

Punjab

Bill to renegotiate renewable energy tariffs in Punjab passed in Legislative Assembly

The Punjab Legislative Assembly has passed the bill called The Punjab Renewable Energy Security Reform, Termination, and Redetermination of Power Tariff Bill, 2021 to revise long term power purchase agreements between the Punjab State Power Corporation Ltd. and the renewable energy generators. The Bill seeks to reduce the tariffs for renewable energy projects approved by the state electricity regulatory commission. The government put forth its objective to enact a law in the public interest and provide measures to provide electricity to the consumer at an affordable price.

Key points:

- The Punjab Renewable Energy Security Reform, Termination, and Redetermination of Power Tariff Bill, 2021, was unanimously passed in the state Legislative Assembly.
- The bill passed followed the recent statement of the state's New and Renewable Energy Sources Minister Raj Kumar Verka that the tariffs discovered through a competitive bidding process in the range of ₹7 /kWh to ₹8/kWh seven to eight years ago were considerably higher than the current tariffs.
- The Bill provides a list of solar projects with a total capacity of 886 MW and 97.5 MW of biomass projects for which PPAs with independent power producers have been signed.

- It argues that the state regulatory commission had the statutory authority to redetermine renewable energy tariffs in the interests of consumers. It says that the commission could set temporary tariffs until they are finally redetermined.
- This can impact around 1000 MW of solar generation capacities including assets owned by Azure Power, Adani Green, and Acme Solar, which had signed Power Purchase Agreements with the state government between 2013 and 2016. Tariffs of these projects are around Rs. 7/unit which is much higher than the rates that are currently being discovered in competitive bidding in the country i.e. Rs. 2.2-2.6/unit.

Industry reaction:

- Legal experts say that this step would go against the provisions of the Electricity Act, 2003 which says that the state government can not legislate or issue directions in connection with the Electricity Act enacted by the central government. State's action can not contradict the Central Act.
- Most of the developers are likely to move to the Punjab High Court to appeal against the bill.

Conclusion

- The new development has come at the time when the state government is looking to reduce its power purchase costs as its discoms are getting lower revenue realization due to recently reduced power tariffs for domestic consumers.
- This new legislation may be quashed in the Court as it was the case in Andhra Pradesh sometimes back.

- It will act as disincentive for renewable power generation companies to invest in the state if this happens to reduce the tariffs to purchase electricity by the state considerably.
- Reduction in the cost of production of renewable energy has pushed down the rates of electricity in the country in competitive bidding. This along with the populist measure to provide electricity to the masses at lower cost has instigated this move of the state government.