



Ref: PTC/CERC/

Date: December 31, 2024

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

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

Respected Sir,

At the outset, PTC India Ltd (PTC) commends the Hon'ble Commission for its forward-looking approach in formulating the Draft Regulations for the Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.

The Hon'ble Commission has astutely addressed key elements such as the roles and responsibilities of the Registry, the Administrator, and Power Exchanges, as well as critical operational aspects like the validity of CCCs, pricing mechanisms, and market oversight. These provisions, along with the categorization of CCCs for obligated and non-obligated entities and the introduction of compliance and offset market segments, lay a strong foundation for a transparent and efficient market.

In this context, PTC has prepared its submissions for your kind consideration, which are enclosed herewith as Annexure A. If any further clarification is required, we are available for in-person interactions.

Thanking you,

Yours faithfully,
For PTC India Ltd

A handwritten signature in blue ink, appearing to read "Anand Kumar".

Anand Kumar
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Comments on Draft Regulations for Trading of Carbon Credit Certificates:

It is commendable for drafting a comprehensive framework to operationalize the Indian Carbon Market, a significant step towards aligning with global climate objectives and India's net-zero commitments. The draft regulations emphasize transparency and inclusivity, fostering robust participation from diverse stakeholders. PTC India Limited acknowledges and appreciates the focus on integrating both obligated and non-obligated entities to create a holistic market for Carbon Credit Certificates (CCCs). PTC, recognizes the critical role of this framework in shaping the future of carbon trading and its alignment with India's broader energy transition goals.

Section-Wise Comments and Recommendations

1. Definitions (Section 2):

The definitions of 'Floor Price' and 'Forbearance Price' are well-articulated; however, incorporating a mechanism for periodic review based on market trends would enhance adaptability and responsiveness to evolving dynamics. Furthermore, it is recommended to explicitly clarify whether entities operating under other compliance schemes, such as Renewable Purchase Obligations (RPOs), are included within the definition of 'Obligated Entities' under this framework.

Additionally, the definition of 'Market' should be expanded to include bilateral markets as a recognized platform for the settlement of trades in a bilateral manner for Carbon Credit Certificates, similar to the treatment of Renewable Energy Certificates (RECs). This inclusion would provide greater flexibility and accessibility for market participants.

2. Registry (Section 5):

Designating the Grid Controller of India as the Registry ensures accountability. However, establishing a specialized agency (tech enabled) to handle registry operations can provide focused management and mitigate potential challenges related to high transaction volumes, transaction safety and data security. Further, regular independent audits and well-defined operational guidelines for the Registry would be crucial to bring in private capital, ensure tech enablement and operational efficiency.

3. Functions of Administrator (Section 6)

Introducing a definitive timeline for the Bureau of Energy Efficiency (BEE) to finalize detailed procedures post-public consultation would expedite the operationalization of the carbon market. Further, structured grievance redressal mechanism for addressing disputes involving registry interactions with obligated and non-obligated entities is advisable to foster trust and resolve conflicts efficiently. Mechanisms for resolving disputes related to non-compliance or perceived unfair practices may also be included to enhance market reliability.

4. Dealing in Certificates (Section 9)

While the separation of Compliance and Offset Markets is a welcoming step, allowing market participants with regulated flexibility to switch between these markets based on evolving needs would enhance trade volumes and market depth. Even, introducing a hybrid mechanism enabling transactions between obligated and non-obligated entities under specific regulatory conditions may further enhance market liquidity. Also increasing transaction frequency from monthly to at least fortnightly or weekly would improve market responsiveness and price discovery.

The provision barring defaulting entities from trading for six months after three breaches (Sub-Regulation 9(8)) may appear excessively strict. A more balanced approach could involve implementing a graded penalty system. This could start with financial penalties or market settlement adjustments for initial violations, progress to temporary trading restrictions for repeated infractions, and culminate in debarment for persistent non-compliance. Such a framework would ensure proportionality in enforcement while maintaining the integrity of the trading system and encouraging participants to adhere to regulatory norms.

5. Pricing of Certificates (Section 11)

The price discovery mechanism through bidding aligns with market principles. To further enhance transparency and enable informed decision-making among participants, it is recommended to mandate the publication of historical price trends and transaction volumes. Additionally, engaging or appointing an external entity to present and publish this data, along with periodic analysis, can provide consumers with valuable insights. Developing a stakeholder-driven approach to determine floor and forbearance prices is also suggested to ensure they remain reflective of market realities and foster greater confidence among market participants.

6. Fees and Charges (Section 12)

Though the fees and charges are to be determined later, including a preliminary range or indicative fee structure in the draft would help market participants estimate financial implications.

7. Market Oversight (Section 13)

Real-time monitoring systems to flag anomalies such as unusual price surges or concentrated trading patterns may be established to strengthen market transparency and trust.

General Recommendations

- a. **Integration with Renewable Energy Credits (RECs):** Exploring the integration of CCCs with RECs could create a unified marketplace for carbon and renewable energy attributes, broadening market appeal and simplifying compliance mechanisms for participants.
- b. **Capacity Building:** Organizing training programs and capacity-building initiatives for smaller obligated and non-obligated entities will ensure equitable participation and reduce information asymmetry.