“TARIFF FRAMEWORK FOR PROCUREMENT OF POWER BY DISTRIBUTION LICENSEES FROM WIND TURBINE GENERATORS AND OTHER COMMERCIAL ISSUES FOR THE STATE OF GUJARAT”

Order No. 02
30th April, 2020

GUJARAT ELECTRICITY REGULATORY COMMISSION
6th Floor, GIFT ONE,
Road 5C, Zone 5, GIFT CITY,
Gandhinagar-382355,
Gujarat
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<td>ABT</td>
<td>Availability Based Tariff</td>
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<tr>
<td>APPC</td>
<td>Average Power Purchase Cost</td>
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<tr>
<td>CEA</td>
<td>Central Electricity Authority</td>
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<td>CERC</td>
<td>Central Electricity Regulatory Commission</td>
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<td>GEDA</td>
<td>Gujarat Energy Development Agency</td>
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<td>GERC</td>
<td>Gujarat Electricity Regulatory Commission</td>
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<td>GETCO</td>
<td>Gujarat Energy Transmission Corporation limited</td>
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<td>GUJNVL</td>
<td>Gujarat Urja Vikas Nigam Limited</td>
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<td>MNRE</td>
<td>Ministry of New and Renewable Energy</td>
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<td>PPA</td>
<td>Power Purchase Agreement</td>
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<td>REC</td>
<td>Renewable Energy Certificates</td>
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<td>RPO</td>
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<td>RTU</td>
<td>Remote Terminal Unit</td>
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<td>SECI</td>
<td>Solar Energy Corporation of India Limited</td>
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<td>SERC</td>
<td>State Electricity Regulatory Commission</td>
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<td>SLDC</td>
<td>State Load Despatch Centre</td>
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Order No. 02 of 2020

In the matter of:

Tariff framework for procurement of power by distribution licensees and others from Wind Turbine Generators and other commercial issues for the State of Gujarat

Date of Public hearing: 28.02.2020
Date of the Order: 30.04.2020

CORAM

Shri Anand Kumar, Chairman
Shri P. J. Thakkar, Member
1 INTRODUCTION

1.1 Background

In exercise of the powers conferred under Sections 3 (1), 61 (h), 62 (1) (a), and 86 (1) (b) & (e) of the Electricity Act, 2003, National Electricity Policy, 2005, and Tariff Policy, 2016 and all other powers enabling it in this behalf, the Gujarat Electricity Regulatory Commission (GERC or Commission) determines the tariff framework for procurement of power by Distribution Licensees and others from wind power projects to be commissioned prospectively.

The Commission had issued the previous generic Tariff Order on 30th August, 2016, for procurement of power by Distribution Licensees from wind power projects in Gujarat. The Control Period of GERC Wind power Tariff Order 2016 expired on 31st March, 2019. Accordingly, the Commission published a Discussion Paper detailing the proposed tariff framework for the prospective period as well as the intervening period.

The Commission duly considered the various provisions of the following statutory/Policy documents, while preparing the Discussion Paper on the proposed Tariff framework:

(a) Electricity Act, 2003 (EA 2003);
(b) National Electricity Policy (NEP);
(c) Tariff Policy (TP), 2016;
(d) Government of Gujarat Wind Power Policy 2016;
(e) GERC (Procurement of Energy from Renewable Sources) (Second Amendment) Regulations, 2018 [GERC RPO Regulations, 2018].
(f) GERC (Forecasting, Scheduling, Deviation Settlement and Related Matters of Solar and Wind Generation Sources) Regulations, 2019.

The Commission also considered the prevailing Wind Energy Tariffs in other States, the levelized tariff approved by the Commission in 2012 and 2016. Further, the Commission has also considered the competitively discovered tariffs for Wind energy RE projects in Gujarat and other States, while proposing the tariff framework for the prospective period as well as the intervening period, in the Discussion Paper.

Accordingly, the Discussion Paper was published on the Commission’s website www.gercin.org in downloadable format on 28th January, 2020, inviting comments from stakeholders by 25th February 2020. A total of 8 stakeholders responded to the Notice on the Discussion Paper.
The Commission received written objections/suggestions from eight (1 to 8) stakeholders as shown in the Annexure-A. The Commission examined the objections / suggestions received and fixed the date for public hearing on the proposed Tariff framework for Wind energy RE Projects on 28th February, 2020 at the Commission’s Office, Gandhinagar. The public hearing was conducted in the Commission’s Office at Gandhinagar as scheduled on the above date. The stakeholders participated in the public hearing and presented their objections/suggestions.

The main comments and views expressed by the stakeholders through their written submissions and the Commission’s views thereon have been summarized in the following paragraphs. It may be noted that all the suggestions given by the stakeholders have been considered, and the Commission has attempted to elaborate all the suggestions as well as the Commission’s decisions on each suggestion, however, in case any suggestion is not specifically elaborated, it does not mean that the same has not been considered.

Wherever possible, the comments and suggestions have been summarised clause-wise, along with the Commission’s analysis and ruling on the same. However, in some cases, due to overlapping of the issues/comments, two clauses have been combined in order to minimise repetition.
2 COMMENTS AND SUGGESTIONS ON PROPOSED TARIFF FRAMEWORK, AND COMMISSION’S VIEWS

2.1 Clause 1.5: Sanctioned Load

2.1.1 Proposed in Discussion Paper

“The Government of Gujarat notified the ‘Wind Power Policy-2016’ on 02nd August, 2016 for development of wind power projects in the State. Some important provisions of this Policy are listed below:

... 

- The Wind Turbine Generator installed capacity in kW/MW for captive use shall be allowed up to 100% of Contracted Demand/Sanctioned Load of consumer in case of MSME unit(s) and 50% of the Contracted Demand/Sanctioned Load (in kW/kVA/MVA) of other consumers, consuming power from distribution licensees.”

2.1.2 Comments Received

Clean Max submitted that Clause 1.5 of the Discussion Paper provides summary of Government of Gujarat Wind Power Policy 2016, which only partially explains the nuances allowed by Government for Wind projects for captive Use, hence, the entire Clause 5 of the Policy, which allows the following, should be included:

(a) Wind Turbine installed capacity for captive use allowed up to 100% of Contracted Demand/Sanctioned Load of consumer in case of Micro, Small and Medium Enterprises (MSME) unit(s) and 50% of the Contracted Demand/Sanctioned Load for other consumers;

(b) In computing 100% /50% of the sanctioned Load/contracted Demand, earlier installed wind Power Capacity will also be considered, however, if already commissioned, Wind power capacity before introduction of this Policy is more than 100%/ 50% of the sanctioned Load /contracted Demand, then earlier installed plants will be allowed to continue.

