HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
(A STATE GOVERNMENT UNDERTAKING)

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NO: HPSEBL/CE(SO)/PSP/RCO/2025-26: 5485 **Dated:** 21-11-25

To

The Secretary,
Central Electricity Regulatory Commission,
Tower B, World Trade Centre,
Nauroji Nagar, New Delhi-110029.
Email: secy@cercind.gov.in, advisor-re@cercind.gov.in

Subject: **Comments/Suggestions on behalf of Himachal Pradesh State Electricity Board Limited (HPSEBL) to the Proposal of Hon'ble Central Electricity Regulatory Commission, New Delhi on specifying the Buyout Price for FY 2024-25 at ₹245 per MWh and for the subsequent financial year at 105% of the weighted average REC price of the financial year.**

Sir,

Himachal Pradesh Electricity Board Limited (HPSEBL) is a distribution licensee operating in a hydro-dominant and renewable-rich State, an obligated entity to fulfil Renewable Consumption Obligation (RCO) as specified by MNRE vide Notification dated 27th September, 2025 and also an eligible entity for issuance of Renewable Energy Certificates (RECs) under CERC REC Regulations, 2022.

The Hon'ble Central Electricity Regulatory Commission (CERC) vide its proposal dated 22nd October, 2025, has proposed a Buyout Price of ₹245/MWh for FY 2024–25, and for future years 105% of the weighted average REC price of the previous financial year. In this regard, HPSEBL respectfully submits that the proposed buyout price and its discovery mechanism, may adversely impact the REC market and financial viability of renewable generation.

In this regard, HPSEBL respectfully submits the following concerns for consideration:

a) A predictable and comparatively low Buyout Price is likely to divert obligated entities away from REC procurement, sharply reducing REC demand and market liquidity. This effect is already evident on power exchanges, where REC purchase bids have declined by more than 80%.

b) Over the past six months, REC trades have consistently cleared in the range of ₹360–₹370 per REC in the power exchanges. The proposed Buyout Price of

₹245 which is derived from FY 2024-25 REC trades, but significantly lower than the prevailing REC price of ₹370, would certainly become a reference ceiling for obligated entities. Entities that would otherwise comply by purchasing RECs at approximately ₹370 would no longer be compelled to do so when a substantially cheaper Buyout option exists, thereby exerting downward pressure on REC prices and compelling sellers to offer RECs below the Buyout Price.

c) Consequently, there will be a cascading fall in REC prices year after year. Lower Buyout Price will lead to lower REC market clearing prices, which will reduce the next year's average, and therefore reduce the next year's Buyout Price again. This creates a self-reinforcing downward cycle and will erode REC value in long term.

d) Obligated entities such as HPSEBL, which already contribute substantial non-fossil energy to the national grid and have more tied up renewable energy than RCO targets of upcoming years, will face a significant reduction in REC related revenue and will be discouraged to purchase further energy from renewable energy sources.

e) Also by calculating the Buyout Price with proposed methodology, the obligated entities who complied their RPO/ RCO timely by buying RECs near highest price or at prices above the derived Buyout Price of ₹245 during the Financial Year, will be put to disadvantage and non-complying entities opting for buyout after completion of financial year, will be benefited by offering to offset their RCO at much average price of ₹245 for FY 2024-25, which is against the basic idea of enforcing compliance of RCO.

In view of the above, HPSEBL submits the following:

(1) Buyout Price for FY 2024–25 should reflect actual market conditions. It should not be fixed at ₹245, as it will trigger a major price drop in REC Market. Given the buyout option is intended to operate after exhaustion of the first two options (i.e. consumption of renewable energy and/ or buying of RECs) for compliance of RCO/ RPO preferably, the buyout price must not destabilize the REC Market. In this regard, HPSEBL submits that the Buyout Price for FY 2024–25 should not be fixed lower than current REC price of ₹370 to avoid certain fall in REC Market.

(2) Buyout mechanism must remain a deterrent and the option of last resort rather than an economically attractive substitute for REC purchase. For future years, HPSEBL proposes that the Buyout Price be set at a premium of 5 percent over the weighted average of the highest REC prices cleared across power exchanges and trading licensees during the concerned year. This will prevent the Buyout Price from functioning as a ceiling in the REC market, encourage obligated entities to comply through renewable energy procurement and REC purchase, and ensure that Buyout remains a measure of last resort to avoid penalties under the Energy Conservation Act, 2003.

Accordingly, HPSEBL respectfully prays that the Hon'ble Commission reconsider and revise the proposed Buyout methodology, fix the Buyout Price for FY 2024-25 not less than ₹370 and adopt a forward-looking approach that ensures Buyout remains a last-resort compliance mechanism, protects REC value, and supports India's target of achieving 500 GW of non-fossil fuel capacity.

This is for your kind information and consideration, please.

DA: As above

Yours sincerely,

(Er. Mandeep Singh)
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