

### 3. Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021

<i>Rules</i>	<i>Date of Issue</i>
<a href="#"><u>Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021</u></a>	<a href="#"><u>22.10.2021</u></a>

Past experience had shown that claims under Change in Law, were delayed by long drawn out regulatory and adjudicatory proceedings, which not only resulted in financial hardship for the entities who had to receive such compensation but also resulted in the Procurers (DISCOMs) having to bear additional carrying cost, due from the date of occurrence of the Change in Law event.

In order to rectify this time taking process, Ministry of Power brought these Rules into effect in order to ensure timely recovery of the costs due to change in law and to facilitate investments in the power sector. The rules provide the formula to calculate adjustment in the monthly tariff due to the impact of change in law. Now pass through will be effective from the month after the change in law event.

These Rules will result in sustained economic viability of the sector, eased financial stress of various stakeholders, timely recovery of costs involved in electricity generation and in creating investment friendly environment in the country.

### 4. Scheme on Flexibility in Generation and Scheduling of Thermal Power Stations to reduce the cost of power to the consumer

<i>Order</i>	<i>Date of Issue</i>
<a href="#"><u>OM No.: 23/21/2018-R&amp;R</u></a> <a href="#"><u>Flexibility in Generation and Scheduling of Thermal Power Stations to reduce cost of power to consumers.</u></a>	<a href="#"><u>30.08.2018</u></a>

Traditionally, the power from a particular generating station/ generating unit of a generating company could be scheduled only to specific beneficiary (State/ Distribution company), as per Power Purchase Agreement (PPA) entered into between generating company and the beneficiary. This necessitated generation and supply of power from a specific generating unit only, even though it is costlier. In order to reduce the overall cost of power generation, resulting in reduced cost of power to consumers, orders have been issued providing flexibility to the Generating Company to supply power from its lowest cost Generating Stations against schedule received for its stations. The gains realized are shared with beneficiaries. This ensures that the most efficient and the least cost Generating Stations are scheduled on priority.

To optimize the resources at national level with national merit order dispatch and to enable realization of benefits of the flexibility provided to Inter-State Generating Stations (ISGS), the Security Constrained Economic Despatch (SCED) pilot scheme was implemented from 01.04.2019. From the start of the SCED pilot in April 2019 up to January 2021, the cumulative savings in generation cost on All-India basis was ₹ 1624 crores. It has resulted in higher capacity utilization of more efficient power plants.

### 5. Guidelines for enabling the Discoms to either continue or exit from the PPA after completion of the term of the PPA

<i>Guidelines/Clarification</i>	<i>Date of Issue</i>
<a href="#"><u>OM No.: 23/23/2020-R&amp;R [254623]</u></a> <a href="#"><u>Enabling the Discoms to either continue or exit from the PPA after completion of the term of the PPA i.e. beyond 25 years or a period specified in the PPA and allow flexibility to the Generators to sell power in any mode after State/Discom exit from PPA</u></a>	<a href="#"><u>22.03.2021</u></a>
<a href="#"><u>OM No.: 23/23/2020-R&amp;R [254623]</u></a> <a href="#"><u>Enabling the Discoms to either continue or exit from the PPA after completion of the term of the PPA i.e. beyond 25 years or a period specified in the PPA and allow flexibility to the Generators to sell power in any mode after State/Discom exit from PPA - <b>Clarification</b> regarding Clause No. 2(VII) of Notification no. 23/23/2020-R&amp;R, GOI, MOP dated:22.03.2021</u></a>	<a href="#"><u>05.07.2021</u></a>

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With the objective of improving financial health of distribution licensees and better utilisation of generation resources in the country, Guidelines were issued in March,2021, giving option to the states to exit from the PPA from Central Generating Stations, on the completion of the period of the PPA.The generators have been allowed to sell this power in market. These guidelines will ease financial burden on Distribution Company by obviating obligation of payment of fixed charges, even without utilising the capacity and will increase availability of power in market, ensuring optimum utilisation of generation capacity. This step is in line with transition towards shorter terms of PPAs and it will usher a new era in development of power market.

