PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

SITE NO. 3, BLOCK B, SECTOR 18-A, MADHYA MARG, CHANDIGARH

Petition No. 34 of 2021
(Suo Motu)
Date of Order: 19.01.2023

Staff Paper for determination of levellised generic tariff for various Renewable Energy Technologies/Projects in the State for FY 2021-22.

AND

In the matter of: The Commission on its own motion.

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

PSPCL: Sh. Amal Nair, Advocate

PEDA: Sh. Aditya Grover, Advocate

ORDER

1. The Commission follows the CERC RE Tariff Regulations in the matter of norms/Tariffs specified therein for the State, with the requisite State specific modification(s). Accordingly, upon issuance of CERC RE Tariff Order for FY 2021-22, the Commission initiated the process Suo-Motu for adoption/d determination of levellised generic tariffs (ceiling) for RE Projects to be commissioned in the State during FY 2021-22.

2. The Staff Paper was prepared based on the parameters considered for Punjab by CERC in its RE Tariff Order for FY 2021-22, with a State specific deviation of 40% as CUF for SHPs. The Public notice for the same was issued on 06.05.2021 for inviting suggestions/

objections of the stake holders. In response thereto and in the public hearing held in this regard, while the Biomass Power Producers Association welcomed the said proposal, other stakeholders raised various issues pertaining to the determination of Feed-in-tariff for co-gen plants, Rate of Return on Equity, Cost of Fuels and PLF for Biomass based Co-generation projects.

3. Accordingly, the Commission felt that a wider consultation in the matter was required and, vide Order dated 08.07.2021, the State Nodal Agency PEDA was directed to carry out an independent exercise to assess the Weighted Average landed fuel cost for Biomass and Bagasse in the State and submit a report. PEDA was also asked to furnish the average PLF for Biomass based Co-generation projects for the past 5 years in the State. In the meanwhile, it was decided to continue with the ceiling generic tariffs as determined vide Order dated 18.09.2020 in Petition No. 26 of 2020 (Suo-Motu), till the finalization of the Generic Tariffs for RE Projects for the FY 2021-22.

4. On 11.10.2021, PEDA submitted some information/formats as collected from various generators without giving its recommendations on the same. PSPCL also submitted certain documents indicating the rates for procuring paddy straw. The Commission, while observing that the State Nodal Agency was to carry out an independent exercise to assess the Weighted Average landed fuel cost for Biomass and Bagasse, desired that PEDA shall file the information as directed vide Order dated 08.07.2021 along with its own recommendations after taking into account the submissions made by PSPCL.

5. The submission of PSPCL with respect to the information collected from the RE Generators by PEDA, in brief, are as under:

a) During the routine checking of fuel used by 8 biomass generating stations by its team, it was found that 6 of them majorly use paddy straw as biomass fuel whereas 2 of them use paddy straw as 100% of the fuel.

b) In respect of M/s Green Planet Energy Pvt. Ltd biomass power project located at village Birpind; PEDA has submitted the price of paddy straw as Rs. 3560/MT (including collection, transportation, bailing, storage, degradation and chipping) for FY 2019-20. During the visit of the same plant on 06.09.2021 by PSPCL's team for occasional checking of fuel used; perusal of 2 bills dated 31.05.2021 produced by the generating company indicated that the cost at which the plant had purchased paddy straw was much lower i.e. at Rs. 1850/MT. Further, the cost of collection, transportation and bailing is generally borne by the biomass fuel supplier and not the generating company. Therefore, storage, degradation and chipping costs cannot double the price of biomass fuel from Rs. 1850/MT to Rs. 3560/MT.

c) Similarly, in respect of M/s Green Planet Energy Pvt. Ltd. biomass power project located at Village Binjon, PEDA has indicated price of Paddy straw as Rs. 3450/MT (including all costs) for FY 2017-18. However, fuel purchase bills for the month of October, 2017 submitted by the said generating company indicate price of Paddy Straw as Rs. 1350/MT.

d) In a similarly placed State of Haryana, HERC has determined the biomass fuel price during first year of control period (FY 2021-22 to 2024-25) as Rs. 3000/MT and bagasse fuel price as 1027/MT, with escalation of 2.93% per annum.

e) The Commission may also review the escalation index of 5% being applied annually to the bio fuel prices.

f) Also, for FY 2021-22, draft normative interest rate has been considered @ 9 % against the average MCLR of 7%.

