APP Comments on MoP Discussion Paper on redesign of REC framework

S.No	Draft Regulation	Stakeholder's Comments	Rationale
1.	**Clause 5.1** (i)The REC validity period may be removed. Thus, the validity of REC would be perpetual ie till it is sold.	In parallel a mechanism to review RPO compliance should be put in place. FoR may be mandated to undertake this exercise on periodic basis. Any shortfall/waiver must be informed to MoP for appropriate action/direction.	Validity of REC has been extended by Hon'ble CERC in the past and no RECs have been allowed to lapse. However, the non-enforcement of RPO by State Regulatory Commissions has contributed to an increase in the inventory of unsold RECs, despite the fact that the REC inventory is a small fraction of the total RPO non-compliance. Unless this aspect is addressed, there would continue to be build up of REC inventory. There are specific orders by Appellate Tribunal, OP no 1,2 &4 of 2013, Appeal no. 258 of 2013 and 21 of 2014, for not allowing RPO carry forward without exploring option of compliance through RECs. However, State Regulatory Commissions routinely allow non-compliance or allow carry forward of unmet RPO.

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			Thus, a mechanism to review RPO compliance at central level is needed.
2.	**Clause 5.1** (iii) CERC will be required to have monitoring and the surveillance mechanism to ensure that there is no hording of the RECs and creation of artificial price rise in the REC market.	CERC may consider half-yearly fulfilment of RPO in order to ensure smooth cash flow and better quenching of the certificates. Similarly, in line with our comments on Clause 5.1 (i) above, certain Regulatory measures in terms of RPO monitoring mechanism can be introduced by CERC to guide the respective SERC's for enabling enhanced RPO compliance.	Half-yearly compliance of RPO by the obligated entities would mean further distribution of RECs in the market and it would prevent year end spikes in the REC prices. Such a regulation would be beneficial for both the project developers by ensuring smoother cash flows and to the obligated entities by preventing year end high prices.
3.	**Clause 5.2** The RE generator who are eligible for REC, will be eligible for issuance of RECs for 15 years from the date of commissioning of the projects.	It is suggested that RECs should be issued for the life of the RE project.	Renewable projects have a life of more than 25 years. Post 15th year the project does not lose its Renewable nature and hence the power generated have a RE attribute.

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	The existing RE project that are eligible for REC would continue to get RECs for 25 years.		In case RECs are not issued after 15th year, then it should be clarified that the power from RE project is allowed to be sold as RE power which is eligible to meet RPO of procurer.
4.	**Clause 5.3 (i)** Promotion of new and high-cost technologies in RE and the provision of multiplier for issuance of RECs	It is suggested that an alternative to REC multiplier may be thought of for promotion of new technologies.	It is agreed that new technologies need to be supported. However, providing REC multiplier may not be an appropriate methodology. REC multiplier as a concept may be reviewed against section 86 (1)(e) of the Electricity Act 2003. Section 86(1)(e) mandates obligated entities to procure renewable energy equivalent to a certain percentage of consumption. Thus, in case RECs are used as an instrument to meet this obligation, it is understood that there is 1:1 relationship between a REC and underlying electricity unit. By providing a multiplier, this relation is broken. For instance, the obligated entity may show compliance by showing "XC" RECs to meet its

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			obligation of procurement of 'X" MUs from Renewables, while the actual units of RE power equivalent of the RECs would be less than "X". The actual compliance of RPO in energy terms would have to be put in place and such mechanism would be complicated as different RECs procured by obligated entity would come with a different multiplier. It is thus suggested that new technologies may be supported through measures like viability gap funding, which can always be provided though competitive method or through subsidy support in the initial period. With such measures the technologies will have more probability of developing bankable projects rather than with RECs with multiplier.
5.	**Clause 5.3 (ii)** The concept of negative list and sunset clause may also be	The guiding rules and regulations for assigning multiplication factor, negative list	Proper elaboration of these factors will be helpful in guiding different RE developers to finalize on