## 6. Guidelines for operationalizing optimum utilization of generating stations as per requirement in the Electricity Grid

<i>Guidelines</i>	<i>Date of Issue</i>
<a href="#"><u>OM No.: 23/16/2021-R&amp;R</u></a> <a href="#"><u>Guidelines for operationalizing optimum utilization of generating stations as per requirement in the Electricity Grid</u></a>	<a href="#"><u>08.10.2021</u></a>

Guidelines were issued in October,2021. According to that procurer having Power Purchase Agreement (PPA) with a Generating Station, may intimate to the said station at least 2 hours in advance that it not schedule the power either in full or partly, from the station. The un-requisitioned power from that station may be sold in market. The resulting gains, if any, would be shared with the PPA holder. These guidelines will benefit the PPA holder in that it will reduce the burden of fixed cost, allow him to share the additional gains, if any, and also ensure the utilisation of any idle generating capacity.

## 7. Opening and Maintenance of adequate Letter of Credit (LC) as Payment Security Mechanism (PSM) under Power Purchase Agreement by Distribution Licensees

<i>Order / Corrigendum/ Clarification</i>	<i>Date of Issue</i>
<a href="#"><u>OM No. : 23/22/2019-R&amp;R</u></a> <a href="#"><u>Opening and maintain of adequate Letter of Credit (LC) as Payment Security Mechanism under Power Purchase Agreement by Distribution Licensees</u></a>	<a href="#"><u>28.06.2019</u></a>
<b>Corrigendum</b> <a href="#"><u>Opening and maintain of adequate Letter of Credit (LC) as Payment Security Mechanism issued</u></a>	<a href="#"><u>17.07.2019</u></a>
<a href="#"><u>MOP Order dated 28.06.2019 regarding opening and maintaining of adequate letter of Credit(L.C) as Payment Security Mechanism under Power Purchase Agreements by Distribution Licensees</u></a>	<a href="#"><u>27.03.2020</u></a>
<a href="#"><u>Clarification on Order related to Opening and maintain of adequate Letter of Credit (LC) as Payment Security Mechanism under Power Purchase Agreements by Distribution Licensees</u></a>	<a href="#"><u>23.07.2019</u></a>
<a href="#"><u>Clarification on Order related to Opening and maintain of adequate Letter of Credit (LC) as Payment Security Mechanism under Power Purchase Agreements by Distribution Licensees</u></a>	<a href="#"><u>09.08.2019</u></a>

Power Purchase Agreements provide for opening Letter of Credit (LC) by the Distribution Licensees as payment security mechanism. Despite the provisions in the PPA, such LCs were either not opened or not enforced, leading to huge pile up in un-paid power bills resulting in financial distress in whole power generation-supply chain. Ministry of Power issued orders on 28.06.2019 mandating the DISCOMs to open LCs and directing the Load Despatch Centres (LDCs) to schedule power only corresponding to the quantum of LC opened. The defaulting Distribution Licensee would not have access to the power exchanges or short term markets for purchase of power.

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Amendments were made to improve the effectiveness of the original order by including State Load Despatch Centres in the scope and allowing Distribution Licensees to pay in advance for supply of power, in lieu of opening LCs.

For smooth and effective implementation of these stipulations, a detailed Procedure has also been devised and issued. This provide for monitoring the status of PSM by concerned LDCs.

This mechanism has been successfully implemented from 01.08.19 and has helped in streamlining the payment to the generators from the distribution companies. This measure is expected to bring sustainability in the Power Sector.

## 8. Regulatory Compliance Monitoring

A separate division has been set up in the Ministry for monitoring of compliance of the Act, Rules and Regulations. It was observed that SERCs are not issuing tariff orders and true-up orders on a regular basis resulting in the tariff, not being reflective of the actual costs. This resulted in the Average Revenue Realized (ARR) being lower than the Average Cost of Supply (ACoS). SERCs have been advised time to time for issuing regular tariff orders in compliance to various provisions in the Act and Tariff Policy.

After initiation of the monitoring of tariff and true-up orders by the Ministry, out of 36 States latest tariff orders were issued in 27 States while 5 States have issued tariff orders till last financial year i.e. 2020-21 and only 4 States are lagging behind.

Similar improvement is also seen in issuance of latest true-up orders.

