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## **Karnataka Electricity Regulatory Commission restrains distribution companies from levying Grid Support Charges on Captive Power Projects, including Solar Rooftop Photovoltaic Plants, till the commission determines such charges**

On January 15, 2025, the Karnataka Electricity Regulatory Commission (“**KERC/Commission**”) has passed an Order restraining electricity supply companies (“**ESCOMs**”) from levying Grid Support Charges (“**GSC**”) on Captive Power Plants (“**CPPs**”) including Solar Rooftop Photovoltaic Plants (“**SRTPVs**”), till KERC determines the charges.

### **Brief facts**

1. On June 1, 2023, KERC passed a tariff order determining the tariff and norms for SRTPVs. While dealing with the issue of imposition of GSC, KERC decided not to levy any GSC on SRTPVs, till it determines GSC after conducting necessary studies. However, for CPPs, KERC decided to continue levying demand charges in lieu of GSC as per the wheeling and banking agreement till determination of GSC.
2. Subsequently, KERC in its tariff orders (for retail supply of electricity) dated May 12, 2023, and February 28, 2024 held that a study needs to be conducted before it takes a view on the imposition of GSC on CPPs.
3. However, ESCOMs were continuing to levy GSC on captive and non-captive plants including SRTPVs. Representations were made by stakeholders before KERC highlighting that imposition of GSC on CPPs will discourage investment in captive power generation and is inconsistent with the provisions of the Electricity Act, 2003 (“**Electricity Act**”).

### **KERC Order**

Pursuant to such representations, KERC has passed its Order. KERC notes that captive generation is governed by Section 9 of the Electricity Act<sup>1</sup>, which provides the right to any person to establish, operate, and main a captive generating plant; and that the Electricity Act emphasizes promoting captive generation as a means of enhancing energy security, ensuring reliability of electricity supply and reducing dependency on the grid. Accordingly, KERC has held that GSC or parallel operating charges will not be imposed on CPPs including SRTPVs, till it is determined by the Commission.

<sup>1</sup> Section 9, Electricity Act, 2003: Captive Generation

## Conclusion

KERC's Order is in continuation of the Commission's position taken in 2023 regarding non-levy of GSC on solar CPPs, including SRTPVs. The non-imposition of GSC can stimulate growth by helping CPPs and SRTPVs reduce their operational expenses, gain competitive advantage and encourage investment in the renewable energy sector. While KERC's Order is a welcome step towards promoting captive generation, it is subject to the Commission's final decision on determination of GSC.

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