Ref: PXIL/S&R/21112025/1 Date: 21st November 2025

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

Sub: Submission of Comments on Petition No. 12/SM/2025 (Suo Motu) – 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)/CERC dated 22.10.2025 for Determination of the Buyout Price as an Alternate Compliance Mechanism towards Fulfilment of Renewable Consumption Obligation (RCO)

Dear Sir,

The present submission is being filed in response to the Suo Motu Petition No. 12/SM/2025 issued by the Hon'ble Central Electricity Regulatory Commission (CERC) on 22 October 2025, titled "Determination of the Buyout Price as an Alternate Compliance Mechanism towards Fulfilment of Renewable Consumption Obligation (RCO)."

The Hon'ble Commission, vide said Order, has proposed a mechanism to determine the Buyout Price that enables designated consumers to meet their RCO in accordance with the Ministry of Power (MoP) notification dated 27th September 2025.

Under this framework, designated consumers which comprises of distribution licensees, open access consumers, and captive users are required to ensure that a specified portion of their total electricity consumption is sourced from renewable energy. The notification provides three distinct compliance options:

1. Direct consumption of renewable electricity, either directly or through an energy storage system.
2. Procurement or self-generation of Renewable Energy Certificates (RECs) under provisions of REC Regulations 2022 or acquire RECs under Virtual Power Purchase Agreement; and
3. Payment of a Buyout Price, prescribed by the Hon'ble Commission.

In pursuance of this mandate, the Hon'ble Commission, through Petition No. 12/SM/2025, has proposed a mechanism to determine the Buyout Price for FY 2024–25 and subsequent financial years. The Buyout mechanism is envisaged as a backstop compliance measure, intended to be exercised only when the first two options which are direct renewable consumption and REC purchase are exhausted or unavailable.

Accordingly, the comments and observations are respectfully submitted for the kind consideration of the Hon'ble Commission. These submissions aim to support the formulation of a transparent, market-aligned, and equitable regulatory framework for implementing the Buyout Price mechanism under the Renewable Consumption Obligation, as follows:

1) Section 14 (x) of the Electricity Conservation (Amendment) Act 2022 and Section 61 (H) read with Section 86 of the Electricity Act, 2003 mandates promotion of generation of Electricity from Renewable Sources of Energy. Payment of the Buyout price is a welcome step in this direction as an alternative mechanism towards meeting Renewable Consumption obligations by Designated consumers. However, Buyout price should be decided in a manner that doesn't discourage the use of Physical Green Electricity or purchase of RECs.

   Accordingly, it is suggested that option for payment of Buyout price option be exercised by Designated consumer only after the options of consuming physical Renewable Electricity and purchase of RECs are fully exhausted.

2) As on date, an inventory of around 3.35 Crore RECs exists with different RE Generators and Discoms. Since, propensity of buyers to defer purchase of RECs cannot be eliminated, **the mechanism to determine Buyout Price should be such that it does not distort market participant behaviour by foregoing existing options of purchasing green energy and/or RECs in different Contracts offered in power exchange platforms.**

Based on the above, it is proposed to prescribe highest market clearing price discovered in different auction sessions of REC Contract and/or the bilateral trades executed by trading licensees along with applicable GST followed by 20% mark-up.

We respectfully pray to the Hon'ble Commission to kindly take our submission on record and grant us an opportunity to deliver a presentation to the Commission and its staff.

Thanking You,

Yours faithfully,
For **Power Exchange India Limited**

ANIL VITTHAL KALE

Digitally signed by ANIL VITTHAL KALE
Date: 2025.11.21 17:39:05 +05'30'

Anil V. Kale
VP and Head – Strategy and Regulatory

PXIL's suggestions and observations on Determination of the Buyout Price as an Alternate Compliance Mechanism towards Fulfilment of Renewable Consumption Obligation (RCO).

Para 6 and 7 of the referred Order emphasis that the first two options i.e. consumption of renewable energy and purchase of RECs should be preferred, as both lead to capacity development and investment in renewable energy. The 'Buyout price' option should be exercised after the earlier two options are exhausted.

Such compliance mechanism would be practised by market participants when the 'buyout price' option is benchmarked at prohibitive level, thus the necessity to exercise buyout price mechanism remains minimal and help in reducing large inventory of REC which currently stands at 3.35 Crore as on 10.11.2025.

PXIL submits the following clause wise comments / suggestions in referred Order.