6. In the hearing held on 19.01.2022, the representative appearing for PEDA submitted that they are in discussion with FCDO, UK for conducting a study for price of Biomass in Punjab which will be completed by the second week of March 2022. Thereafter, in the hearing held on 24.03.2022, PEDA submitting that the task of assessing the biomass pricing in Punjab was assigned to Price Waterhouse Coopers Private Ltd. (PwC), who shall be submitting the draft report to PEDA for review and comments shortly and requested for more time to submit its recommendations to the Commission. On 19.04.2022, PEDA submitted a report titled as 'Draft Report' by Green Growth Equity Fund Technical Cooperation Facility (Funded by UK Government), sans its own recommendations. In response to directions by the Commission vide Order dated 29.04.2022 to file the final report along with its recommendations, PEDA vide letter dated 09.05.2022 submitted the revised covering page of the report mentioning the title as "Final Report with Recommendations" and inserting the PEDA logo. On enquiring about the report, it was informed that the report earlier submitted under the title 'Draft Report' be considered as its final report.

7. On 08.07.2022, PSPCL filed its objections to the report filed by PEDA stating as under:

a) It is submitted that the Second Report is authored by an equity fund namely, the Green Growth Equity Fund. In the introduction to the Report, it is stated that the GGEF TCF supports a flexible portfolio of technical assistance in developing and strengthening the pipeline of investable projects. Thus, it is apparent that the Report and the recommendations are borne out of clear conflict of interest.

b) A perusal of the background of the fund makes it clear that the Green Growth Equity Fund is managed by Eversource Capital, a joint venture between the leading Indian private equity investment firm Ever stone Capital and global leader in the development and management of solar energy projects, Light source BP. There is therefore a clear conflict of interest, as the interest of the author of the report is obviously to increase the tariff of the generating plants. The Report being authored by an equity fund whose interest lies in escalating the cost of fuel for the investors cannot be a benchmark for deciding cost parameters which in turn affect the general consumers of the State. In the circumstances, the said report is liable to be rejected on this ground alone.

c) The Second Report begins with a disclaimer which states that the 'The information in this document has been obtained or derived from sources believed by the project team to be reliable but the project team does not represent that this information is accurate or complete'. Thus, from a bare reading of the disclaimer it is clear that the information sourced is not believed by the authors of the Report to be true and that the information forming part of the Report is neither accurate nor complete. The very purpose of the report was to go into a fact finding exercise to provide the actual cost of fuel in the State of Punjab. PSPCL has already placed on record the invoices of generators, which show that the fuel price is much lower. The present report, which relies on derived sources, without taking any responsibility of verifying the same, is liable to be rejected as such.

d) The price of biomass fuel for the State of Haryana has been considered at Rs. 3000/MT which is reflective of 30% of paddy straw price and 70% of other biomasses price. However, this pricing was weighted on average by the HERC where the price of paddy straw has been considered at Rs. 2000/MT and for other biomasses it has been considered at Rs. 3400/MT. It is submitted that Haryana much like Punjab is an agrarian state with an abundance of biomass. It cannot be that in two similar states, the price of biomass can be as distinct as Rs. 2000/MT in Haryana and Rs. 4491.23 /MT (as per PEDA report) in Punjab. The HERC, acknowledging that there needs to be a deviation from the 5% per annum escalation has in fact after considering the actual escalation index of the biomass fuel prices, reduced the annual price escalation factor from 5% to 2.93%.

