



CIVIL

Procedure Defined by the Telangana Electricity Regulatory Commission (TGERC) for verification of Captive Generating Plants (CGPs)

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Objective

The main aim of the verification procedures outlined by the Telangana Electricity Regulatory Commission (TGERC) is to confirm the compliance of Captive Generating Plants (CGPs) and their captive users with the criteria specified under the **Open Access Regulations, 2024 (Regulation No. 1 of 2024)**. This ensures adherence to the **Electricity Act, 2003**, and the **Electricity Rules, 2005**, along with subsequent amendments.

Applicability

- For Captive Generating Plants (CGPs) and Users in Telangana:**
 - The procedure is applicable to all CGPs and their users in Telangana seeking verification of their captive status. This includes compliance with **consumption** and **equity shareholding** criteria.
- Reporting Requirements:**
 - Submission by CGPs and Users:** CGPs and captive users must submit their claims to the Telangana Electricity Regulatory Commission (TGERC) through the relevant distribution licensee.
 - Role of Distribution Licensees:** They are responsible for compiling and submitting consolidated reports to TGERC by **June 30th** every year based on the information provided by CGPs.

Regulatory Framework

The statutory provisions governing CGPs and their operations are derived from the **Electricity Act, 2003**, and the **Electricity Rules, 2005**. Key provisions include:

Definitions (Electricity Act, 2003):

- Captive Generating Plant (Section 2(8)):** A power plant primarily for the owner’s use, including those set up by cooperative societies or associations.
- Generating Company (Section 2(28)):** Any entity responsible for operating or maintaining a generating station.
- Generating Station (Section 2(30)):** Infrastructure for electricity generation, excluding substations.
- Captive Generation (Section 9):**
 - Allows CGPs to operate without a license.
 - Provides open access for transmitting electricity, subject to transmission availability.

Rule 3 of Electricity Rules, 2005:

- Ownership Criteria:**
 - Captive users must collectively hold at least **26% ownership** of the CGP.
 - Affiliate companies require **51% ownership** by captive users.
 - Cooperative societies must collectively meet these ownership thresholds.
- Consumption Criteria:**
 - At least **51% of the electricity generated annually** must be consumed by captive users.
 - For cooperative societies and associations, the criteria must be met collectively.
- Special Provisions for SPVs:**
 - Captive status applies to specific generating units identified for captive use, not the entire station.

Compliance and Verification

- **Annual Basis:** Compliance is verified annually to ensure adherence to ownership (26%) and consumption (51%) thresholds.
- **Central Electricity Authority's Role:** If CGPs and users are spread across multiple states, the Central Electricity Authority verifies compliance.
- **Consequences of Non-Compliance:** Failure to meet criteria leads to the CGP losing its status, with electricity treated as non-captive.

Key Terms Explained:

- **Annual Basis:** Refers to the financial year used for assessing compliance.
- **Captive User:** The end user of CGP electricity, including subsidiaries and holding companies under specific conditions.
- **Ownership:** Defined as equity share capital with voting rights.
- **Special Purpose Vehicle (SPV):** A legal entity owning and operating a generating station with no other business activities.

General Conditions

1. **Energy Consumption:**
 - Electricity must be consumed directly from the CGP or through an energy storage system.
2. **Subsidiary or Holding Companies:**
 - Consumption by subsidiaries or holding companies of a captive user is admissible as captive consumption.
3. **Ownership Changes:**
 - Changes in ownership during the year must be reported to the distribution licensee with supporting documents.
4. **Thresholds for Compliance:**
 - Captive users must hold at least 26% ownership and consume at least 51% of the electricity generated annually.
5. **Proportional Compliance:**
 - Special Purpose Vehicles (SPVs) and partnerships must meet proportional ownership and consumption thresholds.
6. **Verification of Compliance:**
 - Verification considers any changes in ownership or captive users during the year, proportionate to the relevant periods.

Verification of Ownership Criteria

To confirm ownership compliance, CGPs must:

- **Equity Requirements:**
 - Hold at least 26% of equity share capital with voting rights.
 - For SPVs, ownership must be proportionate to units identified for captive use.
- **Documentation:**
 - Submit certificates from Chartered Accountants, business agreements, and related documents based on the organizational structure (e.g., company, cooperative society, SPV, LLP).

Verification of Consumption Criteria

To verify consumption compliance:

1. **Thresholds:**
 - Captive users must consume at least 51% of the net electricity generated annually.
2. **Technical Losses:**
 - Losses in transmission and storage systems are included in captive consumption.
3. **Submission Requirements:**
 - Monthly data on generation and consumption must be submitted to the SLDC or RLDC for verification.

4. **Non-Compliance:**

- Failure to meet the 51% consumption threshold results in the CGP losing its captive status, and electricity is treated as non-captive.

Default by Shareholders

- **Ownership or Consumption Default:**

- If a shareholder fails to meet consumption or ownership criteria, they lose captive status and associated benefits.
- If the remaining shareholders meet collective criteria, CGP status is retained; otherwise, the CGP loses its captive status.

Conclusion

The procedures set by the Telangana Electricity Regulatory Commission (TGERC) for Captive Generating Plants (CGPs) and captive users ensure compliance with ownership and consumption regulations. They provide a strong framework for verification, accountability, and adherence to statutory requirements, supporting efficient electricity generation and usage in Telangana.

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