Comments/ suggestions on Buyout Price – CERC Suo Motu Petition no. 12/ SM/ 2025

Pt. No.	Particulars	Comments/ suggestions
8	(b) In the second option, i.e., the REC purchase, the cost of RCO compliance entails the price of RECs towards green attributes and a separate cost for electricity purchase for meeting the electricity demand. (c) On lines of the above, the third option, namely buyout price, should also reflect the green attribute cost and electricity component cost separately in an unbundled form. The obligated entity seeking to adopt a buyout price would pay this price, which would represent a green attribute equivalent to the REC price. In addition, such an obligated entity will have to meet its energy requirements by purchasing the electricity separately. (d) As such, it appears logical to link the buyout price to the REC price. However, in order to encourage obligated entities to choose between option one and option two, it is important that the buyout price be fixed at a premium over and above the REC Prices.	▪ Torrent Power Ltd. (TPL) would like to submit that the Renewable Energy Certificate (REC) mechanism was introduced around 2010 to provide Renewable energy generators the option to either sell their electricity with a preferential, full-cost tariff or opt for the REC route, which allowed them to sell both the electricity to local distribution licensee and the REC in exchange/off-the-counter, at market rates, **separately**. This ensured flexibility and options to RE Generators to sell electricity and RE attribute separately as at times procurers were not ready to purchase RE Power. ▪ Further, at the time of introduction of REC, the prevailing prices of Renewable Energy (RE) were significantly higher than conventional energy as the RE technology was at a nascent stage of development. However, over the past 15 years, the RE sources especially Wind & Solar have attained maturity and are not only competing with conventional sources but preferred over conventional sources as rates of these RE sources are significantly lower than conventional sources. ▪ Procurement of long term RE power through modes like RE-RTC and FDRE help the obligated entities to not only cater the demand of its license area but also obviate the requirement of conventional power sources. **Accordingly, sourcing of RE power through long term agreements should be the most preferred route for fulfilment of RPO**. In case of any shortfall, the same can be carried forward to the future years. ▪ During FY 2023-24, the REC prices have reached as high as ~Rs. 1.00 per unit which is significantly higher when considered with electricity component on overall basis. However, during FY 2024-25

Pt. No.	Particulars	Comments/ suggestions
		due to availability of higher volume of RE power, the maximum price of REC in the market was ~ Rs. 0.37 per unit. ▪ However, due to sudden significant increase in RPO trajectory specified by the MOP and in turn by SERCs, without commensurate addition in RE capacities on the ground, an artificial gap is already created requiring obligated entities either to opt for REC or procurement of buyout price. ▪ Further, keeping buyout price at some premium over REC price will trigger **artificial demand of REC and would in turn result into sudden increase in REC prices.** ▪ Accordingly, the proposal to link Buyout price with REC prices including providing a premium, is not correct and would result in artificial inflation of the rates, the burden of which would have to be borne by the consumers of the distribution licensee. ▪ Further, as correctly recorded at Pt. no. 6, the option of buyout price may only be exercised after exhausting the option of tying up RE power at optimal rates. Further, there shall be no mandate to fulfill the shortfall through buyout price particularly in cases where there is shortfall in contractual RE capacities due to force majeure or other uncontrollable reasons. ▪ Without prejudice, if Hon'ble Commission decides to notify the buyout price mechanism, it is requested to consider Buyout price @ Rs 0.15 per Unit or average REC Rate for last Financial Year, whichever is lower. Same will ensure compliance without substantial burden on the consumer.