

India's commitment to environment friendly green energy further gets strengthen through the notification of Rules for Timely recovery of costs due to Change in Law

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Ministry of Power notifies rule for the sustainability of the electricity sector and promotion of clean energy to meet the India's commitment towards Climate Change.

The investors and other stakeholders in the power sector had been concerned about the timely recovery of the cost due to change in law, curtailment of renewable power and other related matters. The following Rules notified by the Ministry of Power under Electricity Act, 2003 are in the interest of the electricity consumers and the stakeholders:

- i) Electricity (Timely recovery of costs due to Change in Law) Rules, 2021.
- ii) Electricity (Promotion of generation from renewable sources of energy by addressing Must Run and other matters) Rules, 2021.

Timely recovery of the costs due to change in law is very important as the investment in the power sector largely depends upon the timely payments. At present the pass through under change of law takes time. This impacts the viability of the sector and the developers get financially stressed. The Rules would help in creating investment friendly environment in the country.

The energy transition is happening across the globe. India has also made commitments to bring about energy transition. India has also announced international commitment to set up 175 GW of RE capacity by 2022 and 450 GW by 2030. These Rules will help in achieving the targets of RE generation. This will ensure that the consumers get green and clean power and secure a healthy environment for the future generation.

A formula has been provided to calculate adjustment in the monthly tariff due to the impact of Change in Law.

The Rules also provide that a must-run power plant shall not be subjected to curtailment or regulation of generation or supply of electricity on account of merit order dispatch or any other commercial consideration. The electricity generated from a must-run power plant may be curtailed or regulated only in the event of any technical constraint in the electricity grid or for reasons of security of the electricity grid. For curtailment or regulation of power, the provisions of the Indian Electricity Grid Code shall be followed. In the event of a curtailment of supply from a must-run power plant, compensation shall be payable by the procurer to the must-run power plant at the rates specified in the agreement for purchase or supply of electricity. The RE generator is also allowed to sell power in the power exchange and recover the cost suitably. This helps in realisation of revenue by the generator and also the power is available in the electricity grid for use of consumers.

Making Corporate India Comply

The Rules also provides for the Intermediary procurer to procure electricity for distribution licensees. In this regard, the Rules inter-alia states that “the intermediary procurer, an agency nominated by the Central Government or State Government, may procure electricity through a transparent process of bidding in accordance with the guidelines issued by the Central Government under section 63 of the Act for sale to one or more distribution licensees.”