(c) However, above limit shall not be applicable to the Captive Consumer (MSME/Non MSME) who establishes single wind turbine up to 2.7 MW.

GFCL submitted that CPPs should be allowed to set up any capacity irrespective of the Contract Demand, in the wake of environmental concerns, mandate of promotion of RE and the GoI target for 175 GW from RE sources.
2.1.3 Analysis and Commission’s Ruling

It is clarified that in the Discussion Paper, the Commission has only summarised some important provisions of ‘Wind Power Policy-2016’, and has not proposed to modify the clause related to Sanctioned Load/Contract Demand for MSME segment or other consumers. Hence, provisions of policy related to Sanctioned Load/Contract Demand for MSME segment or other consumers shall be applicable unless otherwise modified.

2.2 Clause 3.1: Tariff Framework

2.2.1 Proposed in Discussion Paper

“In view of the above, the Commission proposes to determine the tariff for all prospective wind power projects, based on the rates discovered through competitive bidding, and discontinue the practice of determining the generic tariff for Wind power projects.

Further, as stated earlier, the Control Period under the present dispensation expired on 31st March, 2019. The present Discussion Paper outlines the proposed approach and tariff framework for the prospective period. However, projects have continued to be set up during the intervening period, i.e., post 31st March, 2019 and before date of commencement of the dispensation proposed in this Discussion Paper. Hence, in order to ensure regulatory certainty for such projects set up in the intervening period, it is clarified that the Control Period shall be deemed to be extended till the date of effectiveness of the tariff framework proposed in this Discussion Paper.

Further, there could be cases of RE Power Projects below the threshold limit of eligibility for participating in Competitive Bidding. It is proposed that the tariff for such projects shall be considered equal to the latest Tariff discovered through Competitive Bidding by State own DISCOMs for Wind Power Projects and adopted by the Commission.

2.2.2 Comments Received

IWPA submitted that tariff for projects located in Gujarat should be benchmarked against Competitive Bidding undertaken by entities in Gujarat, rather than based on Competitive Bidding undertaken by SECI, as SECI projects have various advantages. For instance, in Gujarat, evacuation facility has to be arranged by the developers. Further, considering the failure of implementation of most UMPPs, SECI Bids may not attract investment. The fall in competitively discovered prices is not related to technology upgradation or reduced production cost and only reflects the price competition.
IWPA submitted that the Commission should clarify that the latest tariff discovered by State-owned DISCOMs at the time of signing PPA, shall be adopted by the Commission.

As regards Generic Tariff for wind power projects below the threshold limit of eligibility for participating in competitive bidding, InWEA submitted that as per MNRE and MoP communication dated 13th April, 2018, the SERCs should determine the Feed-in-Tariff (FIT) for Wind projects less than 25 MW, which are not covered under the competitive bidding guidelines. InWEA also submitted that the Commission should continue with generic/cost-plus tariff determination for all Wind power projects below the threshold limit by ascertaining normative costs and performance parameters for the next Control Period, to provide incentive to the investors. InWEA submitted that economies of scale need to be considered for projects below threshold limit, and small-scale investors should not be treated at par with big Independent Power Producers (IPPs). IWTMA submitted that Tariff for such projects should be 20 paise higher than the last bid tariff of GUVNL, in accordance with the Policy for Development of Small Scale Distributed Solar Projects 2019, dated 6th March, 2019.

As regards the Control Period, TPL submitted that the effectiveness of the new Tariff Period should be from 31st March, 2019, i.e., the date of ending of the previous Order. TPL submitted that TPL and its consumers will end up being burdened if the Control Period of the previous Tariff Order is extended, as there is significant downward trend in tariff of Wind Projects during the intervening period. Therefore, the rate notified by the Commission for the new Control Period should also be applicable for purchase of surplus power by the Distribution Licensee from any wind project under the wheeling agreement for captive consumption/Open Access subsequent to 31st March, 2019 up to the date of effectiveness of the proposed tariff framework.

GUVNL submitted that the proposed framework may be made effective from 13th March, 2018, i.e., the date on which GUVNL filed the Petition for reduction in tariff with respect to the previous Order. GUVNL added that alternatively, the proposed Tariff framework should be applicable from at least 01st April, 2019, as it would be unfair and inequitable to extend the higher tariff for the period after 31st March, 2019. GUVNL submitted that the Commission has stated in the Discussion Paper that power projects set up with the primary objective of captive consumption and incidental sale of surplus power should not be incentivised for sale of surplus power, and therefore the Average Power Purchase Cost (APPC) should not be considered for such purchase, when the competitive bid price is lower than APPC. Having come to the above conclusion, APPC/85% of APPC cannot be considered for the period after 31st March, 2019, as it is much higher than the competitive bid rate as well as substantially higher than the rate of Rs. 1.75/kWh proposed by the Commission for the future period.
2.2.3 Analysis and Commission’s Ruling

The Commission has mandated that Distribution Licensees shall procure RE power from Wind Energy projects through competitive bidding, in order to discover the most competitive price. The contention that the fall in competitively discovered prices only reflects the price competition and is not related to technology upgradation or reduced production cost, is not really relevant. The very objective of competition is to discover the most competitive price, and if investors are able to set up projects at lower cost and hence, bid lower tariffs, it is beneficial to the end consumer.

As regards Generic Tariff for wind power projects below the threshold limit of eligibility for participating in competitive bidding, the Commission is of the view that the threshold limit is 25 MW, so projects today can be set up from 1.5 MW – 2 MW to 25 MW. The Commission does not find merit in determining the tariff for such a range of projects, for which, the benchmark capital cost, benchmark financing cost, benchmark O&M cost, etc., will have to be first determined. Hence, in order to reduce the cost of regulation and to give ample clarity to investors investing in such projects, the Commission has taken a conscious decision to consider the same equal to the latest Tariff discovered through Competitive Bidding by State owned DISCOMs for Wind Power Projects and adopted by the Commission. Thus, it is clear that the ‘latest’ price discovered through competitive bidding shall be considered, and no further clarification is necessary.

