

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

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

Coram:

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

Date of Order: 18th February, 2026

IN THE MATTER OF:

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

ORDER

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 issued a proposal on 22nd October, 2025 (https://cercind.gov.in/2025/whatsnew/Proposal_12-SM-2025.pdf) for the determination of the Buyout Price as one of the alternate compliance mechanisms to fulfil the Renewable Consumption Obligation.

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

4.1 consumption of renewable electricity, either directly or through an energy storage system;

4.2 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

4.3 Payment of **the buyout price specified by the Central Electricity Regulatory Commission.**

5. In this backdrop, the Commission proposed 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 the green energy in a 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) In line with 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.

6. 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 2024-25, 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

7. 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, the Commission proposed that the buyout price for FY 2024-2025 be fixed at Rs. 245/MWh, which is about 5% above the weighted average REC price for FY 2024-2025.

8. 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 also proposed the REC buyout price up to 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.



9. Accordingly, the Commission invited comments from 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 for that financial year. The last date for submitting comments/suggestions/objections was 21.11.2025.

10. In response, the Commission received comments from fifty-three (53) stakeholders. The list of stakeholders is attached as **Annexure-I** to this document. Subsequently, a Public Hearing on the proposal was conducted on 29.12.2025, via video conferencing. The list of stakeholders who presented at the Public Hearing is attached as Annexure II.

11. The Commission has considered the comments of stakeholders on the proposal as well as the views of participants in the Public Hearing. The Order has been finalised after due consideration of various issues raised by the Stakeholders. The analysis of the issues is discussed in the subsequent paragraphs.

12. It may be noted that all the suggestions given by the stakeholders have been considered, and the Commission has attempted to elaborate upon and respond to each suggestion as well as convey the Commission's decisions on each suggestion here. However, if any suggestion is not explicitly elaborated upon, 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. However, in some cases, due to overlapping issues/ comments, two or more clauses have been combined to minimise repetition.

13. The main issues submitted and raised during the public consultation process, along with the Commission's analysis and decisions on the issues, are given in the subsequent paragraphs.

A. Lack of Clear Hierarchy among Compliance Options

Comments Received



14. **MNRE, Tata Power and FAI** submitted that it has been mentioned in the proposal that only when either of the two options (RE consumption and REC purchase) is exhausted, the Designated Consumers should lean on the third option (buyout) for RCO Compliance. It has sought clarity on implementation and on ensuring that the buyout will be allowed only when the first two options are exhausted.

15. Stakeholders such as **IEX, HPX, PXIL, Apraava, Prayas, RIL, Manikaran, MPPCL and IITK-CER** suggested that the buyout price route should only be allowed if neither RE power nor RECs are available in the market during the period of compliance with RCO targets.

16. **Jindal India** commented that the proposal is silent about the hierarchy of alternatives and treats all three as equal choices, hence any of the obligated entities will tend to go for the third option, as it is the simplest and emancipates an obligated entity from the risk related to the development of the project.

17. **Hero Future Energy** suggested that a proper prudence check needs to be done, and the obligated entities must provide documented proof that they attempted compliance through: direct renewable procurement (including efforts to contract RE/ RE + storage) and/or REC purchase.

18. **RIL, Tata Power, RPG, Clickpower, Friends Group, Greenko, and Samvardhana** submitted that the Obligated Entities (OEs) should be required to submit documents, including participation in tenders, PPA negotiations, market purchases, or open access transactions and similar evidence of REC purchase attempts, such as time-stamped exchange bids, unmatched transactions, or market snapshots. These records should be submitted to NLDC/SLDC, along with a declaration, before opting for a buyout.

19. **Manikaran** submitted that the option may be provided in a grace period beyond the compliance timeline, whereby the Obligated/ Designated Entity, if availing the Buyout Price route, must submit a Declaration with a reason for exceeding the compliance period and adopting the Buyout Price route.

20. **Prayas Energy Group** submitted that the buy-out option should be available only to those DCs that demonstrate adequate RE capacity tied up in the form of signed PPAs (at the

time of RCO compliance checking/auditing) for the requisite RE demand (with RCO of 33.01% and 35.95 %) for the year FY 26 and FY 27, respectively.

