
PROCEDURE FOR REDEMPTION OF RENEWABLE ENERGY CERTIFICATE

1. INTRODUCTION

- 1.1. This procedure shall provide guidance to the entities to implement Renewable Energy Certificate mechanism as envisaged under Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 notified by CERC, (hereinafter referred to as “the CERC REC Regulations”). This procedure shall be called ‘*Procedure for Redemption of Renewable Energy Certificates*’.
- 1.2. This procedure is issued in compliance to the Regulation 3(3) of the CERC REC Regulations and prepared in order to implement the CERC REC Regulations to facilitate development of market in power from renewable energy sources by issuance of ‘**Renewable Energy Certificates (REC)**’.
- 1.3. Words and expressions used in these Procedures and not defined herein but defined in the Act, the CERC REC Regulations or any other Regulations issued by the Central Commission shall have the same meaning assigned to them respectively in the Act, the CERC REC Regulations or such other Regulations issued by the Commission.

2. APPLICABILITY AND SCOPE

- 2.1. This procedure shall be applicable to the Eligible Entity that chooses to place the RECs for dealing in any of the Power Exchanges as the Certificate holder may consider appropriate.
- 2.2. This procedure shall be followed by the, Central Agency and Power Exchange(s) while facilitating redemption of the renewable energy certificates.

3. STEP-WISE DESCRIPTION OF THE PROCEDURE

The basic procedure for redemption of renewable energy certificates shall include following steps:

- 3.1. STEP 1:** The Eligible Entity shall place for dealing of renewable energy certificates, both 'Solar' and 'Non-Solar' Certificates, on any Power Exchange authorised to deal in renewable energy certificates by CERC. The total quantity of Certificates ('Solar' and 'Non-Solar' separately) placed for dealing on the Power Exchange(s) by the eligible entity shall be less than or equal to the total quantity of valid Certificates held by the eligible entity as per the records of the Central Agency. The renewable energy certificates shall be dealt in the Power Exchange within the price band as specified by CERC from time to time.
- 3.2. STEP 2:** During the time the bidding window opens in the Power Exchange, the eligible entities shall place their offers and the buyers shall place their bids through the trading platform of the respective Power Exchange.
- 3.3. STEP 3:** On closure of the trading window, the Power Exchange(s) shall send the maximum bid volumes for each of the eligible entity, which has placed offers on that Power Exchange, to the Central Agency for verification of the quantity of valid RECs available with the concerned eligible entity for dealing on the Power Exchange(s).
- 3.4. STEP 4:** The Central Agency shall check the combined maximum bid volume in the Power Exchange(s) for each eligible entity against the quantity of valid RECs for that entity for both 'Solar' and 'Non-Solar' Certificates. The Central Agency shall send a report to Power Exchange(s) confirming the availability of the valid RECs with the eligible entity. In case the combined maximum bid volume placed for dealing in the Power Exchange(s) exceeds the quantity of valid RECs held by the eligible entity as per the records of the Central Agency, then, the Central Agency shall advise the Power Exchange(s) to exclude such bid(s) while working out the Market Clearing Price and the Market Clearing Volume.
- 3.5. STEP 5:** The Power Exchange(s) shall work out the Market Clearing Price and the Market Clearing Volume taking into account the advise received from the Central Agency and send the final cleared trades to the Central Agency for extinguishing of the RECs sold in the records of the Central Agency. The certificates will be extinguished by the Central Agency in the 'First-in-First-out' order.

4. FUNCTIONS, ROLES AND RESPONSIBILITIES OF ENTITIES INVOLVED

The roles and responsibilities of the entities involved is elaborated in the following paragraphs,

4.1. Eligible Entity

- a. Comply with the duties and obligations specified by the Central Agency.
- b. Follow directions given by the Appropriate Commission from time to time.
- c. Place for dealing of renewable energy certificates to Power Exchange(s) in timely manner.

4.2. Power Exchange

- a. Accept RE certificates for dealing on Power Exchange.
- b. Issue Rules & Byelaws for dealing of RECs on Power Exchange subject to due approval from CERC.
- c. Propose mechanism for price discovery for RECs on Power Exchange and seek Approval of CERC for the same.
- d. Collect proceeds from the sale of certificates if and as directed by CERC, for the purpose of capacity building of State Agency, and transfer to the CERC or any such agency as may be directed by the CERC.

