Date: 21.11.2025

To
The Secretary
Central Electricity Regulatory Commission
6th, 7th & 8th Floor, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi – 110029
Email: secy@cercind.gov.in; advisor-re@cercind.gov.in

Sub: Comments from HPX on the Hon'ble Commission's proposal to specify the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

Dear Sir,

This has reference to the Hon'ble Commission proposal dated 22.10.2025 in the suo-moto petition no. 12/SM/2025, wherein the Commission invited the comments from the stakeholders on the proposed specifying buyout price for FY 24-25 at Rs. 245/MWh and for the subsequent financial year at 105% of the weighted average REC price of that relevant year.

At the outset, we would like to take this opportunity to thank Hon'ble Commission for issuing the proposal on the "Determination of Buyout Price as an Alternate Compliance Mechanism towards fulfilment of Renewable Consumption Obligation (RCO)" and for inviting comments from stakeholders. We at Hindustan Power Exchange Limited (HPX), appreciate the Hon'ble Commission's initiative to establish a transparent, flexible and market-linked framework that will strengthen confidence in the Hon'ble Commission approach, which shall have the far-reaching impact on the renewable sector in India.

Accordingly, comments from HPX in this regard are hereby attached as **Annexure-I** for kind consideration.

Yours sincerely,

For Hindustan Power Exchange Limited

(Harish Saran)
Managing Director

Enclosure: A/a

Annexure-I

HPX COMMENT'S ON PROPOSED BUYOUT PRICE FOR RCO COMPLIANCES

At the outset, HPX completely supports the intent of the proposed mechanism notified by the Ministry of Power vide notification dated 27th September 2025, that seeks to provide multiple options to the obligated entities for fulfilment of their RCO compliances. The relevant extract of the said notification is as follows:

9. *Designated consumers may fulfil the specified Renewable Consumption Obligation through one or more of the following methods, namely: -*

i. consumption of renewable electricity, either directly or through an energy storage system;
ii. purchased or self-generated Renewable Energy Certificates issued in accordance with regulations notified by the Central Electricity Regulatory Commission including Renewable Energy Certificates acquired under Virtual Power Purchase Agreements; and
iii. payment of the buyout price specified by the Central Electricity Regulatory Commission:

We believe the inclusion of the Buyout Price mechanism will strengthen the overall compliance ecosystem, provide flexibility to obligated entities, and reinforce the linkage between regulatory targets and market instruments. The proposal's approach of linking the Buyout Price to REC market prices, discovered through power exchanges ensures transparency, fairness, and reflects actual market dynamics, a move that HPX strongly endorses.

However, it is important to note that the proposed mechanism for determining the buyout price may significantly affect the development of the renewable energy market. The following key aspects should be considered to help align the regulatory ecosystem with India's energy transition vision of achieving 500 GW of non-fossil fuel capacity by 2030.

IMPACT OF PROPOSED CLOSE BUYOUT PRICE ON RENEWABLE ENERGY MARKET DEVELOPMENT

1. Discouragement for Renewable Generators:

Fixing the buyout at just 5% above the weighted average price of REC for corresponding financial year, would make this compliance route significantly easier compared to the decarbonization efforts envisaged under option 1 or option 2 (as mentioned in the notification dated 27th September 2025 issued by the Ministry of Power) for fulfillment of RPO obligations. Consequently, the option 3 shall discourage the obligated entities from the procurement of renewal energy and effectively capping the carbon price before the market even begins. Capping of buyout prices may lead to following scenarios:

- This may lead to reduced offtake certainty for RE producers thereby discouraging new investments. It avoids long-term PPAs, bring in banking uncertainty, and integration costs.



- It removes the need to engage in REC market dynamics. Option 3 clearly provides an easier route for the obligated entities to be engaged in the market. As there would be no checks and balances on the obligated entities' actions under Option 1 or Option 2.
- Hence, Obligated entities may postpone decisions until the buyout price is set or avoid signing long-term renewable PPAs altogether.

