

**Torrent Power Limited-Comments on Draft CERC Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation Regulations 2022**

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At the outset, we take this opportunity to express our sincere gratitude to the Hon’ble Commission for formulating the draft Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation Regulations 2022 (“REC Regulations”) and giving us an opportunity to participate in the proceedings.

In this regard, we request the Hon’ble Commission to consider following broad aspects which may benefit all the stakeholders associated with REC mechanism:

- i. Fungibility between Solar & Wind RECs: It may kindly be noted that draft Regulation provides for uniform multiplier for wind and solar projects. As such both solar and wind technologies have matured, and the tariff rates are lower than even the variable cost of conventional energy. Hence, we understand that Hon’ble Commission has merged Solar and Wind RECs. We believe this will help balancing the demand-supply of RECs much better. We request to kindly clarify the same.
- ii. Surplus RECs of Discoms: Discoms are required to purchase Renewable Energy (RE) power for meeting their RPO requirement. In this process, there is possibility that Discom end up purchasing higher RE Power. In such cases, Discoms having **surplus RE Power/RECs**, after meeting their RPO targets, **should be allowed to utilize the same against its future requirements or sell to Other Obligated Entities**. Such provision will not only help in complying with RPO but also help reducing power purchase cost.

Further to above, our comments/suggestions on specific provisions of the draft REC Regulation are as under:

Sr. No.	Regulation no.	Draft New Regulations	Comments / Suggestions
1.	Regulation 4 Eligibility for Issuance of Certificates	(2) (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.	The CERC Sharing Regulation provides for waiver of Inter State Transmission (ISTS) charges and losses for Renewable Energy (RE) projects like wind/solar awarded through competitive bidding route to Discoms for fulfilment of RPO. It is understood that since draft Regulation envisages Distribution licensee to convert RE in excess of RPO into REC, such restriction of non-grant of REC due to waiver in transmission charges/losses on entire PPA quantum shall not apply.  Excess in RPO may result due to different circumstances such as variation

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			<p>in actual generation, variation in requirement due to reduction in sales/ lower demand, procurement under green tariff mechanism, etc. Further, it may kindly be noted that any benefit due to waiver of transmission charges gets passed on to the consumers unlike other entities who retains such benefits. Therefore, there is a need to make exception for DISCOMs.</p> <p>Hence, Discom should not be deprived from participation in REC mechanism only because of waiver of transmission charges (though same is not retained by them).</p>
2.	Regulation 4 Eligibility for Issuance of Certificates	(4) An obligated entity being a distribution licensee or an open access consumer, which purchases electricity <u>from renewable energy sources in excess of the renewable purchase obligation</u> 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.	Discoms are exercising due diligence to optimize cost of RE procurement for fulfilment of RPO and hence opting for most economical options which also include entering into PPAs through competitive bidding process (u/63). Hence, it may be clarified that whenever the State Commission issues order confirming surplus RE, the Discoms shall be eligible to claim REC after issuance of such order. Also, such REC should be valid for 25 years from the date of issuance of such Order.
3.	Regulation 8 Grant of Registration for Certificates	(2) The registration for Certificates granted in terms of these regulations shall be valid for <u>15 years from the date of registration</u> for Certificates:  Provided that the registration for Certificates granted under the REC Regulations, 2010 and deemed to have been granted registration for	While the Hon'ble Commission has specified 15 years from date of registration for new projects, the draft Regulation provides for 15 years from deemed registration for existing projects.  We would like to submit that a period of 15 years is too less and would lead to hardships for such REC projects.  It may kindly be noted that REC projects are prone to risk due to exhaustion of good wind/good solar irradiation sites, uncertainty of Average Pooled Power Purchase Cost (APPC) rate for signing power

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Regulations 2022

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		Certificates under these regulations shall be valid for a <u>period of 15 years from the date of deemed registration</u> for such Certificate.	purchase agreement with local Discoms, higher evacuation costs till local pooling stations, large inventory of RECs in exchange, etc. Hence, the Hon'ble Commission should specify the eligibility for REC for 25 years for both new and existing projects from the date of their registration.
4.	Regulation 12 Denomination of Certificate	(2).... Provided that the Certificate Multiplier for other renewable energy technologies, not covered in the above table, shall be notified by the Commission on a case-to-case basis based on the principles stipulated in Appendix-1:  Provided further that the Commission may, from time to time, based on <u>review of the maturity level and cost of various renewable energy technologies</u> , revise the Certificate Multiplier.	The Hon'ble Commission is requested to consider Technology efficiency and adaptability while assigning technology multiplier instead of simply on the basis of maturity of technology, time of maturity and cost effectiveness even after incentive.
5.	Regulation 13 Pricing of Certificates  &  Regulation 14 Validity of Certificates	13 (1) The price of Certificate <u>shall be as discovered in the Power Exchange(s) or as mutually agreed</u> between eligible entities and the electricity traders:  .... 13 (2) The Commission, on being satisfied that any of the following circumstances exist or is likely to occur, may by an order give such directions as may be considered necessary:	The draft Regulation has done away with the concept of floor and forbearance price for RECs. In this regard, the Hon'ble Commission is requested to reconsider its decision in light of following issues: <ul style="list-style-type: none"><li>• Average pooled power purchase cost of Discoms varies with the market conditions depending upon demand/ supply, fuel cost, etc. The cost of RE power also gets identified through bidding process based on market conditions &amp; input cost. Thus, cost of conventional or RE Power gets identified in the market. However, it is incorrect that cost of REC (Which reflect only RE Component) is</li></ul>

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		<p>....</p> <p>14 (1) The Certificates issued shall <u>remain valid until</u> they are <u>redeemed</u>:</p> <p>....</p>	<p>higher than RE Power (i.e. RE Component plus Energy Component). Hence, to avoid any gaming, there is a case for considering forbearance price as was earlier specified by Hon'ble Commission to protect the interest of consumers. It is important to note that in case of Conventional power though rate gets discovered at the exchange through market forces, Hon'ble CERC has defined the upper ceiling rate. At present, draft Regulation envisages role of Hon'ble Commission only in case of abnormal increase or decrease in prices of REC/sudden volatility in prices of REC/ sudden high or low transaction volumes on power exchange. Considering that penalty is envisaged in draft Electricity Act Amendment Bill for non-fulfilment of RPO, there may be a situation that Discom has to purchase RECs at high cost to avoid penalty, which would ultimately burden its retail consumers.</p> <ul style="list-style-type: none"> <li>Hon'ble Commission has already provided the option of G-DAM and G-TAM to the RE generators. For e.g., during February, 2022, the weighted average cost of RE through G-DAM has been around Rs. 4.78 per unit. This includes both energy and green attribute. Hence, rate of REC should be differential between total rate discovered in G-DAM and APPC rate of electrical component.</li> </ul> <p>Accordingly, we request the Hon'ble Commission to reintroduce floor and forbearance price keeping in mind the average pooled power purchase cost of Discoms across the country.</p>