

MERC Comment on draft CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022.

1. The MERC welcomes following provisions in draft Regulations:
 - a. Unified Renewable Energy Certificate for all sources of Renewable Energy. Distinction of Solar and non-solar REC is proposed to be removed. After final notification of this Regulations, SERCs has to allow use of unified RECs for meeting solar and non-solar RPO and HPO.
 - b. RECs will be valid until they are redeemed.
 - c. Price of such REC is proposed to be discovered through market mechanism without any forbearance or floor price with provisions that CERC may intervene during abnormal circumstances.
 - d. Distribution Licensee will get RECs for Renewable Energy procurement above the RPO target specified by the State Commission.
 - e. Introduction of certificate multiplier for various RE technologies.

2. Having welcomed various provisions of Draft REC Regulations, the MERC like to suggest following modification/addition in provisions of draft Regulations:

- a. Certificate multiplier in draft Regulations has been proposed based on tariff range as follows:

Renewable Energy Technologies based on	Tariff Range in Rs/kWh	Certificate Multiplier
On-shore Wind and Solar	<=4	1
Hydro	4-6	1.5
Municipal Solid Waste (MSW) and non-fossil fuel-based cogeneration	6-8	2
Biomass and Biofuel	8-10	2.5

In above table it is observed that multiplier would be sufficient for RE technology having tariff at start of tariff range. RE technology having tariff at end of the range may have disadvantage. Example in tariff range of 8-10, multiplier of 2.5 is proposed. For RE technology with tariff of Rs. 10/kWh and selling power at APPC (@ Rs 4/kWh), RECs of 2.5 may not be attractive. Hence, it is proposed that REC multiplier may be slightly increase as follows:

Renewable Energy Technologies based on	Tariff Range in Rs/kWh	Certificate Multiplier
On-shore Wind and Solar	<=4	1
Hydro	4-6	2

Renewable Energy Technologies based on	Tariff Range in Rs/kWh	Certificate Multiplier
Municipal Solid Waste (MSW) and non-fossil fuel-based cogeneration	6-8	3
Biomass and Biofuel	8-10	4

b. Further modification in REC mechanism for promoting other RE sources:

The MERC understands that REC mechanism works on the principle of separating electricity component and environmental attribute of Renewable Energy produced. Electricity component is sale to Discom at APPC or any other consumer at mutual decided tariff and RE generator gets REC for environmental attribute of such sale of energy. Such RECs are then traded in to the market for recovering monetary value.

With drastic reduction in Solar and Wind energy rates, even though other RE sources such as Small Hydro, Biomass and Bagasse are available for meeting RPO, Distribution Licensee are giving preference to Wind and Solar Energy. Although, other RE sources are also required to be promoted, the Commission cannot compel Distribution Licensee to fulfil their RPO from specific RE sources only and that too when such sources are relatively costly. Distribution Licensee needs to be allowed to fulfil their RPO Targets in most cost effective manner.

As can be seen from Table at para a above, other RE sources such as Small Hydro, Biomass, Bagasse, Municipal Solid Waste are still higher than APPC of Distribution Licensee. Due to limited resources/players, competitive bidding for these technologies has not been very successful or the discovered rates are still higher.

Distribution Licensee would be motivated to procure power from these RE sources if some of its higher cost is absorbed through the modified REC mechanism which can be modified as follows:

Distribution Licensee procuring power from RE technologies eligible for certificate multiplier shall get RECs equivalent to the ‘certificate multiplier - 1’ for procuring electricity at generic tariff / project specific tariff/ competitive discovered tariff from such RE sources beside such energy shall be considered towards fulfilment of RPO of Distribution Licensee.

Above provision will help promoting other high cost RE sources as it will compensate Distribution Licensee to some extent for high tariff of such RE technologies.

3. CERC is requested to look into the suggestions favourably which will help promoting all RE resources. Municipal Solid Waste which is need of hour for managing wastes of urban area but costs above Rs 7/kWh can be easily promoted through such modified REC mechanism.