IWPA/CERC/2025-26
21.11.2025

To:

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

Dear Sir,

We refer to your Proposal dated 22nd October 2025 seeking comments in the matter of **Determination of the Buyout Price as an alternate compliance mechanism towards fulfillment of Renewable Consumption Obligation (RCO).**

In this regard, the Indian Wind Power Association is pleased to submit its comments, which are attached herewith in PDF format for your kind perusal.

We request the Hon'ble Commission to consider our submissions.

Thanking you,

Yours sincerely,
For Indian Wind Power Association



M Mohankumar
Secretary General

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IWPA Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfillment of Renewable Consumption Obligation (RCO).

The Futility of Introducing a Buyout Mechanism: A RE Generator's Perspective

Whenever we introduce a new mechanism, we need to check whether the market really needs that mechanism and what will be the purpose of the new mechanism. We should be careful that loading the market with over mechanisms should not impact on the mechanisms which are already under force. Now the proposal for issuance of 'buy out' price when already two mechanisms are in place needs to be introspected. At present the Obligated Entities have two options to fulfill their RPO/RCO:

- Consumption of RE
- Buy RECs from PX or through traders

The proposal to introduce a buyout mechanism, in addition to the existing REC mechanism, is a redundant and potentially detrimental move. As a RE generator, we strongly believe that this new mechanism will not only fail to address the existing challenges but also further hamper the enforceability of mechanisms already in place.

The REC mechanism, although flawed, has been in place for over a decade. However, its effectiveness has been hindered by the lack of enforcement and compliance by Obligated Entities (OEs). The introduction of a buyout mechanism will only serve to confuse OEs and create an alternative route for them to avoid purchasing RECs or investing in renewable energy.

Issues with the Existing APPC-REC PPA Mechanism:

- RE generators entered into very low priced APPC PPA with state-discoms on the assurances that the PPA price will be dynamic and would be linked to state-discom determined 'Average power purchase price' and for the 'green attribute' they can fulfill their costing through selling RECs. But this is not the reality, there are several flaws in the APPC PPA mechanism which the RE generators signedIn some states, APPC PPAs were fixed at static prices, despite the REC mechanism stating that APPC PPA prices should be dynamic and linked to APPC prices. For example, in Gujarat the PPAs which were signed under 'APPC' tariff were fixed at Rs 2.64 or Rs 2.61 for the whole PPA period despite the REC mechanism clearly stating that the APPC PPA price has to be dynamic and linked to APPC price of the resp FY
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- The central commission has struggled to enforce the APPC PPA mechanism on states, leading to twisted PPAs and APPC determinations that benefit state discoms.
- States like Tamil Nadu and Andhra Pradesh have capped APPC PPA prices, further eroding the spirit of the REC mechanism.
- The removal of the floor price has left RECs vulnerable to price drops, affecting RE generators who signed PPAs at APPC rates.

CERC in 2010 introduced REC mechanism, and it is 15 years and till date compliance enforcement is not in place where data on quarterly/annual RPO/RCO fulfillment of each obligated entity is not publicly available and several petitions have been filed with SERCs/ APTEL (as of now OP 5 of 2023) to provide data on RPO/RCO compliance and to ensure that the OEs fulfill their RPO by purchasing RE or RECs. It is to be noted that these petitions have been filed by RE generators/RE associations who have invested huge sum of money and due to non-enforcement of compliance mechanism are running in loss.

Concerns with the Buyout Mechanism:

- **Lack of enforcement**: With two mechanisms in place, the state's machinery will be further burdened, and enforcement will become even more challenging.
- **Confusion and complexity**: OEs will be uncertain about which mechanism to opt for, leading to inaction and further delays.
- **Undermining REC mechanism**: It may discourage OEs from buying RECs, undermining the REC mechanism. Also the buyout mechanism will undermine the very purpose of the REC mechanism, which is to promote renewable energy generation.
- **Increased burden on state machinery**: Implementing and managing another mechanism will divert resources away from ensuring RPO/RCO compliance.
- **The demand-supply gap in RECs** is significant, and introducing another mechanism may not address this issue.

  Demand & Supply of RECs transacted on Power Exchanges, FY 2012-13 to FY 2019-20:

IWPA Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfillment of Renewable Consumption Obligation (RCO).

