

RENEWABLE ENERGY CERTIFICATE (REC)

About REC

On the other hand there are States (like Rajasthan and Tamil Nadu) where there is very high potential of RE sources. In such States there are avenues for harnessing the RE potential beyond the RPO level fixed by the SERCs. However, the high cost of generation from RE sources discourages the local distribution licensees from purchasing RE generation beyond the RPO level mandated by the State Commission. The Electricity Act, 2003, the policies framed under the Act, as also the National Action Plan on Climate Change (NAPCC) provide for a roadmap for increasing the share of renewable in the total generation capacity in the country. However, Renewable Energy (RE) sources are not evenly spread across different parts of the country. On the one hand there are States (like Delhi) where the potential of RE sources is not that significant. This inhibits SERCs in these States from specifying higher Renewable Purchase Obligation (RPO). On the other hand there are States (like Rajasthan and Tamil Nadu) where there is very high potential of RE sources. In such States there are avenues for harnessing the RE potential beyond the RPO level fixed by the SERCs. However, the high cost of generation from RE sources discourages the local distribution licensees from purchasing RE generation beyond the RPO level mandated by the State Commission.

It is in this context that the concept of Renewable Energy Certificates (REC) assumes significance. This concept seeks to address the mismatch between availability of RE sources and the requirement of the obligated entities to meet their RPO. It is also expected to encourage the RE capacity addition in the States where there is potential for RE generation as the REC framework seeks to create a national level market for such generators to recover their

cost.

Central Electricity Regulatory Commission (CERC) has notified Regulation on Renewable Energy Certificate (REC) in fulfilment of its mandate to promote renewable sources of energy and development of market in electricity. The framework of REC is expected to give push to RE capacity addition in the country.

Salient Features of the REC Framework

- There will be a central level agency to be designated by the Central Commission for registration of RE generators participating in the scheme.
- The RE generators will have two options - either to sell the renewable energy at preferential tariff fixed by the concerned Electricity Regulatory Commission or to sell the electricity generation and environmental attributes associated with RE generation separately.
- On choosing the second option, the environmental attributes can be exchanged in the form of REC. Price of electricity component would be equivalent to weighted average power purchase cost of the distribution company including short-term power purchase but excluding renewable power purchase cost.
- The Central Agency will issue the REC to RE generators.
- The value of REC will be equivalent to 1 MWh of electricity injected into the grid from renewable energy sources.
- The REC will be exchanged only in the Power Exchanges approved by CERC within the band of a floor price and a forbearance (ceiling) price to be determined by CERC from time to time.
- The distribution companies, Open Access consumer, Captive Power Plants (CPPs) will have option of purchasing the REC to meet their Renewable Purchase Obligations (RPO). Pertinently, RPO is the obligation mandated by the State Electricity

Regulatory Commission (SERC) under the Act, to purchase minimum level of renewable energy out of the total consumption in the area of a distribution licensee.

- There will also be compliance auditors to ensure compliance of the requirement of the REC by the participants of the scheme.