e) Upon routine checking of 8 biomass stations, it was found that 6 of them majorly use paddy straw as biomass fuel whereas 2 of them solely use paddy straw. Thus, tariff should be reflective of the majority of fuel used as biomass. The GCV as taken into account by the Report is completely incorrect and is an exaggeration. The Report further relies on certain cost factors which is alleged to contribute to the overall landed cost of biomass. While determining the transportation cost, the Report states that the transportation cost to be in the range between Rs. 95 to Rs. 550/MT and while calculating the weighbridge and associated staff cost, the range has been taken as Rs. 34 to Rs. 180/ MT. Chipping and shredding cost is determined within the range of Rs. 320 to Rs. 500/ MT. No explanation has been meted out in the Report for taking such a wide range. Also, the cost of collection, transportation and baling of biomass is borne by the biomass fuel supplier and not the project developer. In case of paddy straw, no chipping is done.

f) It is submitted that the Report has barely delved into the issue of pricing of bagasse in Punjab. It is submitted that bagasse is a by-product from sugar mills. Bagasse as a fuel is in fact used mainly in bagasse-based cogeneration plants which are nothing but sugar mills. This is also evident from the fact that in the Report it is stated that as revealed by the project developers, majority of the bagasse is sourced from within the sugar mills and only the balance is sourced from outside. If that be the case, it is not understood as to how the factors like transportation cost are taken into account in the Report. The Report has recommended the high bagasse fuel price of Rs. 2641.3/MT. It is submitted that in the similarly placed state of Haryana, the bagasse fuel price is considered as Rs. 1027 /MT with 2.93 % escalation per annum. It is submitted that there cannot be such distinction in the pricing of fuel between the States of Haryana and Punjab.

g) In view of the above facts and circumstances, it is submitted that the recommendations of PEDA on the biomass and bagasse fuel pricing in the State of Punjab are incorrect and ought not to be taken into account.

8. On 17.08.2022, PEDA submitted its reply to the objections filed by PSPCL stating as under:

a) In terms of the directives of the Commission PEDA has filed the report prepared by PwC on the basis of studies carried out at ground level by visiting/collecting data from various biomass projects in Punjab.

b) PSPCL has not been able to rebut the report on the basis of technical study got carried by PSPCL through other sources.

c) The fuel cost of biomass as per PwC Report and as adopted by Regulators of neighboring States is tabulated as under:

- Rs. 3960/MT by CERC for FY 2020-21, with escalation of 5%
- Rs. 3000/MT by HERC for FY 2021-22, with escalation of 2.93%
- Rs. 3500 - 3700/MT by RERC for FY 2022-23 with 5% escalation
- PwC Report: proposed price of Rs. 4491/MT for FY 2022-23.

d) It is the matter of fact that tonnage of surplus paddy straw is available every year in the State which is being unutilized leading to stubble burning.

e) PEDA is responsible for development of RE projects in the State. It is prayed that a balance be maintained amongst the RE Sector as also the Discom to carry out development while also considering the sustainability. The Commission may take appropriate decision while considering the most suitable parameters for determination of tariff for RE projects considering the development of RE sector in Punjab.

9. In the hearing held on 24.08.2022, the Commission observed that the PEDA had failed to address the objections raised by PSPCL, particularly the issue of conflict of interest of PWC/Green Growth Equity Fund Technical Co-operation Facility (GGEF). Ld. Counsel of PEDA sought time to respond appropriately in this regard. Thereafter, PEDA filed its response on 16.09.2022, while reiterating its earlier submission, further stated that:

a) PEDA has no commercial interest therein, the only purpose of submission of the report is to render assistance to the Commission to reach at a decision in the captioned petition. Since, PSPCL had raised certain issues with regard to the report submitted by PEDA, accordingly, it sought clarifications qua the same from PWC inter-alia with regard to the issue of conflict of interest as also the disclaimer made in the report. Consequently, vide e-mail dated 23.08.2022 received by PEDA from Ms. Madhu Mishra, Sr. Advisor, Economics, Climate & Development, British Deputy, High Commission, Chandigarh, a clarification stood issued with regard to the purported issue of conflict of interest raised by PSPCL, in the following terms:

