EnergyEdge Comments / Recommendations on Honourable CERC Buyout Proposal

1. Buyout Price Should Capture Market-Based Premium Signals

Honourable CERC has currently proposed a *fixed 5% premium* over the weighted-average REC price.
We submit that REC-based pricing alone does not fully capture the real market value of renewable attributes, especially during periods of renewable power scarcity (during peak hours).

Therefore, the Buyout Price may additionally consider:

(a) GDAM Vs DAM MCP Green premium spreads

- During many blocks, the Green DAM (GDAM) settles at a premium over DAM, reflecting higher willingness to pay for green energy (especially in Peak Hours).
- This premium is a real-time indicator of the *market value of green attributes plus renewable availability constraints (especially in Peak Hours)*.
- Proposed:
  Buyout Price = 105% of REC Price + Premium Factor{F}
  Where:
  Premium Factor{F} = Annual Average GDAM MCP – Annual Average DAM MCP

This ensures the buyout price reflects:

- scarcity of green energy,
- actual market willingness to pay,
- true cost of meeting RCO through physical renewable consumption.

2. Buyout Price Should Be High Enough to Avoid "Soft Compliance"

A low buyout price can become a soft penalty, making obligated entities prefer buyout instead of actual renewable procurement.

To prevent this:

- The Buyout Price should be significantly higher than the weighted average price of REC for the FY 2024-2025
- Suggested benchmark floor:
  Buyout Price ≥ REC Weighted Average Price + Factor contributing differences in GDAM & DAM Price + Penalty

This will:

- maintain the sanctity of RCO,
- drive actual renewable procurement (Option 1),

- avoid erosion of REC market value.

3. Quarterly Revision Instead of Annual

REC and GDAM prices can fluctuate significantly within the year.

Suggested:

- NLDC may publish Quarterly Weighted Average REC Prices + GDAM Vs DAM green premium signals.
- Buyout price updated every quarter ensures:
    - price stability,
    - better reflection of market conditions,
    - avoids delayed compliance corrections.

Summary of Key Recommendation

1. Buyout Price = 105% of REC Price + Premium Factor{F}
   Where:
   Premium Factor{F} = Annual Average GDAM MCP – Annual Average DAM MCP

2. Buyout Price ≥ REC Weighted Average Price + Factor contributing differences in GDAM & DAM Price + Penalty
   This ensures the buyout price reflects:

- real renewable scarcity,
- true opportunity cost of green energy,
- prevents misuse of buyout as a cheap compliance route.