Source : www.livemint.com Date : 2021-10-24

INDIA NOTIFIES RULES TO PROTECT GREEN ENERGY INVESTMENTS

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

NEW DELHI: In an attempt to soothe investor concerns amid a logjam over power supply contracts with Punjab, Gujarat and Andhra Pradesh, the union government has notified rules for ensuring “timely recovery of costs due to change in law."

“The investors and other stakeholders in the power sector had been concerned about the timely recovery of the cost due to change in law, curtailment of renewable power and other related matters," the union power ministry said in a statement on Saturday.

The clean energy sector has been facing some headwinds over contracts with Punjab, Gujarat and Andhra Pradesh, delays in land acquisition and clearances, regulatory uncertainty, inadequate grid connectivity, and inordinate payment delays by states such as Telangana.

“For curtailment or regulation of power, the provisions of the Indian Electricity Grid Code shall be followed. In the event of a curtailment of supply from a must-run power plant, compensation shall be payable by the procurer to the must-run power plant at the rates specified in the agreement for purchase or supply of electricity. The RE generator is also allowed to sell power in the power exchange and recover the cost suitably. This helps in realisation of revenue by the generator and also the power is available in the electricity grid for use of consumers," the statement said.

About 4.7 trillion has been invested in India’s renewable energy space in the last six years, with an expected 1 trillion investment opportunity a year till 2030.

“Timely recovery of the costs due to change in law is very important as the investment in the power sector largely depends upon the timely payments. At present the pass through under change of law takes time. This impacts the viability of the sector and the developers get financially stressed. The Rules would help in creating investment friendly environment in the country," the statement said.

The Punjab government has cited the fall in prices of solar panels as well as lower borrowing costs and reduced corporate taxes to seek a revision of its solar power tariffs and has called for a tariff of 4.50 per unit as reported by Mint earlier. Also, 5.2 gigawatt (GW) of solar and wind energy projects are hanging fire, due to the state government’s decision to reopen renewable energy contracts inked under the previous N. Chandrababu Naidu government.

“The following Rules notified by the Ministry of Power under Electricity Act, 2003 are in the interest of the electricity consumers and the stakeholders: i) Electricity (Timely recovery of costs due to Change in Law) Rules, 2021. ii) Electricity (Promotion of generation from renewable sources of energy by addressing Must Run and other matters) Rules, 2021," as per the statement.

This comes at a time of solar module prices touching 28 cent kilowatt-hour (kWh), the highest since 2019 as reported by Mint on Saturday. This sharp jump in prices is on account of China’s worst ever power shortage, with factories being run on limited days. With modules accounting for nearly 60% of a solar power project’s total cost, any price increase will impact the internal rate of return (IRR) from such projects, many of which have already signed power purchase agreements (PPAs). With India having strict commissioning deadlines, the failure to meet them will result in penalties for developers.

“A formula has been provided to calculate adjustment in the monthly tariff due to the impact of Change in Law," the statement said.

Mint had earlier reported about Chinese solar equipment makers such as Trina Solar Ltd, one of the largest Chinese solar power equipment manufacturer, serving force majeure notices to its Indian clients, citing inability to supply equipment according to agreed schedules.

“The Rules also provide that a must-run power plant shall not be subjected to curtailment or regulation of generation or supply of electricity on account of merit order dispatch or any other commercial consideration. The electricity generated from a must-run power plant may be curtailed or regulated only in the event of any technical constraint in the electricity grid or for reasons of security of the electricity grid," the statement said.

According to the Central Electricity Authority, by 2030 the country’s power requirement would be 817GW, more than half of which would be clean energy, and 280GW would be from solar energy alone. To achieve the target of 280GW, around 25GW of solar energy capacity is needed to be installed every year till 2030.

“The Rules also provides for the Intermediary procurer to procure electricity for distribution licensees. In this regard, the Rules inter-alia states that “the intermediary procurer, an agency nominated by the Central Government or State Government, may procure electricity through a transparent process of bidding in accordance with the guidelines issued by the Central Government under section 63 of the Act for sale to one or more distribution licensees," the statement said.

Indian solar energy projects have been facing a raft of problems such as higher commodity prices and solar power tariffs expected to go up by 10 paise per unit with a higher Goods and Services Tax (GST) levied on cells, modules and inverters from 1 October.

“These Rules will help in achieving the targets of RE generation," the statement said.

END