CASE STUDIES

EINSIGHTS

"In-Depth Insights into Policy, Regulations, and Court Rulings Shaping the India's **En**ergy & **In**frastructure Horizon"

AUGUST 2024 #05

powered by whY

RACeninrac

Tamil Nadu's Resource Charge on CTU-Connected Wind Projects

BACKGROUND

The Tamil Nadu Green Energy Corporation Ltd (TNGECL) has introduced a new resource charge of ₹50 lakhs per MW on wind power projects connected to the Central Transmission Utility (CTU). This charge is applicable to both pending and future projects that seek CTU connectivity. The primary reason for this charge is that the electricity generated from these projects is not counted towards Tamil Nadu's Renewable Purchase Obligations (RPO), as it is transmitted to other states. Tamil Nadu aims to encourage wind projects that are connected to the State Transmission Utility (STU) to meet its own RPO targets, with a goal of adding 5,000 MW of wind capacity by 2030.

Since the energy generated from the CTU connectivity projects cannot be taken for TamilNadu State Wind-RPO, it becomes necessary to encourage new Wind power projects with STU connectivity for generating more wind power to meetout Wind RPO.

IMPLICATIONS ON WIND POWER SECTOR IN INDIA

The **₹50 lakhs per MW** resource charge imposed by Tamil Nadu on CTU-connected wind projects could set a precedent for other wind-rich states like Gujarat, Rajasthan and Karnataka. If adopted widely, this could significantly raise project costs, leading to higher electricity tariffs and making wind energy less competitive. It may also create a fragmented regulatory landscape, complicating national renewable energy goals and potentially leading to legal challenges. **Overall, such charges could impact up to 8,000 MW of planned wind capacity across India and wind tariffs may increase by 20-30 paise per kWh.**

#CASE STUDY

01

BACKGROUND FOR THE ORDER

Background

- Tamil Nadu has promoted wind energy since 1986, leading to the exhaustion of many wind-rich areas.

- The state's focus is shifting towards meeting its own Wind Renewable Power Obligations (RPO) as mandated by the Ministry of Power (MoP), which sets increasing targets for wind energy generation from 2024 to 2030.

- Wind energy generated from CTU-connected projects cannot be counted towards Tamil Nadu’s RPO, necessitating the encouragement of State Transmission Utility (STU)-connected projects to meet the state’s RPO.

#CASE STUDY

02

RESOURCE CHARGE IMPLEMENTATION

- The Tamil Nadu Green Energy Corporation Ltd (TNGECL) has introduced a new resource charge of **₹50 lakhs per MW** on wind power projects connected to the **Central Transmission Utility (CTU).**
- This charge is applicable to both pending and future projects that seek CTU connectivity.
- The primary reason for this charge is that the electricity generated from these projects is not counted towards Tamil Nadu's Renewable Purchase Obligations (RPO), as it is transmitted to other states.
- Tamil Nadu aims to encourage wind projects that are connected to the State Transmission Utility (STU) to meet its own RPO targets, with a goal of adding **5,000 MW of wind capacity by 2030.**

#CASE STUDY

03
IMPLICATIONS FOR THE WIND POWER INDUSTRY IN TAMIL NADU

1. **Increased Cost:** The imposition of ₹50 lakhs per MW could make CTU-connected projects **financially unviable**. Developers would have to absorb additional costs, potentially leading to **higher electricity tariffs**. This could discourage investment in Tamil Nadu's wind sector, which has already been losing ground to states like Gujarat and Karnataka.

2. **Shift Towards STU Projects:** By discouraging CTU connectivity, the order aims to push developers toward STU-connected projects. However, **Tamil Nadu faces challenges like land scarcity and urbanization**, which limit the availability of suitable sites for new wind projects.

3. **Legal and Policy Precedents:** The decision could set a **precedent for other states to impose similar charges**. This might lead to a fragmented regulatory environment across India, where each state imposes its own levies, adding to the complexity and costs for developers.

#CASE STUDY

04
IMPLICATIONS IF OTHER WIND-RICH STATES FOLLOW SUIT

1. **Impact on National Wind Capacity:**

    - States like Gujarat, Karnataka, Rajasthan & Maharashtra, which are significant contributors to India's wind capacity, could adopt similar measures. If they do, projects that rely on CTU connectivity across the country could see a dramatic rise in costs, potentially affecting up to 8,000 MW of wind capacity that is planned or under development in these states.
    - This would strain the national grid and complicate efforts to meet India's overall renewable energy targets, including the ambitious goals set for 2030.

2. **Higher Electricity Cost:** As states begin to levy resource charges, the cumulative impact could result in higher wind electricity prices. This is particularly concerning for wind power, where tariffs have already been competitive, but may increase by **20-30 paise per kWh** if similar charges are imposed across multiple state.

#CASE STUDY

04

IMPLICATIONS IF OTHER WIND-RICH STATES FOLLOW SUIT (CONTD.)

3. **Potentially Legal Challenges:** The legality of these charges could be questioned, especially if they are viewed as unfair or against the Electricity Act, 2003, which allows for electricity generation without specific licenses. Industry players might take legal action, leading to long court cases that could delay projects and investments.

#CASE STUDY

05

TECHNICAL & MARKET CONSIDERATIONS

1. **Land Availability:** Tamil Nadu’s strategy to focus on STU-connected projects faces the practical challenge of land scarcity. With urbanization and the exhaustion of wind-rich areas, finding new sites for STU projects will be difficult, limiting the state's ability to meet its RPO targets.

2. **Competitiveness:** Tamil Nadu’s wind sector may become less competitive compared to other states. This could push investors to look at states with more favorable policies, further reducing Tamil Nadu’s share in the national wind capacity.

#CASE STUDY

06

CONCLUSION

While Tamil Nadu’s move is aimed at securing its energy needs and fulfilling state-specific RPOs, it could have significant repercussions across the Indian wind energy sector. If other states adopt similar charges, it could lead to a fragmented market, increased project costs, and challenges in achieving national renewable energy targets. The industry might see a pushback from developers and potential legal disputes, highlighting the need for a more coordinated policy approach across states.

WANT SPECIFIC MARKET STORY?

WRITE OR CALL TO US

at connect@eninrac.com
+91 93190 48963/47963, +91 72900 16953