



4th December, 2019

To,
The Principal Secretary
Energy & Petrochemical Department (EPD)
Floor-5, Block-5,
Sachivalaya,
Gandhinagar

Sub: The Amendments in the Gujarat Solar Power Policy of Gujarat - 2015 (For MSME Manufacturing Enterprises)

Respected Sir,

We heartily congratulate the Government of Gujarat on the amendments released for the benefit of the MSME sector and prompting them towards adoption of Solar PV.

This letter is with reference to the same amendments under Gujarat Solar Policy 2015 vide GR SLR-11/2015/2442/B1 dated 26th September 2019. As per our analysis, to avail maximum benefits from the recently declared policy we suggest following amendments to be made in GR. It will make it more effective to boost solar power generation through MSME segment for captive consumption:

1) Energy Accounting

The Gujarat Solar Policy 2015 allowed for energy accounting as per billing cycle for captive consumer.

However, this new GR has imposed energy accounting in 15 minutes time slot.

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer

It should be noted that MSME usually have one weekly holiday as well as 15 mandatory holidays. Further, during working days, there is usually 1-hour long lunch break. Around 15% of the power is produced during this duration.

Also, MSME units are connected to 11 kv feeder catering to various industrial users. There are instances where feeder outages/fault and load shedding take place. This would result in non-utilization of power in 15 minutes time block resulting in financial loss to small manufacturers.

Power produced by solar plant during this duration would be sold to Government at unviable rate. This will completely disturb the economic viability of solar plant

Below table shows the effect of above regulation on overall viability of solar plant.

Description	Before GR	After GR
Energy Accounting	Billing Cycle in case of captive plant	15 min settlement
Effect on Various Project Parameter		
Effect on cost of energy	NA	
Effect on Payback Period	Depends on various factors. But, can be as high as 30%.	
Effect on IRR	Depends on various factors. But, can be as high as 30%.	

Hence, we recommend to have energy accounting as per billing cycle. This will help the policy to take off. Today, this is the biggest roadblock for adoption of policy.

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer



2) Exemption on Electricity Duty

The existing Gujarat Solar Policy 2015 allowed for exemption of electricity duty on power generated through solar system.

However, the current GR has imposed the duty at applicable rate on the power generated from solar system.

Below table shows the effect of imposition of duty on overall viability of solar plant.

Description	Before GR	After GR
Electricity Duty	Nil	INR 0.60/kWh
Effect on Various Project Parameters		
Effect on levelized cost of energy	Increase by INR 0.28/kwh	
Effect on Payback Period	Increase by 5 months	
Effect on IRR	Decrease by 700 bps	

Hence, we recommend removal of electricity duty on power generated through solar plant

3) Removal of Wheeling losses and Wheeling charges

It shall be noted that in Gujarat, MSME is spread across various geographical locations and within different Discoms. As a MSME,

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer



they would prefer to install / develop solar park near their factory i.e. within same Discom. Further, most of the MSME have 11 kV connection at their factory. Hence, by putting up solar plant at 11 kV evacuation level, they can wheel power to their factory after deduction of reasonable wheeling charges.

The existing Gujarat Solar Policy 2015 allowed for wheeling of power in same discom at 11 kV level by paying 3% in kind towards wheeling loss and wheeling charges.

However, the current GR imposed wheeling charges and wheeling losses as applicable to normal open access consumer.

Below table shows the effect to these charges on overall viability of the solar project.

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer

Description	Before GR	After GR
Wheeling Charges & Losses	If Power Evacuation happens at 11 kV and within same discom then wheeling charges & losses put together only 3%	Wheeling Charge Rs. 0.1486/kWh, + Wheeling Loss 5%
Effect on Various Project Parameter		
Effect on cost of energy	Increase by INR 0.33/kWh	
Effect on Payback Period	Increase by 5 months	
Effect on IRR	Reduce by 1000 bps	

Hence, we recommend to remove the imposition of wheeling losses and wheeling charges as applicable to normal open access consumer and impose such charges as per original GERC's Wind Farm Order of 2015.

4) Imposition of Cross Subsidy Charges and Additional Surcharges

Many MSME who had exhausted their P&M block or who had no plans for capital expenditure were previously able to get cheap power via open access.

Since no cross subsidy charges were levied on solar power plant, many investor were willing to invest in solar park to carry out third party sale via open access.

Due to availability of many investor to invest in solar park, MSME were able to get cheaper power.

Rs. 1.36 Per Unit Cross subsidy charges is applicable to normal open access user. This is a straight cost burden. This coupled with Wheeling charges and Wheeling loss burden turns to overall burden of 27 %. This would make it unviable for Generator and Purchaser. This would not result in competitive Power Market development.

Due to imposition of above charges, the viability of investment in solar for third party sale via open access is reduced. This will result in difficulty to get access to cheap power to MSME via open access.

Rather MSME should be supported to procure third party power purchase from renewable. The benefit being –increased competitiveness, the MSME can focus on development of their own business activity and deploy funds for further investment in core business & leave business of power generation to the entity having expertise in solar power development and its maintenance. Also, Renewable development will be at faster pace if predictable, consistent and reliable Solar policy and simple procedure is in place.

Hence, we recommend to remove cross subsidy and surcharges on power generated from solar plant.

5. To Treat Solar Investment as an independent entity

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer



Since solar power generation is a capital intensive in nature, there would very few MSME units which can be beneficiaries of Gujarat Governments initiative towards green energy since investment limit in plant & machinery would go beyond 10 Crores. For MSME's to have an investment in solar power, it's investment should be considered as a different entity like Windmill. Investment in windmill is treated as a new project even if it is made by current entity.

This will enable MSME to invest in the solar park at the same time it will avoid blocking P&M block of MSME for auxiliary activity (i.e. power generation).

Further, if the solar plant is not treated as independent entity and is clubbed with existing P&M block, it will result in slowdown in investment / capex by MSME in their main business activity.

Hence, we recommend to treat solar investment as independent entity.

We hope that the above are taken in the positive light and we are provided some time for discussion. We are willing to bring different sectors from the industry to represent the above points.

We await for the positive response.

Sincerely,

Durgesh Buch
President

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer