

**Comments on draft Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 dated 15.02.2022**

The Central Electricity Regulatory Commission ("CERC") has brought out the draft Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 dated 15.02.2022. The objective of these regulations, as may be inferred from the definitions and clauses is to align the REC mechanism to reflect market reality. Further, the draft Regulations would address the concerns raised by stakeholders during the operational experience of last one decade and would bring required flexibility in the REC market.

The comments and suggestions on the draft regulations and its terms on behalf of BSES Rajdhani Power Limited (BRPL) are provided in the following matrix for the kind perusal of the Hon'ble CERC.

S.N	Regulation no.	Regulation	Comments/Suggestions
1	3. Central Agency and its Functions	<p>(1) The National Load Despatch Centre shall be the Central Agency for the purpose of these regulations:</p> <p>Provided that the Commission may designate any other agency as the Central Agency after satisfying itself that such agency has the required capability of performing functions as provided under these regulations.</p> <p>(2) The functions of the Central Agency shall be to:</p>	<p>a) Evaluation of REC related activities;  b) Authenticity of REC certificate etc. or any other functions for smooth functioning of REC issuance and trading.</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>(i) undertake registration of eligible entities,</p> <p>(ii) undertake issuance of Certificates,</p> <p>(iii) maintain and settle accounts in respect of Certificates,</p> <p>(iv) act as repository of transactions in Certificates,</p> <p>(v) maintain Registry of Certificates,</p> <p>(vi) perform such other functions incidental to sub-clauses(i) to (v) of this clause, and</p> <p>(vii) undertake any other function that may be assigned by the Commission.</p>	
2	4. Eligibility for Issuance of Certificates	<p>(1) Following entities shall be eligible for issuance of Certificates:</p> <p>(a) Renewable energy generating station,</p>	<p>a) Discoms have the long term agreements to serve their consumers (including OA consumers) and as well as RE contracts for compliance of its RPO. The entire risk of power purchase scheduling and real time deviations lies with the Discoms.</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>(b) Captive generating station based on renewable energy sources,</p> <p>(c) Distribution licensee, and</p> <p>(d) Open access consumer</p>	<p>b) The Open access consumers and the Captive Power Plants (CPPs) purchase power for self-consumption. If REC is allowed to OA consumers, then such consumers would buy RE power based on their commercial feasibility (beyond their RPO targets), however they won't bear responsibility w.r.t balancing and socialized transmission cost of RE.</p> <p>c) Allowing RECs to Open Access Consumers may result into higher deviations from requisites schedules and may face balancing issues, which may cause threat to the grid security and hence should not be allowed.</p> <p>d) <b>In view of above, we request Hon'ble Commission to review the draft proposal and accordingly not allow the REC eligibility for OA consumers.</b></p>
3.	4. Eligibility for Issuance of Certificates	<p>(2) A renewable energy generating station shall be eligible for issuance of Certificates, if it meets the following conditions:</p> <p>(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;</p> <p>(b) such renewable energy</p>	<p>a) BRPL humbly requests the Hon'ble Commission to specify the type of renewable energy generating station which is eligible for issuance of certificates.</p> <p>b) It is submitted that in this country there are very few number of generators who are not fulfilling the REC conditions and hence are eligible for issuance of REC.</p> <p>c) Therefore, the Hon'ble Commission is requested to analysis this clause which allow the RE generator to issue REC certificates.</p> <p>d) Further, BRPL requests the Hon'ble Commission to define terms like "waiver or concessional transmission charges", "waiver or concessional wheeling charges" and "Banking facility" to provide clarity.</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		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	
4.	4. Eligibility for Issuance of Certificates	(4) An obligated entity being a distribution licensee or an open access consumer, which purchases electricity from renewable energy sources in excess of the renewable purchase obligation determined by the State Commission shall be eligible for issuance of Certificates to the extent of purchase of such excess electricity from renewable energy sources	<p>This clause provides procedure for a Discom to follow, in case it purchases RE power more than the RPO determined by the State Commission . However, few factors which needs to be considered in this regulations:</p> <ul style="list-style-type: none"> <li>a) Who will be the nodal agency for discom in order to get REC;</li> <li>b) Timelines for REC issuance and application;</li> <li>c) Validity of REC.</li> </ul>
5.	6. Grant of Accreditation for Certificates	(1) Accreditation for Certificates to the eligible entities connected to intra-State transmission system shall be granted by the State Agency: Provided that the entities granted accreditation for Certificates under the REC Regulations,2010 shall be deemed to have been granted accreditation for Certificates under these regulations till validity of their accreditation under	<p>With reference to the comments submitted above, DISCOMs should have easy and simplified procedure to avail/claim REC's in case of purchase of excess electricity from renewable energy sources over and above its RPO. Discom may not necessarily follow the same procedure followed by RE generators</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>the REC Regulations, 2010.  (2) Accreditation for Certificates to eligible entities connected to inter-State transmission system shall be granted by the RLDC of the region in which such eligible entities are located, in accordance with the Procedure for Accreditation for Certificate to be issued by the Central Agency as part of the Detailed Procedure:  Provided that the entities granted accreditation for Certificates under the REC Regulations,2010 shall be deemed to have been granted accreditation for Certificates under these regulations<sup>6</sup> and their accreditation shall remain valid till the date of validity of their accreditation under the REC Regulations, 2010.  (3) Eligible entities that have been granted accreditation for Certificates, referred to in clause(2) of this Regulation, which have undergone a change in name or change in legal status after the grant of accreditation for Certificates, shall inform,</p>	

