93618/2025/CERC Dt- 11-11-25

नॉर्थ ईस्टर्न इलेक्ट्रिक पावर कार्पोरेशन लिमिटेड
NORTH EASTERN ELECTRIC POWER CORPORATION LTD.
भारत सरकार का उद्यम A Govt. of India Enterprise
मिनीरत्न : श्रेणी-I Miniratna : Category-I
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No. NEEPCO/ED/COMML/T-13/2025-26/598 **Date:04.11.2025**

To

The Secretary,
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Sub: **COMMENTS ON DRAFT PROPOSAL FOR BUYOUT PRICE UNDER RENEWABLE CONSUMPTION OBLIGATION (RCO).**

Ref: Petition No. **12/SM/2025 (Suo-Motu)** Date of Proposal 22/10/2025.

Sir,

In connection with the determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO), the proposal under reference above has been studied and pointwise comments/ suggestions/ objections is submitted herewith as below.

The proposal to fix the **Buyout Price at ₹245/MWh (₹0.245 per unit)** for FY 2024-25 is **detrimental to renewable energy generators** and **misaligned with current market realities.** It under-values green attributes, undermines active compliance markets (REC and GDAM/GTAM), and risks reversing the progress achieved under the Bureau of Energy Efficiency's (BEE) compliance enforcement framework.

A. Misalignment with BEE Compliance Timelines

- The **BEE notification extends the RCO compliance period for FY 2024-25 obligations up to 31 March 2026.**
- Many obligated entities are presently procuring **Green Electricity and RECs** to meet these obligations within the extended window.
- The proposed buyout price, derived from FY 2024-25 averages, **ignores the live compliance cycle** and prevailing REC prices (₹350 – ₹370 /MWh ≈ ₹0.35–₹0.37 /unit).
- The buyout price should therefore be **computed only after the compliance period concludes,** reflecting the *actual* weighted-average REC and GDAM prices during the compliance window.

B. Impact on REC, GDAM, and Green Markets

- Average **GDAM premium** over conventional power during the past three years ≈ ₹0.49 /unit.

- By pegging the buyout at ₹0.245 /unit, compliance via buyout becomes **cheaper than via genuine market instruments**.
- Resulting impacts:
  - REC demand collapse and **liquidity drain** in exchanges.
  - **Reduced GDAM/GTAM participation**, harming renewable generators.
  - Post-proposal data already show > 90 % fall in buy bids and > 85 % fall in clear volumes across exchanges.

C. Adverse Consequences for Virtual Power Purchase Agreements (VPPAs)

- A low buyout price **discourages buyers from entering VPPAs** since the regulatory fallback is cheaper and risk-free.
- This will **reduce corporate renewable procurement**, **depress REC values**, and **destabilize long-term green-finance structures** built around VPPA-linked RECs.

D. Risk to Green Real-Time Market

- Presently, the Power Exchanges' Petition of introduction to G-RTM is pending with CERC.
- RE Generators reliance on proposed **Green Real-Time Market (GRTM)** could be much higher than G-DAM as it entails the trade near to the generation time, and for this market generators would be better equipped with their forecasting and balancing.
- However, if the present proposal of buy-out is implemented, it will badly impact the G-RTM Market and RE Generators, as the obligated entities can opt for a low buyout instead.
- The implementation of present proposal is thereby removing a key balancing tool and affecting short-term grid stability incentives.

E. Lack of Validation Mechanism and Unrestricted Buyout Option

- The proposal allows obligated entities to use the buyout route **without proving efforts to procure RE power or RECs**.
- CERC must **establish a validation mechanism** ensuring buyout eligibility only if:
  1. The entity attempted both **green electricity procurement** *and* **REC purchase**, and
  2. Residual obligation remains unfulfilled.
- Further, **a cap (e.g., 10–20 %)** should be imposed on the share of RCO that can be met via buyout. Allowing 100 % fulfilment via buyout **defeats the MoP's objective** of increasing renewable penetration.

F. Economic and Financial Considerations

- Renewable developers factor green-attribute revenue into project viability.
- Depressing attribute value through a low buyout **reduces IRR, affects loan servicing, and deters future investment**.

- A transparent and market-reflective buyout mechanism is therefore essential to maintain investor confidence.

G. Recommended Framework

1. **Timing:** Finalize buyout price *after* closure of compliance period (post 31 March 2026).
2. **Price Linkage:**

Buyout Price = 1.5 × {(Avg REC Price (current compliance year)), (Avg GDAM Green Premium), whichever is higher)}

3. **Cap on Usage:** Limit buyout fulfilment to ≤ 20 % of total RCO.
4. **Validation:** Mandatory proof of attempts under the first two routes (RE procurement + RECs).
5. **Penalty Alignment:** The buyout should remain **significantly below the penalty (₹3.72 /unit)** but **well above REC prices**, preserving deterrence and fairness.

The current proposal undervalues green attributes, disrupts market signals, and weakens the compliance ecosystem. It is therefore requested to **critically review the methodology**, integrate live-market data from the full compliance cycle, and issue a **revised, progressive framework** that strengthen rather than substitutes the green power market.

Your kind consideration to the above is solicited.

Thanking you,

Yours faithfully,

(Ripunjoy Bhuyan)
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