

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

DRAFT NOTIFICATION

New Delhi

No RA-14026(13)/1/2024-CERC. In exercise of powers conferred under sub-section(1)and clause (y) of sub-section (2) of section 178 read with Section 66 of the Electricity Act, 2003 (36 of 2003), Carbon Credit Trading Scheme, 2023 notified by the Ministry of Power, Government of India vide S.O. 2825(E) dated the 28th June 2023 and as amended from time to time , for the development of market in carbon for exchange of Carbon Credit Certificates and all other powers enabling it in this behalf, the CERC hereby makes the following regulations , namely

1. Short title, commencement and extent of application -

(1) These regulations may be called the Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2024.

(2) These regulations shall come into force from the date of their publication in the Official Gazette.

2. Definitions -

(1) In these regulations, unless the context otherwise requires,

- a) “**Act**” means the Electricity Act, 2003(36 of 2003);
- b) “**Administrator**” means the Bureau of Energy Efficiency;
- 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;
- d) “**Bureau**” means the Bureau of Energy Efficiency, a statutory body established by the Government of India, under sub-section (1) of Section 3 of the Energy Conservation Act, 2001 (52 of 2001);
- e) “**Carbon Credit Certificate (CCC)**” shall have the same meaning as assigned to it in clause (d) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;
- f) “**Carbon Credit Trading Scheme (CCTS)**” means the Carbon Credit Trading Scheme, 2023, as issued by the Ministry of Power in gazette dated 28.6.2023, as amended from time to time;
- g) “**Commission**” means the Central Electricity Regulatory Commission (CERC)referred to in sub-section (1) of Section 76 of the Electricity Act, 2003;
- h) “**Compliance Mechanism**” shall have the same meaning as assigned to it in clause (g) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;
- i) ‘**Compliance Year**’ shall have the same meaning as assigned to it under the Detailed Procedure for Compliance Mechanism under CCTS, as amended from time to time;
- j) ‘**Market**’ means a forum or platform where buyers and sellers, buy or sell CCCs through a Power Exchange;
- k) “**National Steering Committee**” means the Committee

constituted by the Central Government for the Indian Carbon Market and assigned with such functions as given in Section 4 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;

- l) “**Non-Obligated Entities**” shall have the same meaning as assigned to it in clause (k) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;
- m) “**Obligated Entities**” shall have the same meaning as assigned to it in clause (l) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time;
- n) “**Offset mechanism**” shall have the same meaning as assigned to it in clause (la) of Section 2 of the Carbon Credit Trading Scheme, 2023;
- o) “**Power Exchange**” means the power exchange as defined in the CERC (Power Market) Regulations, 2021, issued by the Commission and includes the amendments and re-enactments thereof.
- p) “**Power Market Regulations**” means the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, as amended from time to time;
- q) “**EC Act**” means the Energy Conservation Act, 2001(52 of 2001);
- r) “**EP Act**” means the Environment Protection Act 1986(29 of 1986);
- s) “**Registered entity**” shall have the same meaning as assigned to it in clause (qa) of Section 2 of the EC Act;
- t) “**Registry**” means the agency designated by the Government of India in the Ministry of Power to perform such functions as defined in these regulations with respect to Carbon Credit

Trading Scheme, 2023, as amended from time to time;

- u) **“Floor Price”** means the minimum price at which the Carbon Credit Certificates shall be traded on the power exchanges.
- v) **“Forbearance Price”** means the maximum price at which the Carbon Credit Certificates shall be traded on the power exchanges.

(2) Save as aforesaid and unless repugnant to the context of the subject matter otherwise requires, words and expressions used in these regulations and not defined, but defined in the Act or the EC Act or Carbon Credit Trading Scheme, 2023 or any other regulations of this Commission or any other rules issued by the Government of India shall have the meaning assigned to them respectively in the Act, or the EC Act or such other rules or regulations issued thereunder.

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.

4. Scope

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.

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.

