RP - Sanjiv Goenka Group
Growing Legacies

Chandigarh Power
Distribution Limited (CPDL)

CPDL/REG/25-26/C-8 21.11.2025

To,

The Secretary,
Central Electricity Regulatory Commission (CERC),
World Trade Centre, 6th, 7th & 8th Floor,
Tower-B, Nauroji Nagar,
New Delhi -110029

Subject: Comments on CERC Proposal in the matter of Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

Reference: CERC Proposal dated 22.10.2025 on Suo-Motu Petition No. 12 / SM/2025

Dear Sir,

We write with reference to the aforesaid proposal of the Hon'ble Central Electricity Regulatory Commission (Hon'ble Commission) dated 22.10.2025 inviting comments/ suggestions/ objections on the proposal in the matter of determination of the Buyout Price for FY 2024-2025 on or before 21.11.2025.

In this regard, Chandigarh Power Distribution Limited (CPDL) hereby submit its comments on the said proposal enclosed as **Annexure - 1** for kind consideration of the Hon'ble Commission.

Thanking you,
Yours Faithfully,
For **Chandigarh Power Distribution Limited**

Brajesh Kumar Singh
Authorised Signatory

Enclosures: As above

CPDL's Comments on Hon'ble Commission's Proposal

1. **Hon'ble Commission's Proposal for Buyout prices for FY 2024-25-**
Clause 10 has suggested the Buy-Out prices for REC as Rs 232.84/MWh, the relevant extract is reproduced below-

Clause 10: - Accordingly, the weighted average price of REC for the FY 2024-2025 works out to be Rs. 232.84/MWh. In view of the above, it is proposed that the buyout price for the FY 2024- 2025 be fixed at Rs. 245/MWh, which is about 5% above the weighted average REC price for FY 2024-2025.

