

Firms charge up on power policy shift

Rush to tie up green energy through open access in C&I segment after two key policy amendments last year

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For India's power producers, a mix of policy amendments and a stronger corporate interest in greening industrial operations is making the commercial and industrial (C&I) segment more lucrative than ever.

In the C&I segment, there is a rush to tie up green energy through open access and/or group captive power plants. Most big conglomerates in India have adopted their own strategies to source green power outside the grid. It helps that the new rules of the Centre have now eased the process of doing so.

Two key policy amendments in 2023 have led to a spurt in investment in setting up green-energy arms by commercial consumers and/or procuring renewable energy directly.

The Union Ministry of Power amended the regulations on group captive power, stating that a captive power user in a group captive structure must hold a minimum of 26 per cent stake in the plant. Another significant policy directive aims at increasing the absorption of renew-



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able energy. The power ministry amended the rules for green open access, ie being able to procure green energy from anywhere in the country. In 2022, the ministry said consumers with a load of 100 Kw were eligible for open access. A year later it further said multiple connections at different locations, within the defined operat-

GREEN PUSH

- Amendment said that a captive power user in a group captive structure must hold a minimum of 26% in the captive generating plant
- A captive power plant is set up mostly by C&I users for their own electricity usage
- Another amendment allows procurement of green energy from anywhere in the country, through pooling from their different divisions
- Firms like Tata Power are hoping their planned capacities in the pumped-hydro space will help further cater to this segment

ing area, could pool in their demand for open access of green energy sources. This implied C&I consumers can pool in their demand from their different divisions and procure green energy from a source.

“As far as commercial or industrial consumers are concerned, they are looking for an arrangement

whereby they get power on a sustained basis to meet their obligations on renewables,” said Praveer Sinha, chief executive officer and managing director, Tata Power, in a recent interview with *Business Standard*.

Companies like Tata Power are hoping their planned capacities in the pumped hydro space will help further cater to this segment. “We are very much geared up to provide that sort of solution. We will be able to give 24/7 renewable power to our customers,” said Sinha, who expects the company to start work on its pumped hydro project this year.

A captive power plant is set up mostly by C&I users for their own electricity usage, given their high demand and specific supply requirements. The amended rules have paved the way for companies to set up group captive plants through their subsidiaries. This helped them avoid the charges that state-owned power distribution companies (discoms) levied on captive users. To compensate for their loss of large consumers while they use the power distribution infrastructure of the state, discoms levy cross-subsidy charges and

additional surcharges in some cases on group captive users.

Other power producers such as JSW Energy are aiming for similar strategies, riding on their expansion plans.

In a recent investor presentation, JSW Energy noted: “JSW Group has aggressive growth plans in steel, cement and paints businesses providing opportunities for group captive projects.”

Further, in a call with analysts, executives said the company had agreements with JSW Steel both for pumped hydro storage as well as for the group captive RE (renewable energy) this quarter.

The executives said group captive power would play an important role in the company's upcoming Strategy 2.0.

Others such as Aditya Birla Group companies — Hindalco Industries and UltraTech Cement — have been announcing small-ticket acquisitions in green energy. Executives from UltraTech have earlier noted the difference in cost between grid power and using their own green energy capacity works out to ₹2 per unit.