

# KERALA STATE ELECTRICITY REGULATORY COMMISSION

## NOTIFICATION

### DRAFT KERALA STATE ELECTRICITY REGULATORY COMMISSION (POWER PROCUREMENT FROM RENEWABLE SOURCES BY DISTRIBUTION LICENSEE) (Second Amendment) REGULATIONS, 2010

#### STATEMENT OF OBJECT AND REASONS

Kerala State Electricity Regulatory Commission has published Kerala State Electricity Regulatory Commission (Power procurement from renewable sources by Distribution Licensee) Regulations, 2006 on 24<sup>th</sup> June, 2006. As per Sub Clause (8) of Clause 3 of the Regulation norms for fixation of tariff for new projects may be reviewed once in three years. Hence norms are revised as the three year period is already over.

As per Tariff Policy Clause 6.2 (3) Tariff Structuring and associated issues

“ The Central Commission shall lay down guidelines within three months for pricing non-firm power, especially from non conventional sources, to be followed in cases where such procurement is through competitive bidding”

CERC has published CERC (Terms and Conditions for tariff determination from Renewable Sources) Regulations, 2009. State specific norms are arrived at by the Commission considering CERC norms also.

In exercise of powers conferred under Section 181, Section 86(1)(e) and Section 62(1) of Electricity Act, 2003 (Central Act 36 of 2003), and all other powers enabling it in this behalf, and after previous publication, the Kerala State Electricity Regulatory Commission hereby makes the following regulations to amend Kerala State Electricity Regulatory Commission (Power Procurement From Renewable Sources By Distribution Licensee) Regulations, 2006, hereinafter referred to as “ the principal regulations”. Namely.-

**1.Short title and commencement .-** (1)These Regulations may be called Kerala State Electricity Regulatory Commission (Power Procurement from renewable sources by Distribution Licensee) (Second Amendment) Regulations, 2010.

(2) These regulations shall be deemed to have come into effect from the date of publication in the official Gazette.

**2.** Sub Clause (1) of Clause 3 of the Regulation shall be substituted with

“Each Distribution licensee shall purchase a quantum of 3% from renewable energy sources expressed as percentage of its total consumption during a year from SHP, Wind and from all other sources provided that a minimum of 0.5% shall be purchased from Solar based plants.”

### **3. Amendment to Annex I TARIFF FIXATION FOR SMALL HYDEL PROJECTS (SHP)**

#### **1.Capital Cost**

The sentence “The Commission therefore considers that a uniform capital cost of Rs 4.88 Crores /MW would be reasonable for small hydel projects including the cost of transmission lines/substation up to the interconnection point of the grid.” shall be substituted with

“A capital cost of Rs 5.2 Crores /MW shall be taken for small hydel projects including the cost of transmission lines/substation up to the interconnection point of the grid”

#### **3. O&M Expenses**

The existing sentence shall be substituted with

“The Commission approves O&M expenses as 1.6% of capital expenditure with 5% escalation every year.”

#### **6. Interest on Term Loan.**

The last sentence shall be replaced with

“Commission approves an interest rate of 12% for new projects”

#### **7. Interest on working capital**

The first sentence shall be replaced with

“ The interest rate on working capital shall be 12% “

#### **12. Tariff applicable**

The sentence shall be substituted with

“The levelised tariff at 12% Discount Rate for 25 years shall be Rs 2.94/Unit”  
The developers one to provide energy at a levelised rate of Rs. 2.94/unit for 25 years.

### **3. Amendment to Annex II WIND ELECTRICITY GENERATION PLANTS**

#### **2. Capital Cost**

The existing sentence shall be substituted with

“A capital cost of Rs 4.6 Crores /MW shall be taken for wind plants including the cost of transmission lines/substation up to the interconnection point of the grid”

#### **6. Interest cost on Long Term Debts**

“9%” shall be substituted with “12%” in the sentence “Commission approves a realistic interest rate of 9%”

**9. Interest on working capital**

“7%” shall be substituted with “12%” in the first sentence.

**12. The last sentence shall be substituted with**

“ Based on the the norms approved above the levelised tariff at 12%discount rate for 20 years shall be Rs 3.64/unit”

The tariffs arrived at as above shall be applicable only for project proposals submitted after the publication of this regulation.

Sd/-  
Member (F)

Sd/-  
Member (E)

Sd/-  
Chairman

By Order of the Commission

Sd/-  
Secretary