1. As per paragraph 9 of the Order, the 'buyout price' is weighted average REC price for FY 2024–25 has been derived from both Power Exchanges and bilateral trading through Trading Licensee.

"*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:*"

Mode of Transaction	*F.Y. 2024-2025*	
	Volume (Lakhs)	*Wt. Average Price of REC (Rs. /MWh)*
Power Exchanges	*304.18*	*225.36*
Trading Licensees	*38.91*	*291.32*

PXIL submission:

PXIL submits that the Hon'ble Commission's Order prescribing principles to determine 'buyout price' provides roadmap for RCO compliance mechanism, The 'buyout price' serves as a compliance safeguard rather than a primary route for meeting obligations.

PXIL submits that instead of considering weighted average price of RECs transacted in power exchanges, through traders and a mark-up, it would be prudent to consider , the highest value at which Renewable Energy Certificates (RECs) were transacted in a year considering both the monthly weighted average prices by traders as per Monthly Monitoring Report of CERC and the prices discovered in each trading sessions across the three Power Exchanges, i.e. PXIL, IEX and HPX,.

To maintain the buyout price at a level that is both deterrent and reflective of prevailing market conditions, it is proposed that buy-out price for a year be set at 20% above the highest REC traded price for a year including GST (at 18%).

Illustration:

For any year the highest price shall be highest of:

a. ***Clearing price discovered in auctions sessions of power exchanges***
b. ***Weighted average price information provided in each Monthly Market Monitoring report published by Hon'ble Commission***

FY 2024-25

Thus, in FY 2024-25, the highest price is Rs. 350 per REC based on price discovered in 24 auction sessions of each power exchanges and twelve (12) monthly weighted average price provided in CERC Monthly Market Monitoring report.

Thus, the Buyout price for FY 2024-25 = Rs. 350 x 1.18 (i.e. 18% GST) x 1.2 (i.e. 20% mark-up) = Rs. 495.60 ~ Rs. 496

The information on auction wise Market Clearing Price discovered at PXIL, IEX and HPX and the weighted average price of Traders as provided in CERC reports during FY 2024-25 is provided at Annexure-I.

FY 2025-26 (till date)

Similarly for FY 2025-26 (till power exchange auction session dated 12.11.2025 and CERC Monthly Market Monitoring report till July 2025) the buyout price is Rs. 523.92, say Rs. 524.

The information on auction wise Market Clearing Price discovered at PXIL, IEX and HPX and the weighted average price of Traders as provided in CERC reports during FY 2025-26 is provided at Annexure-II.

This approach ensures that the buyout price remains sufficiently higher than market prices to encourage actual procurement of renewable power or RECs at power exchanges, while still maintaining transparency and alignment with observed market dynamics.

Conclusion:

To conclude it is respectfully submitted that the Hon'ble Commission's proposal to introduce a Buyout Price as an alternate compliance mechanism under the Renewable Consumption Obligation (RCO) framework is a progressive step toward providing flexibility to designated consumers. However, for the mechanism to achieve its intended purpose without compromising market efficiency or renewable energy investment, the methodology for determination of the Buyout Price requires careful calibration.

The prevailing surplus REC inventory, robust market liquidity, and transparent exchange-based trading ecosystem indicate that the REC market is currently capable of meeting compliance needs without recourse to a buyout mechanism. Accordingly, the Buyout Price should operate strictly as a fallback option, applicable only under clearly

defined conditions of REC unavailability. Further, the Buyout Price must be kept consistently above prevailing REC prices to sustain liquidity, discourage bypassing of participation on exchange platform.

Clarity on the treatment of GST in the Buyout Price computation is essential to ensure parity with REC transactions and avoid potential discrepancies in compliance accounting.

In conclusion, it is humbly requested that the Hon'ble Commission consider these submissions while finalizing the Buyout Price framework, with the overarching objective of ensuring regulatory consistency, market transparency, and sustained promotion of renewable energy investments in the country.

