



HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION

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Renewable Power Purchase Policy- 2015

(A. Policy for Purchase of Power from Renewable Sources by HPSEBL.)

1. Importance of renewables in electricity supply:

- (i) Renewable energy contributes to macro policies and strategies on energy security, climate change, environment protection and sustainable development. Therefore, generation of electricity from renewable sources is a key component of the Govt. policy of sustainable development of Himachal Pradesh. Among the renewable sources, the major potential available are small hydro and solar, which resources can be utilised for distributed generation to bring in efficiency in supply and universal access to electricity in the rural and remote areas of the State. Emphasis on generation from renewable sources will also strengthen and sustain the policy of 100% green electricity consumption in the State embarked upon by the HPERC and HPSEBL, by supplementing the availability and substituting the power from on fossil fuel, on sustainable basis.
- (ii) Presently the cost of generation from SHP and solar are relatively higher than the large hydroelectric projects. In order to promote renewables, in the face of various constraints, Electricity Act 2003 mandates the State Commission to prescribe renewable power purchase obligation by fixing certain minimum percentage of the electricity to be consumed from renewable sources. HPERC has also adopted progressive policy and prescribed RPPO, as under:

Year	RPPO %age		Estimated Energy for RPPO (MUs)	
	Non- Solar	Solar	Non-Solar	Solar
2015-16	11.00	0.25	1069	24
2016-17	12.00	0.25	1237	26
2017-18	13.00	0.50	1420	55
2018-19	14.00	0.75	1620	87
2019-20	15.00	1.00	1839	123
2020-21	15.50	2.00	2013	260
2021-22	16.00	3.00	2200	413

- (iii) Against these targets, current availability from long term sources is about 1500 MUs non-solar and about 56 MUs solar, which are more than obligation targets.
- (iv) HPSEBL has signed PPAs with about 35 SHPs with capacity of 131 MW, which are yet to come. With this additional quantity, power required to meet non-solar RPPO by 2022 will be adequate and therefore, would not require more power for RPPO, except solar. Implementation Agreements have been signed in 55 more projects with capacity of 186 MW. Of the balance SHP potential, about 250 MW capacity will be up to 2 MW capacity, about 950 MW will be in 2-5 MW capacity range and about 850 MW will be in more than 5 MW capacity range.
- (v) While HPSEBL has adequate power available from non-solar renewable sources to fulfil RPPO, yet keeping in view the larger interest of the State in the long run and also to contribute to the national objective of increasing the share of renewable energy in total energy consumption, it is prudent to promote renewable energy in the State, particularly hydro and solar, which have optimum potential.

2. Need for Purchase Policy:

- (i) In the circumstances of surplus availability against RPPO and multiple renewable sources available in the State, there is need for a policy that is transparent, objective, efficient and equitable having normative parameters aimed at balancing promotion of renewable development with public interest i.e. most competitive price at which it is delivered to the consumers at its meters and also technological efficiency of specific renewable sources from consumer and utility perspective. Accordingly, there is need for purchase policy pronouncement to propel investment in development of renewable energy in the desired manner.
- (ii) Therefore, in accordance with the provisions of Sec.61 and Sec.86 (1)(b)&(e) of the Electricity Act, 2003; paras 5.1 and 6.4 of the National Tariff Policy; Govt. of HP Hydro Power Policy, 2006 (as amended on 04.03.2014) and the Regulatory

provisions of HPERC; the HPSEBL, with due concurrence of the HPERC, determines the following policy for purchase of power from renewable sources.:-

POLICY

1. The Policy shall be known as Renewable Power Purchase Policy- 2015.

2. Applicability and Validity:

It shall come in to force with immediate effect and shall remain valid and operational till 31.03.2017 i.e. the date of applicability of the Himachal Pradesh Electricity Regulatory Commission (Promotion of Generation from the Renewable Energy Sources and Terms and Conditions for Tariff Determination) Regulations, 2012.

3. Tariff:

Tariff for all the purchases to be made in accordance with the PPA executed under this Policy shall be as determined by the HPERC under the Regulation of 2012, cited in clause 2 above;

Provided that the Commission may extend the time period for signing the PPA by the Parties beyond 31.03.2017 at this applicable tariff and terms and conditions.

3. Purchase from SHPs:

The fundamental principle guiding the purchase policy is that the source and location of supply be such that the landed cost of power at the consumer meter is the most efficient. Therefore, HPSEBL shall buy power from SHPs taking in to consideration the loads and load growth in the respective areas, proximity to load centres and HT/EHT Sub-stations, least evacuation cost, reliable grid etc. Keeping in view these factors, HPSEBL shall purchase power in the following manner:-

- (1) HPSEBL shall purchase entire power generated from all the SHPs up to 25 MW capacity where Implementation Agreement (IA) are already signed or shall be signed before 31.03.2017.
- (2) With respect to SHPs of the capacities up to 2 MW, where the projects have been allotted by the State Govt., but Implementation Agreement have not been signed till 31.03.2017, HPSEBL shall enter into the PPA subject to signing of Implementation Agreement by the IPP subsequent to 31.03.2017, within this

Policy, including tariff and terms and conditions as laid down in this Policy.