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	considered for various technologies depending upon their maturity level.	and sunset clause assigned to different technologies of RE needs to be explained in sufficient detail.	the type of RE technology to be implemented. Further, it will provide a clear road map on how the different technologies would be treated in future.
6.	**Clause 5.3 (iv)** … the multiplier would also take care of vintage depending on the date of commissioning of the project.	The mechanism for vintage multiplier needs to be detailed.	A mechanism for technology multiplier has been indicated however mechanism for vintage multiplier has not been discussed in the Paper. Currently, many litigations are pending in various courts due to the lack of a robust mechanism in place to calculate Floor & Forbearance price and Vintage multiplier. To calculate the vintage multiplier CERC needs to determine the levelized generic tariff for REC eligible technologies every year including for matured technologies such as solar & wind and not to adopt the Tariff discovered under the competitive bidding of utility scale projects supplying power under long term PPAs with

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			sovereign entities. CERC has stopped issuing generic tariffs for Wind and Solar projects.
7.	**Clause 5.4** Incentivising Obligated Entities for procurement of RE Power beyond RPO Option 2: RECs can be issued to the obligated entities which purchase RE Power beyond their RPO compliance, similar to the provisions for the existing DISCOMs. This will incentivise the Obligated Entities to not only achieve RPO but also go beyond the RPO level. This would	RECs should be issued not only to DISCOMs but to all obligated entities. With the maturity in storage-based solutions industry is expected to use more of non-intermittent RE power and balance the grid operations too. As such a forward-looking approach with REC issuance to all obligated entities be preferred. We support Option 2 wherein all obligated entities shall be incentivized for procurement of RE power beyond RPO as this will help to promote the REC market. Further, it is suggested that the issuance of RECs beyond RPO compliance for any	The implementation of clause 5.4 (2) option 2 would ensure parity among all obligated entities. This will also promote REC liquidity in the market, which is a major concern at present.

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	facilitate and promote REC market as well.	particular year should also be made eligible for REC trading and RPO compliance for future years in case of any deficiency.	
8.	**Clause 5.5** No REC to be issued to the beneficiary of the concessional charges or waiver of any other charges..	Current REC regulation of CERC "Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation Regulation 2010" (vide first and fourth amendments) and REC regulations of SERCs already have a clause which recognises an entity as eligible to get registered under REC mechanism only if such generator "has not availed or does not propose to avail any benefit in the form of concessional/promotional transmission or wheeling charges and/or banking facility benefit"	

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9.	**Clause 5.6** The role of trader can be enhanced in the REC trading which will bring in two key advantages i.e. it will give long-term visibility to the buyers of the REC and they can easily fulfil the RPO. Further, the small buyers can bank on the traders for buying REC as an ease of purchase. This will ensure even the small buyers who finds difficulty in trading in REC market will be able to fulfil his RPO. Trade in REC will be in addition to trade in Power Exchange. Also CERC will have oversight over traders to prevent any abuse of market power.	Apart from allowing traders to transact RECs, bilateral transaction between sellers and buyers should also be allowed.	For a perfectly competitive market it is imperative not to allow any exclusive rights to a particular set of market players. Therefore, market should be kept wide open to all kind of market players/transactions without any protectionism.

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10.	**Suggestions on introduction of investment friendly policies for REC mechanism in order to increase bankability of REC projects:**	The main reason for low investments in projects under REC mechanism is attributable to the lukewarm response of the financial institutions to provide loans (due to uncertainty of steady source of cash flows). Therefore, a specific policy focus is required to make such projects more bankable. a) Due to fall in solar tariffs, Discoms are no more willing to enter into PPAs under non-preferential tariff mechanism (@ APPC). Therefore, a new concrete PPA mechanism needs to be thought through. SECI may be roped in to tie up power from such projects to guarantee long term source of cash flows. b) Exclusive mandate to the banks/NBFCs to sanction loans for REC projects c) Incentivsing DISCOMs to buy power from projects developed under REC mechanism. Power intensive industries such as aluminium smelting requires continuous power to energize its electrolysis process. Due to intermittent nature of RE power; Consumption of RE power on RTC basis is not at all possible. During the lean RE generation periods power balancing needs to be done by way of procuring conventional power from sources such as Power Exchanges/ DSM etc.	

