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MINISTRY OF NEW AND RENEWABLE ENERGY ISSUES COMPETITIVE BIDDING GUIDELINES FOR PROCUREMENT OF POWER FROM GRID CONNECTED WIND SOLAR HYBRID PROJECTS

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Introduction

On 14 October 2020, the Ministry of New and Renewable Energy, Government of India (MNRE) issued Guidelines for Tariff Based Competitive Bidding for Procurement of Power from Grid Connected Wind Solar Hybrid Projects (Guidelines) under Section 63 of the Electricity Act, 2003 (Electricity Act) which was notified on its website on 21.10.2020. The Guidelines have been issued in pursuance of the National Wind-Solar Hybrid Policy, 2018 (Policy) to provide a framework for procurement of electricity from the Inter-State Transmission System (ISTS) grid connected wind-solar hybrid power projects (Hybrid Projects) through a transparent process of bidding.

The Policy provided a framework for the promotion of large grid-connected Hybrid Projects for efficient utilization of transmission infrastructure and land and to encourage new technologies, methods and way-outs through combined operation of wind and solar photovoltaic plants.

The Guidelines provide for selection of Hybrid Projects (where solar and wind projects may be situated together or separately) through a transparent e-bidding process followed by e-reverse auction with Solar Energy Corporation of India (SECI) as the nodal agency for procurement of power for at least 25 (twenty-five) years.

Overview of the Guidelines

- **Eligibility:** The individual minimum size of a project which is allowed is 50 (fifty) MW at 1 (one) site and a single bidder cannot bid for less than 50 (fifty) MW. Further, the rated power capacity of 1 (one) resource (wind or solar) shall be at least 33% of the total contracted capacity.

- **Procurer:** The Procurer can be either a Distribution Licensee (Discom) or SECI as an Intermediary Procurer.

- **Jurisdiction:** The "Appropriate Commission" has been identified as under:

  - State Electricity Regulatory Commission: for the Hybrid Projects supplying power to Discom of 1 (one) State; and

  - Central Electricity Regulatory Commission: for the Hybrid Projects supplying power to Discoms of more than 1 (one) State and for sale of hybrid power from hybrid power generating companies (HPG) owned or controlled by Central Government.

- **Bidding Parameters:** The Procurer has the option to select 1 (one) of the following tariff models:

    - fixed tariff in Rs./kWh for 25 (twenty-five) years or more;

    - escalating tariff in Rs./kWh with pre-defined quantum of annual escalations fixed in Rs./kWh and number of years from which such fixed escalation will be provided; and

    - e-reverse auction for final selection of bidders.

- **Power Purchase Agreement (PPA):** The draft PPA is required to be issued along with the request for selection, incorporating the provisions specified in the Guidelines. Some of the key provisions have been outlined below:

    - Capacity Utilization Factor (CUF): HPG is required to achieve annual CUF of not less than 90% (unless due to grid unavailability) and not more than 120% of the declared value. Compensation is payable for shortfall in availability and excess generation may be sold to other entity by HPG with first right of refusal to the Procurer.

    - Force Majeure (FM): Force Majeure clause will be as per industry standards, providing the definitions, exclusions, applicability and available relief.

    - Change in Law: The pass through in tariff on account of Change in Law event (defined under Clause 8.5.3) shall be provided automatically within a period of 30 (thirty) days of the occurrence of the event according to the formula provided in the Guidelines. The relevant documents shall thereafter be submitted to the appropriate Commission within 30 (thirty) days of the pass through coming into effect, which shall be verified by the appropriate Commission within a period of 60 (sixty) days.

    - Offtake constraints: No Hybrid Project shall be directed to back down by a Discom/Load Dispatch Centre. Minimum generation compensation is payable to the HPG in case of backing down not on account of grid security/safety.

    - HPG Default: HPG to pay damages, equivalent to 6 (six) months or balance PPA period, whichever is less, for default other than delay in commissioning. In addition, the lenders shall be entitled to exercise their rights of substitution. If the lender is unable to substitute, then the Procurer may terminate the PPA and acquire the assets for an amount equivalent to 90% of the debt due.

    - Bidding responsiveness: The Bidder will have to satisfy that there is no wilful default to any lender or no major litigation pending or threatened against it or any of its affiliates.

    - Timeline for financial closure and commissioning: Financial closure within 12 (twelve) months and commissioning of the Project within 18 (eighteen) months from the date of execution of the PPA unless the delay is due to force majeure, delay in operationalisation of Long-term Open Access or delay in adoption of tariff. The Procurer shall not encash the payment security, if delay in financial closure is on account of delay in allotment of land by the Government or due to Force Majeure. Commissioning/part commissioning to be considered only upon possession of land.

- Alternative to Performance Bank Guarantee (PBG): As an alternative, the HPG may submit Letter(s) of Undertaking from Indian Renewable Energy Development Agency or Power Finance Corporation Limited or REC Limited.

- Deviation: Deviation will be only permitted subject to approval by the appropriate Commission.

Comments

The novel wind-solar hybrid policy, although based on an innovative model for ensuring availability of renewable energy to Discoms at competitive rates, had witnessed a lukewarm response from the industry due to various constraints faced by HPGs such as land issues, lack of transmission infrastructure and low ceiling tariffs set by SECI. MNRE in the Guidelines has provided (a) flexibility to Procurer for choosing tariff model; (b) relief to HPGs through exclusion of delay in land allotment by Government during financial closure; and (c) a pre-decided formula and time period for calculation of change in law, compensation and pass-through in tariff. Evidently, MNRE is cognisant of issues faced by the industry that were earlier left to relatively long drawn regulatory proceedings. Whether the present Guidelines provide a fresh breath to the Hybrid model introduced by MNRE would remain to be tested on the ground level.

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