- (3) With respect to projects of above 2 MW capacity, where projects have been allotted but Implementation Agreement have not been signed till 31.03.2017, HPSEBL may enter into PPA, on the merit of each case, keeping in view the fundamental principles for power purchase as laid down above in this Policy, subject to signing of I.A. subsequently.
- (4) The IPP shall endeavour to commission the project within 24 months from the date of I.A., subject to grant of maximum extension period of 42 months, i.e. within maximum of 72 months from the date of I.A. In case the project is not commissioned within this period of 72 months, HPSEBL shall have right to exit from the PPA.
- (5) Wherever the competent authority grants extension in commissioning of projects subject to maximum of 42 months and Supplementary Implementation Agreement (SIA) is so signed, the HPSEBL shall also execute the consequential supplementary PPA.
- (6) No liquidated damages or penalties on account of delay in commissioning where due extension is granted by the competent authority up to maximum 42 months, shall be levied by HPSEBL in the PPA.
- (7) HPSEBL shall invite offers/applications from the prospective IPPs willing to sell power to HPSEBL, within one month, in accordance with this Policy and a period of 4 months shall be allowed to the IPPs to submit their intention to enter into the PPA with HPSEBL indicating the basic features of the project like location, capacity, design energy, inter connection details, date of commissioning etc. so that IPPs who are already allotted projects, including those where IAs are yet to be signed, are given opportunities to give their offers. However, HPSEBL shall enter into PPA without waiting for the offer with respect to those IPPs where long term PPA is due after expiry of PPA of REC tenure and IPPs who submit offers for PPAs directly without waiting for formal response to invitations.

- (8) In order to ensure that inefficiencies are not rewarded and there is fairness, equity and justice among the similarly situated IPPs, if IPPs, who have signed IA by 31.03.2017 or those who are allotted projects by the State Govt. up to 30.09.2016, do not sign PPA with the HPSEBL by 31.03.2017 or such date extended by the HPERC, HPSEBL may not sign PPA with such IPPs subsequently after the close of the Policy or under any subsequent Policy.
- (9) IPPs shall undertake in the PPA that whenever grid voltage is less or above the normal standard voltage, they will endeavour to keep the power factor at 0.8 lag or lead respectively for SHPs up to 5 MW and 0.9 for SHPs above 5 MW.
- (10) IPPs may sell the power to the HPSEBL under REC framework on APPC at any time, for any duration and for any quantum of the generation, before commissioning of the project and if long term PPA is already executed, the parties may modify the PPA to the extent that for the initial mutually agreed period sale will be under REC mechanism. However, once project is commissioned and the long term PPA on regulated tariff has commenced, parties cannot switch over to REC mechanism as per CERC Regulations on REC.
- (11) In the land locked areas of the State like Pangi, Lahual, Spiti, Dodrakwar, Bara Bangal, part of Kinnaur Distt. etc. till the time reliable grid is not available, only a limited capacity for local supply in a mini grid mode will be promoted.

4. Purchases from Solar Sources:

The fundamental principles for purchase from solar sources shall also be the same as for SHPs detailed at para 3 above. In the SHPs, choice of site and the capacity has limitations and the IPP and HPSEBL have no flexibility. Therefore, under the normative parameters, gains and losses to set up the project is the account of IPP and gains and losses from interconnection to consumer meters is to the account of HPSEBL. However, in case of solar projects, location and size can be Purchase Policy driven. Solar can be the most efficient source for distributed generation and access for 24x7 supply. It is also more firmer than wind and therefore can be the best alternative to thermal source for load balancing. It also has the least risk in execution. Number of smaller projects in a dispersed manner all across the State can be set by local entrepreneurs and large scale projects near industrial loads by bigger investors.

Accordingly, in addition, the following principles shall guide the purchases from solar sources:-

- (i) HPSEBL shall purchase power from solar projects to meet the RPP0 on the tariff determined by HPERC for projects up to 5 MW including Roof Top. At the present level of RPP0 of 3%, new capacities to be set up in the State will be about 220 MWs, including under Roof Top mode. In case adequate capacities upto 5 MWs and Roof Top are not forthcoming, HPSEBL may invite SECI for setting up projects or invite IPPs to set up above 5 MW capacities, under Solar Park Scheme of Govt of India or otherwise.
- (ii) Roof Top Net Metering Scheme, for which HPERC Regulations are in place, shall be implemented by giving wide publicity and support to the consumers.
- (iii) Distributed generation by Farmers and Unemployed Youth:
In order to benefit from the GoI Scheme of equity contribution of Rs.50.00 lacs per MW, State will encourage Farmers and Unemployed Youth to set up projects in a distributed and dispersed manner from 500 KW to 5 MW, with priority to smaller capacities. This will create capacity of 84 MW, as per GoI allocations.
- (iv) Projects up to 5 MW, other than those covered under Farmers and Unemployed Youth Scheme, shall also be promoted. Smaller capacities in a distributed manner will be set up across the State; whereas large ones will be close to load centres and nearer 33 KV and EHT sub-stations.
- (v) HPSEBL shall, through wide publicity, invite applications from prospective power procurers for setting up of projects mentioning indicative locations and capacities for small capacity distributed grid connected projects or larger capacities in proximity to load centres up to maximum of 5 MW, across the State. Promoter shall give tentative date of commissioning, which should not go beyond December,2021, so that HPSEBL can prepare procurement plan accordingly. In case aggregate capacities applied for is higher than its requirement, it will prioritise the project for purchase, based purely on commercial and technical principles of the “most efficient landed cost at the consumer meter”. If there is less number of applications, HPSEBL may repeatedly invite offers and/or accept direct applications from the promoters for consideration as per its policy.

- (vi) HPSEBL shall issue consent letter to purchase power so that the promoter proceeds with registration and project preparation and development. PPA shall be signed when necessary clearances, particularly land approvals, are obtained and project is ready for Financial Closure and if self financed it is ready for implementation.

5. Purchases Energy from waste:

Entire energy generated in the State from the municipal waste shall be purchased by the HPSEBL, provided that such energy is generated by use of clean technology. Tariff shall be determined by the Commission on project specific basis.

- 6.** HPSEBL may promote wind based demonstration projects and seek tariff and PPA approvals of the Commission.

Dated: 24.07.2015

Sd/-
(Subhash C Negi)
Chairman, HPERC