As regards the contentions of TPL and GUVNL that the tariff approved in this Order should also be made applicable for projects set up in the intervening period, the Commission has stated in its Order dated 18.12.2019 in Petition No. 1725 of 2018, that the Commission will take an appropriate view in the matter at the time of revising the relevant Regulations and Orders to decide about the monetary compensation if any in such cases. Accordingly, the Commission published the Discussion Paper and invited comments, and has finalised its Order after considering the comments received. However, it is not appropriate to make any dispensation effective retrospectively. Projects set up in the intervening period cannot be subjected to a dispensation that has been decided after a public process at a later date.

Hence, as stated in Commission’s past directions/Orders and stand taken with regard to necessity of pre-publication of draft Regulation/Order and public consultation prior to making any amendment in the existing Regulations/Orders, the contentions raised by GUVNL and TPL are not acceptable and other terms of the existing Orders shall be deemed to be extended till the date of issuance of this Order.
In view of the above, the Commission retains the approach for tariff determination as proposed in the Discussion Paper with minor modification and to provide more clarity following para,

“It is proposed that the tariff for such projects shall be considered equal to the latest Tariff discovered through Competitive Bidding by State own DISCOMs for Wind Power Projects and adopted by the Commission."

is replaced by

“It is proposed that the tariff for such projects shall be considered equal to weighted average of the latest Tariff discovered through Competitive Bidding by State owned DISCOMs for Wind Power Projects and adopted by the Commission.”

### 2.3 Clause 3.2(a) Control Period

#### 2.3.1 Proposed in Discussion Paper

“a. Control Period

*The Commission proposes that the new control period of the tariff framework under this discussion paper shall be effective from the date of final order till further Order in this regard.*

#### 2.3.2 Comments Received

Clean Max submitted that the Control Period should be defined as 3 years effective from the date of issuance of the Order, similar to the pre-defined Control Period of 3 years stipulated in the previous Order. Clean Max submitted that having a pre-defined Control Period helps in planning projects, which have gestation period of 8 to 12 months.

InWEA also submitted that specific Control Period should be defined, as an open-ended Control Period will create uncertainty for investors and will affect investments.

#### 2.3.3 Analysis and Commission’s Ruling

The Commission accepts that there are certain merits in stipulating a pre-defined Control Period. However, given the fast moving nature of developments in this sector, the Commission is of the view that it would be appropriate to have pre-defined control period up to 31st March, 2022. Hence, the Commission has modified the Clause as under:

“a. Control Period

*The Commission has decided that the new control period of the tariff framework under this Order shall be effective from the date of this Order to 31st March, 2022.*
2.4 Clause 3.2(b): Project Life

2.4.1 Proposed in Discussion Paper

“(b) Useful life of Plant

The Commission proposes to continue to consider useful life of 25 years for the wind power projects to be commissioned during the new control period starting from date of this order.”

2.4.2 Comments Received

Clean Max submitted that projects developed in the Control Period should be extended the benefits such as 50% exemption of Cross Subsidy Surcharge (CSS) and Additional Surcharge, 100% exemption from Electricity Duty, etc., for 25 years.

2.4.3 Analysis and Commission’s Ruling

It is clarified that all the stated benefits for projects to be set up during the Control Period of this Tariff determination framework, shall be available to such projects for the entire useful life of 25 years of such projects. This is clear from Clause 3.2 (c): Tariff Period, which stipulates that “The tariff period for the tariff proposed by the Commission for procurement of Wind power projects by the distribution licensees in the State will be 25 years.”

2.5 Clause 3.2 (d): Eligibility

2.5.1 Proposed in Discussion Paper

“(d) Eligibility Criteria

The Wind power projects using new wind turbine generators installed and commissioned during the new control period as proposed in this discussion paper will be eligible to sell power to distribution licensees of Gujarat at the tariff proposed by the Commission.”

2.5.2 Comments Received

TPL submitted that the draft framework should also apply to Wind projects wherein any alteration is sought in the Wheeling Agreement in terms of change in location for full or part of the Open Access (OA) capacity during the Control Period of the draft framework.

2.5.3 Analysis and Commission’s Ruling

The Commission does not find merit in the submission that the Tariff framework for future Wind projects should also be made applicable to existing Wind projects, if any alteration is sought in the Wheeling Agreement. The Tariff framework proposed in the Discussion Paper is clearly only for future projects to be set up based on the framework. As far as any alteration
in the Wheeling Agreement in terms of location of OA capacity is concerned, it shall be
governed by the relevant Regulations / Orders of the Commission.

To provide more clarity it is modified as under;

“(d) Eligibility Criteria

The Wind power projects using new wind turbine generators installed and commissioned for
which PPAs would be signed during the new control period will be eligible to sell power to
distribution licensees of Gujarat at the tariff approved/adopted by the Commission under this
Tariff framework.”

2.6 Clause 3.2 (g): Metering Point

2.6.1 Proposed in Discussion Paper

“(g) Metering point, grid connectivity and evacuation arrangement

The metering point will be at the pooling sub-station at 66KV level and above located at wind
farm site, whereas the interface point for the grid connectivity will be the nearest GETCO
sub-station.”

2.6.2 Comments Received

GETCO submitted that the losses of the dedicated line should not be considered in pooled
losses as it will impact the consumers at large, who are not beneficiaries of the above project.
Hence, in line with the Competitive Bids published by GUVNL for wind and solar projects,
GETCO proposed that the metering point and point of interconnection should be mentioned
as GETCO substation only, to avoid any ambiguity.

2.6.3 Analysis and Commission’s Ruling

The Commission has proposed the Metering Point in accordance with the Gujarat Wind
Power Policy – 2016. However, there is scope for ambiguity, as the Competitive Bids
published by GUVNL specify the metering point and point of interconnection as GETCO
substation. The Commission finds merit in the suggestion that the metering point and
interconnection point should be the same, and all losses before the interconnection point with
the grid have to be borne by the Wind Developer. However, it is to clarify that if any new
WTG commission and connect with existing Wind Farm pooling sub-station, the Metering
point shall be considered at the pooling sub-station as per prevailing practice.

