

Date: 07.07.2014

**DISCUSSION PAPER ON 'WHEELING, BANKING & CROSS SUBSIDY SURCHARGE' FOR SOLAR
POWER GENERATORS**

In its Order on "Determination of Tariff for grid inter active solar power plants including rooftop and small solar photovoltaic power plants" dated 10th October 2013, KERC had decided not to levy any wheeling and banking charges, or cross subsidy surcharge on the solar generators who sell electricity on open access within the State. This decision of the Commission was in view of the prevailing high cost of generation of solar power and to enable solar power generators to sell solar power competitively in the market. The Commission has subsequently clarified that such exemptions will be available to solar power plants commissioned before 31st March 2018.

The Commission has since received several representations from interested persons who have urged the Commission to modify the 10th October Order of this Commission to exempt solar energy from wheeling, banking and cross subsidy surcharge for at least the period of debt repayment as lenders seek assured revenue streams for the debt period of say 10 to 15 years. Similar views have also been expressed by several promoters in the public hearing on wheeling and banking of renewables held by the Commission on 25.06.2014.

The issue before the Commission is that while retail supply tariff is increasing year on year, the cost of generation of solar power is decreasing. The tariff as determined by the Commission in its Order dated 10th October 2013 was Rs.8.40 per unit. Subsequently, the CERC determined tariff as per its Order dated 15th May 2014, is Rs.7.72 per unit. This being the trend, the Commission is of the view that the solar power tariffs may reach grid parity in a few years.

In view of the fact that solar energy capacity additions have been very limited in the State, there is need to encourage solar power generation so that solar power could meet a significant part of the State demand for electricity. This would require promotion of solar energy generation both for procurement by ESCOMs and for direct sale to open access or captive consumers. The Commission had exempted solar energy from wheeling and banking charges, as also cross subsidy surcharge for energy sold within the State.

The projected power position of the State indicates a deficit situation up to 2018. Solar power generation being a renewable source of distributed generation, it would not only meet the demand of consumers but could also reduce transmission and distribution losses.

The tariff for sale of solar energy to licensees has been fixed for the life of the plant i.e., 25 years. Similarly, to make it possible for generators of solar energy to sell solar power under open access, charges for wheeling, banking and cross subsidy surcharge may also need to be made concessional for a considerable period so that investors are able to obtain funding from financial institutions.

The distribution licensees are of the view that, exempting cross subsidy surcharge for open access consumers would result in loss of revenue and impact on other non open access consumers. The magnitude of such loss would depend upon the quantum of energy under open access against the overall sales of the distribution licensee. At present, very small capacities of solar power being available to open access consumers, loss of cross subsidy surcharge to ESCOMs is negligible.

Renewable energy generators including captive generating plants are required to pay wheeling and banking charges at 5% and 2% of energy injected respectively. However, solar power generation is exempted from payment of wheeling and banking charges up to 31.03.2018 as per the Orders of this Commission dated 10th October 2013.

In the above context, the Commission seeks the views, suggestions and comments from stakeholders on the following points:

- i. The Commission has exempted solar power generators from the levy of charges for wheeling, banking and cross subsidy surcharge for the period upto 31.03.2018. Whether such exemption should be allowed for the period of debt repayment of, say 10 years for the plants commissioned before 31.03.2018?
- ii. Whether the exemption of charges for wheeling, banking and cross subsidy surcharge should be made available till a certain solar capacity addition in the State is achieved, say 1000 MW or till 31.03.2018.
- iii. Whether nominal wheeling and banking charges as existing (5% Wheeling & 2% banking) and fixed cross subsidy surcharge should be levied for a period of say 10

years so that there is certainty of revenue streams for solar projects to enable them to get funding from financial institutions?

Interested persons may send their written comments/views / suggestions on the above or any related issues to the Secretary, KERC, No.9/2, 7th Floor, Mahalaxmi Chambers, M.G. Road, Bangalore -560 001 or by email to kerc-ka@nic.in before 22nd July 2014.

Sd/-

SECRETARY
Karnataka Electricity Regulatory Commission