21. **FAI and Yara Fertilizer** have sought clarification about the (1) limit for buyout price number, (2) platform through which it will be purchased/opted, (3) availability of separate window for compliance through the buyout price mechanism (4) additional timeline be announced or allotted after 31st March 2026 to enable RCO compliance for FY 2024-25 through the Buyout Price option (5) whether obligated entity may exercise buyout price mechanism together with REC purchase mechanism for RCO compliance (6) methodology for the compliance with depositing the buyout price amount into the central energy conservation fund and (7) whether the Buyout Price is subject to GST.

22. **Torrent Power** submitted that there shall be no mandate to fulfil the shortfall through buyout price, particularly in cases where there is a shortfall in contractual RE capacities due to force majeure or other uncontrollable reasons.

23. **Chambal Fertiliser, FAI submitted that the condition requiring prior exhaustion of REC purchases before buyout be excluded for the fertiliser** sector. The fertiliser sector operates in a regulated, cost-controlled environment governed by the Government of India's pricing policies.

24. **CEESC**, in contrast, submitted that the Original MoP notification does not prescribe any hierarchy or prioritisation among these options. However, the proposal conveys a conflicting impression of it (buy-out price mechanism) being a fallback option, should be treated as a last resort, to be exercised only when the other two options are exhausted. The final order may kindly clarify that all three mechanisms are exercisable on a non-hierarchical basis.

Analysis and Decision

25. Some Stakeholders suggested that the proposal does not clearly specify the hierarchy among the available options for fulfilment of RCO, nor does it clarify the manner in which exhaustion of the first two options, i.e., renewable energy consumption and REC purchase, is to be assessed. On the other hand, Discoms have contended that the Ministry of Power's notification does not prescribe any prioritisation among the three mechanisms, and therefore, all three options for RCO compliance should be treated as non-hierarchical.



26. The Ministry of Power, vide notification dated 27th September, 2025 (published in Part II, Section 3, No. 4301 of the Gazette of India (Extraordinary)), 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 provides three alternative mechanisms for fulfilling the specified Renewable Consumption Obligation (RCO), one of which is payment of the Buyout Price as determined by the Central Electricity Regulatory Commission. In pursuance of the said notification, the Commission has specified the Buyout Price under the present Order. It is clarified that the Commission does not intend to create any hierarchy of choices, nor does it have the mandate to do so. The Commission has a limited role in specifying the Buyout price as an alternative compliance mechanism to fulfil the Renewable Consumption Obligation (RCO) under the MoP notification. As such, the issues raised in this context are outside the scope of this proposal.

B. Framework for Buyout Procedure, Publication of Buyout Price:

Comments Received

27. **Chambal Fertilisers, FAI, and Yara Fertiliser** sought a clear procedural framework in the Order for the buyout mechanism covering declaration of intent, verification, payment, certification, and periodic reporting, standardised formats, independent verification, and penalties for misreporting.

28. **NEEPCO** suggested that a validation mechanism be established for mandatory proof of attempts under the first two routes (RE procurement + RECs).

29. **Hero Future Energies** suggested that the Commission should introduce a comprehensive oversight framework that includes: Annual audits of RCO compliance conducted by NLDC or an independent agency, Quarterly reporting by obligated entities detailing their procurement attempts, REC purchase records, and justification for invoking buyout, Standardised reporting formats to ensure uniformity and ease of verification, Independent verification provisions and Penalties for misreporting or false declarations, aligned with the Energy Conservation Act.

30. **Energy Edge** suggested that NLDC may publish Quarterly Weighted Average REC Prices + GDAM Vs DAM green premium signals instead of annually.
31. **Yara Fertiliser suggested that CERC** publish the monthly or quarterly weighted average cost.
32. **Tata Power** suggested that SERCs shall mandatorily adopt the buy-out mechanism, and if the same is exercised by the DISCOM, the buy-out price shall be passed on in the tariff.
33. **HPX** submitted that it supports the proposal for NLDC to publish the annual weighted average REC price. To ensure uniformity and transparency, it suggested that NLDC should undertake this exercise in consultation with all power exchanges and trading licensees. Further, the Commission, in collaboration with the Bureau of Energy Efficiency and State Nodal Agencies, conduct awareness and capacity-building programs for obligated entities on market-based compliance through exchanges.
34. **RENEW** recommended a single, unified obligation, centrally coordinated (trajectory, registry, accounting rules) and state-implemented verification and enforcement. A single registry and a clear legal hierarchy will reduce duplication, harmonise compliance pathways (RE procurement, RECs, VPPAs, storage), and align India's renewable and carbon markets under a single credible compliance regime.

