



GRIDCO LIMITED

GRIDCO
Empowering Orissa

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Date 15/03/2022

To

The Secretary,
Central Electricity Regulatory Commission,
New Delhi

Sub: View of GRIDCO, Odisha on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022

Sir,

With reference to the above cited subject, the views of GRIDCO on the draft **Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022** is enclosed herewith for kind consideration and further necessary action in the matter.

Yours faithfully,

Director (Commercial)

Cc : Special Secretary to Govt., Department of Energy, GoO for favour of information.

Views of GRIDCO on Draft 'CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022'

In order to revamp the Renewable Energy Certificate (REC) Mechanism MoP, GoI had issued a draft Discussion Paper, for redesigning of the same in June-2021. Now CERC has circulated the draft 'CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022' for views from the Stakeholders. Following are the views of GRIDCO on the Draft Regulations:

A.Regulation 4(1): Eligibility for Issuance of Certificates

As per the draft Regulations the following entities shall be eligible for issuance of Certificates:

- a. Renewable energy generating station,
- b. Captive generating station based on renewable energy sources,
- c. Distribution licensee, and
- d. Open access consumer

Views:

In case of Odisha there is an Intermediary Company, i.e. GRIDCO, for Bulk Power Procurement towards supply to the DISCOMs of the State and Trading of Surplus Power. The Entity is vested with RPO on behalf of the State DISCOMs and answerable to the State Electricity Regulatory Commission for necessary compliance of RPO on account of Energy consumption by the DISCOMs. After year-end Energy accounting, the RE Power purchased may surpass the necessary RPO quantum for the Financial Year, for which necessary RECs may have to be issued in favour of GRIDCO.

Therefore, in addition to the Distribution Licensee, any Intermediary Company for Bulk Power Procurement on behalf of the State DISCOMs may also be granted eligibility for issuance of Certificates to the extent of RE Power procured by them beyond their necessary RPO. Regulation 4(1) (c) may be modified as given below:

- c. Distribution licensee/Intermediary Company for Bulk Power Procurement on behalf of State DISCOMs, and

B.Regulation 12(2): Denomination of Certificate – Higher Certificate Multiplier for Floating Solar & Small Hydro Electric Projects.

Views:

In order to give impetus to new technologies in the competitive market, Floating Solar & Off-Shore Wind may be assigned a Certificate Multiplier of 2 and in order to encourage Small Hydro Electric Projects and utilise downstream flow, which require comparatively longer



gestation periods and various clearances, may also be assigned a Certificate Multiplier of 2. Similarly, to make the Pumped Storage Plants viable and reap other benefits like Grid Balancing and Peak Hour Support, those may be assigned a Certificate Multiplier of 2.5.

C.Regulation 12(4): Validity of once assigned Certificate Multiplier for a Period of fifteen years.

Views:

Continuing with once assigned Certificate Multiplier for the Projects for a period of 15 Years may not encourage new investments due to continuous over issue of RECs.

For the above reasons, Multipliers may be revised by CERC in regular intervals of 3 Years. Further, instead of continuing for 15 Years with the once assigned Multiplier for the Projects, it should be reduced every 3 years in a graded manner, and the 15 Year Policy visibility for a particular technology may be planned accordingly.

D.Regulation 13: Pricing of Certificates:

Abolition of Floor & Forbearance Price [Proviso to Regulation 9(1) of CERC (Terms and Conditions for Recognition and Issuance of Renewable energy Certificate for Renewable energy Generation) Regulations, 2010]

Views:

Removal of Floor Price will create competition in the Market, which will be beneficial for the Buyers in terms of lower price and for the Sellers also as the REC Market will be revived. However, removal of Forbearance Price will have the exact opposite effect as it will encourage hoarding of RECs and not be beneficial for Sellers also due to lesser action in the REC Market.

Therefore, Forbearance Price, which is an effortless Market Monitoring Mechanism, should continue to remain in place.

E.Regulation 14: Validity of Certificates:

As per the draft Regulations the Certificates issued shall remain valid until they are redeemed:

Views:

Granting perpetuity to the validity of REC may not be a good move due to the following reasons:

- (i) It opens up avenues for hoarding of RECs during low price conditions and wait for prices to rise due predictable changes in law.
- (ii) Presence of plenty of RECs with perpetual validity may deter new investment by developers.

Therefore, validity of RECs may be definite and limited to a period of 5 Years in place of prevailing 3 Years and be subject to enhancement by CERC from time to time.