



ग्रीड कंट्रोलर ऑफ इंडिया लिमिटेड  
(भारत सरकार का उद्यम)  
**GRID CONTROLLER OF INDIA LIMITED**  
(A Government of India Enterprise)  
[formerly Power System Operation Corporation Limited (POSOCO)]

केन्द्रीय कार्यालय : 61, आई एफ सी आई टावर, 8वां और 9वां तल, नेहरू प्लेस, नई दिल्ली -110019  
Corporate Office : 61, IFCI Tower, 8th & 9th Floor, Nehru Place, New Delhi - 110019  
CIN : U40105DL2009GOI188682, Website : www.grid-india.in, E-mail : gridindiacc@grid-india.in, Tel.: 011- 40234672

संदर्भ सं.: एनएलडीसी/सीसी/ ईटीएंडएस/ 582

दिनांक: 27.12.2024

To,

Secretary,  
Central Electricity Regulatory Commission,  
7th Floor, Tower-B,  
World Trade Centre,  
Nauroji Nagar,  
New Delhi 110029

**Subject:** Draft CERC (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024

Sir,

This is with reference to Hon'ble CERC public notice dated 13.11.2024 (No. RA 14026(13)/1/2024-CERC), wherein comments on the subject matter have been sought.

In view of the above, views/suggestions of Grid Controller of India Limited are enclosed herewith as Annexure-I.

सादर धन्यवाद,

भवदीय,

आलोक  
(आलोक कुमार)  
वरिष्ठ महाप्रबंधक (ई टी एंड एस)



**Grid Controller of India Limited  
(A Govt. of India Enterprise)**

**The suggestions on behalf of Grid Controller of India Limited on Central Electricity Regulatory Commission draft regulation on Terms and Conditions for Purchase and Sale of Carbon Credit Certificates**

Clause 2(1) c 'Banking and Extinguishment of CCCs' means banking and Extinguishment of CCC as provided in the Detailed Procedure for Compliance Mechanism developed under Section 12 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;

Comments: The Detailed Procedure for Compliance Mechanism does not mentions Extinguishment of the Certificates, instead the term "surrender" has been used. For clarity of the stakeholders, the definition of Banking and Extinguishment may be stated out separately.

Further, the Regulation 10 of these Regulations which explains Banking of Extinguishment of CCCs "Detailed Procedure for Compliance Mechanism **and Offset Mechanism**" is mentioned. The two may be synchronised.

Further, the Regulations or the Detailed procedure for Compliance Mechanism does not specify whether the Banking of CCCs by any non-obligated entity for re-trading is allowed or not. If re-trading is allowed, whether any restrictions apply to the number of times a CCC can be traded before extinguishment. The same may be stated for clarity of the stakeholders.

Clause 3 Objective: The objective of these regulations is to create a framework for the exchange of Carbon Credit Certificates for the Obligated and the Non-Obligated entities on Power Exchanges.

Comments: Sub-paragraph (2) of paragraph 5 of CCTS, 2023 assigns the function of development of market stability mechanism for carbon credits to BEE. As this mechanism is likely to play a role in the Carbon Market, it would be prudent to include it within the stated objectives.

Clause 5 Registry -For the purpose of these Regulations, the Grid Controller of India shall function as Registry for the exchange of CCCs and shall establish the necessary framework for this purpose in accordance with Section 6 of CCTS 2023, as amended from time to time.

Comments: Paragraph 6 of the CCTS, 2023 outlines the function of the Registry, which also includes establishing linkages with other national or international registries as approved by the Central Government.

Since all functions and revenue streams of Grid-India are approved by CERC, any linkage with other national or international registries may also involve additional expenditure for Grid-India. This expenditure may or may not be included as part of the fees charged to entities by the Registry. Therefore, an explicit mention of this activity in the CERC Regulation would assist in recovering of this cost appropriately either through the fee structure for the Registry or through RLDC Fees and Charges.

Clause 6(2) a Formulate detailed procedure after public consultation and seeking approval of the Commission for the following, in pursuance of the Carbon Credit Trading Scheme in consultation with the Registry:

Comments: The nomenclature of the procedure referred to in this clause may be designed in a way that avoids any confusion with the already published Detailed Procedure for the Compliance Mechanism.

Clause 6(2) a ii) Registration of obligated and non-obligated entities with the Registry;

Comments: Registration of Power exchanges may also be included in the procedure

Clause 6(2) a iii) Dealing, transfer, and other residual matters in relation to CCCs.

Comments: Frequency of trading may also be included and specified here

Clause 7(2) The validity of the carbon credit certificate shall be as specified in the Detailed Procedure for Compliance Mechanism for certificates issued under the Compliance Mechanism and in the Detailed Procedure for Offset Mechanism for certificates issued under the Offset Mechanism, developed under Section 12 of the Carbon Credit Trading Scheme, 2023, as amended from time to time.

Comments: "Validity is not mentioned in the Detailed Procedure for Compliance Mechanism for certificates issued under the Compliance Mechanism.

Detailed Procedure for Offset Mechanism for certificates issued under the Offset Mechanism, developed under Section 12 of the Carbon Credit Trading Scheme, 2023 not yet published."

Clause 8(1) CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities.

Comments: This clause may be modified as -CCCs shall be categorized by the Bureau based on the mechanism through which they originate viz. Compliance Mechanism or Offset Mechanism

Clause 8(2) The Commission may, on an application made in this behalf, permit the Power Exchange(s) to introduce such category of CCCs in accordance with the Power Market Regulations.

Comments: This clause may be modified as - The Commission may, on an application made in this behalf, permit the Power Exchange(s) to introduce the market product for such category of CCCs in accordance with the Power Market Regulations.