Analysis and Decision

35. The Commission noted the submissions of stakeholders to seek a clear procedural framework in the final order for implementation of the Buyout Price Mechanism. The Commission is of the view that this matter falls outside the scope of the present proposal, given the Commission's limited role under the RCO compliance framework. Further, regarding suggestions to publish weighted average REC prices, the Commission has decided to specify the Buyout Price upfront for the period from FY 2024-25 to FY 2029-30 to provide greater certainty. In view of the upfront determination of the Buyout Price for the said period, the requirement for NLDC to publish the weighted average REC prices annually for this purpose would not arise.

C. Concerns Regarding Collection and Utilisation of Buyout Funds



36. **CESC** submitted that the funds may be earmarked for promotion of distributed renewable energy and storage projects within States, while Chambal Fertiliser, FAI suggested the funds be used to support energy-intensive industries such as fertilisers, and Hero suggested that the funds be partly utilised to reduce transmission charges for renewable energy evacuation infrastructure.

37. **NSEFI** submitted Governance committee or board be formally instituted to oversee the administration and disbursement of the buy-out proceeds. At least 60% of annual receipts should be mandatorily committed within 24 months to invest in renewable energy projects.

38. **PCKL** submitted that some States will neither purchase RE power directly nor buy RE Certificates. Instead, they will pay the Buyout Price to the Central Energy Conservation Fund. Of this amount, 75% is later credited back to those same States by the Fund. As a result, such State DISCOMs incur no real financial loss despite failing to meet their RCO obligations. Therefore, proposed to revise the clause so that the Buyout amount credited to the Central Energy Conservation Fund is transferred to the States holding RE Certificates. Correspondingly, the RE Certificates of such DISCOMs/States will be redeemed.

Analysis and Decision

39. The Commission noted the suggestions made by stakeholders regarding the utilisation of funds collected through the Buyout mechanism. However, the issues raised in this regard are beyond the scope of the present Order.

D. Determination of Buyout Price and other modalities

Comments Received

Risks Associated with the Buyout Price

40. Stakeholders such as **ABC, Adani, Manikaran, Apraava** submitted that the proposed Buyout Price is materially lower than the cost of procuring renewable electricity or storage-backed supply. Obligated entities (OEs), particularly DISCOMs, may find the Buyout option more financially convenient in the short term. This could discourage them from entering into

long-term renewable procurement arrangements, which are essential for sustained capacity addition.

41. **Stakeholders such as Apraava, Grid India, HSEBL, MNRE, RIL, Axis, RIL** submitted that fixing the buyout price at 105% of the weighted-average REC price introduces a soft upper bound on REC prices. When market prices approach this level, obligated entities may rationally switch to the cheaper buyout option. This creates a self-reinforcing feedback loop of Lower demand → lower REC clearing price, Lower REC price → lower future buyout price, Lower buyout price → greater preference for buyout, further decline in demand → further suppression of REC price

42. **Friends Group, Somani, and NEEPCO highlighted that a** low buyout price deters buyers from entering into Virtual Power Purchase Agreements (VPPAs), since the regulatory fallback option is cheaper and risk-free.

43. **Grid India** submitted that the Buy-out should be calibrated to balance two needs: (i) keep Buy-out a last resort that does not undercut REC demand, and (ii) avoid excessive compliance costs that destabilise DISCOM finances. Grid India also noted that, following the removal of the floor price under the REC Regulations 2022, prices initially remained around Rs. 1,000 (the earlier floor) due to a High Court order restricting the trading of older inventory. When the stay was removed and the inventory was released into the market, it took a few months to reprice. REC prices declined from Rs. 1,000 to Rs. 118, bottomed out, and then increased thereafter. Such regulatory changes affect REC price discovery, and the adjustment can take about a quarter or two.

