

DELHI ELECTRICITY REGULATORY COMMISSION

STAFF PAPER

ON

DRAFT REGULATIONS FOR

**‘TERMS & CONDITIONS FOR DETERMINATION OF
TARIFF FOR PROCUREMENT OF POWER FROM
GRID-CONNECTED SOLAR PV POWER PROJECTS’**

FEBRUARY 2012

INTRODUCTION

The energy generation from renewable sources, in particular from solar PV power plants in the NCT of Delhi is imperative in view of the in deficit of electricity and scarcity in supply of conventional fuels such as coal, diesel and natural gas. Solar energy can make substantial contribution for electricity generation. The positive attributes of generating electricity through solar are widely accepted, although many of them may not be currently commercially competitive with the conventional energy sources.

Delhi has almost 250-300 clear sunny days available with an average solar insolation of 5.31 kWh/day/m². The availability of land is a major constraint in the national capital territory (NCT) of Delhi and hence the route of solar PV power plants is a potential source for generation of solar power in Delhi.

LEGAL & REGULATORY FRAMEWORK

Section 62(1) of the Electricity Act, 2003 (the Act) empowers the Delhi Electricity Regulatory Commission (the Commission) to determine the tariff for the supply of electricity by a Generating Company to a Distribution Licensee in accordance with the provisions of the Act. Section 61 of the Act further provides that the Appropriate Commission shall, specify the terms and conditions for the determination of tariff and in doing so shall be guided by the principles listed in clauses (a) to (i) of the said Section.

Section 86(1)(e) of the Act mandates the Commission to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and to specify the quantum of purchase of electricity in the area of a Distribution Licensee.

National Electricity Policy (NEP) notified by the Ministry of Power, Government of India, stipulates that the Appropriate Commission has to determine preferential tariff for procurement of Renewable Energy (RE) by Distribution Licensees under Renewable Purchase Obligation (RPO) regime as envisaged under Section 86(1)(e) of the Act.

CERC has issued (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, Regulations, 2009 as amended from time to time; and, the Orders for determination of generic levelised tariff for generation of energy from renewable energy sources including grid connected solar PV Power, from time to time.

IMPORTANT SALIENT FEATURES

The draft Regulations, being DERC(Terms & Conditions for determination of tariff for procurement of Power from Grid connected Solar PV projects) Regulations 2012, have been prepared keeping in mind, the CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, Regulations 2009 notified on 16th September 2009, as amended from time to time.

The Draft Regulations shall come into force from the date of notification, and unless reviewed earlier or extended by the Commission, shall remain in force for a period of 3 years from the date of commencement thereof. The tariff determined under these Regulations, for Solar PV Power projects, which are commissioned during the specified control period, shall continue to be applicable for the entire duration of the Tariff Period.

The tariff shall be determined on the levelised basis for the tariff period; and, for the purpose of levelised tariff computation, discount factor equivalent to weighted average cost of capital (WACC) shall be considered. Levelised tariff is proposed to be worked out in two phases over the 'useful life' of the project. First phase shall be for 10 years and the second phase shall be for the next 15 years.

In view of the downward trend in the Capital Cost as emerging from the perusal of various orders issued by the CERC in this regard; and, the fluctuating trend of the interest rate, the Commission shall review the ceiling limit in respect of capital cost and the interest rate for Solar PV power projects, annually.

The Commission shall take into consideration any incentive or subsidy offered by the Central or the Government of NCT of Delhi, including Generation Based Incentive (GBI) or accelerated depreciation benefit or capital subsidy etc., if availed by the project developers/generators for such projects, while determining the tariff under these Regulations.

COMMENTS/SUGGESTIONS/OBJECTIONS OF THE STAKEHOLDERS

The Commission invites comments/suggestions from the stakeholders on the enclosed Draft Solar PV Power Plant Regulations. The last date for submission of comments shall be 19.03.2012. The date of hearing in the matter shall be notified later through a Public Notice in this regard.
