

10th March, 2022

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath,
New Delhi-110 001

Sub.: Comments on draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022.

Ref: CERC Public Notice No. RA-14026(11)/1/2022-CERC dated 15th February, 2022.

Sir,

1. ISMA is an all India Apex Association representing sugar mills in the private and public sector across the country. It is the interface between the Government of India and Sugar Industry in the country. The prime objective of ISMA is to ensure that the functioning and interests of its member sugar mills are safeguarded through conducive and growth-oriented policies of the Government.
2. CERC, vide its Public Notice No. RA-14026(11)/1/2022-CERC dated 15th February, 2022, has uploaded the draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, inviting comments thereon by 15th March, 2022.

Accordingly, we are furnishing our comments on the draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, as follows:

3. Rule 4 (2) and (3) of the draft Regulations, 2022, proposes the eligibility for issuance of RECs, as follows:

“4 (2) A renewable energy generating station shall be eligible for issuance of Certificates, if it meets the following conditions:

(a) the tariff of such renewable energy generating station has not been either determined or adopted under section 62 or section 63 of the Act, or the electricity generated is not sold either through an electricity trader or in the Power Exchange, for RPO compliance by an obligated entity;

(b) such renewable energy generating station has not availed any (i) waiver or concessional transmission charges or (ii) waiver or concessional wheeling charges or (iii) facility of banking of electricity.

(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:

Provided that the Certificates issued to such captive generating stations to the extent of self- consumption, shall not be eligible for sale.”

It is clear from Rule 4 (2), that though a renewable energy generating station shall be eligible for issuance of RECs, it shall become ineligible, in case tariff for such generating station has been determined or adopted under Section 62 or 63 of the Electricity Act, 2003.

Further, Rule 4 (3) provides that no RECs shall be eligible for sale which is to the extent of self-consumption.

Both the above provisions are contrary to the policy to encourage generation of energy from renewable sources, especially bagasse or bio-mass based generation as these provisions shall not allow any of the generators from renewable sources to qualify for issuance of RECs. Thus, the whole policy of encouraging generation from bagasse or bio-mass based generators will go futile.

Therefore, all the provisions as indicated above, need to be reconsidered so that the benefit could also be passed on to the generators of energy from renewable energy, especially from bagasse or bio-mass based generators.

4. We feel that in principle, REC mechanism is an excellent way to ensure encouragement of green energy. Indeed, it is a good mechanism, but its implementation has been vitiated.

In absence of a strong and firm implementation of Renewable Purchase Obligation (RPO) mechanism that includes penal action against the defaulters, no monitoring or control system alone can work to sustain the REC mechanism.

Due to the above, there is an accumulation of about 35 Lakh units of RECs, out of which approx. 30 lakh RECs belong to non-solar sector, which even at the last traded floor price of Rs. 1000 per REC will be evaluated at Rs. 350 Crores (about Rs. 300 crore for non-solar), which is a direct loss to the generators who have invested and placed their faith in this green energy mechanism.

5. Rule 13 of the draft Regulations provides that the price of REC shall be discovered in the Power Exchanges or mutually agreed between eligible entities and the electricity traders.

It is stated that to sustain a working REC mechanism, to promote renewable energy generation and to prevent unfair trade practices, Floor Price of REC should be fixed and suggested to be maintained at a minimum level of Rs 1000/REC, failing which, a low demand for purchase of RECs will drag the trading prices in view of such a high inventory of RECs.

6. We hope and trust that our above suggestions would receive due consideration while finalising the draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022.

Thanking you.

Yours faithfully,



(Abinash Verma)
Director General