44. **IEX** submitted that the proposed buyout price would result in a lower price than the market price in several instances. Entities that purchased RECs at high market prices well within the compliance period are eventually penalised on a post-facto basis, since non-complying entities can comply at a relatively low price. This will ultimately alter the behaviour of complying entities, forcing them to exit the market. IEX also submitted that with the proposed buyout price, there will be a de facto price cap/floor in the market. It vitiates the Commission's objective of removing the price floor and forbearance in the regulations.

45. **Yara Fertilizer** submitted that the proposed premium of 5% over and above the traded price of RECs may be reconsidered or softened, as it would impose an additional financial burden on the fertiliser sector.

46. **IWPA** suggested implementing robust monitoring and enforcement mechanisms to ensure OEs comply with the RPO/RCO target and address issues with the APPC PPA mechanism, ensuring fair prices for RE generators. Suggested to avoid introducing new mechanisms that may confuse OEs and hinder RE growth. IWPA also highlighted that it has already challenged the CERC REC Regulations, 2022, before the Delhi High Court in W.P. (C) No. 15477 of 2022.

47. **MPPCL** highlighted that if REC supply tightens in future years as RCO targets rise, reliance on REC price as a benchmark could inflate buy-out price sharply. The buyout price directly affects Discom's compliance costs. Any significant upward increase may result in higher retail tariffs for consumers.

48. **PXIL** submitted that the mechanism to determine Buyout Price should be such that it does not distort market participant behaviour by foregoing existing options of purchasing green energy and/or RECs in different contracts offered in power exchange platforms.

49. **BEPL** highlighted that the CERC fixed the REC price for Mini Hydel projects at Rs. 1,000 per certificate. The matter went to the Supreme Court, which upheld this price. Due to prolonged court litigation, many RECs remained unsold, increasing supply and reducing demand. The Commission later fixed a price of Rs. 245/REC. Changing or reducing the price now would violate Supreme Court orders, undermine project viability, and conflict with government objectives.

50. **NSEFI** highlighted that the existing mechanism for fulfilment of RCO Obligations is sufficient, and the Buy Out Price should not be introduced.

51. **SA Power** submitted that rather than adopting a weak buyout price that promotes fossil fuels through cheap compliance, the policy framework must be realigned towards aggressively supporting pumped storage and hydro power with firm incentives, capacity mechanisms, and streamlined clearances. The proposed buyout price mechanism is counterproductive and poses a real risk of stalling India's climate goals.

52. **Ministry of Power (MoP)** suggested that the buyout price should be determined by taking the weighted average REC price of the preceding 12-months as a more realistic reference. A 5% annual increase in this price may be considered for future years to provide regulatory certainty to the stakeholders.
53. **MNRE** suggested that the buyout price should be determined using the prevailing REC price and the cost of RE integration avoided by the obligated entity when using conventional power instead of mandated RE power.
54. Stakeholders such as **ABC India, IPCL, and Venas** highlighted that the calculation should be based on the year-to-date (YTD) FY 26 average REC price, not the FY 25 average.
55. **CPDL** suggested that the Buyout Price for FY 2024-25 be fixed at 20% above the latest average REC price discovered in the market.
56. **CleanMax and DiSPA** submitted that the buyout tariff must be higher (2 to 3 times) than the REC forbearance price, even if capped at 105%.
57. Stakeholders such as **ABC India, Venas, IPCL, Samvardhana, Hero, Juniper, Semcorp and NHPC** submitted that a 10% to 25% premium provides a more robust and effective deterrent.
58. **Hero Future** submitted that the Commission should also consider adopting a minimum floor price, calibrated to long-term REC price trends and actual renewable procurement costs.
59. **Sembcorp** recommended that, to further encourage RE capacity addition, it may be specified that the option of using the buyout price to meet the obligation cannot be utilised for two consecutive years.
60. **NHPC** suggested that to ensure compliance, the rate of buyout should be kept at least 25% higher than the REC price for that particular period. The buyout price may be technology-differentiated or indexed to the latest REC price or the last average market price, or, at a minimum, set at a level that ensures renewable procurement and REC trading remain the primary modes of RCO compliance.