6. Functions of Administrator -

(1) For the purpose of dealing with CCCs issued under the EC Act, the Bureau shall act as the Administrator

(2) Subject to the provisions of these regulations, the Bureau shall-

- 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:
 - i. Interface activities between Power Exchanges and Registry, Administrator and Registry, and Registry and obligated entities & non-obligated entities;
 - ii. Registration of obligated and non-obligated entities with the Registry;
 - iii. Dealing, transfer, and other residual matters in relation to CCCs.
- b) provide assistance to the Commission in the matters involving transaction of CCCs on Power Exchanges;
- c) disseminate relevant market information to all stakeholders;
- d) monitor to ensure that the exchange of CCCs takes place in a transparent manner and report instances of non-compliance with these Regulations to

the Commission;

- e) provide relevant information regarding Obligated Entities and Non-Obligated Entities to the Registry;
- f) adhere to all compliance under EP Act and EC Act pertaining to CCCs.
- g) intimate the Registry regarding the expiry of CCCs from the accounts of the concerned Obligated Entity; and
- h) coordinate with the Power Exchanges and Registry for a smooth interface for the exchange of CCCs; and
- i) discharge such other functions as may be assigned under these Regulations.

7. Value and Validity of Carbon Credit Certificate –

- (1) The value of the carbon credit certificate shall be as specified in subparagraph 1(c) of Section 2 of the Carbon Credit Trading Scheme, 2023, as amended from time to time.
- (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.

8. Category of Certificates -

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

(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.

9. Dealing in the Certificates -

(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.

(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.

(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.

(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.

(5) All CCCs shall be dealt with at Power Exchanges as per the provisions of the EC Act, 2001, the EP Act 1986, CCTS 2023, and these Regulations, as amended from time to time.

(6) Power Exchanges shall obtain prior approval of the Commission on the Rules, Business Rules, and Bye-Laws, including the eligibility criteria, CCCs price discovery mechanism, and process of interaction between the Power Exchange and Registry, which inter-alia shall include the following -

- i. 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 and
- 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).

(7) In any bidding session, an obligated or non-obligated entity shall not place sale bids in excess of total CCCs held in its Registry Account.

(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.

(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.

(10) The Power Exchanges, shall-

- i. send reports for the executed transactions, financial obligation, and all other relevant reports to the respective entities;
- ii. report to the Registry, after every dealing session, details of the CCCs transacted by the eligible entities. On successful transaction on Power Exchange, the Registry Accounts of the eligible entities shall be updated whereby the sellers' accounts shall be debited, and the buyers' accounts shall be credited.

10. Banking and Extinguishment of CCCs

The Banking and Extinguishment of CCCs shall be as specified in the Detailed Procedure for Compliance Mechanism and Offset Mechanism of the CCTS 2023, as amended from time to time.

11. Pricing of Certificate -

(1) The denomination of one CCC shall be as per clause 2(1) (c) of the CCTS

Scheme 2023, which shall be equal to a reduction or removal or avoidance of greenhouse gas emissions achieved and shall be equivalent to one ton of carbon dioxide equivalent (tCO₂e).

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

(3) 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.

(4) 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:

- (a) Abnormal increase or decrease in prices of CCCs;
- (b) Sudden volatility in the prices of CCCs; and
- (c) Sudden high or low dealing of CCCs on a Power Exchange

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.

13. Market Oversight -

The Commission, assisted by the Bureau, shall exercise market oversight over CCCs on Power Exchanges in accordance with the Power Market Regulations.

14. Power to Relax -

The Commission may, by general or special order, for reasons to be recorded in writing, and after giving an opportunity of hearing to the parties likely to be affected by the grant of relaxation, relax any of the provisions of these regulations on its own motion or on an application made before it by any affected party.

15. Power to issue directions -

If any difficulty arises in giving effect to these Regulations, the Commission may on its own motion or on an application filed by any affected party, issue such directions as may be considered necessary in furtherance of the objective and purpose of the Regulations.

(Harpreet Singh Pruthi)
Secretary