

**GOVERNMENT OF INDIA
MINISTRY OF POWER
LOK SABHA
UNSTARRED QUESTION NO.255
ANSWERED ON 08.12.2022**

TARIFF SYSTEM TO HYDROPOWER GENERATION

255. SHRI SANJAY KAKA PATIL:

**Will the Minister of POWER
be pleased to state:**

- (a) whether the Government has taken steps to remove the applicability of two-part tariff system to Hydro Power Generation as hydro generators do not have any variable cost of generation;**
- (b) if so, the details thereof and if not, the reasons therefor;**
- (c) whether the Government has taken any steps to develop a new tariff system to ensure certain return to developers; and**
- (d) if so, the details thereof and if not, the reasons therefor?**

A N S W E R

THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY

(SHRI R.K. SINGH)

(a) & (b) : The two-part tariff structure for a generating station followed by the Central Electricity Regulatory Commission (CERC) is based on the principles of Availability Based Tariff (ABT). One part of the tariff viz., capacity charge is recovered by the generating station based on declaration of availability while the other part viz., the Energy charge is recovered based on schedule given by the buyers. This framework of ABT was adopted by the Commission to address *inter-alia* some of the concerns of the earlier single part tariff. In a single part tariff structure, the generators would get revenue based on the total generation. As such, the single part tariff structure had an element of perverse incentive of over-injection by the generators even when the system demand did not warrant such generation. The two-part tariff structure has brought-in the desired grid discipline, while at the same time ensuring recovery of legitimate cost for generators. For hydro-generating stations, the Annual Fixed Charge (AFC) is notionally divided in the ratio of 50:50 between the capacity charge and the Energy Charge so as to align such generating stations to the framework of ABT. There are adequate provisions in the regulations to ensure that such hydro-generating stations do not lose on account of segregation of AFC between Capacity Charge and Energy Charge.

(c) & (d) : The regulation of tariff of generating companies under Central Government as well as of those generating companies who have a composite scheme of generation and sale of electricity in more than one State, comes under the jurisdiction of CERC as per Section 79 of the Electricity Act, 2003. CERC is a statutory body with quasi-judicial powers constituted under Section-76 of the Electricity Act, 2003.