> *"**Conflict of Interest-** There is no conflict of Interest here as the Green Growth Equity Fund is a joint initiative by the Govemments of India and the UK under India's flagship National Investment and Infrastructure Fund. The Government of UK and India had signed MoU in April 2018, which was mentioned on the websites of both the Governments….*
>
> *The report has been authored by PwC and the study has been funded under the GGEF TCF. We have delivered projects both at the central level and state level through the GGEF. Please find below some of projects for your reference….."*

b) PEDA came to be in a receipt of another e-mail dated 23.08.2022 from Sr. Advisor, Economics, Climate and Development, British Deputy High Commission, Chandigarh, whereby the final report prepared by PwC under the Green Growth Equity Fund Technical Cooperation Facility (GGEF TCF), through a consortium led by the Oxford Policy Management Ltd (OPML) stood received as an attachment. Vide the ibid email it was further explained that the GGEF TCF is a UK-Government funded initiative supporting initiatives under India's flagship National Investment and Infrastructure Fund (NIIF) umbrella.

c) There is no conflict of interest of PWC/GGEF TCF, who has been carrying out diverse studies at various levels both at the level of Center and the State. Accordingly, the Commission may kindly consider the final report submitted by PwC appended along with the instant submissions.

d) In the light of the submissions made above, the Commission may kindly be pleased to take an appropriate decision while considering the most suitable parameters for determination of tariff for RE projects in the State of Punjab, while especially considering the development of RE sector in the State.

10. In response to the additional submissions filed by PEDA, PSPCL filed its objections on 19.10.2022, submitting as under:

a) At the outset it is submitted that the Third Report now attached along with the additional submissions ought to be rejected *in limine* and not be taken on record. This being so because *vide* Order dated 29.04.2022, the Commission, after observing that the report then placed on record was a draft report, had categorially directed PEDA to place on record the final report along with its submissions. Thereafter PEDA had filed the Second Report claiming the same to be the final report. If that is the case, it is not understood as to the how the Third Report filed along with the additional submissions can be termed to be the final report.

b) Further, in reply to PEDA’s email seeking clarification from PWC on the twin issues of conflict of interest and disclaimer, PWC has sought to provide its clarifications by way of emails dated 23.08.2022.:

(i) In the said email, PWC has taken the position that there is no conflict of interest since the GGEF is purportedly a joint initiative by the Governments of India and UK under the Government of India' flagship National Investment and Infrastructure Fund. Thereafter, PWC has clearly admitted that the Report, although authored by it, has been funded by the GGEF.

(ii) It is denied that GGEF, allegedly being an inter-governmental initiative, absolves the reports of being not borne out of conflict of interest for the following reasons:

- GGEF aims to leverage private sector investment from UK to invest in Green Infrastructure Projects in India;
- The fund aims at investing in mid to large-sized companies in the green infrastructure space in India;
- A perusal of the background of the fund makes it clear that the GGEF is managed by Eversource Capital, a joint venture between the leading Indian private equity investment firm Everstone Capital and global leader in the development and management of solar energy projects, Lightsource BP;
- GGEF has active investments in renewable plants in India and seeks to profit out of such investments.

(iii) It is clear from the conspectus of GGEF that it is in the interest of the report being funded by it to reflect higher variable cost of biomass and bagasse-based plants in the State.

(iv) PWC in its email has further pointed out other studies funded by GGEF. However, no parallel has been drawn by either PEDA or PWC to evidence that the said studies have had any effect on a matter of public interest such as tariff determination. It is submitted that in the present case the reports would have a far-reaching effect as the same would result in consumers in the State having to pay a higher tariff.