The Commission has modified the Clause as under:

“(g) Metering point, grid connectivity and evacuation arrangement
2.7 Clause 3.3: Transmission and Wheeling Charges

2.7.1 Proposed in Discussion Paper

“The “Gujarat Wind Power Policy- 2016” has stipulated the following norms:

For Captive Consumption:

... 

It is proposed to retain the above-stipulated Transmission Charges, Wheeling Charges, and Losses as stipulated in the “Wind Power Policy- 2016” shall be applicable for all prospective wind power projects.”

2.7.2 Comments Received

TPL submitted that the Wind Project opting for captive use should be treated at par with other OA consumers by levying Wheeling Charges and Transmission Charges, which includes charges in cash and kind, as determined by the Commission, rather than levying 50% Wheeling Charges and 50% Distribution Losses, as proposed in the Discussion Paper. Setting up a Wind Project is a commercial proposition for the Developer, and therefore, it should be treated on commercial principles and at par with other OA consumers, else the burden of giving financial benefit to such projects has to be borne by other retail consumers by paying higher retail tariff and also amounts to discrimination with other OA consumers.

TPL added that for ease of billing and settlement, approved Transmission Loss and approved Distribution Loss should be considered for the year.

2.7.3 Analysis and Commission’s Ruling

As stated in the Discussion Paper, the Commission has proposed differential treatment for the Captive Wind Projects in accordance with the “Gujarat Wind Power Policy – 2016”. The Commission is of the view that Captive Wind Projects are entitled to such differential treatment. The EA 2003 also gives certain concessions to Captive Projects, and similar concessions have been given in the “Gujarat Wind Power Policy – 2016”, which have been adopted by the Commission. Hence, no modification has been made to this Clause.

2.8 Clause 3.3(d): Settlement of Sale

2.8.1 Proposed in Discussion Paper

“For third party sale:
d) Wheeling of power for third party from Wind Power Project shall be allowed on payment of Transmission Charges, Wheeling Charges and Losses of energy fed to the grid, as applicable to normal Open Access consumers. Set off of wheeled energy at recipient unit(s) shall be carried out in the same 15-minute time block.”

2.8.2 Comments Received
Clean Max submitted that monthly settlement should be allowed for third party sale projects where the renewable attribute is not being claimed by the Consumer. DISCOMs have huge RPO deficit, and when consumer is not claiming the renewable attribute, the same accrues to the DISCOMs to meet their RPO requirements.

2.8.3 Analysis and Commission’s Ruling
As stated in the Discussion Paper, the Commission has proposed set-off of wheeled energy at recipient unit(s) in the same 15-minute time block, in accordance with the “Gujarat Wind Power Policy – 2016”. The Tariff framework is applicable for Wind Projects set up in the State of Gujarat under this Framework. The situation of third-party sale consumer not claiming the renewable attribute is not covered under the proposed Tariff Framework, and is akin to a normal third-party sale transaction. Such transaction would be governed by the applicable GERC Open Access Regulations. Hence, no modification has been made to this Clause.

2.9 Clause 3.4: State Energy Metering

2.9.1 Proposed in Discussion Paper
“The “Gujarat Wind Power Policy-2016” stipulates as under:

“The metering point shall be at the 66/132/220 kV pooling sub-station located at the Wind farm site and interconnection point shall be at the point of connection at the nearest GETCO sub-station.

For the purpose of energy accounting, the ABT compliant meter shall be installed at the metering point, as per GERC Order. Interface metering shall conform to the Central Electricity Authority (Installation and Operation of Meters) Regulations, 2014 and amendment thereto. GETCO shall stipulate specifications in this regard. The electricity generated from the WTGs shall be metered and readings taken jointly by Wind Power Project Developer with GEDA and GETCO at the metering point on a monthly basis.

Further, for the purpose of accounting, each WTG shall have to provide ABT compliant meters.”
It is proposed to adopt the above Policy for metering for all prospective wind power projects.”

2.9.2 Comments Received
TPL submitted that the existing provisions related to energy metering should be continued, as approved by the Commission in its Order No. 2 of 2016 dated 30th August, 2016, wherein the Commission has stipulated that meter readings are to be taken jointly by the Wind project developer with GEDA and GETCO at the metering point. The Commission had also stipulated that Wind project developers are required to install ABT compliant meters at the pooling substation and install Remote Terminal Unit (RTU) for transferring the real time data to SLDC for monitoring purposes.

2.9.3 Analysis and Commission’s Ruling
The dispensation proposed in the Discussion Paper is on the same lines as that stipulated in the Commission’s Order No. 2 of 2016 dated 30th August, 2016. Hence, no modification has been made to this Clause, except for the change made in Clause 3.2 (g) above, wherein the metering point as well as the interface point for grid connectivity shall be the nearest GETCO sub-station.

2.10 Clause 3.5: Pricing of Reactive Power
2.10.1 Proposed in Discussion Paper
“The Pricing of Reactive Power for all prospective wind power projects shall be same as decided by the Commission in the GETCO Order from time to time.”

2.10.2 Comments Received
GETCO submitted that the requirement of reactive compensation at Wind farm/GETCO end will have to be provided by the Wind Project developer at their own cost for maintaining grid stability. Need for reactive compensation is increased with the increase in Renewable Energy (RE) integration.

InWEA submitted that pricing of reactive energy should be on net basis, i.e., reactive energy import minus reactive energy export. Further, for Wind Projects under sale to third-party OA, reactive energy charges should be added to the monthly bill of the third-party purchaser and not the generator. InWEA submitted that reactive energy drawal should be distinguished between lagging and leading power factors (PF), as reactive energy drawal at time of leading PF of the grid would actually help bring grid PF closer to unity (1) and thus, help in reducing reactive energy losses leading to increase in grid efficiency. InWEA added that RERC allows pricing of reactive energy on net basis, while MERC provides that in case of third-party sale, the reactive energy charges are added to the monthly bill of the third-party purchaser.
2.10.3 Analysis and Commission’s Ruling

In the Discussion Paper, the Commission retained the present approach of deciding the applicable Reactive Energy Charges for Wind projects in the GETCO Tariff Order. If the Wind project developer provide for the necessary reactive compensation as proposed by GETCO, then there would be no need for any further compensation payable for the same to GETCO. The Wind project developers are free to install the necessary reactive compensation. However, in case such reactive compensation is not installed by the Wind projects, then the reactive energy compensation payable to GETCO shall be as determined in the GETCO Tariff Order, as stated in the Discussion Paper.

