AEVIPL/CERC/001/2025-26
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

Dear Sir,

Sub: Suggestions/Comments on Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

With reference to the comments invited by the Central Electricity Regulatory Commission on Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO), we hereby submit our comments on the same for your kind consideration.

Thanking you for your understanding and thoughtful consideration of our views.

Yours sincerely

For M/s Axis Energy Ventures India Private Limited

Dr. Rahul Rawat
Head-Regulatory Affairs

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

The Ministry of Power, vide notification dated 27.09.2025, has specified the minimum share of the electrical energy consumption from renewable energy for designated energy consumers, who are electricity distribution licensees, open access consumers and captive users. The notification also provides three methods i.e. (1) by consuming RE or (ii) purchased/self-generated REC or (iii) paying of buyout price for fulfilment of the specified Renewable Consumption Obligation (RCO) by the Designated Consumers and it further directs CERC to specify buyout price.

In view of above CERC has proposed the REC buyout price up to FY 2029-30 based on the following principle:

"The buyout price for a financial year shall be fixed at 105% of the weighted average REC Price of that financial year. By 30th April of every financial year up to 2029-30, the National Load Despatch Centre (NLDC) shall publish the weighted average price of REC, the Buyout Price for the previous financial year, based on the above principles."

Comment:

CERC has proposed buyout price for FY 2024-2025 at Rs. 245/MWh and for the subsequent financial year at 105% of the weighted average REC price of that financial year If paying a penalty of only 5% that to on weighted average REC price legally fulfils one's obligation, no designated Consumers will ever buy an REC. This transforms the buyout price into a reward mechanism for not choosing other two option for fulfilling RCO obligation, i.e. (1) by consuming RE or (ii) purchased/self-generated REC.

Accordingly, we suggest setting the buyout price atleast 150% to 200% of the highest market price of REC discovered during that financial year. This will preserve market signals while ensuring the buyout option remains a true last-resort mechanism and a penal provision. Further it will increase the RE penetration through REC mechanism, which will in turn help in achieving national target of 500 GW by 2030.

Rationale:

The REC price discovery on exchange depends on market demand. Sometime market price of REC would be lower than buyout price and sometime higher. This approach will signal designated consumer to opt buying the REC when price of REC is lower than buyout price and to opt buyout option for shortfall in RCO. If this practice is followed by designated consumers, the REC price would start falling year on year basis and so the buyout price would also fall and ultimately those RE developer would lose who have registered their project under REC. This approach is not in favour of RE developers and for REC market.

The proposed mechanism could distort the currently efficient REC market. Instead of providing buyers an easy buyout option, the focus should be on stronger enforcement and increasing demand. Introducing a fixed buyout price would effectively cap REC prices and eliminate their market-based signalling role. Therefore, the buyout option should be used only as a last resort, as penalty provision and only when green power or RECs are genuinely unavailable in the market.

