CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

<u>Petition No. 12 / SM/2025 (Suo-Motu)</u>

Coram:

Shri Jishnu Barua, Chairperson
Shri Ramesh Babu. V, Member
Shri Harish Dudani, Member
Shri Ravinder Singh Dhillon, Member

Date of Proposal: 22nd October, 2025

<u>IN THE MATTER OF:</u>

Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

<u>PROPOSAL</u>

1. The Ministry of Power, vide notification dated 27th September, 2025 (published in Part II, Section 3, No. 4301 of the Gazette of India (Extraordinary)), has specified the minimum share of the electrical energy consumption from renewable energy for designated energy consumers, who are electricity distribution licensees, open access consumers and captive users. The notification also provides three methods for fulfilment of the specified Renewable Consumption Obligation (RCO) by the Designated Consumers.

2. The relevant extract of the said notification is as follows:

"*9. Designated consumer may fulfil the specified Renewable Consumption Obligation (RCO) through one or more of the following means*

(i) consumption of renewable electricity, either directly or through an energy storage system;

(ii) purchased or self-generated Renewable Energy Certificates issued in accordance with regulations notified by the Central Electricity Regulatory Commission including Renewable Energy Certificates acquired under Virtual Power Purchase Agreements; and

(iii) payment of the buyout price specified by the Central Electricity Regulatory Commission:

Provided that the sums received through the buyout mechanism shall be credited to the Central Energy Conservation Fund under a separate head, from which 75% of the amount *shall be transferred to the respective State Energy Conservation Funds. These sums shall be utilised to support the development of specified renewable energy sources and storage capacities, with the objective of increasing the share of non-fossil fuel energy in the overall energy mix. The Appropriate Government shall specify the mechanism for utilising these sums to support the development of such non-fossil fuel capacities. The Appropriate Government shall specify the mechanism for utilising these sums to support the development of such non-fossil fuel capacities based on the amendments thereof."(**emphasis added**)*

3. In view of the above notification, the Central Electricity Regulatory Commission (hereinafter referred to as "the Commission") needs to specify the Buyout Price for the fulfilment of RCO. Accordingly, the Commission hereby issues the proposal for the determination of the Buyout Price as one of the alternate compliance mechanisms to fulfil the Renewable Consumption Obligation.

4. In its journey towards energy transition, India has set an ambitious renewable energy target of establishing 500 GW non-fossil fuel capacity by 2030. Several policy and regulatory initiatives have been taken in this direction to promote renewable energy in the country. The basic objective of the RCO is to provide demand-side support for increasing investment in renewable energy sources.

5. As per the Ministry of Power's Notification dated 27.09.2025, there are three options available for meeting the RCO, namely:

(i) consumption of renewable electricity, either directly or through an energy storage system;

(ii) purchased or self-generated Renewable Energy Certificates issued in accordance with regulations notified by the Central Electricity Regulatory Commission, including Renewable Energy Certificates acquired under Virtual Power Purchase Agreements; and

(iii) payment of the buyout price specified by the Central Electricity Regulatory Commission.

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.

7. In view of the current installed capacity of the RE Sources and annual capacity addition achieved historically in the country, the Commission is of the opinion that there might be a requirement for the Designated Consumers to fall back on the third option, i.e. buyout price for the fulfilment of the RCO for the next two financial years.

8. In this backdrop, the Commission proposes the buyout price as follows:

(a) RCO compliance by way of the first option, namely *'consumption of renewable electricity, either directly or through an energy storage system'*, involves a cost that includes the cost of green energy in bundled form, i.e., the cost of electricity plus green attribute.

(b) In the second option, i.e., the REC purchase, the cost of RCO compliance entails the price of RECs towards green attributes and a separate cost for electricity purchase for meeting the electricity demand.

(c) On lines of the above, the third option, namely buyout price, should also reflect the green attribute cost and electricity component cost separately in an unbundled form. The obligated entity seeking to adopt a buyout price would pay this price, which would represent a green attribute equivalent to the REC price. In addition, such an obligated entity will have to meet its energy requirements by purchasing the electricity separately.

(d) As such, it appears logical to link the buyout price to the REC price. However, in order to encourage obligated entities to choose between option one and option two, it is important that the buyout price be fixed at a premium over and above the REC Prices.

9. In accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, as amended from time to time, the transaction of RECs is taking place through the Power Exchanges, as well as the Trading Licensees, and has remained steady across both platforms. For the FY 2024–2025, the details of REC transactions that took place on the Power Exchanges and through the trading licensees are summarised below:

Mode of REC Transaction	**FY 2024-25**	
	Volume (Lakh)	**Wt. Average Price of REC (Rs/MWh)**
Power Exchanges	304.18	225.36
Trading Licensees	38.91	291.32

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.

11. Further, the Ministry of Power, vide the aforementioned notification dated 27th September, 2025, has specified the minimum share of electrical energy from RE sources as a percentage of total electrical energy consumption for each Designated Consumer category till FY 2029-30. Accordingly, the Commission is proposing the REC buyout price upto FY 2029-30 based on the following principle:

- The buyout price for a financial year shall be fixed at 105% of the weighted average REC Price of that financial year. By 30th April of every financial year up to 2029-30, the National Load Despatch Centre (NLDC) shall publish the weighted average price of REC, the Buyout Price for the previous financial year, based on the above principles.

12. Accordingly, the Commission invites the comments of the stakeholders on the above proposal of specifying the Buyout Price for FY 2024-2025 at Rs. 245/MWh and for the subsequent financial year at 105% of the weighted average REC price of that financial year.

13. The comments/ suggestions/ objections may be sent to the Secretary, Central Electricity Regulatory Commission, 6th, 7th & 8th Floors, Tower B, World Trade Centre, Nauroji Nagar, New Delhi- 110029 or by email to (secy@cercind.gov.in and advisor-re@cercind.gov.in) on or before 21st November 2025. The Commission would issue an Order after duly considering the comments/ suggestions/ objections received on the proposal.

Ravinder Singh Dhillon	**Harish Dudani**	**Ramesh Babu. V**	**Jishnu Barua**
Member	**Member**	**Member**	**Chairperson**