

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Diary (Petition) No.464/2022 and Diary (IA) No.500/2022

- Subject : Petition under Section 66 of the Electricity Act, 2003 read with Regulation 5(4) and 25 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 for approval of amendments in Renewable Energy Certificate Contracts at Indian Energy Exchange in accordance with Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022.
- Date of Hearing : 15.12.2022
- Coram : Shri I. S. Jha, Member
Shri Arun Goyal, Member
Shri P. K. Singh, Member
- Petitioners : Indian Energy Exchange Limited (IEX)
- Respondent : National Load Despatch Centre (NLDC)
- Parties Present : Shri Jogendra Behera, IEX
Shri Gaurav Maheshwari, IEX
Shri Kailash Chand Saini, NLDC
Shri K. Usman, NLDC
Shri Ganejdra Singh Vasava, NLDC

Record of Proceedings

The representative of the Petitioner submitted that the present Petition has been filed for approval of amendments in the Renewable Energy Certificate (REC) Contracts at Indian Energy Exchange in accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 (in short 'REC Regulations, 2022'). The representative of the Petitioner mainly submitted the following:

- (a) Keeping in view the changes brought in by the REC Regulations, 2022, two noteworthy amendments proposed in the REC contracts by the Petitioner are (i) a single REC will be traded without any categorization, and (ii) there shall not be any floor or forbearance prices of RECs for the market.
- (b) In addition, the Petitioner has also requested for clarification that energy sold by RE capacity registered under REC mechanism in the conventional market at power exchange shall be eligible for issuance of REC and in case the energy is sold in the Green Markets by such RE capacity then no RECs will be issued against such energy sold in the Green Markets at power exchange. It is proposed to do away with the restriction on participation of REC registered projects in Green Markets (viz. GDAM, GITD, GDAC & GTAM).
- (c) Statement of Reasons (SoR) to REC Regulations, 2022 dated 11.6.2022 issued by the Commission at paragraph 10.33 & 10.41 provides that the Central



Agency will be required to indicate the origin of RE source while issuing RECs and obligated entities will meet source-wise RPO by purchasing such RECs. From these paragraphs of SoR, it is inferred that there is a requirement of indicating the origin of RE source while issuance of RECs to obligated entities.

(d) However, identification of RE source while issuing REC to the obligated entities is against overall design of REC framework as provided under the REC Regulations, 2022 whereby the Commission has introduced the concept of multiplier and dispensed with categorization of RECs into solar & non-solar RECs. Again providing the origin of RE source while issuing RECs will take away the fungible nature of RECs as envisaged under the Regulations.

(e) At the same time, one single fungible REC would be meaningful only when SERCs also hold similar view and incorporate in their respective regulatory framework for fulfillment of RPO by the obligated entities. When most of the SERCs are continuing with solar and non-solar RPO trajectories, which can be fulfilled by obligated entities by purchasing RECs through trading licensees with clear identification of RE sources, the power exchanges offering single REC not being able to meet the requirement of obligated entities will become a redundant market.

(f) Hence, the Commission may dispense with the requirement of indicating the origin of RE source while issuance of RECs to the obligated entities through Power Exchanges and trading licensees and specify that RECs may be used in fungible manner across the different technologies. The Commission may also take up the matter through FOR so that SERCs may also converge on fungibility of RECs and incorporate in their regulatory framework for fulfillment of RPOs of obligated entities.

(g) Alternatively, the Petitioner has proposed certain mechanism to be followed to indicate the origin of RE source. One of the ways to do it is to indicate the origin of RE source based on pro-rata basis similar to what is being followed in G-DAM. The purchase certificate may be issued indicating % clearance of each type of RE source of sellers cleared in the market and such % clearance shall be provided by Central Agency considering the RECs transacted in a month through all power exchanges and trading licensees. However, this mechanism may create uncertainty for the buyers as to what type of RECs are going to be allocated from the market as the buyer may be allocated certain % of particular category of RECs which it may not even required to fulfill its RPO.

(h) Hence, instead of pro-rata allocation, the RECs may be allocated to the buyers on the basis of their category preference. In this mechanism, MCP will be discovered considering single REC but while allocating the RECs to the buyers, the category preference of the buyers will be considered. This mechanism is elaborated by the Petitioner at paragraph 12 of IA No.500/2022.

(i) The Petitioner is urging for interim order in the above regard as REC Regulations, 2022 have already come into the force w.e.f. 5.12.2022 and the next bidding session for the REC is scheduled on 28.12.2022 (Wednesday).

2. The representative of the Respondent, NLDC sought some time to file a detailed reply to the Petition.

3. After hearing the representatives of the Petitioner and the Respondent, NLDC, the Commission admitted the Petition and directed the Petitioner to seek public comments on the proposed amendments to the REC contract. The Commission also directed the Respondent, NLDC to file its reply, if any, within a week with copy to the Petitioner who may file its response thereon, if any, within two days thereafter.

4. As to the prayer of the Petitioner for interim order in view of the next bidding session scheduled on 28.12.2022, the Commission directed as under:

(a) On the issue of enabling REC registered projects for participation in Green Markets (viz. GDAM, GITD, GDAC & GTAM), the Commission noted that the Central Agency has already modified the Detailed Procedure under REC mechanism and as per Clause 7.2 (c) of the said procedure, uncleared bids of RE generating stations in Green Day Ahead Market transferred and cleared in DAM are eligible for issuance of REC subject to eligibility conditions under REC mechanism. This being in line with the REC Regulations, 2022, the energy sold by RE capacity registered under REC mechanism in any conventional market (DAM/RTM/ TAM) at Power Exchange shall be eligible for issuance of RECs and in case the energy is sold in the Green Market by such RE capacity then no such RECs will be issued against such energy sold in the Green Markets at Power Exchanges.

(b) On the issue of increasing the frequency of REC sessions on Power Exchanges from once in a month to once in a week, the Commission directed the Central Agency to examine the issue and to take action based on public consultation in this regard, under intimation to this Commission.

(c) On the proposal of allowing Reverse Auction where the price is discovered based on competitive bidding and allowing buyers to buy RECs through continuous trade available during the day, the Commission directed the Power exchanges to submit detailed proposal in this regard after public consultations which can be examined subsequently through separate proceeding.

(d) On the issue of fungibility in RECs and pro-rata allocation of RECs based on source, the Commission noted that categorization of RECs has been dispensed with, on introduction of the concept of multiplier under REC Regulations, 2022. With due regard to the fact that different categories of RPOs still exist for the buyers, the Commission in its Statement of Reasons Order dated 11.06.2022 on REC Regulations, 2022 had stated that the Central Agency will be required to indicate origin of RE source while issuing REC certificates.

(e) Accordingly, the Commission directed that while the price discovery and matching methodology in the REC market on power exchanges shall continue to be based on double sided closed bid auction mechanism, pending and subject to final orders in this petition, the mechanism of pro rata allocation based on buyer's preference as proposed by the Petitioner may be followed by the Power Exchanges to allocate cleared RECs in the Power Exchanges among the buyers of RECs.

f) A comprehensive report shall be submitted by the Petitioner and NLDC by 15.1.2023 on the above interim mechanism highlighting origin of RE source of RECs, buyer's preference RECs based on origin of RE source, pro-rata allocation based on buyer's preference.

5. The Petition shall be listed for hearing on 19.1.2023.

By order of the Commission

**Sd/-
(T.D. Pant)
Joint Chief (Law)**