sector has finalised [Guidelines for Development of Decentralised Solar Power Plants](#) which nudges states to adopt this approach even beyond the 10,000 MW earmarked under the Component A of the KUSUM scheme. For more details about the agriculture solar feeder progress in Maharashtra, please visit our [webpage on solar feeders](#) and the associated [solar feeder page on the data portal](#).

5. Need for registration of behind the meter solar rooftop PV projects

Grid Connected Solar Systems connected behind the consumer's meter, and not opting for Net Metering Arrangement should be allowed only after prior intimation to the respective Distribution Licensee.

The Commission could further direct that each such solar system should be given a unique ID by the DISCOM and that a database with relevant details of each project should be available in the public domain without personal details of the consumer.

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