

Explanatory Memorandum for draft of Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from the Renewable Energy Sources and Terms and Conditions for Tariff Determination (Third Amendment) Regulations, 2019.

The Commission made the Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from the Renewable Energy Sources and Terms and Conditions for Tariff Determination) Regulations, 2017 (hereinafter referred as “RE Tariff Regulation, 2017”), published in the Rajpatra, Himachal Pradesh, dated 23rd November, 2017.

The aforesaid regulations were amended on 05.07.2018 and 28.01.2019 so as to align the regulations with the amended State Hydro Policy issued on 15.05.2018 and the subsequent direction given by the State Government. The first control period as specified in these regulations, shall expire on 30.09.2019. The Commission is thus mandated to fix the new control period and further review/amend the financial parameters of various RE technologies as well as the technical parameters for small hydro projects in relation to the next control period.

The Commission has prepared the draft of Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from the Renewable Energy Sources and Terms and Conditions for Tariff Determination) (Third Amendment) Regulations, 2019. These draft regulations contain only minimum need based changes. The changes as proposed in these draft regulations are briefly mentioned as follows:-

- (i)** The duration of the second control period in relation to SHPs which is scheduled to start from 01.10.2019 shall extend upto 30.09.2020. The duration has been kept as one year only keeping in view the fact that the existing RE regulations of CERC shall expire on 31.03.2020 and new regulations may come into force w.e.f. 01.04.2020. It may thus be expedient for this Commission to notify the new RE regulations for the third control period, which may start from 01.10.2020, after considering the provisions of new RE regulations of CERC;

- (ii) The existing RE regulations enable the SHPs to sell power for certain initial period starting from the commencement of operation, under REC mechanism and thereafter to enter into the long term PPA with the DISCOM. However, there is no such enabling provision in the present regulations for the SHPs who may, after disposal of power, in the initial period starting from the date of commencement of operation of the Project, by availing open access through State network or in any other manner i.e. under short term PPA etc., wish to enter into long term agreement for sale of power to DISCOM for the residual useful life of the SHP. In order to create such an enabling provision a new regulation 16A has been proposed. Moreover, the regulation 16 of the existing RE regulations which deals with the long term agreement after selling power under REC mechanism has also proposed to be slightly modified in line with the proposed new regulation 16A. Further, the sub-regulation (2) of regulation 3 of the existing regulations has been proposed to be amended slightly so as to provide saving clause necessitated due to such enabling provisions, as discussed in this paragraph. Consequential changes have been proposed in certain other regulations also to incorporate the reference of proposed new regulation 16A.
- (iii) **CHAPTER-IV: Financial Principles (Applicable from 01.10.2019 to 30.09.2020).**

The financial principles specified in the existing RE regulations are proposed to be retained by and large in relation to second control period (01.10.2019 to 30.09.2020) also. However, now since subsidies of various nature are available to the RE projects under the schemes of State/Central Government, the amendment regulations have been aligned in this regard with the existing regulations of CERC.

Further, in order to promote the renewable energy Projects, the escalation factor for annual increase of O&M expenses over the tariff period of 40 years has been kept as 5.72% per annum even though this factor would be lesser if worked out on the basis of average price indices (CPI and WPI) for the previous 5 to 10 years.

(iv) Chapter-V: Technology Specific Parameters for Small Hydro Projects (Applicable from 01.10.2019 to 30.09.2020).

The technical parameters for SHPs as specified in the existing RE regulations have been retained except for the following main changes:-

- (a) Normative Capital Cost:** The capital cost has been increased to bring the same at par with that specified in RE regulations of CERC;
- (b) Categories of SHPs:** The categories of SHPs have been aligned with the existing RE regulations of CERC. However, a separate category above 100 KW to 2 MW capacity has been retained even though no such separate category exists in the CERC regulations; and
- (c) Operation and Maintenance expenses:** The O&M expenses as per the existing RE regulations have been escalated by 5.72% per annum and suitably rounded off.

The draft amendment regulations would thus facilitate better tariffs for the RE projects particularly SHPs, and shall help in promoting renewable energy Projects.

Sd/-
Secretary