Fwd: Comments on CERC Proposal in Petition No. 12/SM/2025 (Suo Motu) dated 22 October, 2025

Harpreet Singh Pruthi < secy@cercind.gov.in >

Mon, 24 Nov 2025 9:18:09 AM +0530

To "Ravindra Kadam"<advisor-re@cercind.gov.in>

========== Forwarded message ==========
From: Shobhit Srivastava <shobhit.srivastava@nic.in>
To: "secy"<secy@cercind.gov.in>
Cc: "jvnsubramanyam"<jvnsubramanyam@ias.nic.in>, "J V N SUBRAMANYAM"<js-mnre@gov.in>, "Jeevan Kumar Jethani"<jethani.jk@nic.in>, "Manish Singh Bisht"<manish.mnre@gov.in>, "POLICY DIVISION MNRE"<policydivision-mnre@gov.in>, "skchatterjee"<skchatterjee@cercind.gov.in>
Date: Fri, 21 Nov 2025 23:30:38 +0530
Subject: Comments on CERC Proposal in Petition No. 12/SM/2025 (Suo Motu) dated 22 October, 2025
========== Forwarded message ==========

Sir,

This has reference to the proposal in Petition No. 12/SM/2025 (Suo Motu) dated 22 October, 2025, regarding the determination of the Buyout Price as an alternate compliance mechanism towards fulfillment of the Renewable Consumption Obligation (RCO) under the Ministry of Power's notification dated 27.09.2025.

Comment of the Ministry of New & Renewable Energy (MNRE) on the said proposal are as given below:

(i) In para-6, it has been mentioned that it is only when either of these two options (RE consumption and REC purchase) is exhausted that the Designated Consumers should lean on the third option (buyout) for RCO Compliance. However, it is not clear how this will be implemented, making sure that buyout will only be allowed when the first two options are exhausted.

(ii) If REC prices fall due to low demand, buyout prices will also fall. This creates a perverse incentive: lower REC demand → lower REC price → lower buyout price → further reduced demand. This also creates scope for gaming, as avoiding RECs will keep the buyout prices low while buying RECs will increase the demand and therefore prices. This will make buyout de-facto route for compliance and beat the objective of RCO. To avoid the above mentioned situation a floor price (for the green attribute) estimated by CERC may be introduced and buyout may be provided at 105% of the weighted average REC Price or the floor price for that financial year, whichever is higher. Further, proposed premium of 5% over REC price for buyout may also be reviewed as it is too low to induce compliance.

(iii) Generally, the obligated entities indicate that utilization of RE power has an additional cost in terms of grid integration. Therefore, the buyout price should be determined using

the prevailing REC price and the cost of RE integration avoided by the obligated entity when using conventional power instead of mandated RE power. The buyout fund is to be utilised for the promotion of RE power in the country and therefore, should not be considered as an easy way to meet the RCO and it should be a temporary mechanism.

(iv) Para-5 is a repetition of Para-2 (quoting Para-9 of the RCO amendment dated 27.09.2025). Further, the last line of Para-2 has been repeated.

Regards,

Shobhit Srivastava
Scientist-E
Ministry of New & Renewable Energy
Government of India
Atal Akshay Urja Bhawan, Lodhi Road
New Delhi - 110 003