As regards the suggestion that pricing of reactive energy should be on net basis, the Commission is of the view that as only the lagging PF is factored into the mechanism of pricing Reactive power in the State, it would not be appropriate to factor in the leading PF for such computations for Wind projects.

Hence, no modification has been made to this Clause.

2.11 Clause 3.6: Sharing of Clean Development Mechanism (CDM) Benefits

2.11.1 Proposed in Discussion Paper

“In case of CDM benefits, the “Gujarat Wind Power Policy-2016” states that;

1. In case Discom purchases power on Feed-in-Tariff, Clean Development Mechanism (CDM) benefits shall be shared on net proceeds, starting from 100% to power producer in the first year after commissioning, and thereafter reducing by 10% every year till the sharing becomes equal (50:50) between the power producer and the power procurer, in the sixth year. Thereafter, the sharing of CDM benefits shall remain equal till the time that benefit accrues.

2. In case of purchase of power by Discom through competitive bidding, the same shall be as per terms and conditions of bid documents.

The above approach is proposed to be adopted for all prospective wind power projects.”

2.11.2 Comments Received

InWEA submitted that the Commission should clarify that CDM benefit shall be applicable only after sale proceeds from CERs are received by project developer and not from the date of commissioning. Possibility of earning CDM benefits starts with registration of the project, which is not linked with the commissioning of the project. As per CDM rulebook, CDM benefits
are accrued to the CDM developers from the date of CDM registration and not from the commissioning of such projects. Further, the sharing of CDM benefits should be considered only after considering transaction cost and risk borne by the CDM project developer.

2.11.3 Analysis and Commission’s Ruling
As stated in the Discussion Paper, the Commission has proposed the sharing of CDM Benefits in accordance with the “Gujarat Wind Power Policy – 2016. The Policy clearly states that the net proceeds shall be shared, thereby addressing the issue of transaction cost and risk borne by the Project developer. The Commission clarifies that the Developer’s share shall reduce from 100% in the first year after commissioning to 50% in the sixth year after commissioning. In case the CDM benefit starts from the 3rd year after commissioning, then the corresponding percentage share, i.e., 80% shall be retained by the Developer, with its share reducing to 50% by the sixth year. It is in the Developer’s interest to obtain the CDM Benefits at the earliest, in order to retain the maximum share of the same. Hence, no modification has been made to this Clause.

2.12 Clause 3.7: Banking of Surplus Wind Energy

2.12.1 Proposed in Discussion Paper
“Since, Wind Power generation is intermittent in nature, as a promotional measure, the Commission in its existing Wind Tariff Order decided to continue the practice of settlement of excess generation after set off during one billing cycle in case of captive wind power projects in the State... For promotional measure, the Commission stated that the captive WEGs not registered under REC are eligible for one-month banking for the electricity generated during the same calendar month.

… the generators are eligible to utilize the same during the billing cycle (1 month) in proportion to the energy generated during peak and normal hours. The Commission further stated that the banking facility shall not be available for third-party sale of wind energy and set off will be done in the 15-minute time block with Open Access consumers’ consumption.

The above approach is proposed for all prospective wind power projects.”

2.12.2 Comments Received
TPL suggested that the banking facility should be completely done away with, and settlement should be done in 15-minutes time block basis at par with other OA consumers. Significant time has elapsed since the introduction of generic tariff order framework for promotion of wind energy. Further, banking of energy even for limited period has financial implication on the Distribution Licensee.
GUVRN submitted that the banking facility should be discontinued even for non-REC based captive wind power projects who have set up capacity equivalent to more than 50% of sanctioned load, to protect the interest of consumers. Further, Banking Charges should be enhanced from the present 2% in kind to 5% in kind, since, banking of energy has financial impact on Utility and also since, cost of wind generation has reduced significantly. Considering the fact that the intra-State ABT and DSM mechanism have been adopted in the State, banking of energy even for limited period has financial impact on Utility.

InWEA submitted that yearly banking facility or six-monthly banking facilities should be provided for captive as well as third-party consumers, as limiting the banking facility for captive users will affect the third-party/OA nature of wheeling transactions, which is against the idea of promotion of RE. Other States allow banking for third-party consumers. InWEA added that in the last Wind Tariff Order, Banking Charges of 2% were imposed only on the banked energy and not on the total generation. Similar clarity is required for the new framework.

2.12.3 Analysis and Commission’s Ruling
The Commission has not proposed any change in the existing Banking facility in the Discussion Paper. However, the Banking Charges have been removed. The Commission is of the view that the same are appropriate and provide sufficient encouragement for RE sources. Hence, no modification has been made to this Clause.

2.13 Clause 3.8: Purchase of Surplus power from Wind Projects

2.13.1 Proposed in Discussion Paper

“The Commission is of the view that these Projects are set up with the primary objective of captive consumption, and any sale of surplus power is incidental, and on account of being unable to absorb the entire generation through captive consumption. Further, there is a need to rationalise the charges for procurement of surplus power from those consumers who are setting up the captive wind power projects, with the intention of selling the surplus power to the Distribution Licensees, who will not be able to plan their Non-Solar RPO based on such uncertain and infirm source of wind power. Hence, the rate for purchase of such surplus power by the Distribution Licensee has to be reasonable, yet not so high so as to incentivise sale of surplus power. Further, the tariffs discovered through competitive bidding are lower than the Average Power Purchase Cost (APPC), hence, it would be inappropriate to link the rate for purchase of surplus power to APPC.

In view of all the above, and in order to provide the same dispensation to Wind and Solar power projects in this regard, it is decided that in case of wind power projects availing Open
Access for captive use/third party sale but not opting for Renewable Energy Certificates (REC), the surplus power after set off will be purchased by the concerned Distribution Licensee at the rate of Rs. 1.75 per kWh."

2.13.2 Comments Received
IWTMA and Clean Max submitted that the rationale behind the rate of Rs. 1.75 per kWh for purchase of surplus power is required. Clean Max and IWPA suggested that the tariff discovered under the latest competitive bid may be considered as rate for purchase of surplus power, and the rate thus determined should be applicable for the life of the project.

