ग्रिड-इंडिया
GRID-INDIA

ग्रिड कंट्रोलर ऑफ इंडिया लिमिटेड
(भारत सरकार का उद्यम)
GRID CONTROLLER OF INDIA LIMITED
(A Government of India Enterprise)

केन्द्रीय कार्यालय : 61, आई एफ सी आई टावर, 8वां और 9वां तल, नेहरु प्लेस, नई दिल्ली -110019
Corporate Office : 61, IFCI Tower, 8th & 9th Floor, Nehru Place, New Delhi - 110019
CIN : U40105DL2009GOI188682, Website : https://grid-india.in, E-mail : gridindiacc@grid-india.in,Tel.: 011- 40234672

संदर्भ: GRID-INDIA/CERC/REC/2025 Date: 21st Nov, 2025

सेवा मे,

सचिव, केंद्रीय विद्युत विनियामक आयोग

सातवीं मंजिल, टॉवर-बी,

वर्ल्ड ट्रेड सेंटर,

नौरोजी नगर, नईदिल्ली – 110029

Subject: Comments on CERC Petition no. 12/SM/2025(Suo-motu) in the matter of Determination of the Buyout price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

Sir,

Hon'ble Commission notified Petition no. 12/SM/2025(Suo-motu) in the matter of determination of the Buyout price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO) on 22nd October'25.

Hon'ble CERC has issued has invited comments of the on the proposal of specifying the Buyout Price for FY 2024-2025 at Rs. 245/MWh and for the subsequent financial year at 105% of the weighted average REC price of that financial year.

In view of this, views/suggestions of Grid Controller of India Limited are enclosed herewith as Annexure-I.

Thanking You,

Yours sincerely,

(आलोक कुमार)
मुख्य महाप्रबंधक (ई टी एंड एस)

Enclosures: Suggestions of Grid-India on CERC Petition no. 12/SM/2025

Annexure-1

GRID– INDIA comments on CERC Proposal dated 22nd October, 2025 in the matter of petition no. 12/SM/2025 (Suo-Motu) regarding Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

The Commission has proposed a Buyout Price of ₹245/MWh for FY 2024-2025, which is about 5% higher than the weighted average price of Renewable Energy Certificates (REC) on the Power Exchange and among Trading Licensees for the same period.

According to the Ministry of Power's Notification S.O. 4421(E) dated 27th September 2025, related to the Renewable Consumption Obligation (RCO), Designated consumers shall submit compliance report after meeting the shortfalls in Renewable Consumption Obligations through purchase of Renewable Energy Certificates or payment of buyout price, if any, by 31st March 2026 for the year 2024-2025.

Fixing Buy-out price at 5% over the annual weighted-average REC price (calculated ex-post) can distort the REC market due to the 'price anchor' provided by the buy-out price. If in a year there is a continuous rise in the price, as in the current year, a plain annual average under-represents the prevailing level at year-end and may make Buy-out cheaper than RECs—encouraging compliance through the 'buy-out' and suppressing REC demand.

The current REC price, as discovered in the latest trading session on 12 November 2025, stands at ₹370/REC. Between April 2025 and November 2025, REC prices on Power Exchanges fluctuated between ₹298 and ₹370 per REC. If this price trend continues, Designated Consumers may presume a Buy-out Price of about ₹245/MWh, similar to last year, for addressing RCO shortfalls, as it is lower than the market price of RECs. This could discourage REC purchases and lead to a preference for the Buy-out route instead, ultimately reducing demand in the REC market and, in turn, pushing down MCPs on the Power Exchanges. This cycle—lower Buy-out → less REC demand → lower PX prices → lower average → cheaper Buy-out—will have a suppressive impact on REC prices and the revenue of renewable energy generators.

Further, if the Buy-out price is set too high, it adds a heavy compliance burden, especially on DISCOMs. Many DISCOMs have tight cash flows and fragile balance sheets. A high Buy-out will raise their ARR (Aggregate Revenue Requirement) and create pressure on tariffs. The Buy-out should therefore be calibrated to balance two needs: (i) keep Buy-out a last-resort that does not undercut REC demand, and (ii) avoid excessive compliance costs that destabilize DISCOM finances.

GRID-INDIA observations

1. REC price discovery happens on Power Exchanges (PX) in scheduled sessions (single MCP with MCV). Bilateral deals via traders generally peg to the last discovered PX price, using both the values for calculating the WVAP can double-count the same signal. Moreover, the price discovery mechanism on the exchanges is transparent and auditable and is sufficient as the sole input for the reference price.

2. It is observed that REC prices do not have spikes session-to-session and follow a continuous trend. Also, the price is usually affected by changes in regulations/Government notifications or in anticipation of such changes. Therefore, using a full-year WAP can give a picture that is not a true reflection of reality. FY 2024-25 saw a clear down-then-up trajectory (court/regulatory effects): prices fell (as low as ~₹118/REC in Q2) and then recovered (Q4 ~₹338/REC). A simple annual WAP (~₹233/REC) sits far below the end-of-year level, so Buy-out = 105% of annual WAP becomes materially lower than spot REC in the last quarter, prompting a shift to Buy-out over REC purchases. This price depression occurred because, after removal of the floor price under REC Regulations 2022, prices initially remained around ₹1,000 (the earlier floor) due to a High Court order restricting older inventory from being traded. When the stay was removed and inventory was released into the market, the market took a few months to rediscover the price—REC prices continuously dropped from ₹1,000 to ₹118, finally making a bottom, and then increased thereafter. Such regulatory changes affect REC price discovery, and the adjustment can take about a quarter or two.

The quarterly weighted average REC prices (**at Power Exchanges only**) for FY 2024-2025 are as follows:

Quarter	**Period**	**Weighted Avg. Price (₹/REC)**	**Remarks**
Q1	Apr–Jun 2024	₹185.06	Moderate
Q2	Jul–Sep 2024	₹118.04	Low – Market dip
Q3	Oct–Dec 2024	₹223.96	Recovery
Q4	Jan–Mar 2025	₹338.16	High – Peak demand
FY 2024-25		₹225.64	Weighted Avg. Price for FY

Suggestions from GRID - INDIA:

To ensure a fair, market-driven approach while protecting the interests of renewable energy generators, GRID - INDIA suggests the following adjustments to the Buyout Price calculation methodology:

1. **Consider Only Market-Discovered Prices (Exchange-Based):**
   The Buyout Price should be based solely on the REC prices discovered through Power Exchange transactions. Prices from trades executed via traders should be excluded, as these are based on bilateral agreements that do not reflect true market prices.

2. **Modified Annual Computation Approach:**
   To ensure the Buyout Price reflects realistic market conditions and excludes anomalies, following three methodologies is proposed:

   OPTION 1: Consider the highest value of Weighted Average Price of a session:

   It is proposed to consider only the highest value of Weighted Volume Average price of a session and then using 105% of the same to calculate the buyout price.

The calculation is as follows:

a. Highest Weighted average Price of Exchanges of a session = ₹350 (Session 1 (S1) of Feb'25)
b. Buyout Price (105%) = ₹350 × 1.05 = ₹367.5/MWh
c. **Proposed Buyout Price:** ₹367.5/MWh

OPTION 2: Consider the top 3 values of Weighted Average price:

To address any anomaly due to price spikes, the top three values of Weighted average price of exchanges can be considered for calculation of buyout price.

The calculation is as follows:

a. Average of 3 Highest Weighted average Price of Exchanges = ₹349 (S1 and S2 of Feb'25- ₹350 and ₹349 respectively and S1 of March'25-₹348)
b. Buyout Price (105%) = ₹349 × 1.05 = ₹366.45/MWh
c. **Proposed Buyout Price:** ₹366.45/MWh

OPTION 3: Exclude the Odd Quarter (Lowest Quarter):

Use 105% of the average REC price from three quarters, excluding the lowest-priced quarter (Q2, with ₹118.04/REC), would be used to calculate the Buyout Price. The

The calculation is as follows:

a. Average of Q1, Q3, Q4: (₹185.06 + ₹223.96 + ₹338.16) / 3 = ₹249.06
b. Buyout Price (105%) = ₹249.06 × 1.05 = ₹261.51/MWh
c. **Proposed Buyout Price:** ₹261.51/MWh

Justification:

- These methods are simple to compute, transparent in operation, and easy to audit, as it relies only on PX price discovery.
- These methods are resilient to regulatory changes within the year.
- These methodologies ensure limited variability thereby preventing the Buy-out from becoming a hard price anchor for REC trading while keeping compliance costs predictable for obligated entities. This preserves the intended compliance hierarchy: Buy-out remains a fallback after renewable consumption and REC purchase, not a substitute.
- It balances market integrity with affordability by limiting the burden on DISCOMs while maintaining incentives to procure RECs and contract renewable energy.