Reliance
Industries Limited

To,

The Secretary,
Central Electricity Regulatory Commission,
World Trade Centre, 6th, 7th & 8th Floor,
Tower-B, Nauroji Nagar,
New Delhi -110029
Email: secy@cercind.gov.in

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

Dear Sir/Madam,

This has reference to the Petition No. 12 / SM/2025 (Suo-Motu) dated 22.10.2025 inviting comments from stakeholders on the CERC Proposal for Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

Accordingly, comments on behalf of Reliance Industries Limited are hereby submitted for the kind consideration of the CERC.

We would be happy to provide any further clarification or participate in discussions, should the Commission require.

Yours sincerely,

Senthil Naadan Arul,
Senior Manager – Regulatory & Policy Advocacy,
Distributed – RE,
Reliance Industries Limited
senthil.arul@ril.com
+91-8591996986

Enclosure: As above

Reliance
Industries Limited

Comments on the Proposal for Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)

We welcome the Commission's initiative to propose a structured **Buyout Price mechanism** as an alternate compliance route under the Renewable Consumption Obligation (RCO) framework.

While the Buyout Price set for FY 2024–25 is acceptable as an initial benchmark (Rs 245/MWh) but a more robust and safeguarded approach is needed for future years. In this context, we suggest the following measures for the Hon'ble Commission's consideration:

a) Impact of REC Market Volatility on Buyout Price

- As per the REC registry, the REC market is currently witnessing a situation where a large volume of RECs remains unsold, resulting in an oversupplied market.
- This oversupply has led to lower price discovery for RECs, as several obligated entities are not fulfilling their RPO/RCO obligations.

Month, Year	Opening Balance (A)	REC Issued (B)	No. of REC Redeemed			Total E= (C1+C2+D)	REC Revoked /Deleted (G)	Closing Balance (F= ((A+B)-E)-G)
			RECs Redeemed through Power Exchanges (C1)	RECs Redeemed through Traders (C2)	RECs retained by RE Generators (D)			
Dec, 2024	48663843	1489119	2567322	100533	3583	2671438	0	47481524
Jan, 2025	47481524	6213710	6543749	712432	2402	7258583	0	46436651
Feb, 2025	46436651	485125	2723795	1034013	111717	3869525	0	43052251
Mar, 2025	43052251	1057743	2597391	1023522	4332	3625245	0	40484749
Apr, 2025	40484749	2019708	646347	52984	0	699331	0	41805126
May, 2025	41805126	809520	2290928	250709	37729	2579366	239065	39796215
Jun, 2025	39796215	4895107	5665979	2363466	3116523	11145968	0	33545354
Jul, 2025	33545354	11790470	5067832	3903736	147	8971715	0	36364109
Aug, 2025	36364109	4513078	5013691	398536	0	5412227	0	35464960
Sep, 2025	35464960	900876	1273406	600391	18975	1892772	0	34473064
Oct, 2025	34473064	1252839	1277830	850233	1756	2129819	0	33596084
Nov, 2025	33596084	745573	912535	171824	0	1084359	0	33257298
Total:		199231107	140347287	14768436	6992959	162108682	3865127	

REC Summary *(as of 19.11.2025)*

- Linking the Buyout Price to REC market prices creates a pathway for manipulation by obligated entities.
- Entities with large-volume REC requirements may intentionally avoid placing buy bids, resulting in artificially lowering the REC clearing prices. The Buyout price (REC price+ premium) would then be much lower than what it would have been, had this fragmentation of buy volume not happened. The same entities can then choose the Buyout option at a much lower cost.
- This behaviour enables obligated entities to effectively crash REC prices and then use the Buyout route for cheaper compliance.
- Such gaming undermines REC market integrity and compromises renewable energy procurement targets. Therefore, the Buyout Price should not be directly linked to REC market prices unless strong safeguards are in place to prevent such manipulation.

b) Trigger for Buyout Option Should Be Restricted

- To maintain REC market integrity, Buyout should be allowed only when REC inventories are fully exhausted or demonstrably inadequate.
- Obligated entities must provide documented proof that they attempted compliance through:
  - direct renewable procurement (including efforts to contract RE/RE + storage)
  - REC purchase (attempts to procure but supply inadequate).
- This ensures that:
  - REC demand remains robust,
  - renewable generators receive stable revenue from REC sales, and
  - Buyout is used strictly as a last resort.

c) Adequacy of the Proposed 5% Premium

- The proposed 5% premium above REC price is comparatively lower (the reason is detailed in ***point (a)*** mentioned above, and it will discourage obligated entities from opting the actual renewable procurement or REC purchase.
- A significantly higher premium is required so that monetary compliance is always more expensive than renewable procurement or REC purchase.

d) Higher Premium and Graduated Penalties

- The Buyout premium should be substantially higher than 5%, and may follow a graduated structure such as:

  a) Base premium for first-time shortfall,
  b) Higher premium for second consecutive shortfall,
  c) Significantly higher premium for recurring non-compliance.

- The premium rate should increase gradually each financial year, making Buyout progressively more unattractive and encouraging early investment in renewable procurement strategies.