

NAME/MD/Reg/CCTS/CERC/2024/01

December 31, 2024

To,

**Shri H S Pruthi,**

Secretary,

Central Electricity Regulatory Commission

7th Floor, Tower B, World Trade Centre,

Nauroji Nagar,

New Delhi- 110029

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*Subject: Draft Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.*

Dear Sir,

Kindly refer to the Notice No. RA-14026(13)/1/2024-CERC dated November 13<sup>th</sup>, 2024, inviting suggestions from the stakeholders on the order.

We wish to provide you with our comments/ suggestions on the Draft order for your kind consideration and are annexed as Annexure to this letter.

In addition to providing this written memorandum, we are also available for making an oral representation to the staff and/or before the Hon'ble Central Electricity Regulatory Commission ('CERC'), if so required.

We take this opportunity to thank you and take our comments on record.

Warm regards,



Kapil Dev, 31/12/24

Managing Director



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CIN : U72900DL2022PTC413048

**New Age Markets in Electricity Pvt. Ltd.**

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Annexure

Comments and Suggestion on CERC Draft order on  
**Terms and Conditions for Purchase and Sale of Carbon Credit Certificates**

**Preliminary Comments: -**

1. New Age Markets in Electricity Private Limited (NAME) is a private limited company having its registered office at 6<sup>th</sup> Floor, Statesman House, Barakhamba Road, Connaught Place, New Delhi -110001 and operates India's first Over-the-counter (OTC) platform licensed and established under Central Electricity Regulatory Commission (Power Market) Regulations 2021 (“**PMR 2021**”).
2. PMR 2021 has introduced new concepts in the power market, OTC Platform in the OTC Market and market coupling in the Power Exchange Market. The definitions under Regulation 2 of PMR 2021 are as follows: -

*“(ae) **Market** means a **platform** where buyers and sellers, **either directly or through Trading Licensees, or through Power Exchanges, buy or sell electricity or Renewable Energy Certificates or Energy Savings Certificates or any other product as may be decided by the Commission;**”*

*(an) **Over the Counter (OTC) Contracts** means the contracts transacted outside the Power Exchanges;*

*(ao) **Over the Counter (OTC) Market** is a market where OTC Contracts are transacted between the sellers and the buyers directly or through a Trading Licensee;*

*(ap) **Over the Counter (OTC) Platform** is an electronic platform for exchange of information amongst the buyers and sellers of electricity;*

3. Additionally, as per the Statement of Reasons (SoR) of PMR 2021 read with PMR 2021, an OTC Platform has been conceptualized with an objective to: -
  - a. **facilitate direct interaction between buyer and seller;**
  - b. **provide such information as is necessary to take informed buy and sell decision;**
  - c. maintain neutrality without influencing decision making of market participants;
  - d. maintain repository of data and provide advanced analysis tools.
4. From the above, in particular, from the definition of ‘market’ it can be inferred that power exchange(s) and OTC Market are two different marketplaces. Contracts in electricity, which are executed outside the power exchanges fall in the category of OTC Contracts, and the marketplace where the OTC Contracts are being transacted is the OTC Market. In this scheme, OTC Platform is an integral part of the OTC Market.

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5. Electronic Platforms (power exchange & OTC platform) are neutral & transparent market infrastructure institutions that offer screen-based facilities in their respective markets (power exchange & OTC market) and have a larger & complimentary role to play.
6. The comments take into consideration the current as well as evolving market structure as new institutions become operational. With the introduction of OTC Platform in the OTC Market, it is imperative that the institutional mechanisms are harmonized to the envisaged roles. We firmly believe that developing an orderly market structure which offers choices to the market participants and fosters competition amongst marketplaces will lead to a well reported and deeper power market in the country.
7. We have referred to the following documents in preparing the comments for the draft order:
  - Hon'ble CERC Power Market Regulations-2021
  - Statement of Reasons for the Power Market Regulations 2021
  - Ministry of Power Notification Dated June 28, 2023 on *Carbon Credit Trading Scheme*.
  - CERC Explanatory Memorandum dated December 11,2024 on *Terms and Conditions for Sale & Purchase of Carbon Credit Certificates*.
  - CERC Notification dated May 9, 2022 for *Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation*.
  - CERC Statement of Objective & Reason (SOR) dated June 11, 2022 on Draft order on *Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation*.
  - CERC Explanatory Memorandum on *Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation*.
  - Comments from Participants on *Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation*. Wherein the request to Open Bi-lateral REC trades for OTC Markets was made.
  - REC Inventory data available on the REC Registry
8. We have based our comments & suggestions keeping in view the following areas and/or principles:

**a. Evolution & Maturity of certificate market in India**

The introduction of Certificate trade is not new to the Indian Power Market; albeit India is already executing the Certificate trades in the form of Renewable Energy Certificates (RECs) & Energy Saving Certificates (ESCerts) since March 2011. The learnings of the last 14 years need to be built into the design of this market.

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REC Market was initially introduced only on power exchanges and could not cater to the requirements of the buyers and sellers with respect to compliances, tenure of the contracts etc. The period can be divided into:

- 2010 to 2012 Period of deficit and the demand was not there due to very high prices and no agreement to secure the compliance for the year. The floor and forbearance prices were reduced progressively.
- 2012-2018 Period of compliances and growth. But the issuance of RECs was a challenge due to very high inventory of RECs issued due to backlog. The life of the REC was extended as the inventory was piling up. Even with the reduction in floor prices, there was no off take.
- 2018-2022 This period saw the floor removed but still the off take was not there. CERC introduced trading of the RECs through the traders. The growth in this market has been robust. Owing to this Exchanges demanded for more frequent trading.
- Hence, it can be safely inferred that Exchange and OTC Platform in the OTC Market are complimentary to each other. The trades should be facilitated through the electronic platforms are complimentary to each other and support in building depth in the market.

Considering the above reasonings, the Hon’ble commission opened the REC trade for OTC Markets. This was also mentioned in the CERC SOR bearing no. RA 14026 (11)/1/2022-CERC regarding the opening of REC for OTC Markets. The relevant extract is mentioned below:

*“10.31 The Commission has proposed that going forward RECs can be exchanged through traders in addition to the Power Exchange in view of the experience gained in REC transactions in the last one decade and believes that REC mechanism has matured enough to allow such additional mode of transactions through traders with required checks and balances in place.”*

We understand that the market participants initially needed the handholding support to execute the newly introduced certificate market in India, but with time the stakeholders gained the requisite experience & expertise to carry on the certificate trades.

Further, it has been 2 years since the opening of REC for OTC Markets, the participants have accepted it using their gained experience & expertise. This can be well established by the table below.

Duration	REC Traded on PXs	REC Traded in OTC Market	Total REC Traded
Mar-23	9,76,637	90,049	10,66,686
2023-24	1,16,57,680	21,95,362	1,38,53,042
2024-25	1,75,57,825	10,32,766	1,85,90,591

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Hence, in view of the experiences gained in last 14 years & acceptance of REC trading in the OTC Markets by the market participants; the trading of Carbon Credit Certificates (CCC) shall also be allowed for the OTC Markets, facilitated through OTC Platform.

**b. Customization & Specific nature of CCC**

Carbon Credit Certificates (CCC) are specific in nature & demand will be customized along with the supply; Hence OTC market, through OTC Platform is a must for CCC.

Allowing CCC trading via traders will not only open a window for the small buyers & sellers to fulfil their customized demands in achieving the GHG emission targets; but will also help the obligated & non-obligated entities to secure their revenues in the long run.

This was also the reasoning behind opening of REC for Bi-lateral markets. The relevant extract is mentioned below from the Explanatory Memorandum on *Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation*.

*“9.1 .... It is also felt that transaction of RECs through traders would provide an opportunity to the investors to secure their revenue on a longer-term time horizon and in turn will mitigate their risks. Hence, the Commission has proposed to allow transaction of Certificates through power exchanges as well as traders.”*

The above reasoning can be replicated in the CCC trading market too in order to fulfil the customized demands of the participants.

**c. Market Development**

The draft order talks about two separate market segments in dealing CCCs namely Compliance market for the obligated entities & Offset market for the non-obligated entities.

The relevant extract from the draft order bearing no. RA-14026(13)/1/2024-CERC is reproduced below:

*“ 9(2) There shall be two separate market segments in the Power Exchanges for dealing in CCCs, namely, Compliance Market for the obligated entities and Offset Market for the non-obligated entities”.*

The above clause indicates that the participation in the offset market by the non-obligated entities will be on voluntary basis.

