NATIONAL SOLAR ENERGY FEDERATION OF INDIA
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भारतीय सौर ऊर्जा महासंघ
पंजीकरण नं 362 / IV - 8 मई, 2013
MAKING SOLAR ENERGY AFFORDABLE

Ref no: NSEFI/CERC/2025-26/0066
Date: 21.11.2025

To,

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

Subject: **Submission of Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)**

Ref: **Petition No. 12 / SM/2025 (Suo-Motu)**

Respected Sir,

Greetings from National Solar Energy Federation of India (NSEFI)!

NSEFI is a non-profit organization with the objective of advocating for renewable power development. It is an umbrella organization representing Renewable energy companies active along the whole photovoltaic value chain: project developers, manufacturers, engineering companies, financing institutions and other stakeholders. NSEFI was founded in 2013 by solar energy industry leaders with the vision to promote solar energy, NSEFI is a public trust based in New Delhi. Our members have executed Solar as well as Wind power projects across the country, under the State and Central Schemes across India.

At the outset, we thank the Hon'ble Commission for initiating the Suo-Motu Petition No. 12/SM/2025 on the *Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).*

In response to the public consultation issued by the Hon'ble Commission, we hereby submit our comments and observations. For ease of review, the inputs have been tabulated and include proposed recommendations, rationale, and expected sectoral implications.

We sincerely appreciate the Commission's efforts in strengthening the renewable energy compliance ecosystem and look forward to continued engagement.

S. No	Observation	Suggestion
1.	**Buyout Price is discouragement of New RE Projects as Buy-out price doesn't correspond to any RE capacity:** The proposed buy-out mechanism fundamentally weakens the Renewable	The existing mechanism for fulfilment of RCO Obligations is sufficient, and the Buy Out Price should not be introduced

	Consumption Obligation (RCO) framework by offering a compliance route that does **not require the setting up of new RE Capacity or the procurement of any additional renewable energy capacity.** While the two primary mechanisms—**physical consumption of renewable energy** and **purchase of Renewable Energy Certificates (RECs)**—are intrinsically linked to actual renewable generation and therefore stimulate investment and project development, the buy-out option merely involves a monetary payment. At the proposed price of Rs. 0.245/kWh (only 5% above the weighted average REC price), this becomes the least-cost alternative, encouraging obligated entities to settle financially rather than engage in real renewable procurement. Such a structure risks transforming RCO compliance into a routine financial transaction, undermining demand for new projects, discouraging private investment, and impeding India's renewable energy targets. The proposed nominal price, set merely 5% above the recent weighted average REC price, is insufficient to drive the intended market behaviour. Instead of stimulating genuine procurement or investment in renewable energy, it risks sending a negative signal to both existing and prospective project developers. **The result will be a likely dampening of long-term RE Power Purchase Agreements (PPAs), a decline in renewable capacity addition, and distortion of REC demand—all of which directly contradict national policy objectives and legislative intent**	

	of the Electricity Act, 2003. Furthermore, given that even the prevailing market tariffs for actual renewable energy procurement are substantially higher, pegging the buy-out price at such a nominal value grossly undercuts the real costs faced by obligated entities for meaningful compliance.	
2.	**Buy-Out Price Is Economically and Legally Inadequate** The proposed buy-out rate of Rs. 0.245/kWh (Rs. 245/MWH) is vastly insufficient when measured against both statutory penalty benchmarks and actual costs in the renewable energy market. As derived from Section 26(3) of the Energy Conservation Act, 2001, and interpreted by the Ministry of Power and the BEE, the penalty for non-compliance should stand at ₹3.72/kWh (supposed to be higher in 2024-25 by 20-30%)—making the current proposal nearly 15-17 times lower than the prescribed deterrent threshold. Such a significant gap erases the seriousness of the compliance obligation under the Renewable Consumption Obligation (RCO), instead transforming the mechanism into a 'convenient' check-box option for defaulting entities. Importantly, the inadequately set buy-out not only violates the principle of proportionality, but also runs contrary to established norms in penalty design and enforcement under the Electricity Act and allied frameworks. The historical alignment of RPO penalty rates with REC floor and forbearance prices underscores the criticality of setting the	It is respectfully urged that the Commission substantially revise the buy-out pricing methodology to restore proportionality and deterrence as intended by law. Specifically: • **The buy-out price should be more than the weighted average cost of RE during the previous FY or statutory penalty rate i.e. Rs. 3.72/Unit as derived from Section 26 (3) of the Energy Conservation Act, 2001 whichever is higher** so that, obligated entities fulfil their RCO either through Real RE Power or REC and any usage of buyout price mechanism be considered as financially unattractive to obligated entities. • The buy-out price must fundamentally align with the penalty principles established under Section 26(3) of the Energy Conservation Act, 2001, which provides for deterrent penalties designed to enforce compliance effectively. Consequently, setting a buy-out price that falls significantly below these statutory penalty benchmarks undermines the legislative intent to ensure meaningful deterrence against defaulting on renewable consumption obligations.

	RCO buy-out at a level that protects both regulatory credibility and market parity.	Bringing the buy-out price in line with the true opportunity cost of renewable energy procurement will: • Preserve the centrality of renewables and REC markets in the compliance trajectory. • Ensure that obligated entities engage meaningfully with the renewable energy sector, thus sending robust demand signals and encouraging new investments. • Protect the integrity and objectives of the RCO framework—namely, to drive sustained, measurable growth in India's clean energy capacity. These measures will align RCO compliance with both the letter and spirit of the law, reinforcing stakeholder faith in India's regulatory framework and accelerating progress toward national climate targets. The Commission is earnestly requested to reconsider and adopt this upward revision in the final order in the true interest of the sector and the nation.
3.	**Transparency and Governance of Buy-Out Proceeds** While the Draft Order directs that all funds collected through the buy-out mechanism be credited to the Central Energy Conservation Fund (CECF), **there is a notable absence of clarity on the mechanisms to ensure transparent, accountable, and timely deployment of these resources towards the augmentation of renewable energy capacity**. Without explicit governance safeguards, there is a risk that these funds may be diverted or inefficiently utilized, thereby diluting the developmental intent behind the buy-out provisions. **The**	It is respectfully recommended that a governance committee or board be formally instituted to oversee the administration and disbursement of the buy-out proceeds. **This committee should include representation from key renewable energy industry stakeholders to ensure sectoral insights guide fund allocation decisions. Further, at least 60% of the annual receipts should be mandatorily committed within a 24-month period to investible renewable energy projects and associated innovations such as storage solutions, forecasting solution etc.** To strengthen transparency and stakeholder confidence, annual audited disclosures detailing receipts and disbursements must be mandated and made publicly accessible. Such ring-

	current lack of a dedicated oversight framework to monitor utilization undermines confidence among stakeholders that the proceeds will effectively catalyze the growth of renewable projects and related storage infrastructure.	fencing of funds coupled with robust governance will maximize the developmental benefits of the buy-out mechanism, ensuring that collected monies translate directly into enhanced renewable energy capacity and India's broader clean energy goals.

We respectfully request the Hon'ble Commission to consider the observations submitted, as they reflect the viewpoints and operational experience of our members.

We remain available for further clarification or participation in any stakeholder discussions the Hon'ble Commission may propose as part of this process.

With Best Regards,



Subrahmanyam Pulipaka
Chief Executive Officer
National Solar Energy Federation of India