

**KARNATAKA ELECTRICITY REGULATORY COMMISSION,  
BANGALORE-560 001**

**Notification No.S/03/1 dated 27.09.2004**

***(Notified in Karnataka Gazette on 21.10.2004, page nos.1819-1821)***

**KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations, 2004**

**Preamble**

Section 86(1)(e) of the Electricity Act, 2003 mandates the Commission to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and to specify the quantum of purchase of electricity by a distribution licensee in his area of supply. Meanwhile, in exercise of the powers conferred by Section 183 of the Act, the Central Government by Gazette Notification dated 9<sup>th</sup> June 2004, has authorised the STU to engage in the activity of bulk purchase and sale of electricity to distribution companies for a further period of one year on and from 10<sup>th</sup> June, 2004 amending Sub section (1) of Section 39 and clause (b) of Section 172 of the Act. Section 62(1) of the Act empowers the Commission to determine the tariff for the supply of electricity by a Generating Company to a Distribution Licensee in accordance with the provisions of the Act. Section 61 of the Act further provides that the Appropriate Commission shall, specify the terms and conditions for the determination of tariff and in doing so shall be guided by the principles listed in clauses (a) to (i) of the said Section. Since the scope of these regulations cover renewable sources of energy, co-generation using renewable sources including sugar mill co-generation is covered under these Regulations. In exercise of the powers vested in the Commission under the above Sections read with Section 181 of the Act, the Commission specifies following Regulations:

**1. Short title and commencement**

1. These Regulations may be called KERC (Power procurement from Renewable Sources by Distribution Licensee) Regulations, 2004
2. These Regulations shall be applicable to the Distribution Licensees in the State of Karnataka. However, till such time the STU or any licensee is engaged in the activity of bulk purchase and sale of electricity to distribution licensees, these regulations shall be applicable to such STU/Licensee for the State as a whole.

3. These Regulations shall come into effect from the date of notification in the Gazette.

## **2. Definitions**

- a. "Act" means the Electricity Act, 2003 (Act 36 of 2003)
- b. "Buyer" means:
  - i. A Distribution Licensee
  - ii. STU or any other Licensee engaged in the activity of bulk purchase and sale of electricity to distribution licensee/s.
- c. "Commission" means Karnataka Electricity Regulatory Commission
- d. "Distribution Licensee" means a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply.
- e. "Licensee" means a person who has been granted licence under section 14 of the Act.
- f. "Renewable sources" in this context means non-conventional, renewable electricity generating sources such as mini-hydel, wind, solar, biomass (including sugar mill co-generation), urban/municipal waste, or other such sources as approved by the Ministry of Non-conventional Sources, Gol or GoK.
- g. "State Transmission Utility (STU)" means the Board or the Government company specified as such by the State Government under sub section (1) of section 39 of the Act.

The words or expressions in these Regulations, which are not defined herein, shall have the same meaning as in the Act or Karnataka Electricity Reform Act, 1999. In case of inconsistency, the meaning in the Act shall prevail.

## **3. Quantum of purchase of electricity from Renewable Sources of Energy**

- 3.1 Each Distribution Licensee shall purchase a minimum quantum of 5% and a maximum quantum of 10% of electricity from renewable sources expressed as percentage of its total consumption during a year.

Till such time the STU or any licensee is engaged in the activity of bulk purchase and sale of electricity to distribution licensees in the State, the quantum of purchase from renewable sources shall be considered as the above specified percentage

expressed as percentage of total consumption in the area of supply of all such Distribution Licensees considered together.

- 3.2 The Buyer shall indicate the proposed quantum of purchase from renewable sources for the ensuing year in the ERC filing, duly indicating the sources of purchase.
- 3.3 The Buyer shall source the proposed quantum of electricity from renewable sources within the State.
- 3.4 While contracting power purchase from renewable sources, the priority for purchase shall be on the basis of the date of commercial operation of such generating stations.
- 3.5 The Buyer shall provide adequate payment security mechanism for purchases mentioned above.
- 3.6 The Commission may review the quantum of purchase from renewable sources once in every 3 years.
- 3.7 If the Buyer defaults in payment for the purchase from any generating company, such generating company shall be at liberty to sell electricity to any other person in accordance with the KERC (Open Access) Regulations.

#### **4. Promotion of renewable sources of energy:**

- 4.1 Any person generating electricity from renewable sources of energy shall have mandatory open access to any Licensee's transmission system and/or distribution system or grid as the case may be.

#### **5 Determination of Tariff for electricity from Renewable sources:**

- 5.1 The Commission shall determine the tariff for purchase of electricity from renewable sources by a Buyer.

Provided that, the PPAs approved by the Commission including the PPAs deemed to have been approved under Section 27(2) of the Karnataka Electricity Reforms Act, 1999, prior to the notification of these regulations shall continue to apply for such period as mentioned in those PPAs.

Provided further that the Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government.

- 5.2 The Commission shall determine the tariff separately for each category of renewable source mentioned in clause 2(f).
- 5.3 The Commission shall as far as possible be guided by the principles and methodologies if any specified by the CERC, National Electricity Policy and Tariff policy, while deciding the terms and conditions of tariff for renewable sources of energy. The Commission may deviate from the above by giving the reasons in writing in order to accommodate the specific nature of renewable sources.
- 5.4 While determining the tariff, the Commission may, to the extent possible consider to permit an allowance based on technology, fuel, market risk, environmental benefits and social contribution etc., of each type of renewable source.
- 5.5 While determining the tariff, the Commission shall consider appropriate operational and financial parameters.
- 5.6 The Commission may follow the process mentioned below for determination of tariff for renewable energy projects:
  - i. Invite tariff proposals from Licensees/Generating companies for different categories of renewable energy projects.
  - ii. Inviting Public response on the proposals of the Licensee/ Generating Companies.
  - iii. Public hearing on the above
  - iv. Issue order on the Tariff for the purchase of electricity from renewable sources.
- 5.7 The tariff so determined by the Commission shall be applicable for a period of 10 years from the date as notified by the Commission.
- 5.8 The tariff so determined by the Commission is subject to review after 5 years and such revised tariff shall be applicable to agreements entered into after that date.

## **6 Power to remove difficulties**

- 6.1 The Commission shall *suo motu* or on an application from any person generating electricity from renewable sources or a Buyer/Distribution Licensee may review

these regulations and pass appropriate orders to remove any difficulty in exercising the provisions of these regulations.

**7. Power to amend**

7.1 The Commission may from time to time add, vary, alter, modify or amend any provisions of these regulations.

By Order of the Commission

Sd/-  
Secretary

Karnataka Electricity Regulatory Commission