Comments on Draft Buyout Price Mechanism under Renewable Consumption Obligation (RCO)

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Tags Not in Contacts Buyout-Price

To:

Date:21.11.2025

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

Subject: Comments on Draft Buyout Price Mechanism under Renewable Consumption Obligation (RCO)

Respected Sir/Madam,
We submit the following comments on the draft proposal dated 22nd October 2025 (Petition No. 12/SM/2025) regarding the Buyout Price mechanism under the Renewable Consumption Obligation (RCO).

Key Concerns:

1. The draft does not establish a clear compliance hierarchy. All three options i.e renewable procurement, REC purchase, and buyout are treated equally, without requiring evidence of prior efforts to meet RCO through renewable sources or RECs.
2. The proposed buyout price set at 105% of the weighted average REC price of the financial year may still be low enough to make buyout a preferred option over actual renewable sourcing. This could reduce REC demand and weaken the overall effectiveness of the RCO framework. Additionally, linking buyout price to REC averages may create a feedback loop that further depresses REC prices.
3. Retroactive determination of buyout price introduces uncertainty for obligated entities, affecting procurement planning and budgeting.
4. REC market data shows significant variation across platforms. A simple weighted average may not accurately reflect market dynamics.

Recommendations:

- Introduce a mandatory compliance hierarchy, with buyout permitted only after documented attempts to procure renewable electricity or RECs.
- Consider increasing the buyout premium to 15?20% above REC prices to discourage its use as a primary compliance route.
- Announce buyout prices prospectively to aid financial planning.
- Strengthen monitoring and verification mechanisms to ensure compliance integrity.

The buyout mechanism should serve as a penalty for genuine non-compliance, not as a convenient alternative. Without procedural safeguards and pricing discipline, it risks becoming a revenue tool rather than a driver of renewable capacity growth?potentially jeopardizing India?s 500 GW renewable energy target.

We appreciate the opportunity to provide feedback and urge the Commission to consider these suggestions in its final deliberations.

Best Regards,

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