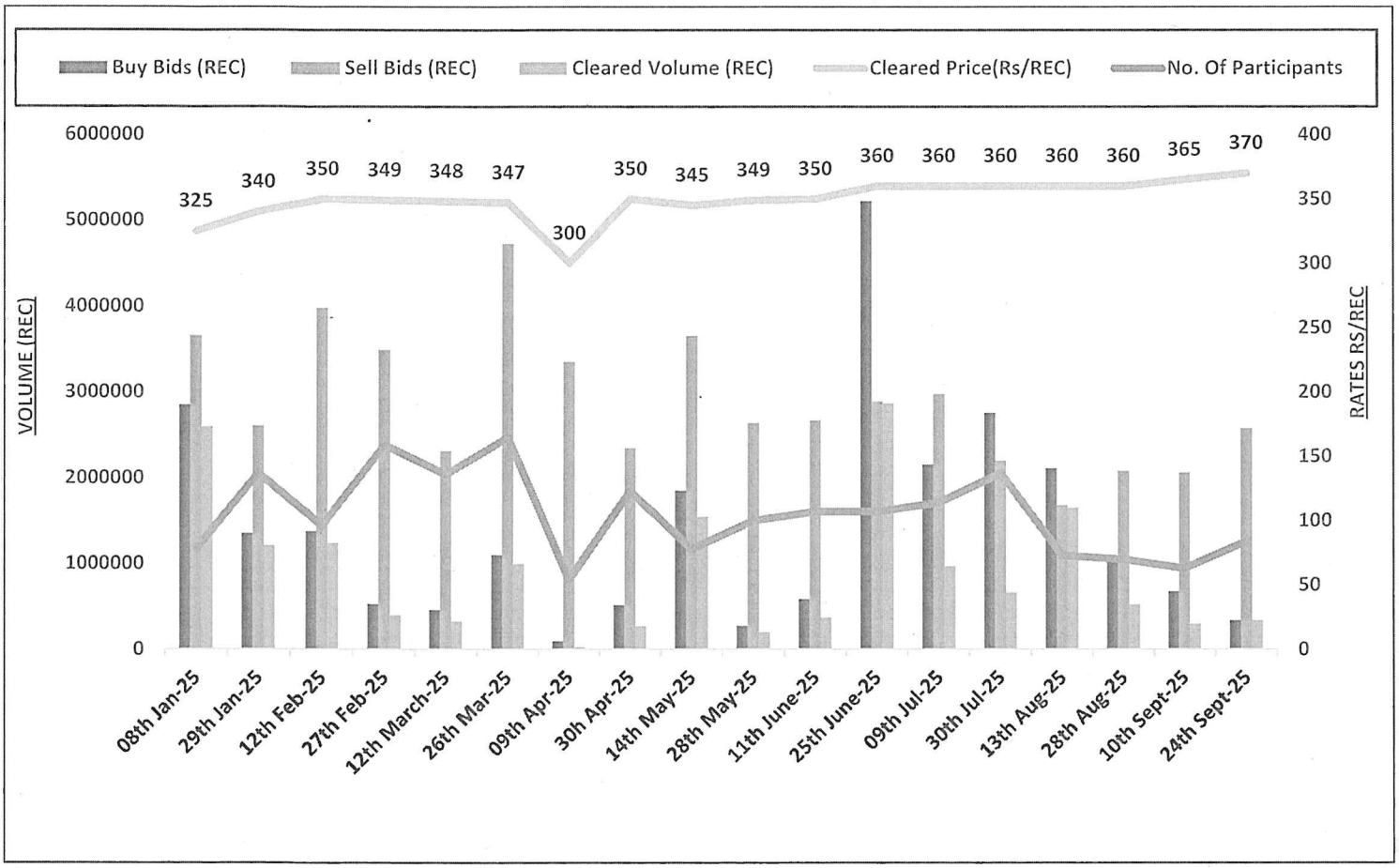
CPDL' Comments-

i. The Hon'ble Commission has proposed a Buyout Price marginally higher than the weighted average market value of Renewable Energy Certificates (RECs). It has also been rightly emphasized that the Buyout mechanism should serve as a last-resort compliance option, acting as a deterrent to non-compliance and promoting genuine renewable procurement as the first priority. The detailed rationale has already been elaborated by the Hon'ble Commission in para 8 of the proposal, which is not reiterated here for brevity.

ii. For the purpose of Renewable Consumption Obligation (RCO) compliance, Obligated Entities and Designated Consumers (DCs) generally prefer direct consumption of renewable energy, as it simultaneously meets both energy and RCO requirements. Subsequently, RECs are purchased or self-generated in accordance with notified regulations to meet any remaining shortfall.

iii. The exact assessment of requirement of RECs is generally undertaken after closing of the financial year once actual energy from RE sources is consumed. Typically, the combination of renewable energy procurement and RECs should suffice for RCO compliances. Allowing a Buyout option priced merely 5% higher than the weighted average REC rate may incentivize DCs to defer compliance planning, contrary to the intent of making Buyout a last-resort mechanism.

iv. The market-discovered REC rate for FY 2025–26 (Year-To-Month, September 2025, IEX data) indicates a weighted average of Rs. 249.20/MWh. The rates discovered in FY 25-26 (YTM Sept-25) in Power Exchange (IEX) are shown in the graph below:



v. The weighted average price of REC for the FY 2025-2026 (till Sept-2025) works out to be Rs. 249.20/MWh. To address the volatility of the prices and to ensure that the buyout price be fixed at a premium over and above the REC Prices, it is suggested that the buyout prices should be fixed as a certain percentage above the average REC price discovered in the market.

vi. Moreover, maintaining a higher premium over prevailing REC prices will further strengthen policy objectives by encouraging Obligated Entities/DCs to prioritize renewable procurement (Option I) or REC purchase (Option II). This approach would, in turn, facilitate additional investments and capacity expansion in the renewable sector, as envisaged in para 6 of the Proposal.

CPDL' Proposal-

Considering the fact that the Buyout prices should be considered as the last resort for the obligated entity/ Designated Consumers (DCs) and the fact that the other available options for RCO compliances will lead to investment and, in turn, the establishment of RE capacities, we propose the following:

"The Buyout Price for FY 2024–25 shall be fixed at 20% above the latest average REC price discovered in the market at the time when the Obligated Entity or Designated Consumer opts for the Buyout mechanism."