4.3. Central Agency

- a. Formulate protocol for sharing of information related to renewable energy certificate transactions in 'electronic form' with Power Exchange(s)
- b. Maintain records and settlement accounts with respect to renewable energy certificate transactions based on information received from Power Exchange(s).
- c. Maintain record of REC issuance and sale for each registered Eligible Entity.
- d. Act as a depository for transactions of RE certificates.

5. INTERFACING AND INFORMATION EXCHANGE

Various activities outlined under this Procedure shall be undertaken on 'Electronic Form' to the extent feasible. It is envisaged that Central Agency shall devise appropriate information sharing protocol for sharing/exchange of information with State Agency, Power Exchange(s), Eligible Entities, as may be necessary for implementation of this Procedure.

6. TIMELINES

- 6.1. For the purpose of dealing of RECs on Exchanges, Power Exchanges shall consider all RE certificates issued by Central Agency and valid for period of 365 days from date of issuance..
- 6.2. In accordance with the Rules/Byelaws approved by the CERC, monthly auction of RECs shall be undertaken for discovery of Price on Power Exchange. All valid and eligible offers for RECs received for dealing on Power Exchange shall be considered for Auction purpose to be carried out on the last Wednesday of every month. The frequency of auctioning may be reviewed and changed from monthly to fortnightly or weekly basis in due course depending on volume of REC transactions/number of participants on Power Exchange.
- 6.3. The bidding window would open simultaneously on all the Power Exchange(s) designated for dealing in the RECs by CERC from 13:00 Hrs to 15:00 Hrs on the day of auction.
- 6.4. The Power Exchange(s) shall intimate the details of maximum offer placed for dealing by each eligible entity to the Central Agency by 15:30 Hrs on the day of auction.
- 6.5. The Central Agency shall check the combined maximum bid volume in the Power Exchange(s) for each eligible entity against the quantity of valid RECs for that entity for both 'Solar' and 'Non-Solar' Certificates. The Central Agency shall send a report to Power Exchange(s) confirming the availability of the valid RECs with the eligible entity by 16:00 Hrs.

6.6. The Power Exchange(s) shall work out the Market Clearing Price and the Market Clearing Volume taking into account the advice received from the Central Agency and send the final cleared trades to the Central Agency for extinguishing of the RECs sold in the records of the Central Agency by 17:00 Hrs.

6.7. The Central Agency shall issue a report indicating the extinguishing of the RECs held in its records based on the final trades cleared on the Power Exchange(s) by 18:00 Hrs.

7. FEES AND CHARGES

The fees and charges towards transaction of RE certificate on the Power Exchange to be collected by Power Exchange(s) shall be as mentioned below,

- Fee towards transaction of Renewable Energy Certificates by Eligible Entity on Power Exchange : Rs. _____ per RE Certificate

All fees and charges shall be payable by way of Demand Draft/ECS drawn in favour of _____ (Name of Central Agency) payable at New Delhi.

8. EVENT OF DEFAULT AND CONSEQUENCES THEREOF

8.1. A event of default would deem to have occurred if the combined maximum bid volume placed for dealing in the Power Exchange(s) exceeds the quantity of valid RECs held by the eligible entity as per the records of the Central Agency.

8.2. In case a default by an eligible entity occurs, then, the Central Agency shall advise the Power Exchange(s) to exclude such bid(s) while working out the Market Clearing Price and the Market Clearing Volume in the current auction. Further, the list of the defaulting eligible entities would be made available on the website of the Central Agency.

8.3. In case of three defaults in a financial year, the matter would be reported by the Central Agency to the CERC, which may take further action, as deemed fit.

8.4. Further, persistent occurrence of event of default as above, shall result into debarring of such Eligible Entity from further participating in REC mechanism and its registration with Central Agency may be revoked.

9. POWERS TO REMOVE DIFFICULTIES

9.1. If any difficulty arises in giving effect to any provision of these Procedures or interpretation of the Procedures, the Central Agency may make such provisions or propose amendments, not inconsistent with the provisions of CERC REC Regulations, upon seeking due approval from Central Commission, as may appear to be necessary for removing the difficulty.