

Request for Proposal

Hiring of Consultant for 'Development of Renewable Energy Certificate (REC) Mechanism for India'

1 BACKGROUND

The Electricity Act, 2003 (EA 2003) outlines several enabling provisions to accelerate the development of renewable energy based power generation. Section 86(1)(e) of EA 2003 specifically mandates the State Electricity Regulatory Commissions to promote generation based on renewable energy sources and sale of such power to any person by way of specifying minimum percentage for procurement of power from such RE sources.

Accordingly, many SERCs have formulated their Regulations/Orders for purchase of minimum quantum of energy from renewable energy sources under Renewable Purchase Obligation (RPO)/Renewable Purchase Specification (RPS) framework. In some States such as Maharashtra, Andhra Pradesh and Rajasthan, apart from distribution licensees, open access and captive consumers are also being subjected to RPO/RPS requirements and are obliged to purchase a certain minimum percentage of their energy requirement from RE sources. This is likely to create a competitive market for renewable energy as more and more customers are expected to opt for open access route to meet their energy requirement.

While Renewable Power Generation Capacity in the country has crossed **12,000MW**, in the recent past, certain factors are perceived as limiting its further growth. Some of these include:

- a. RE potential is State and site-specific, leading to a mismatch in RPO/RPS and RE availability in the country. While States such as Tamil Nadu and Karnataka have already approached the 10% mark for RE procurement, many States are not procuring even 1% of their requirement through RE sources. As a result, States which have already reached very high level of RE procurement are reluctant to procure further RE generation. At the same time, States with zero/very low RE potential are not able to procure RE generation from RE rich States.
- b. It is not possible to carry out inter-State renewable energy purchase transaction using existing Regulations as renewable energy loses its green/renewable nature as soon as it crosses the State boundary
- c. Renewable energy transactions are subjected to OA charges determined for high PLF generation, resulting in relatively higher transaction costs in case of long-term OA transactions using renewable energy sources.
- d. It is difficult to make Renewable Energy purchase obligation applicable to open access/captive consumers due to high transaction costs.

As a result, it is considered desirable to create mechanism to which will enable inter-state sales of renewable power and at the same time reduce transaction costs. In this regard, Integrated Energy Policy Report (IEPR) as well as a few Electricity Regulatory Commissions have suggested development of 'Renewable Energy Certificate' (REC) mechanism.

2 BRIEF SCOPE OF WORK

It is proposed to commission a study for development of Renewable Energy Certificate Mechanism and through a competent consultant to develop such a mechanism for renewable power projects. The study is expected to cover the following aspect:

- ❖ Hurdles faced by renewable energy in India
- ❖ Regulatory developments in India
- ❖ Potential for competitive bidding in renewable energy sector
- ❖ Feasibility of implementation of REC in India
- ❖ Assessment of costs associated with implementation of REC
- ❖ Potential for creating competition among various RE resources
- ❖ Operational Aspects of REC Mechanism such as:
 - Denomination of RE Certificate
 - Mechanism for stating RPO/RPS in terms of REC
 - Rules for issuance of RE certificate
 - Validity of RE certificate
 - Certificates of Origin
 - Clearing house and rules for the same
 - Energy Accounting and Energy Credit Mechanism to recognise REC
 - Entities to be covered
 - Conformity with other relevant regulations such as Open Access, Grid Code, Scheduling and Dispatch Regulations etc
- ❖ Institutional Mechanisms needed for REC implementation
- ❖ Legal and Regulatory Issues
- ❖ Process for implementation of RECs

At the end of study, the Consultant is expected to prepare Draft Report on REC mechanism with 12 weeks of the award of the Study. MNRE, in consultation with Forum of Regulators may set up a group to deliberate the recommendations. The Consultant will be required to make a presentation to such a group of regulators. The Consultant will prepare the final report within two weeks of the receipt of comments from MNRE and group of Regulators.

3 CRITERIA FOR SELECTION

Proposals are invited from Consultants, which satisfy the following criteria for consideration for award of this assignment:

- (i) The Consultant must be a registered legal entity in India.
- (ii) The Consultant must have turnover of minimum Rs. 3 crore in at least one of the last two financial years and must submit Statement of Annual Accounts for these financial years.
- (iii) The Consultant should have sound understanding of the legal & regulatory framework governing the power sector, sound technical knowledge base and understanding the grid connected renewable energy technologies in India.
- (iv) The Consultant must have experience of assisting at least one Regulatory Commission in successful development and implementation of RPS Obligation under Section 86 (1)(e).
- (v) The Consultant must have experience of assisting at least one Regulatory Commission in development and monitoring of Open Access Regulations.

The consultant must submit certificates in support of the requirements specified under items (iv) and (v) above.

4 BID SUBMISSION

Interested parties who satisfy the criteria specified above are requested to send detailed proposals, technical and financial bids, in separate covers. The final selection will be made on the basis of evaluation of technical and financial bids.

The bids along with supporting documents should be submitted at the following address, on or before **4 July 2008**.

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