(v) In view thereof it is submitted that there is a clear conflict of interest, as the interest of GGEF is obviously to increase the tariff of the generating plants.

c) On the issue of clarification on the disclaimer in the Report it is submitted that both the additional submissions as well as the clarification issued by PWC are silent on the same. It is relevant to mention that although in the email dated 05.08.2022, PEDA had sought for a clarification on the issue from PWC, however PWC *vide* its clarification email dated 23.08.2022 has not addressed the issue at all.

d) In the Third Report now submitted, PWC has completely removed the introduction portion which earlier provided details of GGEF. Further, instead of providing a clarification on the issue of the disclaimer in the Second Report, PWC in the Third Report has removed all references to the disclaimer, while the remaining numbers and figures are the same.

e) In view of above facts and circumstances, it is submitted that the recommendations of PEDA on the biomass and bagasse fuel pricing in the State are incorrect and ought not to be taken into account and the fuel price be considered in terms of the information as placed on record by PSPCL.

11. In the hearing held on 26.10.2022:

a) Ld. Counsel for PEDA reiterated the submissions made in its letter dated16.09.2022 and further stated that the study has been funded under GGEF and has been carried out by following the parameters fixed by CERC for determination of tariff for RE projects and demonstrate the ground reality in the State of Punjab. He further stated that a fresh final report sans disclaimer has been filed by PWC/ GGEF.

b) Ld. Counsel for PSPCL argued that the report filed by PEDA is authored by GGEF, which is a 'for profit' equity fund having active and direct interest in renewable plants in India and seeks to profit by leveraging private sector investment from UK to invest in Green Infrastructure Projects in India. Further, the report repeatedly asserts that the analysis of Biomass fuel pricing and GCV was done on the basis of data gathered by the Plant Managers of 11 Biomass Power Plant, indicating that the GCV and price estimation is based on inputs from project developers rather than an independent field study. The average price assessed by GGEF is much higher than the actual prices prevalent in the state.

c) The Commission keeping in consideration arguments advanced by Ld. Counsel for both the parties, carefully went through the fresh Final Report submitted by PEDA on 16.09.2022 and observed that the report fails to prove that it has been prepared/endorsed by PWC. Such circumstances cast a shadow on the authorship and veracity of the report. Ld. Counsel for PEDA sought time to place on record relevant documents before the Commission. The Commission granted two weeks' time to file the same.

12. In the hearing held on 21.12.2022, Ld. Counsel for PEDA again requested for more time to file the relevant documents in compliance of the Order dated 28.10.2022. Ld. Counsel was however unable to explain why the relevant documents have not been placed on the record despite over 7 weeks having passed since the last hearing when two weeks time was allowed. However, keeping in view the request of Ld. Counsel, the commission allowed PEDA to file the relevant documents within a week with a copy to PSPCL. After hearing the parties Order was reserved pending above information to be filed by PEDA.

13. PEDA vide letter dated 30.12.2022 furnished the email dated 30.12.2022 by Sh. Vaibhav of PwC, stating that the report was prepared and authored by PwC through the consortium led by Oxford Policy Management Limited (OPML) on the request received from Foreign, Commom wealth and Development Office (FCDO), Government of UK based on a request initiated by PEDA and that during the course of engagement, the team visited multiple districts of Punjab to consult farmers, biomass suppliers, biomass project developers to understand the issues and challenges in biomass management.

14. Decision of the Commission

The present petition was initiated Suo-Motu by the Commission for adoption/ determination of levellised generic tariffs (ceiling) for RE Projects to be commissioned in the State during FY 2021-22 and a Staff Paper was issued based on the parameters considered for Punjab in CERC RE Tariff Order for FY 2021-22, with a State specific deviation of 40% as CUF for SHPs. However, in view of the various objections/suggestions received thereon, the Commission felt that a wider consultation is required in the matter. Accordingly, vides Order dated 08.07.2021, the State Nodal Agency PEDA was asked to carry out an independent exercise so as to assess the Weighted Average landed fuel cost for Biomass and Bagasse in the State. PEDA initially submitted only the information/formats as collected from various generators, without its own recommendations. On being asked to submit the report as per the Order of the Commission, PEDA furnished a 'Draft Report' by Green Growth Equity Fund Technical Cooperation Facility (GGEF TCF) on 19.04.2022. On being directed to file the final report along with its recommendation, PEDA revised the covering page of the earlier report by mentioning the title as "Final Report with Recommendations". On being pointed out by PSPCL that the Report has been authored by a 'for profit equity fund' which profits out of investments in the renewable sector and is therefore a clear case of conflict of interest, PEDA submitted that the report has been prepared by PWC and provided another copy of the report after removing the introductory part containing details of GGEF and the disclaimer clause. The Commission has carefully gone through the Reports submitted by PEDA and submissions/ arguments made thereon by the parties. The findings and decision of the Commission are as under:

a) Issue of Conflict of Interest

PSPCL has contended that the report filed by PEDA is authored by GGEF, which is a 'for profit' equity fund which seeks to profit by leveraging private sector investment from UK to invest in Green Infrastructure Projects in India. Thus, there is a clear case of conflict of interest as its interest lies in projecting higher fuel cost so as to ensure higher tariffs for RE projects. On the other hand, PEDA submitted that the report has been prepared by PWC on the basis of studies carried out by PWC by visiting and collecting data from various Biomass Projects in the State of Punjab and there is no conflict of interest of PWC/GGEF TCF, who has been carrying out diverse studies at various levels both at the level of the Center and the State.

The Commission has perused the reports carefully. However no reference of PwC could be found in the reports. On the contrary, the draft/final reports submitted in April/May 2022, clearly mentions that the report has been prepared by the Green Growth Equity Fund. Even, the covering page of the last report submitted on 16.09.2022, without having any reference to PwC, indicates that it has been supported by GGEF TCF. Also, the British Deputy High Commission Chandigarh emails dated 23.08.2022 cited by PEDA in its submissions, reads as under:

"The report has been authored by PwC and the study has been funded under the GGEF TCF"

"The final report is prepared by PricewaterhouseCoopers Private Limited under the Green Growth Equity Fund Technical Cooperation Facility (GGEF TCF), through a consortium led by the Oxford Policy Management Limited (OPML)."

Thus, the Commission is of the view that PEDA had failed to address the issue of conflict of interest in preparation of the reports by or support of Green Growth Equity Fund Technical Co-operation Facility (GGEF TCF). There is nothing on the record to establish that the report has been independently prepared by PwC as claimed by PEDA.

b) Issue of Disclaimer:

PSPCL's contention is that, the very purpose of the report was to go into a fact finding exercise to provide the actual cost of fuel in the State of Punjab. A bare reading of the disclaimer reveals that the authors of the Report do not believe that the information forming part of the Report is accurate or complete. The present report, which relies on derived sources, without taking any responsibility of verifying the same, is liable to be rejected.

The Commission refers to the relevant disclaimer extract, which reads as under:

> *"**Disclaimer for this report**: This report has been prepared based on the information shared by the biomass power plant developers,… This document does not constitute professional advice. <u>The information in this document has been obtained or derived from sources believed by the project team to be reliable but the project team does not represent that this information is accurate or complete.</u> …... The project team neither accepts nor assumes any responsibility or liability to any reader of this report in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take."*

The Commission notes that on questioning of the said disclaimer clause by PSPCL, PEDA had sought for a clarification on the same from the authors of the report in the email dated 05.08.2022. However, without providing any clarification on the said disclaimer in the report, the same was removed in the subsequent copy of the report submitted on 16.09.2022, while retaining the original findings. The Commission believes that, disclaimers/exceptions are the premises on which the report is based. Mere omission of the same, without making any correction in the end result/findings of the report, does not imply that the premise has changed.

Thus, the Commission agrees with PSPCL that the findings of a report, which does not even claim itself that the information gathered/contained therein is accurate and complete, cannot be relied upon.

c) Issue of Independent Assessment

PSPCL has contended that the report repeatedly asserts that the analysis of Biomass fuel pricing and GCV was done on the basis of data gathered by the Plant Managers of 11 Biomass Power Plants, indicating that the GCV and price estimation is based on inputs from project developers rather than an independent field study.