S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>along with relevant documents from the appropriate authority such as Registrar of Companies or National Company Law Tribunal or any other Court, to the concerned RLDC which shall, upon verification of documents, update such change in its records within 30 days from the date of such information and inform the same to the Central Agency</p>	
6.	8. Grant of Registration for Certificates	<p>(1) An eligible entity which has been granted accreditation for Certificates or deemed to have been granted accreditation for Certificates under these regulations, shall be eligible for grant of registration for Certificates by the Central Agency in accordance with the Procedure for Registration for Certificate to be issued by the Central Agency as part of the Detailed Procedure:          Provided that the entities granted registration for Certificates under the REC Regulations,2010 shall be deemed to have been granted registration for Certificates under these</p>	<p>The Distribution licensee being a separate entity shall, be exempted from the process of registration and shall be issued REC's directly through an application and thereafter necessary scrutiny may be done by the Central Agency.</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>regulations.</p> <p>(2) The registration for Certificates granted in terms of these regulations shall be valid for 15years from the date of registration for Certificates: Provided that the registration for Certificates granted under the REC Regulations, 2010and 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>(3) The entities having been granted registration for Certificates which have undergone change in name or change in legal status after the grant of registration for Certificates, shall inform, along with relevant documents from the appropriate authority such as Registrar of Companies or National Company Law Tribunal or any other Court, to the Central Agency which shall, upon verification of documents update such</p>	

S.N	Regulation no.	Regulation	Comments/Suggestions
		change in its records within 30 days from the date of such application.	
7.	10. Issuance of Certificates	(2) Application for issuance of Certificates shall be made to the Central Agency within six months from the corresponding generation by the eligible entity: Provided that no Certificate shall be issued for applications made beyond the period of six months from corresponding generation.	The Hon'ble Commission is requested to specify the timelines to claim REC in case of purchase of electricity from Renewable energy more than its RPO targets by Discoms.
8.	10. Issuance of Certificates	(5) The entities granted registration for Certificates or deemed to have been granted registration for Certificates under these regulations shall be eligible for issuance of Certificates for the validity period of their registration for Certificates.	Period of validity of REC issued to distribution licensee is to be defined in the regulations.
9.	11. Exchange and Redemption of Certificates	(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.  (4) Exchange of Certificates	<p>a) We agree with the proposed clause. At present the RECs are being traded essentially through the power markets ie. IEX and PXIL. Allowing trading through electricity traders would provide the wider reach and ease of access for RECs.</p> <p>b) And trading margin to be charged by the traders, for such transaction needs to be defined in the Regulations.</p> <p>c) Additionally, we propose to allow the REC trading between the distribution licensees/Obligated entities through bilateral contracts</p>