InWEA and IWPA submitted that excess generation should be sold at the tariff rate determined by the Commission till the Distribution Licensee fulfils the RPO targets. The proposed mechanism for sale of surplus power to the Distribution Licensee will lead to partial recovery of cost of generation and will make such transactions uneconomical.

2.13.3 Analysis and Commission’s Ruling
The Commission has clearly explained the rationale for the rate of Rs. 1.75/kWh for purchase of surplus power generated by the Wind projects, i.e., the rate for purchase of such surplus power by the Distribution Licensee has to be reasonable, yet not so high so as to incentivise sale of surplus power. These Projects are set up with the primary objective of captive consumption or third-party sale, and any sale of surplus power is incidental, and on account of being unable to absorb the entire generation through captive/third-party consumption. As the rate is stipulated, it shall remain constant for the life of the project. Hence, no modification has been made to this Clause.


2.14.1 Proposed in Discussion Paper
“Third party sale and captive use of wind energy will be eligible for availing RECs as per CERC REC Regulations and subsequent amendments.

In case of wind power projects availing Open Access for captive use/third party sale and opting for Renewable Energy Certificates (REC), the surplus power after set off will be purchased by the concerned Distribution Licensee at the rate of the Rs. 1.50 per kWh.”

2.14.2 Comments Received
IWTMA submitted that the rationale behind the rate of Rs. 1.75 per kWh for purchase of surplus power is required.
IWPA suggested that the tariff discovered under the latest competitive bid may be considered as rate for purchase of surplus power. Further, as per Gujarat Wind Power Policy - 2016, the surplus power was supposed to be purchased at 85% of the APPC of the year of commissioning of the project.

### 2.14.3 Analysis and Commission’s Ruling

The Commission has clearly explained the rationale for the rate of Rs. 1.75/kWh for purchase of surplus power generated by the Wind projects. The projects registered under Renewable Energy Certificate (REC) mechanism are entitled to additional benefits under the REC mechanism. Hence, surplus power from such projects shall be purchased at 85% of the above rate of Rs. 1.75/kWh, which works out to Rs. 1.50/kWh. Hence, no modification has been made to this Clause.

### 2.15 Clause 3.10: Security Deposit

#### 2.15.1 Proposed in Discussion Paper

“The security deposit is furnished by the project developer in order to assure GETCO about the seriousness of the project. The Commission in the Wind Tariff Order dated 30th August, 2016 retained the provision regarding furnishing of Bank Guarantee of Rs 5 Lakh/MW by the project developers to GETCO.

In the “Gujarat Wind Power Policy-2016“ also, it is stipulated that

“…The developer shall commission Wind farms of at least 10% of the allotted capacity within one month of charging of evacuation line, failing which, the developer shall be liable to pay long term Transmission Charges for 10% of allotted capacity till such 10% of allotted capacity is commissioned.”

### Table 3-1: Capacity and Commissioning Period for the Wind Projects

<table>
<thead>
<tr>
<th>Wind Farm Capacity in MW</th>
<th>Period for commissioning of the entire allotted Pooling Sub Station capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 MW to 100 MW</td>
<td>1.5 years from the date of allotment of transmission capacity</td>
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<td>401 MW to 600 MW</td>
<td>3.5 years from the date of allotment of transmission capacity</td>
</tr>
</tbody>
</table>

The above approach is proposed to be adopted for all prospective wind power projects.”
2.15.2 Comments Received
IWPA submitted that GETCO may issue extension on case to case basis to the Developers if they fail to commission the Windfarm Sub-station and Transmission Line within the stipulated time period due to unforeseen reasons. IWPA requested the Commission to clarify on the scope for extension.

GETCO submitted that the Wind project developer submits irrevocable, revolving Letter of Credit (LC) of 10% of the quantum approved by GETCO along with the Security Deposit Bank Guarantee (BG) so that the recovery of the charges is ensured for GETCO throughout the Period. The subsequent clause "the developer shall commission wind farm of at least 10% of allotted capacity within one month from charging of evacuation line..." does not become applicable to such developers and therefore, once BG is encashed there is no recourse to GETCO and the bay remains blocked. The period for commissioning of entire allotted pooling substation capacity mentioned at Table 3-1 is contradictory to the above clause of 10% commissioning of allotted capacity within one-month period or payment of equivalent charges. Therefore, Table 3-1 may be modified to stipulate "the period for commissioning the entire evacuation line along with bays and metering system".

2.15.3 Analysis and Commission’s Ruling
It is clarified that GETCO may issue extension on case to case basis to the Developers if they fail to commission the Windfarm Sub-station and Transmission Line within the stipulated time period due to unforeseen reasons.

It is further clarified that there is no contradiction in the period of commissioning mentioned at Table 3-1, which relates to commissioning of entire allotted pooling substation capacity, and the clause related to commissioning of wind farm of at least 10% of allotted capacity within one month from charging of evacuation line. However, for ample clarity, the Table 3-1 has been modified to stipulate "the period for commissioning the entire evacuation line along with bays and metering system".

2.16 Clause 3.11.1: Concessional Benefits and Exemptions
2.16.1 Proposed in Discussion Paper
“The “Gujarat Wind Power Policy-2016” stipulates that

“Electricity generated and utilised for self-consumption/sale to third party within the State, shall be exempted from the payment of Electricity Duty in accordance with the provisions of the Gujarat Electricity Duty Act, 1958 and its amendments from time to time.”
Exemption from demand cut to the extent of 50% of installed capacity of wind power project in case of captive consumption and third-party sale within the State”.

The above benefits and exemptions provided by the State Government shall be applicable for the prospective period.”

2.16.2 Comments Received
GUVNL submitted that the concessions related to CSS, Additional Surcharge, Wheeling Charges and Wheeling Losses for wheeling of wind power should not be extended. GUVNL submitted that it is not logical and justified to provide any concessions on these charges as on one hand such commercial/industrial consumers will get benefit of cheaper power as compared to grid power and will also get additional benefits by not fully contributing towards CSS, Additional Surcharge, Wheeling Charges and Wheeling Losses. The net implication would be that tariff of other low paying capacity consumers will get increased.

InWEA submitted that exemption of Electricity Duty should be mentioned in the Wind Tariff Order for clarity.

