Dated: November 21, 2025

Reference: R&P/Apraava/CERC/Comments/2025/November/22

To,

Shri Harpreet Singh Purthi,
Secretary, Central Electricity Regulatory Commission,
8th Floor, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi, 110029

Subject: Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO) published in the order of Petition No. 12 / SM/2025 dated 22.10.2025.

Respected Sir,

By way of an introduction, Apraava Energy Private Limited (Apraava) is a diversified power company in India, owning and operating multiple renewable energy project, transmission assets and Advanced Metering Infrastructure projects.

Hon'ble Commission vide order dated 22.10.2025 in 12/SM/2025 invited comments /suggestions / Objections on the proposed framework for buyout price for fulfilment of Renewable Consumption Obligation (RCO). Our comments on the same has been enclosed as **Annexure I**.

We request the Hon'ble Commission to take our views on record.

Thanking you
Yours Sincerely,



Jogendra Behera
Head - Regulatory Affairs and Policy Advocacy

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Annexure I

The Ministry of Power, vide notification dated 27.09.2025, has specified the minimum share of the electrical energy consumption from renewable energy for designated energy consumers, who are electricity distribution licensees, open access consumers and captive users. The notification also provides three methods (by consuming RE or purchased/self-generated REC or paying of buyout price) for fulfilment of the specified Renewable Consumption Obligation (RCO) by the Designated Consumers and it further directs CERC to specify buyout price.

In view of above CERC has proposed the REC buyout price up to FY 2029-30 based on the following principle:

> *"The buyout price for a financial year shall be fixed at 105% of the weighted average REC Price of that financial year. By 30th April of every financial year up to 2029-30, the National Load Despatch Centre (NLDC) shall publish the weighted average price of REC, the Buyout Price for the previous financial year, based on the above principles."*

Accordingly, the Commission invites the comments of the stakeholders on the above 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.

With regards to the above proposal, our Comments are as below:

1. Market Distortion & Undermining of Market Signals

Following the removal of forbearance and floor prices by the Hon'ble Commission, the REC market has evolved into a transparent, efficient, and competitive mechanism. Prices discovered today reflect true supply–demand conditions for green attributes, free from administrative intervention.

REC prices have declined over the past 1–2 years in line with reduced demand. As on 19 November 2025, the accumulated REC inventory stands at 3.32 crore RECs, corresponding to ~332 BUs of renewable energy injected into the grid. This itself is a strong market signal indicating inadequate procurement by obligated entities.

Introducing a formula-based buyout price—especially one pegged near the weighted-average REC price—risks distorting this efficient functioning of REC market. The buyout price will become a de facto benchmark for buyers, muting price discovery and weakening the REC market that is currently operating effectively.

2. Soft Ceiling and the Risk of a Market Death Spiral

Fixing the buyout price at 105% of the weighted-average REC price introduces a soft upper bound on REC prices. When market prices approach this level, obligated entities may rationally switch to the cheaper buyout option.
This creates a self-reinforcing feedback loop:

- Lower demand → lower REC clearing price
- Lower REC price → lower future buyout price

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- Lower buyout price → greater preference for buyout
- Further decline in demand → further suppression of REC price

Such a death spiral would materially undermine the REC platform and diminish incentives for renewable developers—particularly merchant generators who depend on REC revenues.

3. Buyout must be a penalty, not a discounted substitute

A buyout does not lead to any physical procurement or injection of renewable electricity into the system. It is, by design, a financial penalty for non-compliance and cannot be equated with procurement of RE or purchase of RECs.

If the buyout price is set too close to average REC prices, it risks becoming a convenient administrative alternative - encouraging compliance avoidance, instead of active fulfilment of RCO. Given the current oversupply situation, the emphasis should be on strengthening enforcement and not provide an alternate mechanism to avoid the compliance.

For the RCO to remain credible, the buyout price must be deliberately higher than the market-based cost of compliance. Pegging the buyout price at a meaningful premium over REC prices—lets say 120% of the highest REC price discovered during the financial year will:

- Preserve REC as the primary compliance instrument,
- Support efficient price discovery,
- Avoid administrative suppression of REC market value, and
- Provide certainty and confidence for investors to invest in new RE projects.

This approach is also consistent with the Draft Electricity (Amendment) Bill, 2025, which proposes penalties of ₹0.35–0.45/kWh for non-compliance, clearly signalling the legislative intent to make non-compliance financially unattractive.

4. Our Submissions:

In view of the above, we respectfully submit that:

(1) The buyout mechanism should function strictly as a last-resort safety net, and not as a parallel compliance pathway.
(2) The proposed methodology of 105% of weighted-average REC price be reconsidered, as it risks distorting the REC market and suppressing price discovery.
(3) The buyout price should be pegged at a meaningful premium, specifically not less than 120% of the highest REC price discovered during the financial year, ensuring that buyout remains a deterrent and not an incentive.
(4) This approach will support market integrity, maintain investor confidence, and align with national objectives of scaling renewable energy through market-based mechanisms.

We request the Hon'ble Commission to consider these views so that the RCO framework continues to promote a healthy and efficient REC market which will eventually promote RE in the country.

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