

# Clarification on grid tariff of Renewable Energy Projects in China

The actual feed-in tariff may not be consistent with the tariff used in feasibility study report or primary design report of some power projects in China. Following is the clarification and explanation from my department, the DNA of China.

In general, feasibility study is required for new projects or retrofit projects. A company with intention to construct a project should entrust a qualified design institute to develop feasibility study report of the project. Government department concerned will approve the feasibility study report according to relative regulations.

The Government has set up general guidance on grid tariff for renewable energies, well, the actual tariff should be determined through the negotiation between the power company and grid company.

Before the power company gets the approval of feasibility study report from relevant government department, it is impossible for the power company to negotiate with grid company on the tariff and electricity purchase agreement. Therefore, a design institute who develops feasibility study will survey the tariff of other renewable energies in the same area, and make assessment of the tariff that the project might achieve, and take the assessed tariff to calculate IRR as the IRR of the feasibility study report.

Based on the above explanation, it can conclude that the actual tariff that is based on the negotiation with grid company, may be different from the assessed tariff in feasibility study report. Therefore, it is quite normal and common that the tariff in PDDs of renewable energy projects is different from the tariff of feasibility study report. In most cases, the tariff used in feasibility study report is higher than the actual tariff that is agreed by grid company. It means that feasibility study report usually over estimate the tariff.

The approval on feasibility study report or primary design report means the approval on the validity of a project (such as project development right, project capacity, location, investment, environmental protection measures), but does not mean the approval on the tariff. The actual tariff of a project can only be decided through the negotiation with grid company and final approval by price authority.

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