S.N	Regulation no.	Regulation	Comments/Suggestions
		<p>through electricity traders shall be subject to the following:</p> <p>(a) The eligible entities shall inform, in advance, to the Central Agency about the number of Certificates intended to be sold through electricity traders</p>	<p>without involving the electricity traders.</p> <p>d) By allowing the bilateral trading of RECs between distribution licensee/obligated entities and generator with or without electricity traders will provide long term certainty to the generator and distribution licensee/obligated entities. Also, additional short term/medium term avenue of REC trading will give certainty to lenders for financing REC based renewable energy projects and will increase the competition in market.</p> <p>e) In view of above we suggest to allow the exchange of RECs between the distribution licensees without involving the traders. For this purpose, the regulation and the same can be modified as under:-</p> <p><i>"The Certificates shall be exchanged through power exchanges or through electricity traders or directly to the obligated entities in such periodicity as may be stipulated by the Central Agency in the Detailed Procedure."</i></p> <p>f) Also, the regulation 11(4) a can be modified as under:-</p> <p><i>"The eligible entities shall inform, in advance, to the Central Agency about the number of Certificates intended to be sold through electricity traders or through direct exchange to obligated entities"</i></p>
10.	12. Denomination of Certificate	(2) The Certificate Multiplier for the period of three years from the date of effect of these regulations or such other period as may be decided	<p>Multiplication factor for Offshore wind, small hydro to be included.</p> <p>Multiplication factor for wind should be 1.5</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
		by the Commission, as determined in Appendix-1	
11.	13. Pricing of Certificates	(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>a) Presently, the Hon'ble Commission reviews the REC rates based on the market scenarios/ developments and accordingly RECs are being exchanged within the forbearance price and floor price as determined by the Hon'ble Commission.</p> <p>b) In past, while determining the REC rates, the Hon'ble Commission has been of the view that the price of trading must also reflect the current market situation. With the price competitiveness of REC market, obligated entities have started to take interest in REC procurement. The Commission has also been of the view that, if the green component is unreasonably priced, the obligated entities would get further discouraged from the REC market, and the REC inventory would pile up. Hence, the REC price must move with the market price of renewable power.</p> <p>c) The REC purchases have been identified as a valid mean of RPO compliances by the State Regulators. The RECs which are essentially the green component of renewable energy are being regulated by the Hon'ble CERC to reflect the current market situation, and, the brown component of this energy is already being traded through the competitive market (i.e. power exchanges, trading etc)</p> <p>d) In view of the above, we feel that there is no need to remove the present mechanism of floor and forbearance pricing by Hon'ble CERC. Removing the concept of Floor and forbearance prices for REC trading may give the artificial price rise which has also been highlighted in this Draft Regulation.</p> <p>e) Accordingly, we propose that the existing mechanism of CERC</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
			<p>determined Floor and Forbearance price for REC trading should be continued. For the coming years, based on the further maturity of the REC mechanism, the floor prices may be discontinued and only Forbearance prices may be considered for REC trading.</p> <p>f) Further, it is requested that the price of REC shall be determined only through market discovery and not by mutual agreement.</p>
12.	14. Validity of Certificates	(1) The Certificates issued shall remain valid until they are redeemed:	<p>a) We would like to highlight that Hon'ble CERC through (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) (Third Amendment) Regulations, 2014, extended the validity of RECs to 1095 days.</p> <p>b) Through this, the Hon'ble CERC addressed the concerns regarding expiry of RECs due to weak demand caused largely by non-compliance of RPO. The trend of REC trading in Power exchanges clearly indicate that the demand for RECs has increased and it is showing a strong positive trend. Further, the obligated entities have to comply with their RPO Targets within the year.</p> <p>c) In view of above we do not feel any requirement of removing of validity period for REC certificates. Further, there are provisions in the Regulation for extension of REC validity by CERC on case to case basis. Removing the shelf life may result into holding of RECs based on the market factors and hence not recommended.</p> <p>d) Validity period should be specified only for old REC and for the new REC there should not be any validity.</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
13.	10. Issuance of Certificates	<p>(4) The Certificates shall be issued on the basis of the electricity generated and injected into the grid or deemed to be injected in case of self-consumption by the eligible captive generating stations based on renewable energy sources and duly accounted in the Energy Accounting System:</p> <p>(i) as per the Grid Code or the State Grid Code, as the case may be, or</p> <p>(ii) based on written communication of distribution licensee to the concerned State Load Despatch Centre or Regional Load Despatch Centre with regard to the energy input by the renewable energy generating stations and captive generating stations based on renewable energy sources which are not covered under the existing scheduling and dispatch procedures.</p>	<p>The Hon'ble Commission has not defined any category for the REC certificates under this Draft Regulations, the issued certificates based on the generated energy should be used for all types of RPO obligations. Accordingly, we propose to modify the Regulation 10 (4) as under:-</p> <p><i>"The Certificates shall be issued on the basis of the electricity generated and injected into the grid or deemed to be injected in case of self- consumption by the eligible captive generating stations <del>based on</del> for renewable energy sources and duly accounted in the Energy Accounting System."</i></p>
14.	15. Fees and	The Commission may, based on the proposal from	The distribution licensee should not be charged any fees for accreditation, registration and issuance of Certificates. The