2.16.3 Analysis and Commission’s Ruling
As stated in the Discussion Paper and submission of GUVNL the commission is of the view that the payment of electricity duty on electricity generated and utilised for self-consumption/sale to third party within the State is prerogative of the State Government. Hence, the Commission has modified the Clause as under;

“3.11.1 Concessional Benefit and Exemptions
Payment of electricity duty on electricity generated and utilised for self-consumption/sale to third party within the State, shall be governed in accordance with the provisions of the Gujarat Electricity Duty Act, 1958 and its amendments from time to time.”

2.17 Additional Point: Contract Demand Reduction
2.17.1 Comments Received
InWEA submitted that the Commission should clarify that there is no condition for reduction of Contract Demand for captive as well as third-party sale of wind power.

2.17.2 Analysis and Commission’s Ruling
It is clarified that the conditions related to reduction of Contract Demand are governed by the GERC Open Access Regulations. Hence, no specific Clause is required to be added.
2.18 Additional Point: Relocation of % WTG Capacity

2.18.1 Comments Received
TPL submitted that some captive consumers are seeking reallocation of % of Wind generation capacity between services belonging to two different Distribution Licensees or belonging to same Distribution Licensee. TPL requested the Commission to clarify that the commercial settlement of all such cases shall be carried out in line with the provisions of the then prevailing Wind Tariff framework.

2.18.2 Analysis and Commission’s Ruling
It is obvious that the prevailing Wind Tariff framework shall be applicable for commercial settlement in cases where the captive capacities are being reallocated. Hence, no specific Clause is required to be added.

2.19 Additional Point: Hybrid Project

2.19.1 Comments Received
Clean Max submitted that it is in advanced stage of developing first of its kind Wind Solar Hybrid Project in the State of Gujarat under the Wind Solar Hybrid Policy 2018. Clean Max requested the Commission to allow Hybrid Projects to operate under the same Tariff Framework provided in the Discussion Paper, and to expedite the issuance of Discussion Paper and Final Tariff Order for Hybrid Projects.

2.19.2 Analysis and Commission’s Ruling
The Tariff Framework for Hybrid Projects is a separate subject, and shall be taken up by the Commission separately.
3 TARIFF FRAMEWORK, GENERAL PRINCIPLES AND OTHER COMMERCIAL ISSUES

Having considered all the comments from the stakeholders, the Commission hereby issues the final Tariff Framework for Wind projects for the prospective period as under:

3.1 Tariff Framework

The tariff for all prospective Wind Power Projects shall be determined based on the rates discovered through competitive bidding.

The tariff for Wind Power Projects below the threshold limit of eligibility for participating in Competitive Bidding shall be considered equal to weighted average of the latest Tariff discovered through Competitive Bidding by State owned DISCOMs for Wind Power Projects and adopted by the Commission.

3.2 General Principles

a. Control Period

The new Control Period for the Tariff Framework approved in this Order shall be effective from the date of this Order to 31st March, 2022.

b. Useful life of Plant

The Useful Life for the Wind Power Projects to be commissioned during the new Control Period shall be considered as 25 years.

c. Tariff Period

The Tariff Period for procurement of power from Wind Power Projects by the Distribution Licenses in the State under this Tariff Framework shall be 25 years.

d. Eligibility Criteria

The Wind Power Projects using new wind turbine generators installed and commissioned for which PPAs would be signed during the new Control Period will be eligible to sell power to Distribution Licensees of Gujarat at the tariff approved/adopted by the Commission under this Tariff Framework.

e. Forecasting and Scheduling of Wind Power

The Wind Power Projects shall follow the provisions specified under the GERC (Forecasting, Scheduling, Deviation Settlement and Related Matters of Solar and Wind Generation...
Sources) Regulations, 2019 notified on 19th January, 2019 and its amendments issued from time to time.

f. Applicability of Merit Order Dispatch Principle

The Wind power plants, irrespective of plant capacity, shall be considered as ‘MUST RUN’ power plants and shall not be subjected to ‘Merit Order Despatch’ principles.

g. Metering point, grid connectivity and evacuation arrangement

The metering point and the interface point for grid connectivity shall be the nearest GETCO sub-station.

3.3 Transmission and Wheeling Charges

For Captive Consumption:

a) **Wheeling of power to consumption site at 66 kV voltage level and above:** The wheeling of electricity generated from the Wind Energy Generators to the desired location(s) within the State, shall be allowed on payment of Transmission Charges and Transmission Losses applicable to normal Open Access consumer.

b) **Wheeling of power to consumption site below 66 kV voltage level:** In case injection is at 66 kV or above and drawal is at 11 kV, wheeling of electricity generated from Wind Power Projects to the desired location(s) within the State shall be allowed on payment of Transmission Charges and Transmission Losses applicable to normal Open Access consumers and 50% of Wheeling Charges and 50% of Distribution Losses of the energy fed into the grid as applicable to normal Open Access consumers.

c) **Wheeling to more than one location:** Wind Power Project owners, who desire to wheel electricity to more than one location, shall pay 5 paise per unit on energy fed in to the grid to the Distribution licensee concerned in whose area power is consumed, in addition to above mentioned Transmission/Wheeling Charges and Losses, as applicable.

For Third-Party Sale:

a) Wheeling of power for third party from Wind Power Project shall be allowed on payment of Transmission Charges, Wheeling Charges and Losses of energy fed to the grid, as applicable to normal Open Access consumers. Set off of wheeled energy at recipient unit(s) shall be carried out in the same 15-minute time block.

b) Further, Wind Energy Generators, who desire to wheel electricity to more than one location, shall pay 5 paise per unit on energy fed in to the grid to the Distribution licensee
concerned in whose area power is consumed, in addition to above mentioned Transmission/Wheeling Charges and Losses, as applicable.

c) Concession of 50% on Cross Subsidy Surcharge and Additional Surcharge, as applicable to normal Open Access consumers, shall be given.

### 3.4 State Energy Metering

The metering point and interconnection point shall be at the point of connection at the nearest GETCO sub-station.

For the purpose of energy accounting, the ABT compliant meter shall be installed at the metering point. Interface metering shall conform to the Central Electricity Authority (Installation and Operation of Meters) Regulations, 2014 and amendment thereto, as stipulated by GETCO. The electricity generated from the WTGs shall be metered and readings taken jointly by Wind Project Developer with GEDA and GETCO at the metering point on a monthly basis. The project developers shall also have to install Remote Terminal Unit (RTU) for transferring the real time data to SLDC for its monitoring purpose.

