एनएचपीसी लिमिटेड
(भारत सरकार का एक नवरत्न उद्यम)
NHPC Limited
(A Government of India Navratna Enterprise)

वाणिज्यिक विभाग
Commercial Department
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फोन/Phone: 0129-2259923
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सं.एनएच/वाणिज्यिक/आरसीओ/2025/1539 दिनांक: 21.10.2025

सचिव,
केंद्रीय विद्युत नियामक आयोग,
सातवीं मंजिल, टावर-बी, वर्ल्ड ट्रेड सेंटर,
ब्लॉक-एफ, नौरोजी नगर, सफदरजंग एन्क्लेव,
नई दिल्ली- 110029.

विषय: नवीकरणीय उपभोग दायित्व की पूर्ति हेतु वैकल्पिक अनुपालन तंत्र के रूप में बायआउट प्राइस के निर्धारण संबंधी सीईआरसी प्रस्ताव पर टिप्पणियाँ।

संदर्भ: याचिका संख्या 12/SM/2025 में सीईआरसी का दिनांक 22.10.2025 का आदेश।

महोदय

केंद्रीय विद्युत नियामक आयोग ने नवीकरणीय उपभोग दायित्व की पूर्ति हेतु वैकल्पिक अनुपालन तंत्र के रूप में बायआउट प्राइस निर्धारित करने के लिए याचिका संख्या 12/SM/2025 में दिनांक 22.10.2025 का Suo Moto आदेश जारी किया है। सीईआरसी ने हितधारकों से 21 नवम्बर 2025 तक अपनी टिप्पणियाँ/ सुझाव/ आपत्तियाँ प्रस्तुत करने का अनुरोध किया है।

इस संदर्भ में, एनएचपीसी की टिप्पणियाँ/ सुझाव आगे की आवश्यक कार्रवाई हेतु संलग्न कर प्रेषित हैं।

धन्यवाद।

संलग्नक: उपरोक्तानुसार।

सादर,

(पी के रॉय)
कार्यपालक निदेशक (वाणिज्यिक)

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No. NH/Commercial/RCO/2025/ 1539 **Date: 21.11.2025**

The Secretary
Central Electricity Regulatory Commission,
7th Floor, Tower-B, World Trade Centre
Block-F, Nauroji Nagar, Safdurjung Enclave,
New Delhi- 110 029

Sub.: Comments on CERC proposal for determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

Ref.: CERC order dated 22.10.2025 in Petition No 12/SM/2025.

Sir

Central Electricity Regulatory Commission (CERC) has issued Suo Moto order dated 22.10.2025 in Petition No 12/SM/2025 for determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO). CERC has asked the stakeholders to submit their comments/ suggestions/ objections by 21st November 2025.

In this regard, the comments/ suggestions of NHPC are enclosed for further necessary action.

Thanking You,

Encl.: As above

Yours Sincerely,

(P K Ray)
Executive Director (Comml.)

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Comments/ Suggestions of NHPC on Proposal for determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

1. Pricing of Buyout

CERC has proposed the buyout price of ₹245/MWh, uniform across all renewable technologies. This raises significant concerns relating to fairness, economic alignment, and sectoral viability, especially for hydro power sector.

(a) Uniform Buyout Price Does Not Reflect Technology-Specific Costs

Hydropower projects are capital intensive projects with long gestation period and have substantial environmental and social compliance obligations. Further, most of the hydro power projects are located in the remotest parts of the country in the Himalayan Regions and are affected by local law and order issues. Therefore, new hydro power projects generally have tariffs in the range of ₹6–₹8/kWh.

A uniform buyout price for all the renewable purchase obligations i.e. Wind Obligation, Hydro Obligation and other renewable obligation does not account for these higher costs and thus disproportionately disadvantages hydropower within the REC framework, despite its recognised benefits as a flexible, reliable renewable and its critical role in grid balancing.

Buyout price mechanism by nature and design should be the last resort for meeting the RCO compliance. As per MoP notification dated 27.09.2025, the funds from Buy-out is to be used for development of specified Renewable Sources of Energy and **if the Buyout price is kept same for all the technologies, it will defeat the very intent of notification of MoP.**

It is pertinent to mention that CERC in its draft First Amendment to CERC REC Regulations 2022 has proposed different multiplier to different technologies based on their a) Tariff, b) Technology Maturity, and c) Capacity Credit/ Peak Support. **Similarly, a certain multiplier needs to be provided for Buyout based on different technologies.**

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(b) Buyout Price must Be Linked to REC Window and Regulatory Objective

The REC framework was originally conceived to bridge the revenue gap for renewable generators whose tariffs were not sufficient to ensure viability. In this context, the buyout price must serve as:

i. A credible economic signal promoting fulfilment of RCO through renewable procurement or REC purchase, and
ii. A disincentive against using buyout as the first or default option.

However, the proposed buyout price of ₹245/MWh is far below even the minimum revenue support historically envisioned under the REC mechanism, and is significantly misaligned with the cost realities of certain renewable technologies.

Such a level effectively nullifies the additional revenue certainty expected from REC support and contradicts the very purpose of having an RCO-REC structure, which is to ensure that renewable generators receive fair compensation while enabling DISCOMs to meet obligations efficiently.

A buyout price that is kept too low, encourages DISCOMs to rely excessively on buyout instead of meeting RCO through renewable sources and affects the investor confidence in long-tenure renewable projects

Therefore, the buyout price must be aligned with the regulatory intent of supporting renewable viability, instead of being set at a level that effectively removes the incentive for compliance through RE/REC pathways. Further, to ensure the compliance, the rate of buyout should be kept at least 25% higher than REC price for that particular period.

In view of above, it is proposed that the buyout price may be technology-differentiated or indexed to latest REC price or last average market price, or at a minimum, set at a level that ensures renewable procurement and REC trading remain the primary modes of RCO compliance.

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2. Lack of Enforcement Mechanisms for Ensuring DISCOM Compliance Through Procurement of renewable energy / Purchase of RECs

The proposed procedure mentions that DISCOMs should be encouraged or "pushed" towards fulfilling RCO obligations through:

Mode 1: Procurement of renewable energy

Mode 2: Purchase of RECs

However, the proposal does not outline any mechanism to ensure this objective is achieved before allowing resort to buyout. The comments of NHPC in this regard is as under:

(a) Absence of Preconditions Before Availing Buyout

Without mandatory preconditions, DISCOMs may directly opt for the buyout option thereby bypassing RE procurement and defeating the purpose of RCO trajectories, particularly because the proposed buyout price is substantially lower than rate of renewable energy (especially Hydro) or the present REC rate.

(b) Buyout May Become the Preferred Route Instead of the Last Resort

In absence of guidelines such as proof of procurement efforts, DISCOMs may treat buyout as a low-cost compliance escape. This will weaken RCO compliance levels, REC market liquidity and Renewable capacity addition trajectory

(c) No Monitoring or Verification Framework

The draft does not prescribe Reporting of attempts made by DISCOMs to procure RE, Evidence of REC purchase bids placed or auctions participated in, Criteria under which buyout becomes permissible. This creates a significant implementation gap.

Therefore, to ensure alignment with national RE goals, it is proposed that Buyout should be permitted only after DISCOMs demonstrate inability to meet RCO through Mode 1 and Mode 2. DISCOMs may be required to submit documentary evidence of efforts such as tenders issued, PPAs attempted, REC purchase bids placed, etc.