

No. CE/PP/CERC/Carbon Credit Trading/ **No 4 0 2 5 9**

Date: **31 DEC 2024**

To,  
The Secretary,  
Central Electricity Regulatory Commission,  
7<sup>th</sup> floor, Tower B,  
World Trade Center, Nauroji Nagar,  
New Delhi-110029.

**Sub:-**Submission of comments /suggestions on draft “Terms and Conditions for Purchase and Sale of Carbon Credit Certificates Regulations, 2024” published by CERC.

**Ref: -1. CERC Public Notice No. RA-14026(13)/1/2024-CERC dated 13.11.2024.**

**2. CERC Public Notice No. RA-14026(13)/1/2024-CERC dated 11.12.2024- extension of date for submission of comments/suggestions.**

This is in reference to the Terms and Conditions for Purchase and Sale of Carbon Credit Certificates Regulations, 2024 published by Hon`ble CERC on 13.11.2024. Stakeholders are requested to submit their comments and suggestions on the subject draft Regulations by 31<sup>st</sup> December 2024.

MSEDCL has thoroughly analysed Hon`ble CERC Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Draft Regulations, 2024 and has made following observations:

- **Carbon Credit Certificates:** Hon`ble CERC has been assigned a crucial role in in regulating the electricity market in India. It has now also been assigned responsibility for regulating purchase and sales of carbon credits under amended Energy Conservation Act. Carbon credits are tradable certificates that represent a reduction in emissions of greenhouse gases, usually in the form of one metric ton of CO2 or its equivalent.
- **Terms and Conditions for Carbon Credit Purchase and Sale:** Hon`ble CERC's regulations for the purchase and sale of carbon credit certificates typically focus on how obligated and non-obligated entities can engage in carbon trading. These regulations aim to ensure transparency, establish fair market practices, and define the roles of different market participants (e.g., renewable energy generators, Discoms, and carbon credit registries).

MSEDCL wishes to share following concern regarding the overall regulatory framework for carbon credits which may impact its financial sustainability.

1. **Scope of the Regulations:** In present regulatory framework under Carbon Credit Trading Scheme, 2023, it has not been clarified that whether Distribution Licensees would be covered under definition of Obligated Entities
2. **Existing Compliance Burden:** Discoms have to comply with Renewable Energy Purchase Obligations (RPO) as laid out in SERC regulations under guidance of rules promulgated by Ministry of Power. Discoms have to purchase renewable energy (R.E) or purchase Renewable Energy Certificate (REC) for meeting the RPO targets. The imposition of additional carbon credit obligations could lead to an undue financial burden, which could negatively affect their ability to operate efficiently and provide affordable electricity to consumers
3. **Financial Strain:** The requirement to buy carbon credit certificates for not achieving a reduction in greenhouse gas emissions intensity (as per the Carbon Credit Trading Scheme) could significantly increase their financial burden. This could potentially lead to a situation where Discoms face a double financial impact: one from meeting their renewable energy obligations and another from acquiring carbon credits, which could eventually be passed on to consumers in the form of higher electricity costs.
4. **Impact on Discoms' Performance:** The additional burden from carbon credit costs could negatively impact the Discoms' financial health and performance. Given their role in providing electricity to consumers at affordable rates, this added financial pressure could have wider implications for the electricity market, potentially raising the cost of electricity.
5. **Integrated Reporting and Compliance Framework:** A more integrated framework for compliance that combines RPO, PAT, and carbon credit targets could help streamline the regulatory process, reducing redundancy and costs.
6. **Regulatory Concerns:** Clause 12 of the Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations 2024, which authorizes the Central Electricity Regulatory Commission imposition of charges and fees for managing the registry and software platform, adds another layer of regulatory and operational cost that would contribute to the financial strain on Discoms.

MSEDCL would also like to submit following suggestion for consideration during the finalization of Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.

