adani
Renewables

Date: 21.11.2025

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

Sub: Submission of comments and suggestions on the proposal for 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

Ref: Proposed order dt 22.10.2025 (Suo-Motu Petition No. 12 / SM/2025) issued in respect of determination of the Buyout Price as an alternate compliance mechanism towards fulfilment.

Dear Sir/Madam,

We are writing regarding the proposed order dated 22 October 2025 (Suo-Motu Petition No. 12 / SM/2025), which has been issued for stakeholder consultation concerning the determination of the Buyout Price. The Hon'ble Commission has put forward a proposal to specify the Buyout Price for FY 2024-2025 at Rs. 245/MWh, and for subsequent financial years at 105% of the weighted average REC price of the respective year.

In this context, the following points are respectfully submitted for your consideration during the finalization of the buyout price:

A. Background:

1) RPO was implemented in India to promote RE adoption, however due to lack of stringent enforcement mechanisms compliance remained low. REC mechanism was provided to allow consumers to comply in case of RE tie-up shortfall and to also open REC based merchant capacities in Renewable sector. Still GOI specified RPO targets are mostly not complied and there is significant inventory of RECs in the market, as many remain unpurchased.
2) To address this, GoI under Energy Conservation Act (ECA) adopted RPO targets as Renewable Consumption Obligation (RCO) targets.
3) Non-compliance is designed to attract penalties as per the ECA, with rates of Rs 3.72/kWh as per MNRE letter dated 1st Feb 2024 to all state.
4) A **buyout price** mechanism was **introduced** via MoP's RCO amendment on 27.09.2025. It provides an additional compliance option for obligated entities, after RE procurement or REC purchases have been exhausted, and before penalties under the ECA. Intent is justified as an option, if there is shortfall of RE power being available or REC's are not available.
5) A clear provision needs to be included for ensuring that the buyout is available only after other option are unavailable.
6) Based on this CERC has proposed buyout price as 1.05x of REC prices of last financial year.

While this offers flexibility, the proposed mechanism of determining Buyout prices raises several concerns regarding its effectiveness and alignment with the core objectives of the RCO framework.

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B. Key Concerns:

1) **Potential Market Distortion:** could lead to a downward spiral in REC prices:

   a) Because there is only a small difference between the buyout price and the price of RECs, consumers and DISCOMs are likely to avoid purchasing RECs. This would cause REC prices to fall, making the effective cost of buying out even lower. As a result, non-compliant entities can continue to benefit by reducing their own penalties through ongoing non-compliance, which ultimately undermines the purpose behind the RCO framework.
   b) Given that 75% of the funds generated through the buyout mechanism are retained by the state, there exists a potential incentive for states to promote non-compliance. This scenario may benefit the states financially but could compromise the fundamental goals of the RCO framework.
   c) This may further be understood with the following e.g:
      - ✓ In FY 2024-25, the average price of REC was around Rs 0.23/kWh
      - ✓ In Oct'25, the REC prices are around Rs 0.37/kWh

   With this provision in effect, DISCOMs may be required to pay a buyout price set at 105% of the previous year's average price, which could potentially result in a moderation of the current price trend.

2) **Lack of Direct Impact on RE Development and undermining the intent of supporting new emerging technologies:**

   a) Unlike RE procurement or REC purchases: buyout mechanism does not contribute to actual RE generation or consumption
   b) Although the REC Regulations and proposed amendments aim to support new technologies like Biomass, Biofuel, SHP, pumped Hydro, Cogen, BESS, and Hybrid RE through higher REC multipliers, the current proposal to lower REC prices could undermine this goal by discouraging investment in these clean energy solutions.

3) **Inappropriate linkage to REC:**
   a) Weak regulatory enforcement of RCO mechanism has led to low REC demand and their continuous undervaluation, meaning REC prices do not reflect the true value of green attributes
   b) Linking the Buyout price to REC pricing is inappropriate and undermines its intended purpose. Which is designed to act as a deterrent for non-compliance.

C. Recommendations:

1) **Alternate Proposed Mechanism 1: Buyout price shall be linked to the benefit of ISTS charges waiver rather than RECs**

   a) REC regulations are intended to apply exclusively to renewable energy projects that do not receive any concessions or subsidies. Accordingly, projects availing ISTS charge waivers are ineligible for REC. This implies that value of RECs are linked to Transmission charges as per REC Regulations and or in other words, implicit value of RECs corresponds to the avoided transmission charges i.e ~Rs 0.47/kWh[1]

[1] *if for a state, GNA charges are ~ Rs 2.73 Lakhs/MW/month, it translates to ~ Rs 0.47/kWh assuming 80% utilization*

b) If RCO enforcement and compliance were effectively implemented, the value of RECs would have reflected at least the base value corresponding to transmission charges
c) Since the buyout price serves as a penalty provision, it should be linked to at least 1.25x–1.5x of the corresponding applicable transmission charges from time to time
d) Furthermore, as the mechanism allows 75% of the collected amount to be passed on to the defaulting state, the buyout price should not be considered an excessively high penalty

2) **<u>Alternate Proposed Mechanism 2:</u> Maintaining Buyout price as higher of 150% of REC prices or 50% of penalty computed as per ECA**

a) The buyout mechanism is intended as a 3rd compliance option for obligated entities after renewable energy procurement or REC purchases and before ECA penalties apply
b) It should also reflect the penalties closer to one computed under the ECA
c) Buyout price should be defined as the higher of 1.5 times the REC price or 50% of the penalty calculated under the ECA.
d) This approach still sets a reasonable threshold while reinforcing compliance through RE procurement or REC purchases, which is the core intent of the ECA
e) **If penalties are calculated using carbon market prices that more accurately reflect the cost of emissions, the resulting figures would be significantly higher, as shown below:**
   - ✓
   - ✓ As of October 2025, the EU carbon price is approximately €75 /T CO_2(recent high €82.314 /T CO_2 on 04th Nov 2025), which is around Rs 7,725/T CO_2.
   - ✓ Given the Indian grid carbon intensity of 0.727 T CO_2 /MWh, this translates to an environmental cost of ~Rs 5.5/kWh.
   - ✓ This cost reflects better impact of not sourcing green power
   - ✓ Therefore, the Buyout Price should be linked to such carbon price of Rs 5.5/kWh to align with environmental costs

Aforesaid comments and suggestions are submitted before Hon'ble CERC for kind consideration while implementing and finalizing the buyout price mechanism.

Thanking you,

Yours faithfully,
For & Behalf of Adani Green Energy Limited

Ravi Sinha
Deputy General Manager- Regulatory Affairs

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