Annexure-I: Determination of highest transacted price in FY 2024-25

Month	Date	PXIL		IEX		HPX	
		Volume	Price (Rs. /MWh)	Volume	Price (Rs. /MWh)	Volume	Price (Rs. /MWh)
Apr-24	10-Apr-2024	1,55,049	240	4,82,387	240	10,000	240
	24-Apr-2024	2,71,644	204	1,36,003	204	25,000	220
May-24	08-May-2024	2,09,933	189	4,01,623	185	0	0
	29-May-2024	1,10,299	165	6,53,000	165	25,000	165
Jun-24	12-Jun-2024	82,417	150	1,08,395	150	0	0
	26-Jun-2024	1,67,812	140	3,30,861	140	0	0
Jul-24	10-Jul-2024	4,21,312	128	8,80,677	128	1,400	140
	31-Jul-2024	17,55,020	120	22,69,432	120	0	0
Aug-24	14-Aug-2024	5,55,306	118	7,83,305	118	5,000	118
	28-Aug-2024	12,78,316	115	13,32,533	115	1,13,785	115
Sep-24	11-Sep-2024	2,90,281	112	3,66,849	112	79,449	112
	25-Sep-2024	3,50,362	110	6,63,779	110	0	0
Oct-24	09-Oct-2024	1,61,084	110	2,56,082	110	0	0
	30-Oct-2024	1,99,115	120	1,88,079	120	10,644	120
Nov-24	13-Nov-2024	1,55,071	140	4,36,249	140	0	0
	27-Nov-2024	1,45,166	185	1,09,711	190	8,788	180
Dec-24	11-Dec-2024	5,53,265	260	10,08,342	260	10,000	260
	26-Dec-2024	3,31,854	316	6,53,861	316	10,000	320

Jan-25	08-Jan-2025	20,11,396	325	25,95,975	325	1,30,927	350
	29-Jan-2025	5,18,353	340	12,07,098	340	80,000	350
Feb-25	12-Feb-2025	5,63,628	350	12,43,030	350	20,000	350
	27-Feb-2025	4,27,874	349	3,94,263	349	75,000	349
Mar-25	12-Mar-2025	2,01,383	348	3,24,437	348	1,50,000	348
	26-Mar-2025	5,49,161	347	9,91,410	347	3,81,000	347

Month	**Trader (CERC Monthly Market Monitoring Report for respective months)**	
	Volume	**Weighted Average Price (Rs./MWh)**
Apr-24	1,02,758	297.71
May-24	3,637	222.51
Jun-24	5,174	168.00
Jul-24	44,460	149.79
Aug-24	39,814	121.00
Sep-24	2,41,389	114.00
Oct-24	21,976	133.00
Nov-24	5,61,438	140.00
Dec-24	1,00,533	265.00
Jan-25	7,12,432	328.00
Feb-25	10,34,013	344.00
Mar-25	10,23,522	345.88

The weighted average price of traders is based on CERC Monthly Market Monitoring report till July 2025.

Annexure- II: Determination of highest transacted price in FY 2025-26 (till date)

Month	Date	PXIL		IEX		HPX	
		Volume	Price (Rs. /MWh)	Volume	Price (Rs. /MWh)	Volume	Price (Rs. /MWh)
Apr-25	09-Apr-2025	1,600	298	23,644	300	1	347
	30-Apr-2025	3,46,725	350	2,66,651	350	7,726	305
May-25	14-May-2025	3,15,532	345	15,44,706	345	0	0
	28-May-2025	1,62,560	349	1,98,130	349	70,000	349
Jun-25	11-Jun-2025	3,56,180	350	3,67,781	350	1,63,425	350
	25-Jun-2025	15,65,265	350	28,64,063	360	3,49,265	360
Jul-25	09-Jul-2025	7,96,828	355	9,66,546	360	4,04,717	358
	30-Jul-2025	16,34,802	360	6,59,806	360	6,05,133	360
Aug-25	13-Aug-2025	10,52,116	360	16,49,564	360	7,72,290	360
	28-Aug-2025	3,11,143	360	5,18,578	360	7,10,000	360
Sep-25	10-Sep-2025	2,50,203	365	2,93,961	365	10,387	360
	24-Sep-2025	2,35,088	370	3,33,081	370	1,50,686	370
Oct-25	08-Oct-2025	4,52,797	370	5,13,382	370	1,01,352	370
	29-Oct-2025	74,722	370	1,05,577	370	30,000	370
Nov-25	12-Nov-2025	4,43,048	370	2,69,487	370	2,00,000	370

Month	Trader (CERC Monthly Market Monitoring Report for respective months)	
	Volume	Weighted Average Price (Rs. /MWh)
Apr-25	52,984	317.00
May-25	2,50,709	369.00
Jun-25	23,63,466	342.00
Jul-25	39,03,736	302.00

The clearing prices for power exchanges is till auction session dated 12.11.2025 and weighted average price of traders is based on CERC Monthly Market Monitoring report till July 2025.