Further, for the purpose of accounting, each WTG shall have to provide ABT compliant meters.

### 3.5 Pricing of Reactive Power

The Pricing of Reactive Power for all prospective wind power projects shall be same as decided by the Commission in the GETCO Tariff Order from time to time.

### 3.6 Sharing of Clean Development Mechanism (CDM) Benefits

In case DISCOM purchases power as per tariff framework approved in this Order, Clean Development Mechanism (CDM) benefits shall be shared on net proceeds, starting from 100% to power producer in the first year after commissioning, and thereafter reducing by 10% every year till the sharing becomes equal (50:50) between the power producer and the power procurer, in the sixth year. Thereafter, the sharing of CDM benefits shall remain equal till the time that benefit accrues.

### 3.7 Banking of Surplus Wind Energy

The Commission decides to continue the practice of settlement of excess generation after set off during one billing cycle in case of captive Wind Power Projects in the State. Captive WEGs not registered under REC are eligible for one-month banking for the electricity
generated during the same calendar month. Settlement shall be on the basis of peak and normal hours. Generators are eligible to utilize the same during the billing cycle (1 month) in proportion to the energy generated during peak and normal hours.

Banking facility shall not be available for third-party sale of wind energy and set off will be done in the 15-minute time block with Open Access consumers’ consumption.

3.8 Purchase of Surplus Power from Wind Power Projects opting for Captive use and Third-Party Sale under Open Access

In case of Wind Power Projects availing Open Access for captive use/third-party sale but not opting for Renewable Energy Certificates (REC), the surplus power after set off will be purchased by the concerned Distribution Licensee at the rate of Rs. 1.75 per kWh.

3.9 Renewable Energy Certificates for Third-Party Sale and Captive Use of Wind Energy

Wind Power Projects availing Open Access for third-party sale and captive use of wind energy will be eligible for availing RECs as per CERC REC Regulations and subsequent amendments.

In case of Wind Power Projects availing Open Access for captive use/third-party sale and opting for REC, the surplus power after set off will accordingly be purchased by the concerned Distribution Licensee at Rs. 1.50 per kWh.

3.10 Security Deposit

In order to assure GETCO about seriousness of project developer towards commissioning of the wind projects, the Wind Project Developers have to furnish a Bank Guarantee of Rs 5 Lakh/MW to GETCO based on allotment of transmission capacity, and in case the Wind Project Developer fails to commission the entire evacuation line along with bays and metering system, within the time period mentioned hereunder, GETCO shall encash the Bank Guarantee.

<table>
<thead>
<tr>
<th>Wind Farm Capacity in MW</th>
<th>Period for commissioning the entire evacuation line along with bays and metering system</th>
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</table>

Provided that GETCO may issue extension on case to case basis to the Developers if they fail to commission the entire evacuation line along with bays and metering system within the stipulated time period due to unforeseen reasons.

The Wind Project Developer shall commission the Wind farms of at least 10% of the allotted capacity within one month of charging of evacuation line, failing which, the Developer shall be liable to pay long-term Transmission Charges for 10% of allotted capacity till such 10% of allotted capacity is commissioned.

### 3.11 Energy Accounting

The following methodology shall be adopted for the Control Period:

i. Case 1: If consumer does not take renewable attribute of wind energy for meeting its RPO, energy generated by wind power project shall be set off against the consumption during the consumers billing cycle.
   (a) The net import of power, Distribution licensee will charge applicable tariff for the respective category and other charges as applicable to other consumers.
   (b) Surplus power, after giving set off, shall be purchased by DISCOM at Rs. 1.75 per kWh.
   (c) The entire generation will be considered for fulfilling the RPO of DISCOM.

ii. Case 2 (a); If consumer take renewable attribute of wind energy for meeting its RPO, then energy accounting shall be based on 15 min time block basis.
   (a) The net import of power, Distribution licensee will charge applicable tariff for the respective category and other charges as applicable to other consumers.
   (b) Surplus power, after giving set off, shall be purchased by DISCOM at Rs. 1.75 per kWh.
   (c) The surplus wind energy purchased shall be considered for fulfilling the RPO of DISCOM.

iii. Case 2 (b); If registered under REC Mechanism and supply of power within the State, then energy accounting shall be based on 15 min time block basis.
(a) For the net import of power, Distribution licensee will charge applicable tariff for the respective category and other charges as applicable to other consumers.
(b) Surplus power, after giving set off, shall be purchased by DISCOM at Rs. 1.50 per kWh.

3.11.1 Concessional Benefit and Exemptions

Payment of electricity duty on electricity generated and utilised for self-consumption/sale to third party within the State, shall be governed in accordance with the provisions of the Gujarat Electricity Duty Act, 1958 and its amendments from time to time.

The commission decides that this Order shall come into force from date of issue of this Order.

Sd/-
[P. J. THAKKAR]
Member

Sd/-
[ANAND KUMAR]
Chairman

Place: Gandhinagar.
Date: 30.04.2020
**Annexure- A**: List of Stakeholders

List of stakeholders who submitted their written/Oral suggestions / objections

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indian Wind Power Association (IWPA)</td>
</tr>
<tr>
<td>2</td>
<td>Gujarat Fluro Chemicals Limited (GFCL)</td>
</tr>
<tr>
<td>3</td>
<td>Torrent Power Limited (TPL)</td>
</tr>
<tr>
<td>4</td>
<td>Indian Wind Turbine Manufacturers Association (IWTMA)</td>
</tr>
<tr>
<td>5</td>
<td>Clean Max Enviro Energy Solutions Private Limited (Clean Max)</td>
</tr>
<tr>
<td>6</td>
<td>Gujarat Electricity Transmission Corporation Limited (GETCO)</td>
</tr>
<tr>
<td>7</td>
<td>Gujarat Urja Vikas Nigam Limited (GUVNL)</td>
</tr>
<tr>
<td>8</td>
<td>Indian Wind Energy Association (InWEA)</td>
</tr>
<tr>
<td>9</td>
<td>Continuum Wind Energy (India) Pvt. Ltd.</td>
</tr>
</tbody>
</table>