61. **Apraava** suggested that the buyout price should not be less than 120% of the highest REC price discovered during the financial year, ensuring that buyout remains a deterrent and not an incentive. This approach is also consistent with the Draft Electricity (Amendment) Bill, 2025, which proposes penalties of ₹0.35–0.45/kWh for non-compliance.
62. **Axis** suggested that the buyout price should be at least **150% to 200%** of the highest market price of REC discovered during that financial year.
63. **HPSEBL** submitted that the FY 2024- 25 should not be fixed lower than the current REC price of Rs. 370 to avoid a certain fall in the REC Market. For future years, the Buyout Price be set at a premium of 5 per cent over the weighted average of the highest REC prices cleared across power exchanges and trading licensees during the concerned year
64. **ABC India and IPCL** submitted that the buyout price should be linked to the REC market price and should include a premium over the REC price to incentivise direct compliance.
65. **Clickpower, Friends Group, NEEPCO and Somani** recommended the Buyout Price to be 1.5 times the maximum of (Average REC Price, Average GDAM Green Premium).
66. Stakeholders such as **Clickpower, Friends Group, Greenko, and NEEPCO** suggested that the Buyout Price should remain below the penalty rate (₹3.72/unit) but above REC prices.
67. **CESC** suggested that the buyout price may be set at 5% above the three-year moving average REC price on a sliding basis. Also suggested that a cap may be placed on the buyout price; it may be fixed at 5 paise/kWh below the penal rate specified in the draft Amendment Bill.
68. **NSEFI and Somani** submitted that the buy-out price should be more than the weighted average cost of RE during the previous FY or statutory penalty rate, i.e. Rs. 3.72/Unit as derived from Section 26 (3) of the Energy Conservation Act, 2001, whichever is higher.
69. **EnergyEdge** submitted that the Buyout Price should be 105% of REC Price + Premium Factor{F} Where: Premium Factor{F} = (Annual Average GDAM MCP – Annual Average

DAM MCP), and also suggested a Benchmark Floor such that Buyout Price \geq REC Weighted Average Price + Factor contributing differences in GDAM & DAM Price + Penalty

70. **NAME** submitted that the Buyout Price should be calculated as (the weighted average of the green electricity prices of the Collective and Bilateral market * Multiplication Factor) where the Multiplication Factor is defined as (105 + shortfall percentage of RCO of the respective entity).

71. **Greenko** suggested considering the average premium for green power in GDAM (Rs. 0.49/unit) as compared to the Day Ahead Market (DAM). It is suggested that the buyout price can be 1.5 times the average REC price for the year.

72. **JSW** submitted that the landed cost for fulfilment of RCO obligations through the purchase of RECs is Rs. 277/REC (after including GST on the clearance price and Power Exchange Fee), while paying the Buyout Price costs only about Rs. 244/REC. For obligated entities, the landed cost of fulfilling the RCO by paying the Buyout Price is lower than that of purchasing RECs. Consequently, this mechanism may disincentivise the purchase of RECs on power exchanges, reducing REC demand and further lowering REC prices.

73. **Adani** recommended that since the buyout price serves as a penalty provision, it should be linked to at least 1.25x–1.5x of the corresponding applicable transmission charges from time to time, or buyout price should be as higher of 150% of REC prices or 50% of penalty computed as per ECA or should be linked to such carbon price of Rs 5.5/kWh to align with environmental costs.

74. **RPG** suggested raising the premium for the calculation of the Buyout Price significantly higher to ensure trading of RECs remains the preferred choice for compliance with RCO.

75. **RENEW** submitted that the buyout floor price should be a maximum of {200% of the Simple Average REC Price of the current FY, Or, 50% of the previous year's annual average Green Day Ahead Market (GDAM) prices, Or, 30 % of the Implicit Carbon Price}.

76. **Grid India, CESC and Vedanta Ltd.** submitted that the buyout price should be based solely on the REC prices discovered through Power Exchange transactions. Prices from trades

executed by traders should be excluded, as they are based on bilateral agreements and do not reflect true market prices.

