**YFI Babrala: Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment**

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Dear Sir,

With reference to your letter dated 22nd October 2025 (Petition No. 12/SM/2025 (Suo-Motu)) seeking comments on the proposal for determination of the Buyout Price as an alternate compliance mechanism for fulfilling the Renewable Consumption Obligation (RCO), please find attached the comments of Yara Fertilizers India Pvt. Ltd. for your kind consideration.

**Comments: Petition No. 12 / SM/2025 dated 22nd_Oct_2025**
**CENTRAL ELECTRICITY REGULATORY COMMISSION**
**NEW DELHI**

| S.No. | Sheet | Buyout Price Proposal 22nd Oct 25 | YFI Comments | Remark |
|---|---|---|---|---|
| Comments on draft proposal: | | | | |
| 1 | Page 2, point 6 | The first two options clearly lead to investment and, in turn, the establishment of RE capacities and should definitely be preferred options for RCO compliance. It is only when either of these two options is exhausted that the Designated Consumers should lean on the third option for RCO Compliance. | Will there be a separate window for compliance through the Buyout Price mechanism? Means, will an additional timeline be announced or allotted after 31st March 2026 to enable RCO compliance for FY 2024–25 through the Buyout Price option?<br><br>Is obligated entity may exercise buyout price mechanism together with REC purchase mechanism for RCO compliance. | |
| 2 | Page 3, point 10 | Accordingly, the weighted average price of REC for the FY 2024-2025 works out to be Rs. 232.84/MWh. In view of the above, it is proposed that the buyout price for the FY 2024- 2025 be fixed at Rs. 245/MWh, which is about 5% above the weighted average REC price for FY 2024-2025. | What will be the methodology for compliance with depositing the Buyout Price amount into the Central Energy Conservation Fund? Also, please confirm whether the Buyout Price is subject to GST.<br><br>It is expected that clear and detailed guidelines regarding the declaration, payment, and verification of buyout obligations will be issued to ensure transparency, accountability, and smooth compliance under the proposed framework. | Buyout price to be specified 105% of weighted average REC price published by National Load Dispatch Centre (NLDC) for previous year. (Information only) |
| 3 | Additional points. | | **1. Premium on Traded REC Price:-** The proposed premium of 5% over and above the traded price of RECs may be reconsidered or softened, as it would impose an additional financial burden on the fertilizer sector. A lower or variable premium could be explored to balance cost implications for obligated entities. | |
| | | | **2. Frequency of Weighted Average Cost Publication:-** Instead of the yearly weighted average cost of traded RECs, it is suggested that CERC publish the monthly or quarterly weighted average cost. This would provide better market reflection and enable obligated entities greater flexibility. Additionally, entities should be given the freedom to make the buyout payment at any time during the year, based on their compliance strategy. | |
| | | | **3. Utilization of Funds Collected:-** The funds collected from the fertilizer sector under the Central Energy Conservation Fund (CECF) may be specifically utilized to support energy conservation and decarbonization projects within the fertilizer industry. This sector-specific reinvestment would promote tangible improvements in energy efficiency and emissions reduction. | |

With Regards,
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**2 Attachment(s)**

Proposal_12-SM-2025.pdf 170.8 KB

Comments Buyout price Propo… 16.7 KB