The Commission observes that though the email dated 30.12.2022 from Mr. Vaibhav of PwC states that the team had visited multiple districts of Punjab to consult farmers, biomass suppliers, biomass project developers, however, the report itself repeatedly asserts that the analysis of Bio-fuel pricing was done based on inputs from project developers and there is no mention of any analysis of data collected from farmers and biomass suppliers. The Commission also notes that in spite of the categorical directions given vide Order dated 14.10.2021 that "After considering the submissions made by PSPCL, PEDA shall file the information as directed vide Order dated 08.07.2021 along with its own recommendations in this regard." no cognizance seems to have been taken of these directions of the Commission in the report, either to rebut or accept the data made available by PSPCL.

Thus, the Commission is of the view that any Report which is not based on wider consultation involving all stakeholders involved and relying on data provided by only one section of interested parties having an economic stake in the issue, cannot be accepted.

d) Further, PSPCL has pointed out that the price of biomass fuel in the State of Haryana for FY 2021-22 has been considered at Rs. 3000/MT, which is reflective of 30% contribution of paddy straw price and 70% of other biomasses prices, considering the price of paddy straw and other biomass at Rs. 2000/MT and Rs. 3400/MT respectively.

The Commission agrees with PSPCL that Haryana, like Punjab, is an agrarian state with abundance of surplus biomass, particularly the availability of surplus/unutilized paddy straw. It cannot be that in two similar adjoining States, the price of biomass can be as distinct and divergent as estimated in the report.

In view of above observations, the Commission is of the view that the report submitted by PEDA is flawed on various counts and doesn’t project the true assessment of the Bio-fuel prices prevalent in the State. The Commission is constrained to reject the report and the recommendations made therein.

Further, as is evident, the present petition was initiated for adoption/ determination of levellised generic tariffs (ceiling) for RE Projects to be commissioned in the State during FY 2021-22. Since the impugned period is already over, no purpose will be served in continuing with this exercise. In case of a spilled over project, if any, wherein the tariff for project in the PPA is linked with the generic tariff for the year of commissioning, the generic tariffs as

determined in Order dated 18.09.2020 in Petition No. 26 of 2020 (Suo-Motu) shall be considered.

Also, the Tariff Policy 2016 has guidance on purchase of power generated from renewable energy sources, specifying as under:

> *"6.4(2) States shall endeavor to procure power from renewable energy sources through competitive bidding to keep the tariff low, except from the waste to energy plants. ..."*

Accordingly, the Commission, in Orders for Generic RE tariffs for previous years, has been continuously directing that till such time tariff based competitive bidding is resorted to, bidding may be carried out on the basis of discount to be offered by the prospective bidders on the generic tariffs determined by the Commission, which would be the maximum/ceiling tariff for the purpose. However, with the maturing of RE Technologies resulting in higher CUF at lower costs and innovative financial engineering in project costing, the Tariffs now being discovered through competitive bidding are considerably lower than the RE Generic Tariffs determined by the Commission on normative parameters. Recently, the State distribution licensee PSPCL had approached the Commission for approval of its power purchase arrangements from Co-Generation and Hydro RE projects at the tariffs which are substantial lower than the generic RE Tariffs approved by the Commission.

The Commission is of the view that setting generic tariff based on the existing norms does not provide the right price signals, therefore determination of Generic Tariffs, which are not reflective of true current market conditions, would not be in the interest of competitive RE tariffs in the State. Thus, the Commission decides to discontinue the practice of determination of annual generic tariffs (ceiling) for RE Projects

to be commissioned in the State. For the purpose of bidding, the distribution licensee may specify the ceiling tariff with its own due diligence based on the tariff discovered in the recent competitive bidding(s) and the prevailing market trend for similarly placed RE technology/project(s). The Commission shall examine the competitiveness of final discovered tariff at the time of the tariff adoption.

The petition is disposed of accordingly.

Sd/-	Sd/-
(Paramjeet Singh) Member	(Viswajeet Khanna) Chairperson

Chandigarh
Dated: 19.01.2023