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		However, levy of CSS/other charges would make manufacturing unviable. Further there has to be a specific relaxation in DSM provisions to overdraw power without attracting any penalty. This is proving a big hurdle to adopt RE sources by the industries. The above would encourage new manufacturing units to source power from Renewable technologies and therefore would limit establishment of new fossil fuel based captive power plants. There are number of consumers who would like to procure renewable power however can not do so since actual power procurement requires open access, payment of open access charges, and also a long term contract at least for 3-5 years. Such entities can easily procure RECs from exchange equivalent to their power consumption and consider themselves as consuming only renewable power with going through the power procurement process.	

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		Keeping in view the price parity achieved in recent years between solar and non-solar RE sources (except for waste to energy), the solar and non-solar RPO targets should be allowed to be met irrespective of the RE source.	
	1. Incentivize power off take from projects developed under REC mechanism through inclusion of some special mandate		

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	2. In order to promote RE Power /RECs projects it is suggested that if any industrial power consumers / obligated entities procure RE power more than 50 % of its total power requirement shall be exempted from paying Cross subsidy surcharges/additional surcharges for the balance 49% power requirement sourced from other sources like Power Exchanges, DSM etc. for the purpose of power balancing		
	3. Purchase of RECs on voluntary basis for any entity may be allowed.		

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	4. Demarcation of solar and non-solar RPO/RECs should be removed		
11.	**Additional comment on improving ease of doing business through enhanced facilitation in the REC process**	Certain roadblocks in terms of excessive processing time for the issuance of RECs can be removed by enabling an online system for uploading various generation reports, data etc. All the payment link to the states and central agency for accreditation and registration can be incorporated in the REC registry portal itself. Similarly, provision can be made for the RE producers to file for REC in the portal on all days as against the present system of applying on 10th/ 20th or last day of month. Annexure 1 contains a list of suggested modifications to the existing process of REC accreditation and registration.	

Annexure-1 : Proposed changes to existing process of REC accreditation and registration to improve ease of doing business

Steps No.	Existing Process	Modification required
1	Monthly generation report received from SLDC	
2	Applying for REC Issuance in REC Portal maintained by POSOCO – on 10th or 20th or last day of month	Provision can be made for allowing applications on all days.
3	Download Injection report from portal based on REC Application.	
4	Apply for issuance of Monthly Energy Injection Report to SLDC – hard copy to be sent.	• SLDC can upload the MEIR on website, so that processing time can be reduced. • At present, Gujarat is uploading MEIR on their website. But in TN for example, hard copy is required.
5	Receipt MEIR in 7 – 10 days from SLDC	
6	Submit all documents hard copy to POSOCO (NLDC) – Covering letter, REC portal injection report, SLDC MEIR, Monthly generation report, Board resolution.	Provision can be made that RE generator can upload the document on REC portal & hard copy requirement can be removed.

<table>
<tr><td>7</td><td>POSOCO approves REC issuance application in 7-10 days & send mail for making payment towards REC issuance fees – INR 2 / REC</td><td rowspan="3">• POSOCO may include a wallet option in which RE generator will maintain the balance.
• Once REC issuance application is approved, payment will get deducted automatically from wallet & REC gets issued.
• This will reduce the process time.</td></tr>
<tr><td>8</td><td>Payment done via REC portal to POSOCO</td></tr>
<tr><td>9</td><td>POSOCO issue the REC in 3-5 days after receipt of payment.</td></tr>
<tr><td>10</td><td>Now the REC is issued on REC portal with a validity of 3 Years</td><td></td></tr>
<tr><td>11</td><td>On every last Wednesday of month, REC to be sold via Power trading team.</td><td></td></tr>
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