Clause 9(1) Unless otherwise specifically permitted by the Commission by order, the CCCs shall be dealt with only through the Power Exchange and not in any other manner.

Comments: Regulations may provide clarity regarding the permitted mode of trading in the Power Exchange which could be either through Collective transactions or Bilateral transactions or both.

Clause 9(3) The CCCs issued to obligated or non-obligated entities by the Bureau on the approval of the Central Government and credited in the CCC Registry may be placed for dealing in any of the Power Exchanges by the CCCs holder, and such CCCs shall be available for dealing in accordance with the Rules, Business Rules and Bye-Laws of the Power Exchanges.

Comments: The CCCs issued to obligated or non-obligated entities by the Bureau on the approval of the Central Government and credited in the CCC Registry **upon payment of stipulated fees** may be placed for dealing in any of the Power Exchanges

by the CCCs holder, and such CCCs shall be available for dealing in accordance with the Rules, Business Rules and Bye-Laws of the Power Exchanges.

Clause 9(4) The frequency of transaction of CCCs through the Power Exchanges shall be on a monthly basis or in such periodicity for all registered entities as per the procedure approved by the Commission.

Comments: This clause may may be modified as - The frequency of transaction of CCCs through the Power Exchanges shall be on such periodicity for all registered entities as specified in the procedure as per Regulation 6 (2)(a) of these Regulations.

Clause 9(6) ii The CCCs issued to the obligated or the non-obligated entity may be placed for dealing in any of the Power Exchanges as the CCCs holder may consider appropriate. Such CCCs shall be available for dealing in accordance with the Rules, Business Rules, and Bye-Laws of such Power Exchange(s).

Comments: This clause may may be modified as - The CCCs issued, **and credited in the Registry upon payment of stipulated fees,** to the obligated or the non-obligated entity may be placed for dealing in any of the Power Exchanges as the CCCs holder may consider appropriate. Such CCCs shall be available for dealing in accordance with the Rules, Business Rules, and Bye-Laws of such Power Exchange(s).

Clause 9(8) The Registry shall cross-check the cumulative sale bids placed on all the Power Exchanges with the availability of CCCs in respective Registry account(s). In case a breach of this sub-regulation is noticed the Registry shall intimate the Power Exchanges to treat such obligated or non-obligated entity as a defaulter, and any bid submitted by such entity shall not be considered by the Power Exchange for the purpose of price discovery. The bids submitted by such bidders shall become void and ineffective if the total sale bids submitted by such entity on all the Power Exchanges are more than the available CCCs in their Registry account.

Comments: The Registry shall cross-check the cumulative sale bids placed on all the Power Exchanges with the availability of CCCs in respective Registry account(s). In case a breach of this sub-regulation is noticed the Registry shall intimate the Power Exchanges to treat such obligated or non-obligated entity as a defaulter, and any bid submitted by such entity shall not be considered by the **Power Exchange (s)** for the purpose of price discovery. The bids submitted by such bidders shall become void and ineffective if the total sale bids submitted by such entity on all the Power Exchanges are more than the available CCCs in their Registry account.



Clause 9(9) The Obligated or non-obligated entities with more than three cases of default specified in sub-regulation 9(h) in a quarter shall be barred from dealing with CCCs for the next six months, notwithstanding any penalty due to be imposed as per the provisions of the Energy Conservation Act, 2001. The list of such defaulting entities shall be published by the Registry on a monthly basis.

Comments: "Typo error: Instead of 9(8) it is 9(h).

The last line may be modified as - The list of such defaulting entities shall be published by the Registry on a monthly basis on its website."

Clause 9(10) iii

Comments: New Clause may be added - The Power Exchange shall provide to the Commission details of all transactions on a monthly basis as per CLUASE 31(5) of the (Power Market) Regulations, 2021, as amended from time to time, with a copy to the administrator and registry.

Clause 11 (2) The market price of CCC shall be as discovered through the process of bidding at the respective Power Exchange.

Comments: This clause is appropriate for collective transactions or bilateral transactions conducted through auctions. However, amendments to this clause may be required if bilateral transactions without auctions are permitted via the exchanges. Furthermore, it is important to highlight that while Paragraph 10 of the CCTS, 2023 specifies only the registration of power exchanges by the Commission for the trading of carbon credit certificates, implying that the trading through electricity traders is not allowed. The advantage power exchanges have over electricity traders in terms of transparency or price discovery cannot be leveraged if bilateral transactions without auctions are allowed through power exchanges. Furthermore, the OTC market platforms can also play significant role in the carbon market by providing critical market information and connecting potential buyers and sellers of carbon credits, especially in the offset market segment. Offering customized options for participants and enhancing inclusivity for smaller players.

Clause 12 Fees and Charges - The Commission, in consultation with the Bureau, may from time to time determine, by order, the fees and charges payable by the obligated and the Non- obligated entities to the Registry for the purpose of meeting the cost and expense towards the management of the Registry and software platform.

Comments: Sub-paragraph (2) (g) of paragraph 5 of CCTS, 2023 assigns the function of determining fees and charges payable by the registered entities to BEE with the approval of Central Government.

"....

*5. Bureau as administrator and its functions....*

*(2) As the administrator, the Bureau shall discharge the following functions, namely: -*

.....

*(g) to determine, the fees and charges payable by the registered entities with the approval of Central Government, for the purposes of meeting the cost and expense towards the implementation of this Scheme;*

...."

However, the draft Regulations specify that these fees are to be determined by the Commission in consultation with the Bureau. There is a disjoint between the draft Regulation and the Carbon Credit Trading Scheme, 2023.

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