

Ref No. AWPPL/2019-20/002

Date: 9th March 2020

To,

**The Commission Secretary,
Andhra Pradesh Electricity Regulatory Commission (APERC),
11-4-660, 4th Floor,
Singareni Bhavani, Red Hills,
Hyderabad - 500 004.**

Subject: Comments/suggestions on "APERC amendment (Terms & conditions of open access) draft Regulation No.2 of 2005"

Ref:

1. APERC amendment (Terms & conditions of open access) draft Regulation No.2 of 2005

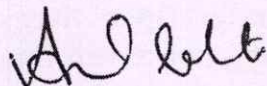
Dear Sir,

This is with reference to draft amendment on Terms and Conditions of Open Access Regulation 2005 referred above vide which APERC has invited comments/suggestions/objections from all the affected parties.

In this matter, please find enclosed comments/suggestions/objections (Annexure I) from our end which we found relevant for the purpose of amendment/ in the regulation.

It is requested to consider the detailed points while finalizing the subject cited amendment.

Thanking You,
Yours Sincerely,



Authorized Signatory
Atria Wind Power Private Limited

Encl: Annexure I

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- 1. The G.O Ms. No.35 dated 18th November 2019 amendment applies to the 2018 wind / solar / hybrid policy and not to the wind and solar policies of GoAP of 2015 and therefore the transmission and wheeling incentives provided under GoAP Wind Policy of 2015 should continue for projects commissioned during 13th Feb 2015 to 03 Jan 2019.**

GoAP vide its amendment G.O Ms. No.35 dated 18th November 2019 has amended the Andhra Pradesh Wind Power Policy 2018 in respect of transmission and distribution charges for wheeling of power. As per the extant amendment, the transmission and wheeling charges are to be determined by the commission for intra / inter-state wheeling of power.

However, Andhra Pradesh Wind Power policy 2018, has become applicable from the date of its issue i.e. 03 Jan 2019. The said wind policy superseded the earlier wind power policy of 13 Feb 2015 of Government of Andhra Pradesh (GoAP). However, nowhere the incentives provided under the GoAP policy dated 13th Feb 2015, applicable for the projects commissioned during the operative period of the said policy (13th Feb 2015 to 03 Jan 2019) have been taken away or reduced, either in the GO order Ms. No.35 dated 18th November 2019 or in the GoAP policy dated 03 Jan 2019.

It is humbly submitted that therefore for projects commissioned during 13th Feb 2015 to 03 Jan 2019; the incentives defined by the applicable policy of GoAP dated 13th Feb 2015 are still valid and applicable. Therefore, such projects continue to enjoy the transmission and wheeling charge waiver for a period of 10 years from the date of such projects commissioning.

The commissioning is therefore humbly requested that the proposed removal of waiver of transmission and wheeling charges for wind power projects should be applicable on only those projects commissioned / to be commissioned after 18 Nov 2019 (date of issue of GO MS 35) and in any case not earlier than 03 Jan 2019 (i.e. the date of issue and start of operative period of current wind policy)

- 2. Operating Quantum of renewable energy projects under Open Access i.e. captive or third-party sale is very low and therefore any perceived financial impact on the DISCOM's is extremely limited**

Out of the total wind and solar RE installed capacity of approximately 9000 MWs in Andhra Pradesh; only about 350 MWs of wind and solar projects are under open access. The open access capacity is less than 4% of the total state installed and operating wind and solar RE capacity.

It is seen that inspite of the financial incentives provided by various GoAP policies; not many developers / companies have come forward to set up wind and solar renewable energy projects in the state till date.

Just to draw the attention of hon'ble commission we have gathered the below data to show the total RE wind and solar installed capacity of neighbour states and the projects which are in open access.

