DISTRIBUTED SOLAR POWER ASSOCIATION

Ref: DiSPA /2025-26/PH/02 Date: 21/11/2025

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

Ref: Petition No. 12 / SM/2025 (Suo-Motu)

Sub: Submission of Comments on the Proposed Buyout Mechanism under RCO Compliance Framework

Dear Sir(s),

In our representation, the association on behalf of their members proposes that in the event of the presence of the valid instruments for the compliance of the mandatory RPO / RCO by the obligated entities as provided below at an defined tariff, an introduction of a new tool / instrument at a much lesser tariff will kill the entire concept of the previously determined valid tool / instruments for the compliance of the mandatory RPO / RCO and will be a back door strategy to regulate / deter these existing instruments.

Further, we submit that the buy out prices mechanism against the provisions of the doctrine of promissory estoppel and any logic if the same is priced anything below the existing forbearance tariff of the existing tool provided by this hon'ble commission under which the project investments have already been made under the promissory of the regulations.

Available valid Tools / instruments:

1. Generation / Consumption of RE Power from self of third party source from distributed generation and open access.
2. Purchase of Renewable Energy Certificates.
3. Purchase of RE Power from State Utilities under Green Tariff.
4. Combination of all of the above.

Further, in the present time the floor and forbearance price of the RECs stands as:

71. **Summary of Decisions**

71.1. Floor and Forbearance price for Non-Solar RECs shall be as follows:

	Non-Solar REC (Rs./ MWh)
Forbearance Price	1,000
Floor Price	0

71.2. Floor and Forbearance price for Solar RECs shall be as follows:

	Solar REC (Rs./ MWh)
Forbearance Price	1,000
Floor Price	0

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It is immaterial that due to lower compliance and failure of compliance mechanism the demand of the RECs are lower and thus are being traded at a tariff towards floor price. The REC Prices have been determined by this hon'ble commission based on below provided guiding principles:

> *Further, Clause (2) of Regulation 9 of the REC Regulations provides for the guiding principles for determining the forbearance price and floor price for RECs. The relevant provision of the REC Regulations is extracted as under:*
> *"9. Pricing of Certificate:*
> *(1) The price of Certificate shall be as discovered in the Power Exchange:*
> *Provided that the Commission may, in consultation with the Central Agency and Forum of Regulators from time to time provide for the floor price and forbearance price separately for solar and non-solar Certificates.*
>
> *(2) The Commission while determining the floor price and forbearance price shall be guided inter- alia by the following principles:*
> *(a) Variation in cost of generation of different renewable energy technologies falling under solar and non-solar category, across States in the country;*
> *(b) Variation in the Pooled Cost of Purchase across States in the country;*
> *(c) Expected electricity generation from renewable energy sources including:-*
> *(i) expected renewable energy capacity under preferential tariff*
> *(ii) expected renewable energy capacity under mechanism of certificates;*
>
> *(d) Renewable Purchase obligation targets set by State Commissions"*

This means generator has all the legitimate right to expect to sell RECs at forbearance price also if there is a demand.

Further, it is a legitimate right / expectation of the developers under the REC mechanism that:

1. There will be stricter enforcement of the penal provisions for the non-compliance of the RPO / RCO.

2. These compliance from "compliance at will", one day will become mandatory compliance in real sense.

3. The default in compliance will not become incentive for the defaulters.

Today the will full default of the mandatory compliance of an obligated entity is an incentive to the obligated entity.

The default can be carried forwarded to an infinite time till RE Power becomes cheaper or a cheaper mechanism comes and / or the REC prices crash further.

This has always been an incentive to the defaulters.

Further, this buyout mechanism is a further incentive to the obligated entities and more specially the defaulting entities for their will full defaults taking advantage of weaker enforcement mechanism and a curse to the developers / investors who have invested in the RE and the REC mechanism.

If the Buy out price is lesser than the REC forbearance and Green Tariff as determined by the commission the entire REC mechanism and its concept will collapse. The Green Tariff concept will anyhow collapse it totality.

The moment the REC prices have a reason to move towards forbearance price the buy price will pull it lower then the buy out tariff.

This, necessarily means that the RECs will be used only for the purpose of self compliance by retaining it or cannot expect a price in the band as determined by this hon'ble commission.

At this stage, introducing a buyout mechanism at a price lower than the forbearance price of REC would severely undermine the confidence of investors and project developers operating under the REC mechanism. Such an approach amounts to a violation of the principle of *promissory estoppel*, as the REC framework was established with defined commercial expectations and regulatory assurance.

Further, buyout mechanism is nothing but a backdoor restriction/ capping of the maximum price at which RECs can be traded at these buyout tariffs.

It is important to highlight that RECs represent renewable energy that has already been generated, whereas the buyout mechanism intends to support future renewable capacity addition. It is neither logical nor equitable for compliance to be fulfilled through a mechanism supporting future generation when a valid, existing compliance instrument already exists.

Therefore, the buyout tariff shall be 2 to 3 times higher than the REC forbearance price, even if capped at 105% thereof. Presently, RECs serve as an established compliance route for fulfilling RPO/RCO obligations in cases of shortfall of physical renewable energy procurement.

The buyout mechanism should only be invoked when the obligated entity is unable to procure renewable power and/or RECs due to non-availability in the market—not as an alternative primary option.

In view of the above, introducing a buyout mechanism priced lower than the REC forbearance price is a violation of natural justice, the rights of REC-based developers, and the doctrine of promissory estoppel.

We believe that the hon'ble commission will find merits in the submission while determining the tariff and even the introduction of the buy out mechanism and give us an opportunity to make oral submission in the said matter.

Sincerely,
For Distributed Solar Power Association



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