

**KARNATAKA ELECTRICITY REGULATORY COMMISSION
BANGALORE – 560 001**

Notification No. S/03/1 dated 16th March 2011

KERC (Power Procurement from Renewable Sources by Distribution Licensee and Renewable Energy Certificate Framework) Regulations, 2011

Preamble

In exercise of powers conferred under Section 86(1)(e) read with Section 181 of the Electricity Act, 2003, the Karnataka Electricity Regulatory Commission had issued KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations 2004 vide Notification No. S/03/1 dated 27.09.2004. The above Regulations were amended vide Notification No. S/03/1 dated 23rd January 2008, fixing a minimum of 10 % Renewable Energy Purchase Obligation (RPO) to BESCOM, MESCOM & CESC and 7 % to HESCOM, GESCOM & Hukkeri Co-operative Society.

The Central Electricity Regulatory Commission (CERC), on 14.01.2010, has issued the CERC (Terms & Conditions for recognition & issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 to facilitate meeting of Renewable Purchase Obligation (RPO) by Purchase of Renewable Energy Certificates (REC).

The Commission had issued draft KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations, 2010, inviting comments / suggestions from Stakeholders. The Commission also had a public hearing in the matter on 24.01.2010.

The Commission, having duly considered the comments and suggestions received and in exercise of the powers conferred under Clause (e) of sub Section (1) of Section 86 read with Section 181 of the Electricity Act, 2003 (Central Act 36 of 2003) and all other powers enabling it in this behalf, makes the following Regulations :

1. Short Title application and commencement. – (1) These Regulations shall be called the Karnataka Electricity Regulatory Commission (Procurement of Energy from Renewable Sources) Regulations, 2011.

(2) These Regulations shall extend to the whole of the State of Karnataka.

(3) These Regulations shall come into force from the first day of April 2011.

2. Definitions: - (1) In these regulations, unless the context otherwise requires. –

- (a) "Act" means the Electricity Act, 2003 (Act 36 of 2003);
- (b) "Central Agency" means the agency as the Central Commission may designate from time to time under CERC (Terms and Conditions for Recognition & Issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010;
- (c) "Central Commission" means the Central Electricity Regulatory Commission (CERC);
- (d) "Commission" means the Karnataka Electricity Regulatory Commission (KERC);
- (e) "Distribution Licensee" means a licensee authorized to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;
- (f) "Licensee" means a person who has been granted license under section 14 of the Act;
- (g) "MNRE" means the Ministry of New and Renewable Energy;
- (h) "REC" means renewable energy certificates issued by the Central agency;
- (i) "Renewable sources of energy" means non-conventional, renewable electricity generating sources such as mini-hydel, micro-hydel, wind, solar, biomass (including bagasse based co-generation), urban/ municipal waste, or such other sources as approved by the MNRE, Government of India, or Government of Karnataka;
- (j) "RPO" means Renewable Energy Purchase Obligation as may be specified by the Commission under clause (e) of sub-section (1) of section 86 of the Act;
- (k) "State" means the State of Karnataka;
- (l) "State Agency" means the agency as designated by the Commission to give accreditation to the projects based on renewable sources of energy and to undertake such functions as may be specified or directed by the Commission;

- (m) "State Transmission Utility (STU)" means the Board or Company notified as such by the State Government under sub-section (1) of section 39 of the Act;
- (n) "Tariff" means the tariff determined by the Commission for sale of energy from a generating station using renewable sources of energy to a distribution licensee;
- (o) "Year" means a financial year;

(2) The words and expressions used in these Regulations, and not defined herein but defined in the Act, shall have the same meaning as in the Act.

3. These Regulations shall apply to :

- (i) Distribution Licensees operating in the State of Karnataka;
- (ii) Any other person consuming electricity generated from captive generating plant or plants, using other than renewable sources and having a total capacity exceeding 5 MW; and
- (iii) Any person consuming electricity with a contract Demand exceeding 5 MW procured by open access from sources other than renewable sources of energy.

4. Quantum of purchase of electricity from Renewable Sources of Energy.-

- (i) Every Distribution Licensee shall purchase a minimum quantity of electricity from renewable sources of energy expressed as a percentage of its total procurement during a year as specified below :

ESCOM	RPO for RE sources other than Solar	Solar RPO
BESCOM	10 %	0.25 %
MESCOM	10 %	0.25 %
CESC	10 %	0.25 %
HESCOM	7 %	0.25 %
GESCOM	7 %	0.25 %
Hukkeri Society	7 %	0.25 %

Provided that, a distribution licensee may in case of non-availability of solar power generated in the State of Karnataka procure from other

renewable sources of energy or REC to the extent of shortfall in its RPO in any year.

