

CENTRE PLANS GREEN TARIFF IN BID TO EXPEDITE ENERGY SHIFT

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

The plan proposes to help electricity distribution companies leverage prevailing low tariffs from solar and wind power projects compared to conventional fuel sources such as coal.

India is working on a so-called 'green tariff' for consumers who wish to procure their entire power needs from renewable energy sources, said two government officials aware of the development.

The plan proposes to help electricity distribution companies leverage prevailing low tariffs from solar and wind power projects compared to conventional fuel sources such as coal. India's solar and wind power tariffs had touched a record low of 1.99 per unit and 2.43 per unit in the past few years before recovering. In comparison, the average power purchase cost at the national level is 3.85 per unit.

As articulated in the recent budget, the government has made energy transition and climate action one of its key focus areas. At the COP26 summit in Glasgow last November, Prime Minister Narendra Modi pledged to meet 50% of India's energy needs from renewable energy by 2030 and boost non-fossil fuel power generation capacity to 500 gigawatts (GW) by the end of this decade.

India is currently running the world's largest clean energy programme. According to the Central Electricity Authority, the country's power requirement would touch 817GW by 2030, half of which will be met by renewable energy.

Queries emailed to the spokesperson for the renewable energy ministry on Tuesday remained unanswered until press time.

Green tariffs have not gained traction in India so far.

"Green tariffs are a great tool for consumers to access renewable power because of their simplicity and flexibility. This route has become extremely popular with corporate consumers in western countries. However, it has failed to take off in India as consumers are not willing to pay a premium over already very high grid tariffs for commercial and industrial consumers," said Vinay Rustagi, managing director at consulting firm Bridge to India.

According to the draft Electricity (promoting renewable energy through Green Energy Open Access) Rules, 2021, "Any entity may elect to purchase green energy only up to a certain percentage of the consumption or its entire consumption, and they may place a requisition for this with their distribution licensee, which shall procure such quantity of green energy and supply it."

The government is also implementing new policy guidelines to facilitate India's decarbonization exercise. For instance, in June, the power ministry issued an order to extend the waiver of inter-state transmission system charges on the transmission of electricity generated from solar and wind sources for projects to be commissioned up to 30 June 2025.

"The appropriate commission shall put in place regulations in accordance with this rule to provide Green Energy Open Access to consumers who are willing to consume green energy,"

the draft said and added, "There shall be no limit of supply of power for captive consumers taking power under green energy open access."

India has introduced market-based models such as Green Day Ahead Market (GDAM) and Green Term Ahead Market (GTAM) to help deepen the country's green economy, provide competitive price signals, and promote green energy trading. According to the government, India is the only large electricity market in the world to implement GDAM exclusively for renewable energy.

"Energy transition is happening across the world, and India is also committed to energy transition from fossil fuel to non-fossil fuel. Accordingly, the dynamics of the power market is changing. The buyer's behaviour is shifting from long-term contracts to short-term contracts and also towards the power market," the power ministry said in a statement previously.

In a recent interview, power secretary Alok Kumar spoke about a hybrid energy model and underscored the importance of discom's electricity sourcing playbook for India's energy transition.

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