77. **Manikaran** suggested publishing separate weighted averages for: PX and Bilateral trades. Buyout may be linked to the higher of the two, ensuring deterrence remains intact. It has also been suggested that a buyout cap (the maximum percentage of RCO that can be met through buyouts in a year) be considered. If at all the Buyout Price is required to be enforced, then either to increase the buyout premium to 20-25%, aligned with RPO penalty precedent OR it should be a variable price with 10% escalation from the market-clearing price discovered in the last REC trading session of the compliance year i.e., last session in the month of March in the Power Exchanges.

78. **Stakeholders like Clickpower, Friends Group, Greenko, Somani and NEEPCO** suggested limiting buyout fulfilment to a maximum of 20%-25% of the total RCO.

79. **Nilmadhab Dev (Individual)** suggested considering differential prices with respect to equivalent REC rather than a flat rate.

80. **RIL** submitted that the buyout premium should be substantially higher than 5%, and may follow a graduated structure such as: a) Base premium for first-time shortfall, b) Higher premium for second consecutive shortfall, c) Significantly higher premium for recurring non-compliance. The premium rate should increase gradually each financial year, making Buyout progressively less attractive and encouraging early investment in renewable procurement strategies.

81. **Prayas Energy Group** recommended setting the buy-out price as the higher of 35p/kWh or 110% of the weighted average REC price for FY 24-25. The minimum buy-out price should increase by 10p/kWh each year to clearly signal to DCs that the preferred option for RPO compliance is to set up RE capacity. Thus, the minimum buy-out price for FY 26 would be 45p/kWh, and for FY 27, 55p/kWh.

82. **CER-IITK** suggested that the buyout price should include a carrying cost beyond the REC benchmark and should be linked to an appropriate financial benchmark, such as the SBI MCLR plus 100 basis points, appropriately reflecting the carrying cost and thus providing a correct signal for compliance.

83. **KERC** submitted that the initial buyout price shall be based on an administrated price (rather than based on average market price) and linked/indexed to the price index (CPI or WPI) every year so that the price trend of REC is predictable and also helps to sustain the REC price.

84. **HPX** submitted to set at a premium of at least equivalent or more than 200% from the weighted average REC price of a particular year.

85. **IEX** submitted that the price should always be at a premium (150%) to the highest REC trade price in the financial year.

86. **PXIL** suggested the price should be the highest market-clearing price discovered in different auction sessions of the REC Contract and/or the bilateral trades executed by trading licensees, along with applicable GST, followed by 20% mark-up.

87. **Grid India** suggested to consider only the highest value of Weighted Volume Average price of a session and then using 105% of the same to calculate the buyout price, or the top three values of Weighted average price of exchanges can be considered for calculation of buyout price, or use 105% of the average REC price from three quarters, excluding the lowest-priced quarter would be used to calculate the Buyout Price.

88. Chambal Fertilizer suggested that a lower or phased premium (2–3% initially) be considered to facilitate a smooth transition during the initial implementation years.

89. **FAI** submitted that the buyout price for FY 2024-25 should be considered as Rs. 232.84/MWH only instead of considering 5% hike, i.e. Rs 245/MWH. Over and above any hidden charges (if any) such as registration charges, platform usage charges, Transaction charges, Applicable Taxes. etc., should be specified to determine the delivered cost buyout price for RCO compliance.

90. **SECI** submitted that the buyout price may be kept as Rs 3/kWh to 4/kWh or the weighted average RE power purchase cost of respective states.

91. **PCKL** submitted buyout option be capped. The Buy-out option should be restricted to not more than 10% of the residual obligation. The buyout price should be based on the average Renewable Energy Certificate (REC) market price from the previous year because REC

prices reflect the real market value of green energy. Using this average ensures that the buyout price stays realistic and fair. To make buyouts less attractive than compliance, a 1.5% penalty is added to the REC-based price.

92. **Torrent Power** requested to consider Buyout price @ Rs 0.15 per Unit or average REC Rate for last Financial Year, whichever is lower.

