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NEWSLETTER | Week 30 | July 2023

Power Purchase

» CERC permits HPX to start High Price (HP) contracts in three segments

- Central Electricity Regulatory Commission has allowed Hindustan Power Exchange (HPX) to introduce High Price Contracts in three market segments namely HP-DAM, HP-TAM, HP-Contingency.
- HPX received registration from the Commission in 2021 to establish and operate as power exchange, and it has been offering services in various segments, including Contingency, Green Contingency Contracts, Renewable Energy Certificates, Integrated Day Ahead Market, and Real Time Market.
- HPX filed a petition to introduce High Price contracts (HP-DAM, HP-TAM, and HP-Contingency) to facilitate trading by high variable cost generators and ensure a level playing field and flexibility for market participants.

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Power Purchase

- The proposed High Price Market Segment had a floor price of Rs. 12/kWh, which was intended to accommodate high variable cost generators. Additionally, a forbearance price was suggested to enhance the effectiveness of the software's matching mechanism.
- The contract specifications for HP-DAM included collective transactions on a day-ahead basis, while HPTAM had daily, weekly, monthly, and any-day single-sided contracts. HP-Contingency included day ahead and intra-day contracts for hydropower generators, with continuous matching for price discovery.
- CERC directed HPX to serve the petition copy to Grid Controller of India and seeks comments from stakeholders and the public through its website. Grid Controller of India provided its suggestions on eligibility of sellers and concerns about introducing a floor price, citing potential adverse effects on reliable grid operation
- Other Stakeholders supported the HP-TAM and HP-Contingency contracts, suggesting reducing additional margins for sellers extensively trading on power exchange.

Renewables

» Solar Power increases to 16% in Total Installed Capacity in Q2 of 2023

- In the second quarter (Q2) of Calendar Year (CY) 2023, solar power constituted 15.9% of the overall installed power capacity, marking a significant increase from the previous year's 14%. Moreover, in terms of total installed renewable capacity, solar accounted for 38.3% in Q2 of 2023, reflecting a notable YoY rise from 35.4%.
- By the end of the quarter, India's total installed renewable energy capacity, including large hydro projects, reached 173.5 GW, making up 41.4% of the country's entire power capacity mix as per data from the Central Electricity Authority (CEA), Ministry of New and Renewable Energy (MNRE).
- Comparing it to the previous quarter's 170.3 GW, the renewable energy portion in the cumulative power mix experienced a slight increase, accounting for 37.9% of the overall capacity mix. This data highlights the ongoing growth and importance of renewable energy sources in India's energy landscape.

- Large hydro projects accounted for 11.2% of India's total installed power capacity as of June 2023.
- Wind installations constituted 10.4% of the total installed power capacity during the same period.
- Biomass and small hydro power sources represented 2.6% and 1.2% respectively of the total installed power capacity as on Q2 of 2023.
- Conventional power sources, including coal, gas, nuclear, lignite, and diesel, made up 58.5% of all installations, slightly down from the previous quarter's 58.9%. Coal remained the top power source with 205.9 GW of capacity as on end of June 2023.

Policy And Regulatory

» Parliament's Standing Committee on Energy suggests Renewable Finance Obligation

- Parliament's Standing Committee on Energy has put forth recommendations to expedite the uptake of clean energy by proposing the introduction of a Renewable Finance Obligation (RFO).
- The primary objective of the RFO is to mandate entities that consume substantial amounts of conventional power to allocate a certain portion of their finances towards investments in renewable energy ventures.
- The proposal's aims to reinforce India's commitment to meeting its renewable energy goals while simultaneously addressing environmental concerns, particularly climate change.
- By imposing the RFO, the committee intends to encourage a more sustainable and eco-friendly approach to power consumption and generation across the country.
- The adoption of the RFO mechanism is expected to accelerate the deployment of renewable energy projects, thus contributing to a reduction in greenhouse gas emissions.

- India's increasing energy demand requires a concerted effort towards transitioning from fossil fuels to renewable sources, and the RFO is seen as a crucial step in this direction.
- The proposed RFO is likely to drive private sector participation in renewable energy initiatives, leading to increased investment and technological advancements in the sector.

Policy And Regulatory

» India in talks to link grid with Singapore to trade in green power

- India and Singapore are engaging in talks to establish a grid interconnection for trading green energy between the two nations.
- The project's main objective is to enable the exchange of excess renewable electricity generated in India with Singapore.
- By linking their grids, both countries seek to facilitate the efficient utilization of renewable energy resources and enhance energy security.
- The collaboration is expected to promote the adoption of clean energy technologies and reduce dependence on conventional power sources.
- The proposed grid interconnection signifies a step towards fostering international cooperation in the renewable energy sector.
- This initiative could open up new opportunities for cross-border energy trade and pave the way for further regional energy integration.

- The partnership may lead to a more sustainable energy landscape by encouraging the expansion of renewable energy capacity in both India and Singapore.
- Overall, the project holds the potential to contribute significantly to the global efforts in combating climate change and promoting a greener and more resilient energy future.