Strong Concerns on the Proposed Buyout Price Mechanism for Renewable Consumption Obligation

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Tags Not in Contacts

Dear Sir/Madam,

The proposed buyout price mechanism to fulfill Renewable Consumption Obligation (RCO) by allowing designated consumers to buy green attributes at a price only slightly above the prevailing REC prices is fundamentally flawed and, in the long run, suicidal for India's clean energy ambitions.

By enabling the purchase of credits at a relatively cheap price, this mechanism unintentionally incentivizes fossil fuel-based electricity consumption under the cover of compliance. Instead of aggressively pushing for actual renewable energy consumption or generation, it offers an easy out for distribution licensees and captive consumers to continue reliance on conventional fossil fuel generation at the expense of the climate.

This approach will increase fossil fuel use, weakening the market signal for meaningful renewable energy adoption. It effectively distorts the real cost of carbon and delays the transition to a cleaner electricity mix. Such commodification of green attributes as mere compliance certificates risks undermining the very purpose of climate mitigation policies.

In parallel, the mechanism fails to address critical grid integration challenges like the infamous duck curve, characterized by steep ramp-up needs and midday solar oversupply. India urgently needs bold incentives and policy prioritization for large-scale pumped storage and hydro power projects—technology proven to provide grid flexibility, renewable energy balancing, and peak demand mitigation.

Pumped storage and hydro power are essential to absorb surplus solar generation, provide ancillary services, and maintain grid stability. Without a strong focus on these clean, dispatchable renewable resources, the transition will remain incomplete and vulnerable.

Therefore, rather than adopting a weak buyout price that promotes fossil fuels through cheap compliance, the policy framework must be realigned towards aggressively supporting pumped storage and hydro power with firm incentives, capacity

mechanisms, and streamlined clearances.

To conclude, the proposed buyout price mechanism is counterproductive and poses a real risk of stalling India's climate goals. Bold, forward-looking policies are imperative to drive the clean energy transition in a sustainable and resilient manner.

Thank you for considering these critical concerns.

Sincerely,
For SA Power Utilities
Mohasin F Bhat
Director.