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## Why capping net metering in India turning into a conundrum?

For the faction of industry voicing concerns upon growth of renewables getting hampered courtesy new net metering policy in India, are the concerns of power distribution utilities non-recovery of fixed costs invisible?



ON-POINT

Why capping net metering in India turning into a conundrum? Are we following a “herd” mindset in deciding the winners and losers instead of designing for a win-win for both consumers and discoms?

**ON – POINT QUERY:** For the faction of industry voicing concerns upon growth of renewables getting hampered courtesy new net metering policy in India, are the concerns of power distribution utilities non-recovery of fixed costs invisible?

We firmly believe in ethos of business and while we boast of an advisory firm, the responsibility for us even widens to cater each faction of the industry while designing or offering solutions. Arguably, its unfortunate to witness “a certain degree of bias” by media and even established advisory firms in catching the trend and putting out content which is far off being well rounded. We won’t divulge much on to that and shall leave to the wisdom of readers to be judicious enough to learn all perspectives and not being focused upon skewed one’s to forge the understanding! Honestly, there must be a departure from “herd” mindset in following the trend and pushing content which are either partial or biased sans facts and deep-rooted understanding. Nonetheless, we shall remain just and true to our endeavors to push a well-rounded perspective for the market developments.

So, coming back on to the point of capping of net metering in India not auguring well with a larger faction of the industry who are of the opinion that this might restrict the growth of renewables contrary to the Government’s push for adapting more RE. Is this viewpoint correct, is the immediate query popping up a reader's head (at least for those who have an inquisitive thought process). Well, to be honest it indeed is true, but then why is it done? Isn't Government concerned enough to push the growth of renewables when on multiple forums it goes on promoting the same? These queries also crossed us and, in the quest, to enhance an all-around perspective we chose to dig a bit deep and come out with tenable solution for future wherein the system is free from biased approach. This shall consequently help augment the understanding and designing solutions which doesn’t need course correction to an extent wherein we are back to square one!

Let's begin by gaining complete understanding of as to "What is Net Metering"? and subsequently on to the pricing and costs of such systems which shall aid a well-rounded considerate viewpoint about the perspective behind capping net metering in the country.

### **What is net metering?**

Well, to put it in easy terms it is simply that allows the customers who generate some or all their own power to offset their power regardless of the **time-of-day** that they generate or use the electricity. Because it doesn't matter simply as to when the power is generated or used, the impact of generated units (kWh) is particularly helpful for solar power generated during the daytime and wind power during night. It has evolved as a major drivers in pushing the small, distributed generation especially for **homeowners**. So, it seems a good deal for a homeowner with solar power mounted on his rooftop. These panels shall send power into the grids all day while the owner is on work and when he comes back home the consumption of electricity towards all his usage could be offset by the energy generated across the day which takes the billable units (kWh) either nearly or absolutely "zero". Excites you as a consumer isn't it! But the power distribution thinks otherwise which generally most amongst us have missed while being vocal in support no capping on metering in the country.

### **How about cost built-up & prices for net metering in India?**

The electricity distribution utilities in India are regulated and do have a fixed cost to cover upon the expense of infrastructure augmentation, operations and maintenance of the distribution network. In order to ensure an interrupted supply to the end user these utilities must ensure maintenance of polls, wires, meters coupled with all the other necessary equipment's in all weather conditions irrespective of "time of day" and keep evolving with implementation of new technologies. At large the consumers to such power distribution utilities pay for their share of fixed costs in their demand charges (in ₹/kWh) as a function of their peak usage as per the time blocks conditioned with respect to the utilities. Mostly, the domestic and smaller consumers pay only for a small amount of fixed charge with all other costs billed as per their usage in per kWh. So, when a customer looks to offset purchased power with generated kWh (units) on net metering basis they are not paying for the fixed costs which utilities are incurring in order to maintain a robust network. As a greater number of consumers build upon taking this advantage fewer fixed costs are being paid upon leading to a cascading impact of higher rates for non-metering consumers.

Undoubtedly to push the renewable energy adaptation Government net metering was a boon for both wind & solar generation. It's quite unfortunate to witness the "net metering" stood ground mainly for solar rooftop players in India and not for entire RE ingress in grid. Having said so the State ERCs (Electricity Regulatory Commissions) and discoms are already cognizant of the fixed cost dilemma the net metering shall ring into and thus have rallied to cap it at a percentage of total system load. Adhering to the genuine concerns of the utilities Government too announced the changes which were perceived to RE averse without giving due weightage to the concerns of already ailing discoms. Either way there shall be winners and losers, but the need is to prosper an alternate solution which ironically is not being discussed at all. So, is there any alternate solution?

The answer is affirmative and yes, there exists an alternative solution. This could be done by increasing fixed charges for the domestic consumers and lowering the charge per kWh would allow costs to be recovered regardless of how much power is billed. Unfortunately, this strategy would lead to higher monthly bills for lower income customers and those using less electricity. Lower kWh costs also undermine a primary incentive for conserving electricity. Meanwhile, those who practice net metering—whether customers or equipment providers— would see less benefit and the growth of renewables would slow. Coupled with this a politically palatable solution is difficult to offer at the juncture where in India stands as of now. More logical solution could be requiring all small generators to pay for power or sell power into the grid on an hourly basis, so that kWh generated by solar during high-cost hours of the day would be paid for at the hourly market price and kWh purchased during the evening would be paid for at the lower hourly market price associated with off-peak hours. However, this augurs well for solar power but shall be like penal mechanism on smaller wind projects. The debate is enticing, and efforts can be made to design a pragmatic approach wherein the regulators and policy makers must take hard calls so that there is minimum negative impact upon the power distribution utilities and serves the countries intent to go green well!

**For COVID 19 Impact on Power-Demand Supply Situation in India please visit:**

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The life of a man consists not in seeing visions and in dreaming dreams, but in active charity and in willing service

- Henry Wadsworth Longfellow

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