## 9. Ease of Doing Business- Reducing Compliance Burden

Under Ease of Doing Business (EoDB) - Reducing Compliance Burden (RCB), a total of 79 nos. of burdensome compliances have been reduced/ identified to be reduced in various Regulations. rules, regulations, and policies for improving the services to both business and consumers. A major step in simplifying the procedure for application for new electricity connection has been prescribed in the Electricity Consumer Rights Rules,2020. Altogether, action has been taken on 936 nos. of issues identified as burdensome by Industry Associations and others.

## 10. Electricity (Promoting Renewable Energy through Green Energy open Access) Rules, 2022

<i>Rules</i>	<i>Date of Issue</i>
<a href="#"><u>Electricity (Promoting Renewable Energy through Green Energy open Access) Rules, 2022</u></a>	<a href="#"><u>06.06.2022</u></a>

For unshackling the RE Sector, i.e. to remove barriers in availability and utilisation of RE and to address the issues that have hindered the growth of open access for a long time, Green Open Access Rules, 2022 have been issued. The Rules reduces the Open Access limit from 1 MW to 100 kW, which pave the way for small consumers also to purchase RE and there is no limit for Captive Consumers. Any consumer can demand supply of Green power from DISCOMs. It will allow Commercial and Industrial Consumers to purchase RE on voluntarily basis. The Rules will streamline the Open Access approval process including timely approval, transparency, simplification. Approval of open access to be granted in 15 days or else it will be deemed to have been approved.

The special provisions for cross-subsidy surcharge, additional surcharge, standby charge as well as for banking, will incentivise the consumers to get Green Power at reasonable rates. As per these Rules, the tariff for the greenpower will be determined by theAppropriateCommission, separately. For promoting Green Hydrogen/Green Ammonia and Waste to Energy Plants, Special concessions are given in the rules.

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## 11. Directions to CERC Regarding implementation of New Environmental Norms

<i>Direction</i>	<i>Date of Issue</i>
<u><a href="#">OM No. : 23/22/2018-R&amp;R</a></u> <u><a href="#">Mechanism for implementation of new Environmental Norms for Thermal Power Plant (TPP) supplying power to distribution licensees under concluded long term and medium-term Power Purchase Agreement</a></u>	<u><a href="#">30.05.2018</a></u>
<u><a href="#">Clarification-Directions under Section 107 of the Electricity Act 2003 to CERC regarding Mechanism for Implementation of New Environmental Norms for Thermal Power Plant (TPP) supplying power to distribution licensees under concluded long term and medium-term Power Purchase Agreement</a></u>	<u><a href="#">07.12.2018</a></u>
<u><a href="#">Directions under Section 107 of the Electricity Act 2003 to CERC regarding Mechanism for Implementation of New Environmental Norms for Thermal Power Plant (TPP) supplying power to distribution licensees under concluded long term and medium-term Power Purchase Agreement</a></u>	<u><a href="#">30.07.2019</a></u>
<u><a href="#">Directions under Section 107 of the Electricity Act 2003 to CERC regarding Mechanism for Implementation of New Environmental Norms for Thermal Power Plant (TPP) supplying power to distribution licensees under concluded long term and medium-term Power Purchase Agreement</a></u>	<u><a href="#">30.07.2021</a></u>

In order to facilitate implementation of new environmental norms for Coal based generating stations by Ministry of Environment and Climate Change (MoEF & CC) and to ensure recovery of additional cost of implementing these norms by generating stations, in May,2018, direction to CERC was issued to pass through the additional capital and operational cost due to implementation of new environmental norms by MoEF & CC. Subsequent to MoEF & CCs new Environment (Protection) Amendment Rules, 2021 dated 31-03-2021, direction has been issued, in July,2021, to CERC, for conveying the revised timelines for compliance to new emission standards by Thermal Power Plants along with penalty provisions as environment compensation for non-compliance.

Directions have also been issued to CERC under Section 107 of the Electricity Act 2003 that the impact of Operating cost incurred in the implementation of new Environmental Norms shall not be considered for Merit Order Despatch of coal based Thermal power Stations.However, those TPP units which are not complying with new emission norms will be kept in the merit order despatch below the units complying with the norms. Penalty shall be counted in Energy Charge for the purpose of merit Order Despatch.

These steps including rigorous monitoring by the Ministry have been major enablers for implementation of new environmental norms by the generating stations, which is very vital for making power sector environmentally sustainable.

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