

**Sembcorp's Comments/Suggestions on
CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation)
Regulations, 2022**

Sr. No	Proposed Regulation in CERC Draft	Suggested Regulation	Sembcorp's comments/suggestions
1	<p>4.(3) Captive generating stations based on renewable energy sources and meeting the conditions as specified under clause (2) of this Regulation in respect of renewable energy generating stations shall be eligible for issuance of Certificates:</p> <p>Provided that the Certificates issued to such captive generating stations to the extent of self-consumption, shall not be eligible for sale.</p>	<p>4.(3) Captive generating stations based on renewable energy sources and meeting the conditions as specified under clause (2) of this Regulation in respect of renewable energy generating stations shall be eligible for issuance of Certificates:</p> <p>Provided that the Certificates issued to such captive generating stations to the extent of self-consumption, shall not be eligible for sale.</p>	<p>In the statement of reasons to the proposed draft REC regulation, it is not clearly mentioned the reason why REC from captive generating projects has been removed from trading, when the same was happening under the previous REC 2010 regulations. Captive plants under REC transfer brown power to its users at a nominal tariff. The RECs from these projects are being sold in the exchange since commissioning of these projects. The revenues from REC sales were considered in the business case at the time of setting up the project in accordance with the provisions of the RE Regulations, 2010. Sale of RECs for such captive generators is crucial for sustenance of the captive generating stations, especially since these projects were established based on promise of REC sales under the earlier 2010 REC regulations. Withdrawing the same, is against equity and amounts to backing out from the express promise provided to generators in the 2010 regulations. This withdrawal would make the project financially unviable and is against the principle of Promissory Estoppel.</p> <p>Further, it has been proposed to issue RECs to distribution licensees and open access consumers who purchase power from renewables sources beyond renewable purchase obligations. By applying same principle, the captive consumers must be issued and allowed to sell RECs beyond the captive consumer's renewable purchase obligations.</p>

			Therefore, in the interest of justice, equity and fairness, the proviso is suggested to be deleted.
2	<p>8. Grant of Registration for Certificates</p> <p>8.(2) The registration for Certificates granted in terms of these regulations shall be valid for 15 years from the date of registration for Certificates:</p> <p>Provided that the registration for Certificates granted under the REC Regulations, 2010 and deemed to have been granted registration for Certificates under these regulations shall be valid for a period of 15 years from the date of deemed registration for such Certificate.</p>	<p>8. Grant of Registration for Certificates</p> <p>8.(2) The registration for Certificates granted in terms of these regulations shall be valid for 15 years from the date of registration for Certificates:</p> <p>Provided that the registration for Certificates granted under the REC Regulations, 2010 and deemed to have been granted registration for Certificates under these regulations shall be valid for a period of 15 years from the date of deemed registration for such Certificate.</p> <p><i>Provided further that the projects registered under the REC Regulations, 2010 would be eligible for re-registration till 25 years from the date of registration.</i></p>	<p>The projects accredited and registered under the 2010 REC regulation have process of re-accreditation and re-registration every five years as per the detailed procedures. The projects are eligible for registration and issuance of RECs till useful life of the projects.</p> <p>This should continue as the projects financial closure was based on cash flows from REC issued over the life (25 years) of the project and as promised by CERC REC Regulations, 2010. Any restriction for 15 years, for projects which have been conceived and registered under REC Regulations, 2010, would adversely impact the financial viability of the RE projects and is against justice, equity and fairplay. Hence, the last proviso is inserted.</p>
3	<p>11. Exchange and Redemption of Certificates</p> <p>....</p> <p>(2) The Certificates shall be exchanged through power exchanges or through electricity traders in such periodicity as may be stipulated by the Central Agency in the Detailed Procedure....</p>	<p>11. Exchange and Redemption of Certificates</p> <p>....</p> <p>(2) The Certificates shall be exchanged through power exchanges or through electricity traders <u>or bilaterally</u> in such periodicity as may be stipulated</p>	<p>If a Trader is allowed to trade REC, option should be available to a generators also to directly find a REC buyer and sell REC to them. With this option, companies can internally adjust REC within its group to comply with RPO. Going through Trader (or Exchange) is a suboptimal solution to such firms. Hence the addition of "or bilaterally".</p>