We would also like to mention the below extract from Ministry of Power Notification on Carbon Credit Trading Scheme-2023.

*“7(2). The Central Electricity Regulatory Commission as a regulator to **Indian Carbon Market** shall perform the following, namely: -  
(b) to safeguard interest of both sellers and buyers;”*

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The above extracts talk about safeguarding the interest of both buyers & sellers, which includes both obligated & non-obligated entities.

Further, the term “**Market**” is defined by the Hon’ble CERC in Power Market Regulation-2021 as follows: -

*“Market” means a platform where buyers and sellers, either directly or through Trading Licensees, or through Power Exchanges, buy or sell electricity or Renewable Energy Certificates or Energy Savings Certificates or any other product as may be decided by the Commission.*

The above-mentioned extracts signify that neither the power exchanges are the only market place for buy & sell of certificates nor they are the only platforms where the interest of buyers & sellers can be safeguarded.

Also, the Power exchanges do not represent the complete Market. Hence, imposing the voluntary buyers & sellers to transact CCCs only through power exchanges will not be in their best interests & will act as a deterrent to them discouraging their participation resulting into lesser liquidity.

This can be well addressed by enhancing the role of traders by allowing them to transact CCC in OTC Markets, through OTC Platform.

The same has been quoted by Ministry of Power in their comments regarding the opening of REC trades for Bi-lateral transactions. Which has been reproduced below:

*“5.6 The role of trader can be enhanced in the REC trading which will help small buyers & sellers to bank on traders who generally feel difficulty trading in REC Market to fulfil their RPO.”*

Further, the MoP Notification on Carbon Credit Trading Scheme-2023 dated 28 June,2023; **Nowhere mentions that the CCCs shall be exclusively traded only on power exchanges.**

In light of the above in order to ease the CCC trading for the offset market resulting into increased participation & in the best interest of marginal buyers & sellers, the traders must be allowed to enhance their role in OTC Markets, through OTC Platform for sell & purchase of CCC.

#### **d. Transparency, Monitoring & Accounting Concerns**

While allowing REC for the OTC Markets, one of the key concerns discussed by the Hon’ble CERC was the transparency, monitoring & accounting of RECs. These concerns were answered by the commission himself, an extract for the same has been reproduced below from the Explanatory memorandum of RECs

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*“ 9.1 At present transactions of Certificates have been mandated only through the Power Exchanges which was considered necessary at that time for ensuring transparency, accounting and monitoring. However, over the period, the monitoring and compliance mechanism for both power exchanges and traders have evolved in so far as the energy trade is concerned. Hence, the Commission has proposed to allow transaction of Certificates through power exchanges as well as traders. However, it is important to put in place a robust framework to ensure transparency and probity of transactions to safeguard the interest of stakeholders against any kind of abuse of the processes. Accordingly, the draft Regulations propose the following framework to be followed for transactions of Certificates through traders.*

*(a) The eligible entities shall inform, in advance, to the Central Agency about the number of Certificates intended to be sold through electricity traders;*

*(b) The Central Agency shall block the Certificates in the Registry as informed by eligible entity;*

*(c) The Certificates blocked shall not be allowed to be exchanged through Power Exchange(s);*

*(d) The electricity trader shall intimate to the Central Agency consequent upon sale of the Certificates.”*

The above explanation by the commission is prudent to tell that there is already a robust mechanism in place for REC trading; the same can be replicated in the CCC Markets for addressing these concerns.

The monitoring concerns of the Hon’ble CERC related to CCC, it is worthwhile to mention that with Power Market Regulation 2021, the Hon’ble CERC has introduced the OTC Platforms; the role of these platforms in bringing transparency in the OTC Market can’t be ignored and must be given a fair & equal opportunity.