- (ii) Every Grid Connected Captive consumer specified in clause 3(ii) above shall purchase a minimum quantity of 5 % of its consumption of energy from captive sources from renewable sources of energy.
- (iii) Every Open Access Consumer specified in Clause 3(iii) above shall purchase from renewable sources of energy a minimum quantity of 5% of its consumption through Open Access sources.
- (iv) Notwithstanding the limit specified above, procurement of energy from generating companies based on renewable sources of energy, under existing agreements, shall continue till the period of validity of such agreements and such energy purchases shall be accounted for the purpose of meeting RPO.
- (v) Every distribution licensee shall indicate the quantum of proposed purchase from renewable sources of energy for the ensuing year in the Expected Revenue from Charges (ERC) filing, duly indicating the sources of purchase.

5. Renewable Energy Certificates (REC). – The distribution licensees, Captive Consumers and Open Access Consumers specified in Clause 3 above, may purchase REC to meet either partly or entirely the RPO specified at Clause 4 (1) above.

6. State Agency.- (1) The State Agency shall within three months from the date these Regulations coming into force formulate and notify procedures and Terms and Conditions for Accreditation, with prior approval of the Commission thereon, and shall in formulating such procedures be generally guided by the procedures / rules stipulated by the Central Agency under CERC (Terms and Conditions for recognition and issuance of Renewable Energy Generation) Regulations, 2010.

(2) The State agency shall submit to the Commission quarterly reports indicating the details of Renewable Energy Generators to whom accreditation is accorded and the compliance of renewable purchase obligation by the Distribution Licensees, and other consumers specified above.

(3) The Commission may from time to time fix the charges payable by RE Generating Companies to the State Agency for discharge of its functions under these regulations.

7. Conditions for Accreditation.- Renewable Energy Generators in the State applying for accreditation to the State Agency for securing REC shall satisfy the following conditions : -

- (a) The Generating Companies shall not have any subsisting power purchase agreements related to such generation with any of the distribution licensees of the State;
- (b) A Generating Company shall not, in case of premature termination of a power purchase agreement, be eligible in respect of the generation capacity covered by such PPA, for participating in REC Scheme for a period of one year from the date of termination of such agreement or till the scheduled date of expiry of PPA, whichever is earlier.
- (c) A Generating Company opting for REC Scheme shall sell the electricity generated by it to ESCOMs of the State at the pooled cost of power purchase as approved by the Commission for the previous year in its tariff orders escalated for inflation.
- (d) Captive Power Producers (CPP) based on renewable sources of energy shall be eligible to get accredited for obtaining RE certificates for the entire energy generated from their plants including the energy used for captive consumption.
- (e) If any Generating Company obtains accreditation contrary to these Regulations, the Commission may either suo motu or otherwise cancel the accreditation after giving notice to such Generating Company.

8. Non-Compliance of RPO by Distribution Licensee.- (1) If a distribution licensee or other consumer specified in clause 3 above fails to comply with the renewable purchase obligation as specified in these regulations during any year, the Commission may direct the distribution licensee or such other consumer to deposit such amount as the Commission may determine into a separate fund, to be created and maintained as directed by the Commission.

(2) The distribution licensee or other consumer shall utilize the fund so collected for promoting renewable sources of energy or energy conservation measures with the prior approval of the Commission from time to time.

(3) In case of any difficulty arises in complying with the renewable purchase obligation in any year, because of non-availability of renewable

energy or REC, the Commission may permit the distribution licensee/other persons specified in Clause (3) above to carry forward the compliance requirement to the next year.

9. Determination of Tariff for electricity from Renewable sources of energy.-

(1) The Commission may determine at any time the tariff for purchase of electricity from Renewable sources of energy by Distribution Licensees either suo motu or on an application either by generator or by Distribution Licensee;

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

Provided further that the Commission shall adopt the tariff which has been arrived at through a transparent process of bidding in accordance with the guidelines issued by the Central Government under Section 63 of the Act.

(2) The Commission shall determine the tariff separately for each category of renewable sources of energy mentioned in clause 2(i).

(3) The Commission shall be guided by the principles and methodologies, if any, specified by the CERC, National Electricity Policy, and Tariff Policy, while determining tariff for renewable sources of energy.

(4) While determining the tariff, the Commission may consider factors affecting the costs of generation including technology, fuel, market risk, environmental benefits and social contribution and other relevant factors relating to each type of renewable sources of energy.

10. Power to amend: The Commission may from time to time add, vary, alter, modify or amend any provisions of these Regulations.

11. Power to call for information: The Commission may call for information or documents as may be necessary from the Distribution Licensees and other consumers specified in clause 3 above, to monitor the compliance of these Regulations.

12. Power to remove difficulties.- The Commission may at any time either suo motu or otherwise by order remove any difficulty arising in giving effect to the provisions of these regulations.

13. Repeal & Savings.- (1) The KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations 2004, along with amendments thereto are hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken or purported to have been done or taken including any notification, inspection, order or notice made or issued, or any appointment, confirmation or declaration made or any license, permission, authorization or exemption granted under the repealed Regulations shall, in so far as it is not inconsistent with the provisions of these Regulations be deemed to have been done or taken under the corresponding clauses of these Regulations.

By Order of the Commission

Sd/-

Secretary

Karnataka Electricity Regulatory Commission