1. As per the Carbon Credit Trading Scheme, 2023 notified on 28 June 2023 by Ministry of Power, Govt. of India, accredited Carbon Verification Agency is an agency which will be appointed by Bureau of Energy Efficiency to carry out verification activities under Carbon Trading Scheme. The methodology for identification of carbon credit or emission of greenhouse gases to be prescribed and the data of all the entities to be made available in public domain.
2. Targets for reduction of greenhouse gases may be given to obligated entities, if the targets are achieved, Incentive in terms of value of CCC to be given for entities who achieve their goals/targets for reduction in carbon emission.
3. Entities which achieve their RPO targets and has surplus RE power than the obligation, incentive in terms of carbon credit certificates to be given to such entities and same may be allowed to be traded in the market.
4. For RE rich Discoms or Discoms who fulfill their RPO obligations, benefits to be given in terms of set targets for reduction of greenhouse gases

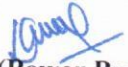
MSEDCLs comments/suggestions on individual clauses of the Regulations are enclosed as **Annexure-‘A’**

It is kindly requested to the Hon’ble Commission to consider MSEDCL’s comments / suggestions while finalizing the Terms and Conditions for Purchase and Sale of Carbon Credit Certificates Regulations, 2024.

With Regards,

**Encl:** Annexure ‘A’

**Yours faithfully,**

  
**Chief Engineer (Power Purchase)**  
**MSEDCL**

**Copy s.w.r.to:**

1. **The Director (Commercial), MSEDCL.**

**Annexure 'A'**

<b>Regulation No.</b>	<b>Comments of MSEDCL</b>
Regulation 5 - Registry	It is not clearly mentioned whether the
Regulation -6 Functions of Administrator	Obligated entities or Non-obligated entities have to pay any registration fees for registration with registry (Grid Controller of India). Since the registration is being done through administrator (Bureau of Energy Efficiency whether the obligated entities or non-obligated entities have to pay any charges for both the Registry and Administrator. The same may be clarified.
Regulation 7 (2)- Value and Validity of Carbon credit certificate	The regulation refers to Detailed Procedure for Compliance Mechanism for certificates developed under Section 12 of the Carbon Credit Trading Scheme, 2023. However, the same has not been specified as on date. It would be better if Discoms are given visibility regarding the same as it has been observed in case of Renewable Energy Certificate that short validity period of the instrument distorts market and leads to artificial scarcity. On the contrary, longer validity period without adequate demand would lead to crash in the price of instrument
<p>Regulation 8 Category of Certificates</p> <p>(1) CCCs shall be categorized by the Bureau for the obligated and the non-obligated entities.</p> <p>(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</p>	MSEDCL submits that as Carbon Credit Certificates (CCCs) would be issued to obligated entity that overachieve their targets. It is generally understood that in order to over achieve their targets, the obligated entities would have to invest in energy efficient or low carbon technology and a part of their investment would be paid back by sale of CCCs.

<b>Regulation No.</b>	<b>Comments of MSEDCL</b>
<p>Regulations.</p>	<p>Hence having separate market of CCCs for the obligated and the non-obligated entities would artificially split the market and would lead to lower cost realization for obligated entities who invested in energy efficient or low carbon technology. Hence, MSEDCL suggests Hon'ble CERC to have an integrated market for CCCs</p>
<p>Regulation 11 (2) Pricing of certificate</p> <p>The CCCs shall be exchanged within the floor price and the forbearance price, which shall be as approved by the Commission on a proposal to be submitted by the Bureau.</p>	<p>MSEDCL requests Hon'ble CERC to specify procedure for determination of floor and forbearance price along with the draft regulation for more clarity.</p> <p>It is requested to solicit comments/suggestions of all the stakeholders on the procedure for determination of floor and forbearance price</p>
<p>Caluse-11 (4) Pricing of certificate</p> <p>The Commission may by order give such directions to the Power Exchange(s) or the Registry as may be considered necessary, on being satisfied that any of the following circumstances exist or are likely to occur:</p> <p>(a) Abnormal increase or decrease in prices of CCCs;</p> <p>(b) Sudden volatility in the prices of CCCs; and</p> <p>(c) Sudden high or low dealing of CCCs on a Power Exchange</p>	<p>MSEDCL would like to submit that as price of CCCs would be range bound between floor and forbearance price, regulatory oversight of Hon'ble CERC is not required regarding volatility in the prices</p>
<p>Clause 12- Fees and Charges</p>	<p>It may be clarified on what basis the charges would be calculated and imposed.</p>