S.N	Regulation no.	Regulation	Comments/Suggestions
	Charges	the Central Agency, determine the fees and charges payable by the eligible entities for accreditation, registration, issuance of Certificates and other matters connected therewith	distribution licensee should be issued REC simply through application process without any accreditation or registration.
15.	Categories of Certificates:-	No category has been defined under the draft regulation.	<p>a) We understand that, Hon'ble Commission has not made categorization of RECs ie Solar or Non-solar.</p> <p>b) RECs are an additional avenue provided for the obligated entities to fulfill their RPO compliances ( Solar &amp; non-Solar) as being notified by the state commissions from time to time. The Obligated entities specially Discoms to comply their RPO are contracting the renewable power from long term &amp; medium term arrangements through competitive bidding projects. Further, any requirements/ shortages of RPO compliances are being met through purchase of the RECs during the year or at the end of the year based upon the various factors such as- rates, availability, assessment of REC shortages category wise (solar or non-solar) etc..</p> <p>c) Going forward, in case there would be no categorization of REC certificates in terms of Solar &amp; Non-solar RECs, the same has to be adopted by the state commissions by way of modifications in their respective RPO Regulations.</p> <p>d) Accordingly obligated entities would be allowed to procure RECs irrespective of type (solar, wind, hydro etc) from the market and meet their RPO compliances wherever required.</p> <p>e) Accordingly to increase the liquidity in market, we agree with the proposal that there should be no separate need for Solar and Non-</p>

S.N	Regulation no.	Regulation	Comments/Suggestions
			<p>solar RECs and rather same RECs to be specified and allowed for trading. The RECs purchased by Obligated entities should then be allowed to adjust in their Solar or Non-solar Compliances, wherever required.</p> <p>f) Hon'ble commission is requested to incorporate suitable paras directing the state commissions to align their RPO regulations by allowing purchase of RECs irrespective of their type (solar, wind, hydro etc) from the market and meet their RPO compliances wherever required.</p>