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## Suggested Comments on Draft order on Sale & Purchase of CCC

S.No	Clause No.	Direction by the Commission	Suggestion from NAME	Rationale for Change	Legal Basis
1.	3	<i>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.</i>	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 <b>as well as in OTC Market facilitated through OTC platforms.</b>	The certificate market in India has evolved a lot in last 1.5 decades. The maturity of Certificate market is evident enough to allow CCC in the OTC Market as well along with the power exchanges.	1. PMR-2021 2. Our Preliminary comments in point (a). 3. SOR issued by Hon'ble CERC regarding Opening of REC in OTC Markets.
2.	4	<i>These regulations shall be applicable to the CCCs offered for transactions on Power Exchange(s), including contracts in CCCs as approved by the Commission in accordance with the provisions of the Power Market Regulations.</i>	These regulations shall be applicable to the CCCs offered for transactions on Power Exchange(s), <b>Traders, or any other platform regulated by the CERC</b> including contracts in CCCs as approved by the Commission in accordance with the provisions of the Power Market Regulations.	Allowing traders to transact directly in CCC will enable obligated entities to plan their investments towards reducing GHG emission in long term horizon.  Also, allowing traders to transact CCC in OTC Market facilitated through OTC platforms will encourage the participation in the offset market leading to increased liquidity.	1. PMR-2021 2. Our Preliminary comment in Point (b) & (c) 3. Explanatory memorandum issued by the CERC on allowing REC trading via traders. 4. MoP notification on CCTS--2023
3.	6(2)(a)(i)	<i>Interface activities between Power Exchanges and Registry, Administrator and Registry, and Registry and obligated entities &amp; non-obligated entities;</i>	6(2)(a)(i) Interface activities between Power Exchanges <b>or any other platform specified by the commission</b> and Registry, Administrator and Registry, and Registry and obligated entities & non-obligated entities;	The interface activities for CCC can be replicated from the REC trading which already has a robust mechanism for accountability & Monitoring purposes.	1. PMR-2021 2. Our Preliminary comments point (d) 3. Explanatory memorandum issued by the CERC on allowing REC trading via traders.
	6(2)(b)	<i>provide assistance to the Commission in the matters involving</i>	6(2)(b) provide assistance to the Commission in the matters involving transaction of CCCs on Power	Also, the OTC platforms, with their given objectives regarding Data	

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	6(2)(h)	<p><i>transaction of CCCs on Power Exchanges;</i></p> <p><i>coordinate with the Power Exchanges and Registry for a smooth interface for the exchange of CCCs;</i></p>	<p><b>Exchanges, <i>traders in the OTC Market facilitated through OTC platforms or any other platform specified by the commission.</i></b></p> <p>6(2)(h) coordinate with the Power Exchanges, <b><i>traders or any other platform specified by the commission</i></b> and Registry for a smooth interface for the exchange of CCCs;</p>	<p>repository can play a vital role in monitoring &amp; accounting of the CCC by integrating APIs &amp; can be a great enabler for CCC trades in bi-lateral market.</p>	
4.	9(1)	<p><i>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.</i></p>	<p><b>9(1) <i>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 approved by the CERC.</i></b></p>	<p>(i) Allowing only power exchanges to deal in CCC by ignoring the fact that market has gained the requisite experience &amp; expertise in trading certificates will not only lead to a monopoly market but also reduce the competition in terms of efficient price discovery &amp; investment.</p>	<p>1. PMR-2021. 2. Our Preliminary comment in point (c) 3. MoP Notification on CCTS-2023.</p>
	9(2)	<p><i>There shall be two separate market segments in the Power Exchanges for dealing in CCCs, namely, Compliance Market for the obligated entities and Offset Market for the non-obligated entities.</i></p>	<p>9(2) There shall be two separate market segments for dealing in CCCs, namely, Compliance Market for the obligated entities and Offset Market for the non-obligated entities.</p>	<p>(ii) Mandating the non-obligated entities to register themselves with the power exchanges will discourage them to participate in the offset market.</p>	
	9(6)(i)	<p>All the obligated and the non-obligated entities who intend to participate in the dealing of CCCs on Power Exchange shall register themselves with the Power Exchange</p>	<p>9(6)(i) All the obligated and the non-obligated entities who intend to participate in the dealing of CCCs <b><i>shall register themselves with the CCC Registry.</i></b></p>		

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5.	11(2)	<i>The market price of CCC shall be as discovered through the process of bidding at the respective Power Exchange.</i>	<b><i>11(2) The price of Certificates shall be as discovered in the Power Exchange(s) or as mutually agreed between eligible entities and the electricity traders:</i></b>	The price discovery mechanism may best be left to the market forces to decide. Initially the introduction of floor & forbearance price will be helpful but eventually this shall also be removed in order to trade at competitive prices.	1. PMR-2021
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