VENA ENERGY

Ref: VESPPL/CERC/25-26/001 Date: 18.11.2025

To
The Secretary
Central Electricity Regulatory Commission,
6th, 7th & 8th Floors, Tower B, World Trade Centre, Nauroji Nagar,
New Delhi- 110029

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

Ref: CERC's Petition No. 12 / SM/2025 (Suo-Motu), dated 22nd October 2025

Dear Sir,

With reference to the above subject, we wish to submit our comments and suggestions, as enclosed with this letter.

We request the Hon'ble Commission to kindly consider our comments and suggestions, and to issue appropriate clarifications or include the same in the final order on the Determination of the Buyout Price as an alternate compliance mechanism for fulfilling the Renewable Consumption Obligation (RCO).

Thanking you,

For **Vena Energy Sustainable Power Private Limited**

Ravi Kiran Kochi
Director

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

S. No.	ASPECT	RECOMMENDATION	JUSTIFICATION & RATIONALE
1.	Pricing period & Maintains the integrity of the REC market	The calculation should be based on the YTD FY 26 average REC price, not the FY 25 average.	Using the most current data ensures that the buyout price accurately reflects prevailing market conditions. This avoids a scenario in which the buyout price falls below recently discovered REC market prices—an outcome that could incentivize non-compliance and adversely impact the REC market. **Justification:** **1. Risk of market distortion:** The Hon'ble Commission's proposal to base the FY 26 buyout price on the average REC price of the previous financial year (FY 25) may unintentionally disrupt the REC market. If REC prices trend upward in early FY 26, a buyout price derived from the lower FY 25 average would make buyout a financially cheaper alternative to purchasing current REC's. This creates a significant disconnect between the buyout mechanism and the actual market dynamics. **2. Impact on policy objectives:** The core purpose of the RCO framework and the REC market is to drive investment in renewable energy. A buyout price set below recent, market-discovered REC prices weakens this objective by encouraging entities to opt for buyout instead of procuring RECs, thereby undermining compliance through market mechanisms. **Rationale:** **Alignment with prevailing market conditions:** Using the year-to-date (YTD) average REC price for FY26 or another suitably current reference period—ensures that the buyout price remains aligned with present market realities. This maintains the buyout

			mechanism as a less attractive option compared to purchasing RECs at current market prices or RE power procurement, thus preserving market integrity. By linking the buyout price to the most recent available REC data (e.g., YTD FY 26 average), the Hon'ble Commission can ensure that the financial consequence of non-compliance remains proportionate to the contemporaneous value of renewable attributes. This approach strengthens the intended market signal and prevents the buyout mechanism from functioning as a loophole that diminishes the value of RECs/ RE power procurement.
2	Premium level	The premium should be at least 10% (higher than the 5% proposed by the Hon'ble Commission).	A 10% premium provides a more robust and effective deterrent. A lower premium risks making the buyout a cheaper alternative to recent REC prices, which could undermine the REC market. **Justification:** The Hon'ble Commission has proposed determining the buyout price with a 5% premium over the previous year's weighted average REC price. However, recent market trends justify adopting a higher premium of at least 10%. When the buyout price is set too close to—or lower than—prevailing REC market prices, it fails to provide a meaningful disincentive for non-compliance. This can lead obligated entities to opt for buyout instead of REC procurement, potentially suppressing REC demand, triggering price drops, and adversely impacting investment signals in the renewable energy sector. **Rationale:** A 10% premium offers a stronger and more effective deterrent against non-compliance than the proposed 5%. It ensures that the buyout mechanism remains a true "last resort," used only in exceptional circumstances, rather than becoming a cheaper or

			strategically preferable option for obligated entities. A higher premium therefore better preserves market integrity and supports the overall objectives of the RCO and REC framework.