State	Andhra Pradesh	Karnataka
Total RE Installed capacity in MW	8900	14870
RE quantum in open access in MW	350	2511
Open access as percent of total RE	3.9%	16.9%

The states such as Karnataka and Tamil Nadu have given the incentives to the RE developers in order to promote RE power and when the states have realised there is good amount of RE quantum added in the system; they are withdrawing such incentives in a phased manner on the new and upcoming projects. For example, in Tamil Nadu, while 12-month banking is provided for projects commissioned before 31 Mar 2018; for projects commissioned after this date, one-month banking is being provided. Similarly charges of transmission and wheeling are currently applicable only to the extent of 50% of the full transmission and wheeling charges. In Karnataka 12-month banking is applicable on all projects and wheeling and transmission charges @ 5% is applicable in lieu of wheeling and transmission charges on all solar and wind projects. Further in Karnataka for solar projects commissioned by 31 March 2018 no wheeling and transmission charges are applicable for a period of 10 years from the date of their commissioning; however, wheeling and transmission charges are applicable on solar projects (currently @ 5%) on projects commissioned on or after 01 April 2018.

We would also like to highlight here and compare the above data, every state has got a good response from the RE developers w.r.t to their RE policy/GO. The RE quantum in open access in AP is quite low when we compare with the neighbour states. In spite of government incentives to captive open/access plants it is only a little quantum added in the system through captive/Open access due to various reasons. Some of the reasons, why there is no good response from RE developers to setup captive/open access plants in AP are:

- There are many difficulties such as abnormal delay in open access settlements and adjustments.
- On average 6 to 8 months delay for each generating plant to process the energy settlements. whereas the energy settlements in the neighbour states will be done in 7 days. Due to this reason most of the generating plants are in the verge of NPA as they cannot fulfil their monthly commitments to financial institutions. This is also one of the reasons the investors have taken a back step and the quantum installed in captive/open access is very low.

Further in Andhra Pradesh, most of these projects are extremely small and connected to DISCOM's wheeling network; with a total financial impact is no more than Rs. 25 Crs annually in the form of additional revenues from the waived off wheeling charges. Further, the revenue from these wheeling charges is offset by the significant RPO benefits that the state gets.

3. Cost of wind and solar projects has come down in the last few years

It is to be noted that wind and solar RE projects costs and tariff are largely fixed and upfront in nature. Therefore, currently operating projects; which have been implemented at substantially higher capital costs and on the basis of incentives available at the time of their implementation; continue to need such incentives to be able to compete and survive in the market both with newer generation of RE projects as well as larger power market.

It may also be noted that any change in available incentives at this stage for already implemented projects, will create a large investment uncertainty for the state and act as an dis-incentive for further investments. It may also lead to such orders being challenged in appropriate forums creating further complications and uncertainties for everyone.

4. High wheeling and transmission charges

It may also be noted that wheeling and transmission charges are applied on a per MW basis. Since wind and solar RE generation have a PLF of only 20 – 30%; the wheeling and transmission charges get dis-proportionately loaded on power evacuated from RE projects vis-à-vis thermal or other alternate sources of power. This in effect becomes a penalty / discouragement for the RE projects vis-à-vis other sources of generation. Therefore, the commission has to consider the wheeling & Transmission charges per unit basis or as per the actual energy flown in to the grid but not on the total installed capacity.

We further refer to the example of state of Gujarat, where RE projects under open access are being installed now for more than 10 years. In that period more than 3 policies and multiple regulatory orders for incentives on RE projects have been passed by the Government of Gujarat and the GERC respectively. However, incentives applicable to each set of wind and solar RE projects commissioned during the operative period of applicable Government of Gujarat policy has been preserved for a period of 25 years in line with the duration of the incentives provided in Government of Gujarat policies from time to time.

We also request Hon'ble Commission to consider above cited facts, and issue an amendment (If necessary) to open access regulation 2 of 2005 on the incentives of wheeling & Transmission charges to wind and solar power projects should be applicable on projects commissioned on or after either from 18.11.2019 or from 03.01.2019.