Year	IEX			PXIL		
	Volume of Buy Bid of RECs (Lakhs)	Volume of Sell Bid of RECs (Lakhs)	Volume of Buy Bid as % of volume of Sell Bid	Volume of Buy Bid of RECs (Lakhs)	Volume of Sell Bid of RECs (Lakhs)	Volume of Buy Bid as % of volume of Sell Bid
Solar						
2012-13	0.77	0.14	549%	0.12	0.05	265%
2013-14	0.54	5.86	9%	0.14	1.35	10%
2014-15	1.01	37.00	3%	0.63	33.46	2%
2015-16	4.65	227.67	2%	1.83	93.80	2%
2016-17	4.04	323.70	1%	1.53	147.66	1%
2017-18	0.89	34.99	3%	1.20	13.68	9%
2018-19	86.45	152.51	57%	44.46	99.85	45%
2019-20	71.49	19.45	367%	26.80	8.12	330%
Non Solar						
2012-13	24.35	91.85	27%	6.55	24.90	26%
2013-14	12.71	251.65	5%	14.11	172.33	8%
2014-15	14.47	553.25	3%	14.51	550.88	3%
2015-16	26.73	889.92	3%	16.34	644.01	3%
2016-17	42.15	981.50	4%	17.16	596.37	3%
2017-18	94.17	635.09	15%	67.89	324.13	21%
2018-19	88.05	60.43	146%	37.82	16.53	229%
2019-20	91.87	94.72	97%	46.71	48.15	97%

Volume & Price of RECs transacted on Power Exchanges, FY 2012-13 to FY 2019-20

Month	IEX		PXIL		Total	
	Volume of RECs (MWh) in Lakhs	Weighted Average Price of RECs (₹/MWh)	Volume of RECs (MWh) in Lakhs	Weighted Average Price of RECs (₹/MWh)	Volume of RECs (MWh) in Lakhs	Weighted Average Price of RECs (₹/MWh)
Solar						
2012-13	0.10	12782	0.04	12615	0.14	12740
2013-14	0.53	9383	0.14	9668	0.67	9441
2014-15	1.01	3725	0.63	4756	1.64	4121
2015-16	4.65	3500	1.83	3500	6.48	3500
2016-17	4.04	3500	1.53	3500	5.57	3500
2017-18	0.89	1000	1.20	1000	2.08	1000
2018-19	46.59	1113	25.36	1067	71.95	1097
2019-20	17.11	2293	6.04	2292	23.15	2293
Non-Solar						
2012-13	19.81	1731	5.95	1564	25.76	1692
2013-14	12.71	1500	14.11	1500	26.82	1500
2014-15	14.47	1500	14.51	1500	28.98	1500
2015-16	26.73	1500	16.34	1500	43.07	1500
2016-17	42.15	1500	17.16	1500	59.31	1500
2017-18	92.41	1480	67.35	1487	159.76	1483
2018-19	41.22	1298	10.77	1274	51.98	1293
2019-20	43.16	1634	21.71	1659	64.88	1642

When as provided above the RECs are available in a huge number and are available centrally at PX or can be bought bilaterally through traders, there is no need of 'another mechanism' when 'REC' market is providing the same

- The buyout price, linked to REC prices, may fall drastically, leading to low prices for green energy attributes.

We urge policymakers to focus on strengthening the existing REC mechanism and enforcing compliance rather than introducing a new mechanism that will only create more problems. The priority should be to ensure that OEs fulfil their RPO/RCO obligations and invest in renewable energy, rather than providing them with an escape route. Instead of introducing a buyout mechanism, we suggest:

- **Strengthening enforcement**: Implement robust monitoring and enforcement mechanisms to ensure OEs comply with RPO/RCO targets.
- **Improving REC market**: Address the demand-supply gap and improve the REC market's functioning to ensure fair prices for RECs.
- **Supporting RE generators**: Provide a supportive policy framework that enables RE generators to recover their costs and invest in new projects.

- Address issues with the APPC PPA mechanism, ensuring fair prices for RE generators.
- Avoid introducing new mechanisms that may confuse OEs and hinder renewable energy growth.

The focus should be on strengthening the existing REC mechanism and promoting renewable energy growth, rather than introducing a new mechanism that may create more problem

IWPA has already challenged the CERC REC Regulations, 2022 before the Hon'ble Delhi High Court in W.P. (C) No. 15477 of 2022. All the comments herein are being submitted without prejudice to the rights and contentions of IWPA in the said proceedings and shall not be construed as a waiver of any such rights."

We request the Hon'ble Commission to consider our submissions.