Brief description of Amendments in the Tariff Policy

The Tariff Policy was notified by the Central Government under Section 3 of the Electricity Act, 2003 on 6th January, 2006 and the same was amended on 31st March, 2008, 20th January, 2011 and 8th July, 2011. The objective of the amendments is to ensure the 4 Es of **Electricity** for all, **Efficiency** to ensure affordable tariffs, **Environment** for a sustainable future, **Ease of doing business** to attract investments and ensure financial viability.

Highlights of Amendments:

Electricity:

- Regulator will devise power supply trajectory so that 24x7 supply is ensured to all consumers latest by 2021-22 or earlier.
- To enable to provide power in remote unconnected villages through micro grids and provide continuity of power supply, regulator to mandate compulsory purchase of power into grid from such micro grids at regulated tariff.
- Affordable power to people near coal mines by enabling procurement of power from coal washery reject based plants of PSUs or their JVs (with not more than 26% private share) on regulated tariff.

Efficiency:

- Promote optimum utilization of land and other resources by increasing procurement of power from expansion of existing private power plants on regulated tariff from 50% to 100% of existing capacity. This will result in reduction in overall cost of power to the consumers.
- Allow utilization of surplus assets in order to decrease overall power cost. Create a win-win situation between Generator, utilities and consumers by allowing benefit from sale of un-requisitioned power to be shared on 50:50 basis between parties to the PPA, if not already provided for in the PPA.
- Intra-State Transmission projects shall be developed by State Government through competitive bidding process for projects costing above a threshold limit, which shall be decided by the State Regulator. Inter-State transmission projects to be developed through competitive bidding with flexibility to meet exigencies.
- The cross subsidy surcharge formula has been revised to balance interest of open access consumers and DISCOMs. Besides, Commission has been given flexibility to review it. Apart from this, Railways may be exempted from Cross Subsidy surcharge in consultation with State Government.

- Provision for usage of Smart meters in a phased manner to enable "Time of Day" metering, reduce theft and allow net-metering.
- In order to reduce burden on consumers, it is proposed to ensure recovery of regulatory assets in a time bound manner within 7 years against the existing provision of 3 years.
- Periodic (monthly/ quarterly) revision of tariff allowed to reduce the burden on consumer.
- Long term planning in transmission to further strengthen the grid and allow seamless flow of power across regions all over India and keep power rates low.

Environment:

- Renewable Power Obligations (RPO): In order to promote renewable energy and energy security, it is decided that 8% of total consumption of electricity, excluding hydro power, shall be from solar energy by March 2022.
- Renewable Generation Obligation (RGO) - New coal/lignite based thermal plants after specified date to also establish/procure/purchase renewable capacity as prescribed by Government of India (GoI)
- To allow bundling of renewable power with power from thermal plants whose PPAs have expired or plants which have completed their useful life subject to development through competitive bidding.
- To release clean water to meet drinking water needs of cities and reduce pollution of rivers like Ganga, it will be mandatory for thermal plants within 50 km of sewage treatment facilities to use treated sewage water.
- No inter-State transmission charges and losses to be levied for renewable power (solar/wind) till such period as notified by GoI.
- Compulsorily procurement of 100% power produced from all the Waste-to-Energy plants in the State by the Distribution Companies. This will facilitate meeting the objective of Swachh Bharat Mission for disposal of waste besides generation of electricity.
- In view of geological uncertainties and clearance issues faced by Hydro projects and also to promote clean power, Hydro projects have been exempted from competitive bidding till 15th August 2022.
- India is running one of the largest renewable capacity expansion programmes in the world and there is a need for corresponding grid stability. Regulator will frame norms for ancillary services to support power system or grid operation especially with expanding renewable energy.
- Allow availability of cheap hydro power by enabling DISCOM to extend PPA by 15 years beyond the current 35 years, subject to approval of regulator.

Ease of Doing Business:

- Generate employment in coal rich Eastern states like West Bengal, Odisha, Jharkhand, Chhattisgarh etc. by encouraging investments. States may allow setting up of Generating plants including from Renewable sources, and up to 35% of its power, may be procured by Distribution Companies on regulated tariff basis.
- Developer shall have the option to indicate the rate of depreciation subject to upper ceiling decided by the Appropriate Commission.
- Remove taxation ambiguity by allowing cost pass through of change in domestic duties, levies, cess and taxes in competitive bid projects.
- Clarity on tariff setting authority for multi-State sales. Central Regulator to determine tariff for composite scheme where more than 10% power is sold outside the State.
- Cost pass through for imported coal/e-auction coal for competitively bid power projects, as per advisory issued by Ministry of Power on 31st July 2013.

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