

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

Petition No. 94 of 2025 (Suo-Moto)

In the matter of:

Suo-moto proceedings in the matter of removal of difficulties under UERC (Tariff and Other Terms for Supply of Electricity from Renewable Energy Source and non-fossil fuel based Co-generation Stations) (Second Amendment) Regulations, 2025.

CORAM

Shri M.L. Prasad	Chairman
Shri Anurag Sharma	Member (Law)
Shri Prabhat Kishor Dimri	Member (Technical)

Date of Order: January 06, 2026

The Order relates to the Suo-moto proceedings initiated by the Commission in the matter of request made by UJVN Ltd. for reconsideration and correction of provisions relating to Battery Energy Storage System (BESS) tariff structure and trading margin notified under the Second Amendment to RE Regulations, 2023.

1. Background

- 1.1 The Commission vide its notification dated 16.08.2023 issued UERC (Tariff and Other Terms for Supply of Electricity from Renewable Energy Source and non-fossil fuel based Co-generation Stations) Regulations, 2023 (hereinafter referred to as "RE Regulations, 2023" or "Principal Regulations, 2023") which came into force with effect from the date of notification, and unless reviewed earlier or extended by the Commission, shall remain in force for a period of 5 years from the date of commencement.
- 1.2 Subsequently, the Commission vide notification dated 20.06.2024 issued first amendment to Principal Regulations, 2023 revising the Renewable Purchase Obligation trajectory specified by Ministry of Power, Government of India (MoP, GoI) vide notification dated

20.10.2023 and to comply with the Electricity (Rights of Consumers) Rules, 2020 regarding timelines for key activities for commissioning of grid interactive rooftop and small solar PV plants under net metering as per the directions given by MoP, GoI vide its letter dated 16.11.2023.

- 1.3 Thereafter, the Commission vide notification dated 27.11.2025 issued Second amendment to RE Regulations, 2023 (hereinafter referred to as “RE Regulations (Second Amendment), 2025”) based on the detailed guidelines issued by MoP, GoI for procurement and utilization of BESS as part of generation, transmission, or distribution assets, or along with ancillary services & national framework for promoting energy storage system and request made by UJVN Ltd. for fixation of norms and setting of tariff/trading margin for proposed Battery Energy Storages System (BESS) in the State of Uttarakhand.
- 1.4 Through RE Regulations (Second Amendment), 2025, the Commission specified the provision regarding Battery Energy Storage System alongwith trading margin for BESS and solar energy based power plants and levelized ceiling tariff for BESS. The relevant extract of the RE Regulations (Second Amendment), 2025 is as follows:

“2. Scope and extent of application

(1) xxx

(2) xxx

(3) *The generic tariff specified for Wind, Battery Energy Storage System, Solar PV and Solar Thermal power projects under these Regulations shall be the maximum tariff and the distribution licensee shall, either on its own or through any other agency, invite tariff based competitive bids from generators/developers for procurement of power/BESS services from such generators/developers. The distribution licensee shall enter into a PPA with the generators/developers bidding lowest tariff.*

Provided that implementation of Canal Bank, Canal Top and Ground mounted Solar Power Plants by the eligible government organisation through any developer shall be done by way of tariff based competitive bidding process. In such cases PPA for sale of power from these plants shall be signed with distribution licensee with the eligible Government organisation who shall get a margin of 4% of the tariff quoted by L-1 bidder towards their resources employed, however, the tariff plus a margin of 4% shall not exceed the generic tariff determined by the

Commission for the year of commissioning.

Provided that in case of an Intermediary Agency, for implementation of Battery Energy Storage System for the discom, the trading margin shall be 5 paise per unit. The L-1 tariff plus a margin of 5 paise shall not exceed the generic tariff determined by the Commission for the year of commissioning."

And

"Table at serial number 12 under Annexure-I of RE Regulations, 2023

Levelling rate of Fixed Charges(RFC) in Rs./kWh for Bess Projects

<i>Particular</i>	<i>BESS</i>
	<i>(Rs./kWh)</i>
<i>Gross Tariff</i>	<i>5.78</i>
<i>Less: Acc. Dep. Benefit</i>	<i>0.00</i>
<i>Net Tariff</i>	<i>5.78</i>

"

2. Submission of UJVN Ltd.

- 2.1 UJVN Ltd. vide its letter dated 08.12.2025 requested that the Commission to reconsider the provisions relating to BESS tariff structure, i.e. Rs./kW and trading margin notified under the Second Amendment to RE Regulations, 2023 for implementation of solar energy based power plants and BESS. UJVN Ltd. has submitted that some of the provision, particularly those governing the tariff structure for standalone BESS and the trading margin applicable to Solar and BESS projects, may inadvertently result in practical difficulties, regulatory inconsistencies, and financial risks.
- 2.2 UJVN Ltd. submitted that the tariff structure prescribed in the second amendment to RE Regulations, 2023 shifts BESS compensation entirely to an energy-based model (Rs./unit of discharge). This approach diverges from the structure adopted in all standalone BESS tenders issued across India, which follows a capacity-charge model (Rs./MW/Month). This is because standalone BESS operates as a fixed-cost asset under the BOO/BOOT framework, wherein the entire investment is made upfront, and the developer must service debt obligations every month for a period of 12 years, irrespective of whether the battery discharges energy or not. Under unit-based tariff introduced in the final amendment, the developer earns revenue only when the SLDC schedules a discharge.

