

Clean energy firms miffed at Karnataka regulator's order

Transmission and wheeling charges hiked five-fold

M RAMESH

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A recent order of the Karnataka Electricity Regulatory Commission, announcing a five-fold increase in certain charges payable by some renewable energy producers with retrospective effect, has caused consternation in the renewable energy industry.

Some companies have said they have no option but to move courts for redress.

Hike in charges

The order is meant for wind, solar, mini-hydel and biomass energy producers who sell their power directly to consumers (called 'open access'). The Commission has raised the concessional transmission charges and wheeling charges from 5 per cent of what is applicable to conventional power units, to 25 per cent. The order applies retrospectively, affect-



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ing all projects that were set up after March 2017.

Since an earlier order of the Commission allowed concessional charges to renewable energy companies till March 2018, developers rushed to put up projects in Karnataka in 2017-18, so as to get their foot in before the concessions expired. Of the State's fresh installations of 4,980 MW of renewable energy capacity in 2017-18, mostly solar and wind, around 2,000 MW was 'open

access', or direct sale of power to consumers.

Affected companies

Bengaluru-based solar energy company, CleanMax alone is estimated to have set up over 270 MW of capacity. ReNew Power and Amplus have set up around 170 MW each. Rays Power, Mahindra Susten, Prestige group are among other developers who have set up projects in the State. The logic of the order, passed on

May 14, is based on the Commission's understanding that even after the raise of charges, the projects will be viable. Even after the increase, renewable energy producers will be able to sell their power to their consumers at prices at least 50 paise lower than what the consumers would pay, if they purchased power from the utilities.

Commission's reasoning

The Commission reasons that an industrial consumer would pay ₹6.80, and a commercial establishment (such as shopping malls) ₹8.35 a kWhr. Quoting an unnamed green energy generator, the order says that a 50 paise discount to such tariffs would be "reasonable". Therefore, the energy producers could sell at ₹6.30 and ₹7.85 to industrial and commercial consumers.

The raise in concessional rates would, therefore, leave the developers enough margin for their business. Even if the developers sold power at prices one rupee lower than

the grid tariffs, they would still be profitable, says the Commission.

If not for the raise in the concessional charges, "the generators would be making undue profit by selling power under OA/wheeling, with promotional W& B charges, at the cost of consumers of the State, which is not in the public interest," the order notes.

Developers' stand

Developers, on their part, feel that they made their investments on the basis of the prices agreed between them and their customers, taking into account the existence of concessional charges.

The new order, which they see as going back on a promise, imperils the investments.

Developers stand to lose ₹2.50 to ₹3 a kWhr, said an official of a solar company. He said it was not reasonable that a State would lure investments with concessions and then go back on its word.