

NEWSLETTER | Week 01 | Jan. 2023

**POWER PURCHASE**

- ⦿ 7% fall seen in IEX trade volume in December, 2022 as compared to last year.
- ⦿ Rajasthan Commission to allow Discom. to extend their Wind Power Purchase Agreement.

**RENEWABLES**

- ⦿ Cabinet approves National Green Hydrogen Mission with initial outlay of Rs. 19,744 crores.
- ⦿ First ever sovereign Green Bonds launched by Reserve Bank of India.

**POLICY AND REGULATORY**

- ⦿ Centre to double the Discoms reform budget in next fiscal year.
- ⦿ Gujarat Discoms seeks approval for Green Tariff @ Rs. 9.89/kWh.
- ⦿ MoP' s new rules curb Arbitrary hikes in Open-Access surcharge.

**POWER PURCHASE**

- » **7% fall seen in IEX trade volume in December, 2022 as compared to last year**
 - The trade volumes in December, 2022 were around 8,452 MUs as compared to the cleared volumes of around 9,035 MU in December, 2021.
 - The drop on YoY basis seems due to high REC trade volume and high average clearing price of Rs. 5.23.
 - The ongoing high spot coal e-auction and supply side constraints had contributed to high clearing prices.
 - The improvement in coal inventory at generating stations is expected to provide with lower clearing prices and optimization of price opportunity for Discoms and open access consumers.



**POWER PURCHASE****» Rajasthan Commission to allow Discom. to extend their Wind Power Purchase Agreement**

- Rajasthan Urja Vikas Nigam Limited (RUVNL) has been granted permission by RERC to extend power purchase agreements with six wind projects for another five years at a rate of 2.24/kWh.
- Rajasthan Discoms fell short of meeting their previous RPOs and now face even greater obligations for fiscal years 2022-23 and 2023-24.
- To fill the gap, the Commission has allowed a five-year extension of PPAs with wind power generators, as the existing terms of the agreements allowed for a 10-year extension.
- RERC determined that the useful life of a wind power project is 25 years and based on that the Commission was of the view that a 10-year extension would not be feasible as the project is already 18 years old.
- As a result, the Commission determined that the PPA could only be extended for a maximum of five years, which corresponds to the stipulated useful life of wind generating plants.

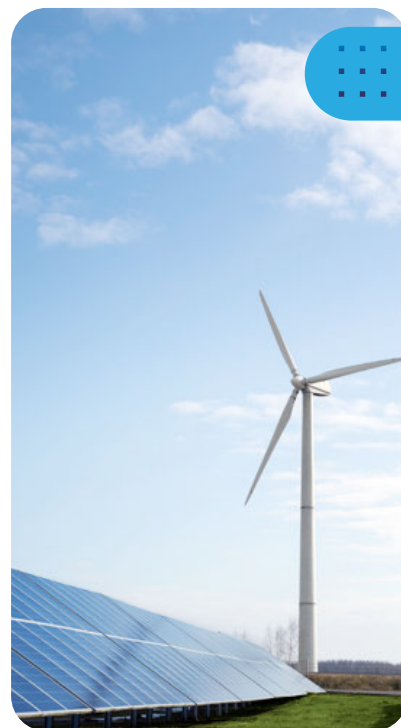


**RENEWABLES****» Cabinet approves National Green Hydrogen Mission with initial outlay of Rs. 19,744 crores. The expected mission outcomes are:**

- Development of green hydrogen production capacity aiming the target of at least 5 MMT (Million Metric Tonne) of green hydrogen manufacture per annum.
- Total investments of over Rs. 8 lakh crores.
- Renewable energy capacity addition of about 125 GW in country
- Creation of over 6 lakh jobs.
- Over Rs. One Lakh crore cumulative reduction in fossil fuel imports.
- Abatement of nearly 50 MMT of annual greenhouse gas emissions.

» First ever sovereign Green Bonds launched by Reserve Bank of India

- The RBI will hold a uniform price auction for 5-year and 10-year green bonds worth Rs. 40 billion each on January 25 and February 9, 2023.
- According to the RBI, Green bonds worth Rs. 160 billion would be auctioned in two tranches.
- The proceeds will be used to fund solar power projects, to be followed by wind and small hydro projects, as well as other public sector projects that will aid reduce the economy's carbon intensity.
- Green bond investments may qualify for the statutory liquidity ratio (SLR), which is the minimal percentage of deposits that commercial banks must invest in liquid assets such as government bonds.
- Green bonds will also be designated as specified securities under the 'Fully Accessible Route' for international investors, allowing for limitless investments.



**POLICY AND REGULATORY****» Centre to double the Discoms reform budget in next fiscal year**

- The Union Budget for FY 2023-24 is expected to double the allocation for the Revamped Distribution Sector Scheme (RDSS) to around Rs. 15,000 Crores from existing Rs. 7,565.59 Crore.
- The budgetary increase is intended to reduce the Discoms' aggregate technical and commercial losses under RDSS.
- AT&C losses have been reduced from 21% in FY 21 to 17% in FY 2021-22 and the gap between ARR and ACS has shrunk from 0.69/kWh in FY 21 to 0.22/kWh in FY 22.
- The emphasis is now shifted on strengthening the power distribution sector with rising losses, unpaid power bills from State Government departments and agencies and an eventual increase in discoms' debts to power generation companies.
- The loss reduction projects include installing aerial bunched cables, high-voltage distribution systems and feeder bifurcation.

» Gujarat Discoms seeks approval for Green Tariff @ Rs. 9.89/kWh

- Gujarat discoms has filed a petition before the Gujarat Electricity Regulatory Commission (GERC) to approve a green tariff of Rs. 9.89/kWh, which is nearly 130% of their proposed HT tariff.
- The proposal for a steep tariff is likely to drive consumers away from procuring clean energy from Discom and toward a more cost-effective renewable energy supply via open access.
- Similar case has been observed in Andhra Pradesh which has approved a tariff of Rs. 12.25/kWh for consumers seeking non-conventional power.
- When consumers want green credit without installing their own systems, they generally choose the Discom offer for green tariff.
- Apart from the procurement of green power the consumers can also turn towards the option of open access to fulfil their green energy demands.



**POLICY AND REGULATORY****» MoP's new rules curb Arbitrary hikes in Open-Access surcharge**

- The MoP has announced that the open access surcharge that consumers must pay, as determined by State Commissions, will not exceed 20% of the average cost of power supply.
- The new rules apply to surcharges including both cross-subsidy and additional surcharges
- In addition, the appropriate Commission must specify a price adjustment formula within 90 days of this notification for the recovery of costs incurred as a result of variable fuel costs or power purchase costs.
- On failing to compute and charging the fuel and power purchase adjustment surcharge within the timeline, the Distribution Licensee might lose its right for recovery of costs.
- In such cases, the right to recovery of such adjustment surcharges determined during true-up will also be forfeited.