- 2.3 UJVN Ltd. further submitted that if, due to operational reasons or grid constraints, the SLDC is unable to schedule energy even for a week or a month, the energy injected becomes zero, resulting in no payment to the developer despite the battery being fully available and compliant. This leads to an unpredictable revenue stream, not due to any inefficiency on the developer's part, but solely because of external instructions beyond their control. UJVN Ltd. also submitted that for the state to retain eligibility for VGF support, PPA must be executed by the month of March. If the tariff structure is not compatible with the bidding norms and lender expectations and investor interest, the tendering process either may fail or attract limited participation with extra financial implications, leading to loss of central financial support to State and consumer at large.
- 2.4 Regarding trading margin, UJVN Ltd. submitted that the notified limits, i.e. 4% for Solar projects and 5 paise/unit for BESS, do not cover the actual long-term responsibilities and liabilities borne by UJVN Ltd. as the implementing agency. UJVN Ltd. has stated that it is required to provide land, prepare DPRs, undertake surveys, manage the regulatory processes, execute long-term agreements, and coordinate with UPCL and SLDC, while remaining responsible for compliance throughout the 25-year Solar and 12-year BESS project life cycles. UJVN Ltd. submitted that the prescribed trading margin (4% for Solar and 5 paise/unit for BESS) does not enable recovery of even essential operating expenditure, thereby defeating the purpose of creating a sustainable regulated business framework.

In view of the above, UJVN Ltd. requested the Commission for reconsideration of first and second proviso of Regulation 2(3) of RE Regulations (Second Amendment), 2025 which specifies the trading margin for Solar - 4% and BESS - 5 paisa/kWh respectively. Further, UJVN Ltd. also requested the Commission to specify Standalone BESS tariff based on capacity charges basis (Rs./MW/Month) whereas the Commission through Second amendment to RE Regulations, 2023 has specified levelized rate of fixed charge of Rs. 5.78/kWh for BESS projects.

3. Submissions of UPCL

- 3.1 The letter received from UJVN Ltd. was forwarded to UPCL for its comments on the requests made therein, namely, reconsideration of the trading margin for Solar Power (4%)

and BESS (5 paise/kWh), and determination of tariff for Standalone BESS on a capacity-charge basis (Rs./MW/month) in place of the existing per-unit-based tariff. In response, UPCL, vide its letter dated 23.12.2025, has submitted its comments on the aforesaid requests of UJVN Ltd.

- 3.2 With regard to trading margin, UPCL submitted that UPCL does not agree with the request of UJVN Ltd. for reconsideration of trading margin specified under RE Regulations (Second Amendment), 2025. Further, regarding capacity charge based tariff for Standalone BESS, UPCL submitted that it agrees with the request made by UJVN Ltd. for adoption of capacity charge based tariff mechanism for Standalone BESS expressed in Rs./MW/Month, in line with prevailing national practices. Such a framework is essential to ensure financial viability of BESS projects, lender confidence, and timely implementation under the guidelines for MoP, GoI and support mechanism such as PSDF/VGF.

4. Commission's views and decision

- 4.1 The Commission analysed the requests made by UJVN Ltd. regarding increase in trading margin and tariff of standalone BESS based on capacity charges instead of per unit charges, and UPCL alongwith various tenders floated for development of BESS projects in the nation.
- 4.2 With regard to the request of UJVN Ltd. seeking reconsideration of the trading margin for Solar Power Plants and Standalone BESS projects, it is pertinent to note that the Commission has already undertaken detailed deliberations while fixing the applicable trading margin. The Commission, therefore, does not find any cogent reason or justification to revise the trading margin so determined.
- 4.3 With regard to the other request of UJVN Ltd. seeking provision of a ceiling tariff for Standalone Battery Energy Storage System (BESS) projects in the form of capacity charges instead of per-unit-based charges, the Commission has examined the prevailing tendering practices for development of BESS projects in the country. It is observed that several procuring agencies, including NTPC Vidyut Vyapar Nigam Ltd. (500 MW / 1,000 MWh BESS), Rajasthan Rajya Vidyut Utpadan Nigam Ltd. (1 GW / 2 GWh BESS), NHPC (Tranche-I, Kerala – 125 MW / 500 MWh BESS), Telangana Power Generation Corporation Ltd. (250 MW / 500 MWh BESS) and Karnataka Power Transmission Corporation Ltd. (500

MW / 1,000 MWh BESS), have floated tenders wherein bids are invited and discovered in terms of capacity charges expressed as Rs./MW/month.

In view of the above, the Commission observes that while the prevailing market practice for procurement of Standalone BESS projects is largely based on capacity charges, the existing regulatory framework of the Commission presently provides for determination of tariff on a per-unit basis only. Accordingly, to bring greater regulatory clarity, the Commission finds merit in the request of UJVN Ltd. for specifying a ceiling tariff for Standalone BESS projects in the form of capacity charges, per unit tariff specified in the regulations translates to Capacity Charges of Rs. 3,96,747/MW/Month.

Accordingly, the Commission issues the following clarification that the energy charges specified under Table-12 shall be read as translating to capacity charges of Rs.3,96,747/MW/Month.

5. The said modification/insertion shall come into effect from the date of Order till further orders.

(Prabhat Kishor Dimri)
Member (Technical)

(Anurag Sharma)
Member (Law)

(M.L. Prasad)
Chairman