		<p>by the Central Agency in the Detailed Procedure....</p> <p>(2) The Certificates shall be exchanged through power exchanges or through electricity traders or bilaterally in such periodicity as may be stipulated by the Central Agency in the Detailed Procedure.</p>	
4	<p>13. Pricing of Certificates</p> <p>(1) The price of Certificate shall be as discovered in the Power Exchange(s) or as mutually agreed between eligible entities and the electricity traders:</p> <p>Provided that the Power Exchange(s) and the electricity traders shall report all transactions with details including but not limited to volume, price, buyers and sellers to the Central Agency on a monthly basis.</p>	<p>13. Pricing of Certificates</p> <p>(1) The price of Certificate shall be as discovered in the Power Exchange(s) or as mutually agreed between eligible entities and buyers or with the electricity traders:</p> <p>Provided that the Power Exchange(s), the electricity traders and <u>the eligible entities</u> shall report all transactions with details including but not limited to volume, price, buyers and sellers to the Central Agency on a monthly basis.</p> <p><u>Provided further that the sale of certificate shall not be below the floor price of Rs. 1000/Certificate</u></p>	<p><u>REC Floor Price Should be Retained</u></p> <p>The generators have setup RE projects based on the certain revenue assumptions and risks, which can be hedged by ensuring minimum revenue from the sale of REC's. In the absence of minimum revenue, generators that have set up projects under REC scheme, would end up being unviable given their high initial set up cost. The requirement of minimum revenue and hence a minimum floor price, inter alia stems from the following reason:</p> <ol style="list-style-type: none"> Sufficient Cheap Options for Purchasing Actual Renewable Power: Obligated Entities can now fulfil their RPO obligations through i) GTAM where they can source physical power instead of purchasing REC's as per their RPO requirement without entering in long term contracts. This is a recent development that disincentivises Discoms to purchase RECs from the same market where they now can get actual RE power. This has an immediate impact on reducing REC sales, and ii) competitive bidding RE power under long term contracts can be executed at affordable rates. Therefore over the

long-term, pressure on REC sales cannot be ruled out.

2. **Oversupply of RECs with Changing Market Dynamics:** Over the years the REC auction market saw a significant oversupply of REC as compared to its demand. Only in FY 2019-20 when states like Bihar, Chattisgarh started complying to RPO by purchasing RECs, did the glut end with a shortfall in REC was observed. What was noted that only limited states were buying REC though non-compliance of RPO by other states was happening. Statistics below highlight the same:

Financial Year	REC Bid (A)	Sell	REC Bid (B)	Buy	Excess of Sell over Bid (A) - (B)
FY 14-15	59,644,749		1,547,624		58,097,125
FY 15-16	111,759,005		3,138,890		108,620,115
FY 16-17	130,424,536		4,618,619		125,805,917
FY 17-18	67,008,171		9,505,876		57,502,295
FY 18-19	22,079,841		17,625,099		4,454,742
FY 19-20	11,417,203		16,362,083		(4,944,880)
FY 20-21	4,414,255		724,481		3,689,774

Given that Discoms today are issued REC for RE power exceeding its RPO and cheap green power (below Average Power Purchase Cost) for actual consumption is easily available in GTAM/GDAM/Competitive bidding, the REC supply may actually increase in the future (vis a vis demand), thereby depressing the REC market.

Under such circumstances of unsold REC inventory in the near future due to changing market

			<p>dynamics and consequent depression in REC market, the need for a floor price of REC cannot but be overemphasized upon. Hence it is suggested that REC floor price be retained at the earlier level of Rs. 1000/Certificate.</p>
<u>SUGGESTIONS FOR NEW PROVISIONS</u>			
1	<p>Grandfathering of all old projects - All old projects commissioned prior to date of notification of these regulations should be governed as per the REC regulations 2010 and its amendments therein. All these projects have been implemented after considering several risks and returns. Any regulatory change which makes revenue from RECs unviable, will stress these projects under risk and make them un-sustainable. The Hon'ble Commission is requested to consider grandfathering of old projects.</p>		