FAI Comments on CERC Petition No. 12 / SM/2025 (Suo-Motu) dated 22 October 2025

Sl. No.	Clause no, page no	FAI Comments
1	**Clause 5, 6, and 7 page 2**	The Petition proposed that the **buyout option** is to be exercised **only after exhausting the other two alternatives**, namely: (i) Consumption of renewable energy for meeting the Renewable Purchase Obligation (RPO) (ii) Purchase of Renewable Energy Certificates (RECs). In this context, it is submitted that this condition may not be appropriate for the fertiliser sector, which operates under a regulated and cost-controlled environment governed by Government of India pricing policies. The input energy cost for fertiliser units, including the cost of power, steam, and feedstock, is either partially or fully compensated at a fixed concession rate determined by the Department of Fertilisers (DoF). This is done to ensure affordable prices of fertilisers to the farmers. Therefore, mandating REC purchases as a prerequisite before availing the buyout option would expose fertiliser companies to the volatility of REC exchange prices, which are determined through market mechanisms and may fluctuate significantly. Such exposure would adversely affect cost recovery under the controlled pricing framework and distort energy cost accounting. It is, therefore, requested that the condition requiring prior exhaustion of REC purchases before buyout be excluded for the fertiliser sector. Fertiliser companies should be allowed to directly exercise the buyout option for RPO compliance, in line with the sector's regulated cost structured. It is proposed to charge a premium over and above REC price, then there should not be any condition in choosing options i), ii) or iii). Fertiliser sector should be allowed to choose most economical option to ensure affordable prices of fertilisers to the farmers.

2	**Clause 6, page 2**	a) Mechanism that the exhaustion of first two options prior to considering buyout option to meet compliance needs clarification. How it will be evaluated that DC has exhausted first two options under clause 5(i) & (ii) b) Is there any limit for buyout nos.? c) From which platform it will be purchased/opted ? d) Buyout mechanism is the last option and if mechanism is not timely developed then methodology should be clearly defined for RCO Compliance.
3	**Clause 6, page 2**	Will there be a separate window for compliance through the buyout price mechanism? *i.e.* will an additional timeline be announced or allotted after 31st March 2026 to enable RCO compliance for FY 2024-25 through the Buyout Price option? Is obligated entity may exercise buyout price mechanism together with REC purchase mechanism for RCO compliance.
4	**Clause 9, page 3,**	**REC Price Volatility:** REC prices are subject to **market fluctuations** driven by supply-demand dynamics. To ensure predictability and fairness, it is suggested that the **buyout price be determined using a stabilized approach**, such as a **quarterly or annual moving average** of REC prices, rather than a single-point price reference.
5	**Utilization of Buyout Proceeds Clause 2 (iii)**	A portion of the buyout fund may be earmarked for **clean energy and decarbonization projects** in energy-intensive industries like fertilisers—specifically for **energy efficiency improvements, process optimization, and renewable energy integration** in plant operations. This would ensure that buyout funds contribute directly to the national decarbonization goals.

6	**Framework for Buyout Procedure, clause 8**	To ensure smooth compliance, audit transparency, and clarity for obligated entities, it is requested that the Commission's final Order includes a **detailed procedural framework** covering declaration, verification, payment, and certification steps. Step 1: **Declaration of Intent** Obligated entities should formally declare their intent to utilize the buyout mechanism for a specified portion of their RCO shortfall by a defined date within the compliance period (e.g., one month before the financial year-end). Step 2: **Buyout Price Publication & Invoice Issuance** Following the NLDC's publication of the final buyout price, the designated authority (e.g., NLDC or another central agency) should issue a formal demand notice/invoice to each entity that declared intent, specifying the RCO shortfall (in MWh) and total buyout amount payable. Step 3: **Payment Mechanism** A secure, centralized online payment portal should be established for all buyout transactions. A strict payment deadline should be specified to ensure timely compliance within the RCO cycle. Step 4**: Compliance Certification** Upon successful payment, the administering authority should issue a digital "Buyout Compliance Certificate" to the obligated entity and its respective State Regulatory Commission as proof of compliance for the relevant portion of the RCO.
7	**Proposal Clause 10,11,12**	a) The proposed premium of 5% over and above the traded price of REC may be reconsidered or softened, as it would impose an additional financial burden on the fertiliser sector. A lower or variable premium could be explored to balance cost implication for obligated entities. i.e. Buyout price for FY 2024-25 should be considered as Rs. 232.84/MWH only instead of considering 5% hike i.e. Rs 245/MWH b) Over and above hidden charges (if any) should be specified such as registration charges, platform usage charges, Transaction charges, Applicable Taxes etc. in order to know the delivered cost buyout price for RCO compliance c) What will be the methodology for the compliance with depositing the buyout price amount into the central energy conservation fund?

		d) It is expected that clear and detailed guidelines regarding the declaration, payment and verification of transparency, accountability and smooth compliance under the proposed framework be brought out.