
IMPACT OF THE ELECTRICITY (RIGHTS OF CONSUMERS) RULES, 2020 ON THE ROOFTOP SOLAR INDUSTRY

1. INTRODUCTION

- 1.1 The Central Government in exercise of its powers conferred under Section 176 of the Electricity Act, 2003 has issued the Electricity (Rights of Consumers) Rules, 2020 (“**Rights of Consumers Rules**”) through a notification dated December 31, 2020. The Rights of Consumers Rules have been issued with an aim to ensure quality delivery of consumer services by laying down the rights of the electricity consumers to minimum standards of quality for the very first time.
- 1.2 Under the Rights of Consumers Rules, various provisions have been introduced in relation to metering, billing and payment, disconnection and reconnection and standards of performance for distribution licensees etc. However, under the Rights of Consumers Rules, provisions relating to limiting net metering for loads up to 10 kW and mandating gross metering for loads above 10 kW has also been introduced, and the this has drawn severe criticism on account of it being detrimental to the growth of the rooftop solar industry in India.

This article discusses the potential impact of the Rights of Consumers Rules on the rooftop solar industry in India.

2. IMPACT OF THE ELECTRICITY RULES ON THE ROOFTOP SOLAR INDUSTRY

- 2.1 The Rights of Consumers Rules mandates the State Electricity Regulatory Commissions (“**SERC**”) to frame regulations on Grid Interactive Roof Top Solar PV system and its related matters within 6 (six) months from the date of the notification of the Rights of Consumers Rules providing for net metering for loads up to 10 kW and mandating gross metering for loads above 10 kW. To understand the ramifications which the aforesaid mandate will bring on the rooftop solar industry, it will be necessary to first understand the concepts of net metering and gross metering.
- 2.2 Net metering is a mechanism in which electricity exports are adjusted against imports, resulting in lowering of the electricity bill of consumers as electricity produced from the rooftop project is deducted from the total electricity consumed from the grid over a fixed period of time. As net metering arrangement usually helps consumers in decreasing their electricity bills, this has proved to be a major attraction for commercial, industrial and residential consumers (“**C&I Consumers**”) to install rooftop solar projects on their premises. Whereas in contrast, gross metering is a mechanism in which a consumer is reimbursed at a fixed feed-in tariff for the total number of units of energy generated and exported to the grid and with the consumer also requiring to pay the distribution company (“**Discom**”) a retail HT tariff for electricity obtained from the grid.

- 2.3. Under a gross metering arrangement, the fixed feed-in tariff and retail HT tariff usually vary to a great extent with the rate of the latter invariably being higher than the rate of the former. With the introduction of mandatory gross metering for rooftop solar projects of loads above 10 kW, the electricity produced from such projects will now be purchased by the respective state Discoms at a fixed feed-in tariff rate determined by the SERC, with such fixed feed-in tariff rate usually being on the lower side. Therefore, as a result of the fixed feed-in tariff rate being typically much lower than the retail HT supply tariff, C&I Consumers will be left with no incentive for installing rooftop solar projects under the new rule as it will not be profitable for them to sell electricity to the Discoms at a price much lower than what they will be paying the Discoms for purchasing electricity from them.
- 2.4. This will have a significant material impact on the rooftop solar industry as C&I Consumers will no longer find setting up large rooftop solar projects lucrative, as mandatory gross metering for loads above 10 kW will take away a huge incentive to install rooftop solar projects. Though the 10 kW cap on net metering under the Rights of Consumers Rules is going to be a huge impediment in the growth of the solar rooftop industry, however, Discoms will stand to benefit from the same since under a gross metering arrangement Discoms usually do not lose any income and the same also provides them with an opportunity to earn more revenue, something which is not possible for them under net metering. Therefore, the aforesaid provision neither benefits nor serves the cause of the consumers, but is beneficial to the Discoms.

3. **IMPACT ON EMPLOYMENT, PROCUREMENT AND CONSTRUCTION DEVELOPERS AND CLARIFICATION FROM MINISTRY OF POWER**

- 3.1. The 10 kW cap on net metering under the Rights of Consumers Rules has also been criticised by various Employment, Procurement and Construction Developers ("**EPC Developers**") since mandatory gross metering for rooftop solar projects of loads above 10 kW will have a huge implication on the revenues earned by them. Several EPC Developers have stated that under net metering arrangements, they were permitted to sell the electricity generated from their C&I Customers rooftop solar projects to the grid and accordingly subtract its value from their invoice for the electricity drawn from the respective Discom. However, as a result of the new mandatory gross metering provision, all such C&I Customers rooftop solar projects, on account of them being over the capacity of 10 kW, will now be shifted to gross metering, which will ultimately reduce the revenues of the EPC Developers which such developers earlier earned under a net metering arrangement.
- 3.2. The 10 kW net metering cap provision under the Rights of Consumers Rules has been strongly criticised by almost all the stakeholders of the rooftop solar industry on account it having a serious negative effect on the development of the industry. As a consequence of the same, several representations and requests were made to the Ministry of Power, Government of India ("**Mop**") by various stakeholders, for re-examination of the provision mandating gross metering of rooftop solar projects with loads above 10 kW along with requests for also allowing net metering for all rooftop solar projects under the aforesaid rules. The MoP, in pursuance of the same, has recently released a clarification stating that all such representations and requests, as received from various stakeholders, will be duly examined and based on the same a decision will accordingly be taken for balancing the interest of all the stakeholders concerned.

4. CONCLUSION

In 2015, India had declared a target of achieving 100,000 megawatts (MW) of solar power by 2022 with 40,000 MW of that being targeted from the solar rooftop sector. However, as per the recent statistics, India has only managed to achieve a figure of 5650 MW from the solar rooftop segment, and the target of 40,000 MW now looks unrealistic. While the cause for such a slow growth in the solar rooftop sector are many, the recent disappointment in the form of mandatory gross metering for rooftop solar projects of loads above 10 kW can significantly derail the growth of the rooftop solar industry. There is, therefore an urgent need for the government to adopt a balanced approach for protecting the interests of various stakeholders of the rooftop solar industry and as well as of the Discoms so that the rooftop solar industry can be prevented from coming to a grinding halt.

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