2. Weak Price Signal Undermines the "Demand-Side Support" Intent

CERC itself notes that the core objective of RCO is to create demand-side support for RE investment However, a Buyout Price set very close to the REC price (just 5% higher) derails this objective because:

- RCO compliance becomes too easy through buyout.
- The incentive to procure actual renewable power reduces.
- REC demand growth may stagnate.

This may lead to weaker demand for RE power and RECs, which can dilute the financial attractiveness of new & existing renewable projects.

3. Price Ceiling Effect: Buyout Price Caps the Market Value of Green Attributes

The proposed Buyout Price pegged at only 105% of the weighted average REC price creates a ***de-facto regulatory price ceiling*** on the value of green attributes. This suppresses the natural market-driven premium that renewable generators could otherwise earn based on demand, technology, intermittency, or project risk. By capping the upside potential of REC prices and limiting the ability of renewable generators to realize higher returns, the mechanism reduces the financial incentive for new renewable capacity addition and weakens the long-term investment signal required to accelerate India's clean energy transition.

Therefore, to foster the growth of the renewable energy sector and supporting the capacity addition, it is important to maintain a ***substantial differential between the REC price and the Buyout Price***, this will discourage the obligated entities from resorting to option 3 as a means of fulfilling its obligation. As a result, obligated entities will be encouraged to pursue Option 1 or Option 2. This has also been recognized by the Hon'ble Commission, and the pertinent portion of its order is set out below.

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(d) As such, it appears logical to link the buyout price to the REC price. However, in order to encourage obligated entities to choose between option one and option two, it is important that the buyout price be fixed at a premium over and above the REC Prices.

In this regard, HPX respectfully submit the following suggestions for consideration of the Hon'ble Commission:



1. **Maintain substantial Differential between REC Price and Buyout Price**

To ensure that the Buyout mechanism acts only as a residual compliance option (as envisaged in Para 6 of the proposal), the Buyout Price should be sufficiently higher than the REC market price. A narrow differential (such as 5%) may inadvertently disincentivize REC purchase by the obligated entities. HPX, therefore, strongly suggests that the Buyout Price be set at a ***premium of at least equivalent or more than 200% from the weighted average REC price of particular year***, thereby encouraging market-based compliance before resorting to the buyout route.

2. **Ensure Consistency and Transparency in Data Publication**

HPX supports the proposal for NLDC to publish the annual weighted average REC price. To ensure uniformity and transparency, it is recommended that NLDC undertake this exercise in consultation with all power exchanges and trading licensees. Accordingly, the mechanism should ensure timely, consistent, and harmonised data exchange, with the published price reflecting the average REC prices discovered across all exchanges and bilateral trading.

3. **Facilitate Market Liquidity and REC Availability**

Given that REC based compliance is the preferred route, measures should be undertaken to ensure adequate REC availability through timely accreditation, issuance, and exchange trading. HPX recommends that REC issuance cycles be aligned with RCO compliance timelines to prevent any artificial demand-supply imbalance in the market. Furthermore, for implementation in true sprit and letter, HPX suggests that the Commission, in collaboration with the Bureau of Energy Efficiency and State Nodal Agencies, conduct awareness and capacity-building programs for obligated entities on market-based compliance through exchanges.

Further, in addition to above, the Hon'ble Commission may, through suitable orders or regulations, prescribe that obligated entities exhaust option 1 and option 2 for meeting their RCO compliance, and consider option 3 solely as a last-resort mechanism.

Conclusion

HPX once again commends the Hon'ble Commission for this progressive step towards deepening India's renewable compliance market. We believe that with a few refinements e***specially in maintaining an appropriate differential between REC and Buyout Prices*** and ensuring robust REC market liquidity the proposed framework will significantly contribute to India's clean energy transition.

We remain committed to working closely with the Hon'ble Commission and other stakeholders to develop a robust, transparent, and efficient renewable energy trading ecosystem.

With kind regards,

HINDUSTAN POWER EXCHANGE LTD.