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Ref: ABC CT/CERC/Comments on RCO/211125 **Date:**21/11/2025

To,
Shri Harpreet Singh Pruthi,
Secretary, Central Electricity Regulatory Commission,
6th, 7th & 8th Floors, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi- 110029

Sub: Submission of Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

Respected Sir,

We extend our sincere appreciation to the Hon'ble Commission for initiating the process of operationalizing the Buyout Price mechanism under the Renewable Consumption Obligation (RCO) framework and for inviting comments from stakeholders. We value the Commission's continued efforts to bring clarity, structure, and predictability to RCO implementation.

After a careful review of the draft proposal, we would like to respectfully submit certain concerns regarding the introduction of a Buyout Price at this stage. In our view, the proposed framework may have implications for the REC market, long-term renewable procurement, and DISCOM finances, which merit reconsideration.

Potential Impact on REC Market Dynamics:
The REC market has been in a phase of stabilization following earlier regulatory changes. Introducing a formula-based buyout mechanism, even with a premium, could inadvertently create an alternative compliance pathway, reducing obligated entities' dependence on REC purchases. Over time, this may suppress REC demand and weaken market liquidity, ultimately impacting projects that rely on REC revenues to capture the value of green attributes.

Moreover, this framework could significantly undermine the financial viability of renewable energy plants operating under the REC mechanism. These projects were initially planned with revenue projections based on REC prices. Since the removal of forbearance and floor prices, they have already been struggling to sell REC attributes at relatively low rates. The proposed notification would further erode their revenue streams, exacerbating the economic challenges faced by such plants.

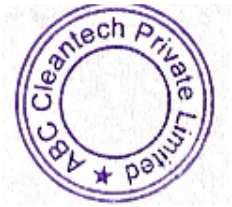
Influence on Renewable Energy Procurement Decisions:
The proposed Buyout Price (₹245/MWh for FY 2024–25) is materially lower than the cost of procuring renewable electricity or storage-backed supply. Obligated entities—particularly DISCOMs—may therefore find the Buyout option more financially convenient in the short term. This could discourage them from entering into long-term renewable procurement arrangements, which are essential for sustained capacity addition.

Financial Considerations for DISCOMs and State Schemes:
Many DISCOMs continue to face liquidity constraints. A compliance mechanism based on direct financial outflow may add to their financial burden.
Additionally, while channelling Buyout proceeds into State Energy Conservation Funds is beneficial, it may not fully compensate for the foregone benefits of long-term renewable procurement, such as reduced power purchase costs and improved RPO/RCO fulfilment.

Submission and Suggestion:
In view of the above considerations, we humbly submit that:
a. The Proposal on Buyout Price framework may be withdrawn in its present form, as it may require further calibration to avoid unintended market impacts.
b. The Commission may consider undertaking a broader stakeholder consultation to explore alternative approaches, including strengthening REC market liquidity, enhancing enforcement of RCO compliance, and creating a more balanced framework for obligated entities.

We once again thank the Hon'ble Commission for the opportunity to offer our comments. We fully support the objective of ensuring transparent, credible, and effective mechanisms for RCO compliance and remain committed to contributing constructively to the regulatory process.

Yours sincerely
For **ABC Cleantech Pvt. Ltd.**



Prashant Kanaujia
Authorized Signatory

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