Ref: MOP/NT/27.09.25/No-4301/GOI(Extraordinary) **Dated- 21.11.2025**

To,
The Secretary,
Central Electricity Regulatory Commission,
7th Floor, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi110029

SUB- COMMENTS/ SUGGESTIONS/ OBJECTIONS ON DETERMINATION OF THE BUYOUT PRICE AS AN ALTERNATE COMPLIANCE MECHANISM TOWARDS FULFILLMENT OF RENEWAL CONSUMPTION OBLIGATION (RCO)

Respected Sir,

We, Manikaran Power Limited ("MPL"), are a Category 1 trading licensee under Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licensee and other related matters) Regulations, 2020.

This is in reference to the proposal against Petition no: 12/SM/2025 (Suo-Motu) for determination of the buyout price as an alternate compliance mechanism towards fulfillment of Renewal Consumption Obligation (RCO) for which comments/suggestions/objections are sought from the stakeholders.

In view of the same, we hereby submit our comments and suggestions on the proposal made by Hon'ble CERC.

We humbly request you to consider our comments and suggestions while finalizing the said amendments.

Thanking you,

For and behalf of Manikaran Power Limited,

Authorized Signatory

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MPL suggestions in reference to CERC Proposal dated 22nd October, 2025, against Petition No. 12/SM/2025 (Suo-Motu) (Determination of the Buyout Price as an alternate compliance mechanism towards fulfillment of Renewable Consumption Obligation (RCO)

Section No	CERC Proposal	Suggestions/Comments
4 & 5 (i)	In its journey towards energy transition, India has set an ambitious renewable energy target of establishing 500 GW non-fossil fuel capacity by 2030. Several policy and regulatory initiatives have been taken in this direction to promote renewable energy in the country. The basic objective of the RCO is to provide demand-side support for increasing investment in renewable energy sources. As per the Ministry of Power's Notification dated 27.09.2025, there are three options available for meeting the RCO, namely: (i) consumption of renewable electricity, either directly or through an energy storage system;	Long-term PPAs help meet the policy objective under (Para 4) and option (i) in Para 5 but the issue is if buyout remains too low and easy, corporate buyers may **shift to short-term REC or buyout**, reducing demand for long-term green PPAs or long-term REC forward contracts facilitated by traders. **Suggestion:** Introduce policy safeguards, e.g.: • Buyout price floor based on LCOE of marginal RE technology (e.g., solar+ storage). • Buyout price escalation of minimum 20-25% annually.
6	The first two options clearly lead to investment and in turn the establishment of RE Capacities and should definitely be preferred options for RCO Compliance. It is only either of these two options is exhausted that the designated consumers should lean on the third option of "Buyout Price' for RCO Compliance.	Hon'ble CERC accepts the fact that the first two options of RCO Compliance namely RE procurement & REC purchase are sufficient markers for stability and growth of the compliance market. Introduction of Buyout Price route will disrupt the ecosystem and create market imbalance as Buyers will be inclined to avail the cheaper alternative which will affect the cash flow directly to the RE Generators / Investors.
9 & 10	In accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, as amended from time to time, the transaction of RECs is taking place through the Power Exchanges, as well as the Trading Licensees, and has remained steady across both platforms. For the FY 2024–2025, the details of REC transactions that took place on the Power Exchanges and through the trading licensees are summarised below:	'Buyout Price' may be considered to be an option to be exercised by Obligated / Designated Entity to fulfil the compliance only when both the Power Exchange / Bilateral markets fail to deliver. So this option may be offered for a period of 15 days beyond the compliance period (Not throughout the year). 1. Proposal uses an overall weighted average that includes PX and trading licensee volumes.

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	<table><tr><th rowspan="2">Mode of REC Transaction</th><th colspan="2">FY 2024-25</th></tr><tr><th>Volume (Lakh)</th><th>Wt. Average Price of REC (Rs/MWh)</th></tr><tr><td>Power Exchanges</td><td>304.18</td><td>225.36</td></tr><tr><td>Trading Licensees</td><td>38.91</td><td>291.32</td></tr></table> Accordingly, the weighted average price of REC for the FY 2024-2025 works out to be Rs. 232.84/MWh. In view of the above, it is proposed that the buyout price for the FY 2024-2025 be fixed at Rs. 245/MWh, which is about 5% above the weighted average REC price for FY 2024-2025.	2. However, PX volume is 7–8x higher than bilateral, which **dilutes the discovered price** in bilateral markets. 3. Many large consumers prefer **bilateral contracting** due to volume assurance and negotiated prices. 4. Excessive reliance on buyouts may shift volume away from REC markets, reducing liquidity and harming: a. price discovery, b. investor confidence, c. Trading licensee revenue (transaction volumes decrease). **Suggestions:** a. Publish separate weighted averages for: a. PX b. Bilateral trades b. Buyout may be linked to higher of the two, ensuring deterrence remains intact. c. CERC may consider a **buyout cap** (maximum percentage of RCO that can be met via buyout in a year).
7	In view of the current Installed capacity of the RE sources and Annual Capacity Addition achieved historically in the country, the Commission is of the opinion that there might be a requirement for the Designated Consumers to fall back on the third option i.e. Buyout Price for fulfilment of the RCO for the next Two Financial Years.	Availing Buyout Price as means of RPO/RCO fulfilment must not be optional for an obligated / Designated entity. It should be adopted under approval from SERC if the supply side of the market is unable to cater to the Demand side till the last date of the compliance period. Alternatively, the option may be provided in a grace period beyond the compliance timeline whereby the Obligated / Designated Entity if availing the Buyout Price route must submit a Declaration with a reason for exceeding the compliance period and adopting the Buyout Price route.
11 & 12	Further, the Ministry of Power, vide the aforementioned notification dated 27th September, 2025, has specified the minimum share of electrical energy from RE sources as a	Proposed Premium of Only 5% May Be Too Low to Drive RE Investments. A 5% margin is **not meaningful** to shift

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	percentage of total electrical energy consumption for each Designated Consumer category till FY 2029-30. Accordingly, the Commission is proposing the REC buyout price upto 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. Buyout Price value for FY 2024-25 @ Rs. 245/MWH or REC and for the subsequent FY @ 105% of the weighted average REC price of that FY.	consumer preference from buyout mode to actual REC/green power procurement. Historically, designated entities may prefer a convenient buyout alternative if the premium is nominal. It is imperative to allow the market to evolve and not disturb the equilibrium of the market dynamics especially when the market is stable. Designated consumers need to file audited RCO compliance report of the previous year by 31st July to BEE. After due verification by BEE, if any shortfall found it may be fulfilled by the designated consumers by 31st December. Those who fail to comply by 31st December are subjected to penalty as per provisions of the Energy Conservation Act 2001. Hence publication of buyout price by 30th April will shift the consumers to opt for buy out price route rather than participating in REC market through Power Exchanges and through Traders since they will now have a bigger window from 1st May to 31st December to fulfil their shortfall in compliance. **Suggestions:** 1. If at all the Buyout Price is required to be enforced then we suggest either to increase buyout premium to **20–25%**, aligned with RPO penalty precedent **OR** It should be a variable price with 10% escalation from the market clearing price discovered in the last REC trading session of the compliance year i.e., last session in the month of March in the Power Exchanges.

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