

DCM-Shiram Comments on draft REC Regulations

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Sent: Monday, March 7, 2022 1:08:53 PM

Subject: Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable energy Certificates for Renewable Generation) Regulations, 2022

Dear Sir ,

This has reference to the Central Electricity Regulatory Commission (CERC) vide its Public Notice No. RA-14026(11)/1/2022-CERC dated 15th February, 2022, which has been uploaded on its website the Public Notice under reference along with the draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable energy Certificates for Renewable Generation) Regulations, 2022.

Our comments in this regard are as under :

1) It is heartening to note that there is a commitment to integrate more renewable energy in the electricity grid with a target of 175 GW by 2022 and 450 GW by 2030.

2) In principle, REC mechanism is the best way to ensure that **the green (clean) energy is rewarded while the non-green (dirty) energy pays for harming the environment**, meaning **the polluter pays**. It is a good mechanism, but its implementation has been vitiated in favour of dirty energy. It is highly pertinent to mention that in absence of a strong Renewable Purchase Obligation (RPO) mechanism that includes prompt penal action against the defaulters, no monitoring or control system alone can work to sustain the REC mechanism. Noncompliance of RPO is an issue that has long been ailing the REC mechanism.

3) The above has led to accumulation of about 40 Lakh units of RECs which even at the last traded floor price of Rs. 1000 per REC may be evaluated at Rs. 400 Crores, which is a direct loss to the entities who have invested and placed their faith in this green energy mechanism.

4) In Pricing of Certificates, the floor as well as the forbearance prices have been eliminated. To sustain a working REC mechanism, to promote renewable energy generation and to prevent unfair trade practices aimed against renewable energy generators, the Floor Price of REC should be maintained and at a suggested minimum level of Rs 1000/ REC. Failing which, with such a high inventory of RECs for sale and a low demand for buying will drag the trading prices to a few rupees/ REC fatally harming the green energy generators.

5) In Eligibility for issuance of certificates, 4.3 Para 2, there is ambiguity:

(i) It is ACCEPTABLE in case it means, the RECs issued to the extent of RPO of the captive generating station, shall not be eligible for sale. The RECs issued over and above after meeting the RPO obligation can be sold freely. Thereby indirectly forcing compliance of RPO before selling the RECs.

(ii) It is NOT-ACCEPTABLE in case it means, all the RECs issued to the captive generating station, shall not be eligible for sale.

This is a gross attempt to sabotage the entire REC mechanism by penalising the green energy generators. Furthermore, what purpose would it serve to issue RECs that cannot be sold.

Forwarded for your kind consideration please .

Rgds,

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