

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

**Shri I. S. Jha, Member**

**Shri Arun Goyal, Member**

**Shri P. K. Singh, Member**

**No. L-1/97/2016**

**Dated: 07<sup>th</sup> December, 2022**

**In the matter of**

**Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) (First Amendment) Regulations, 2022 – Statement of Objects & Reasons (SOR) thereof.**

**STATEMENT OF REASONS**

**1. Introduction**

1.1. In exercise of powers conferred under sub-section (1) and clause (y) of sub-section (2) of section 178 read with Section 66 of the Electricity Act, 2003 (36 of 2003), paragraph 5.9 of the National Electricity Policy, sub-Rule (4) of Rule 12 and clause (b) of Rule 13 of the Energy Conservation (Energy Consumption Norms and Standards for Designated Consumers, Form, Time within which, and Manner of Preparation and Implementation of Scheme, Procedure for Issue of Energy Savings Certificate and Value of Per Metric Ton of Oil Equivalent of Energy Consumed) Rules, 2012 notified by the Ministry of Power, Government of India vide G.S.R. 269 (E) dated 30th March 2012, and further amended in clause (gb) in Rule 2, sub-Rule (5), (6) and (8) of Rule 12 of the PAT Rules notified by the Ministry of Power, Government of India vide G.S.R. 669(E) dated 30<sup>th</sup> August 2022 (in short the “Energy Conservation Amendment Rules, 2022”) for the development of market in energy for exchange of transferable and saleable Energy Savings Certificates and all other powers enabling it in this behalf, the Commission prepared the Draft Central Electricity



Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) (First Amendment) Regulations, 2022 (in short “the Draft Regulations”) and published the same on 12<sup>th</sup> October 2022 for public consultation alongwith the Explanatory Memorandum.

1.2. **Comments/suggestions/objections** from the stakeholders and interested persons on the provisions of the Draft Regulations were sought by the Commission by 2<sup>nd</sup> November 2022. In response, the Commission received written submissions from Four (4) stakeholders. While One (1) suggestion was received within the due date, remaining Three (3) submissions from Torrent Power, Bharat Aluminum Company Ltd and IIT Kanpur were received after the due date. However, their comments have also been included for analysis. The list of stakeholders is attached as **Annexure I** to this document.

1.3. The Commission, complying with the provisions of the Act and the Electricity (Procedure for Previous Publication) Rules, 2005 proceeded to finalize the CERC (Terms and Conditions for Dealing in Energy Savings Certificates) (First Amendment) Regulations, 2022 (in short “the final ESCerts Regulations”). The Commission considered the comments/suggestions of the stakeholders on the Draft Regulations. The Regulations have been finalized after due consideration of the various issues raised. The analysis of the issues and findings of the Commission thereon are discussed in subsequent paragraphs.

1.4. It may be noted that all the suggestions given by the stakeholders have been considered, and the Commission has attempted to elaborate all the suggestions as well as the Commission’s decisions on each suggestion in the Statement of Reasons. However, in case any suggestion is not specifically elaborated, it does not mean that the same has not been considered. Wherever possible, the comments and suggestions have been summarised clause-wise, along with the Commission’s analysis and ruling on the same.



## 2. Definitions

### Commission's Proposal

2.1 Regulation 2 (1) (r) of the Draft Regulations proposed the definition of floor price as under:

“‘*Floor Price*’ means the minimum price at which the Energy Savings Certificate shall be traded on the power exchanges.”

### Comments Received

2.2 **PTC India Limited** proposed that while the ESCerts are currently traded on power exchanges, they may be traded on Carbon Exchanges tomorrow. Therefore, the phrase “shall be traded on the power exchanges” may be amended to "shall be traded on any platform or exchange authorized by CERC to undertake the trading in Energy Saving Certificates."

### Analysis and Decision

2.3 The Commission has noted the suggestion and is of the opinion that at present ESCerts shall be traded on Power Exchanges in accordance to the PAT Rules notified by Ministry of Power, Government of India. In future if a provision is required to trade ESCerts on Carbon exchanges, regulatory process as required will be considered by the Commission accordingly. As such, no change in the definition of Floor price is envisaged now.

## 3. Pricing of certificate

### Commission's Proposal

3.1 Regulation 11 (3) of the Draft Regulations proposed the Pricing of certificate is as under:

“11. **Pricing of certificate-**

(3) The floor price for the trading of Energy Savings Certificates as mentioned in the Energy Conservation Rules shall be fixed at ten percent of the price of one metric tonne



of oil equivalent of energy consumed as may be notified by the Central Government, by notification in the Official Gazette for every Perform, Achieve and Trade Cycle.”

### **Comments Received**

- 3.2 **PTC India Ltd** suggested to specify a fixed price as a floor price which may be revised from time to time based on assessment by CERC.
- 3.3 **Torrent Power Ltd** proposed that the floor price may be atleast 50% of the price fixed by Central Govt in order to incentivize the mechanism of Energy Conservation within newly introduced Designated Consumers. Further, for the Discoms whose Distribution loss is less than 5%, there should not be any requirement to purchase Energy Saving Certificates, considering that the losses at such lower level operate in range bound manner.
- 3.4 **Bharat Aluminum Company Ltd (BALCO)** suggested that the floor price for Energy Saving Certificate should be Rs 9000 per certificate to ensure that the investment made for energy saving both under PAT 1 and PAT 2 is recovered.
- 3.5 **IIT Kanpur** suggested that while deciding the floor price of ESCerts, its equivalence with respect to the floor price of a REC should be ensured and a formal calendar for notification of base price of 1 mtoe should be announced beforehand to remove any uncertainty associated with the same. Also, the basis and calculation of the fixed floor price for trading of ESCerts may be mentioned in the draft Regulations. An alternate option for determination of the floor price can be to link it to a market price/index, which is available publicly and is derived in a transparent manner.

### **Analysis and Decision**

- 3.6 The Commission has perused the suggestions. The proposition of floor price in the draft amendment regulation is based on the provision in the PAT Amendment Rules, 2022 and seeks to balance the interests of the investors as well as the buyers. The provision is considered adequate.
- 3.7 As per the Energy Conservation Rules, 2012, the value of one ESCert shall be equal to one metric ton of oil equivalent of energy consumed. The price of one metric tonne of oil equivalent is defined for every PAT cycle after the assessment year is over. Accordingly, floor price shall be defined for every PAT cycle Trading.



#### **4. Additional Comments Received**

4.1 **Torrent Power Ltd** suggested to include the amendment related to banking and validity of ESCerts, introduced in the MOP Energy Conservation (Amendment) Rules, 2022, as a clause in the draft Regulation.

#### **Analysis and Decision**

4.2 The Commission is of the view that the Regulations on dealing of ESCerts is for trading of ESCerts. The clauses related to the validity of ESCerts and banking of ESCerts are well defined in the PAT Rules. Hence, the Commission is of the view that there is no separate requirement for defining these in the Regulations.

**Sd/  
(P.K. Singh)  
Member**

**Sd/  
(Arun Goyal)  
Member**

**Sd/  
(I. S. Jha)  
Member**



**Annexure I – List of Stakeholders who have submitted written comments/suggestions/objections**

- 1) PTC India Limited
- 2) Torrent Power Limited
- 3) Bharat Aluminum Company Limited
- 4) Centre for Energy Regulation (CER) & Energy Analytics Lab (EAL), Department of Industrial and Management Engineering, IIT Kanpur