93. **MPPCL** submitted to introduce a cap on year-to-year price variation in buyout prices in the interest of end consumers. Suggested that the premium could be set between 1-1.5%, with the Commission giving its appropriateness after every financial year, based on the REC market performance.

Compliance Timing Issues

94. Stakeholders such as **Clickpower, Friends Group Company, Greenko, Somani, and NEEPCO** suggested that the buyout price should be determined only after the close of the compliance period, reflecting the weighted-average REC and GDAM prices across the entire window.

95. **KERC** submitted that the present methodology of determining the buyout price ex-post (i.e., after the financial year is over) may not achieve the objective of considering the buy-out price as an alternative mode for meeting RCO.

96. **MPPCL** submitted that the requirement for NLDC to publish the REC weighted average price by 30 April may pose operational challenges due to reconciliation issues from the previous financial year. Any delay will create uncertainty for obligated entities preparing compliance strategies in April-June.

97. **IITK-CER** submitted that the existing approach of compliance timeline may be adopted for the compliance year 2024-25. Beyond that, for the compliance year 2025-26 onwards, purchases of RECs within a compliance year should be accounted for only in that compliance year. The buyout price, linked to the REC price in the compliance year, would then provide an appropriate price signal for effective compliance.

Sunset Clause

98. **Hero Future Energy** submitted that the regulation should explicitly state that the buyout mechanism is intended as a temporary and transitional tool, subject to annual review. Additionally, a clearly defined Sunset Clause should be introduced in the proposal.

99. **Prayas Energy Group** submitted that the buyout mechanism should have a pre-defined sunset clause or 2-3 years after which the framework could be reworked (if still relevant and needed) based on the ensuing sectoral developments.

Analysis and Decision

100. Some Stakeholders submitted that the existing mechanisms for fulfilling RCO obligations are adequate and therefore that the introduction of a Buyout mechanism is unwarranted. Some Stakeholders contended that setting the Buyout Price below the cost of procuring renewable energy would discourage long-term renewable power procurement and weaken investment signals for RE generators. Furthermore, a low Buyout Price may serve as an implicit upper cap on REC prices, leading obligated entities to prefer the Buyout option over REC procurement. Stakeholders also submitted a wide range of recommendations for determination of the Buyout Price for FY 2024-25, suggested linkage with prevailing or highest/weighted average REC prices with a premium in the range of 10–25% or based on the weighted average REC price of the preceding 12 months with a suitable escalation factor of around 5%, or alignment with the green market price, or factoring the Power Exchange fee, including GST on the REC price. etc. Stakeholders have also raised concerns that the Buyout Price should be determined only after the close of the compliance period to reflect actual market conditions. On the other hand, certain stakeholders have suggested that the proposed premium of 5% or more over the traded REC price may be reconsidered, as it could impose an additional financial burden, particularly on sectors such as fertilisers. DISCOMs have further submitted that the Buyout Price directly affects their compliance costs, and a higher Buyout Price could ultimately increase retail tariffs for consumers.

101. The Commission, after careful consideration of the submissions from various stakeholders, is of the view that the Buyout Price should be set to strike an appropriate balance that ensures effective compliance with RCO and safeguards the long-term growth of the renewable energy sector. We agree with Grid India's suggestion that the buyout price should be calibrated to ensure the buyout mechanism remains a measure of last resort while avoiding excessive compliance costs that could adversely affect DISCOMs' financial position.

102. Several stakeholders submitted that the recommended Buyout price for FY 2024-25 is low and does not adequately reflect the prevailing conditions. The Commission has considered stakeholders' suggestions and noted that REC prices have increased in recent months. The Commission has also examined the weighted average REC price for determining the buyout price, as this approach ensures the buyout price remains aligned with prevailing market dynamics, reflects actual price discovery in the REC market, and reflects the sentiments of REC buyers. Therefore, the Commission has considered the market-linked and transparent approach by taking the weighted average REC price observed across the three power exchanges, namely Indian Energy Exchange (IEX), Power Exchange India Limited (PXIL), and Hindustan Power Exchange (HPX), as well as by the Traders for the latest available 12-month period from December 2024 to November 2025 to determine the Buyout Price for FY 2024-25 as well as FY 2025-26.

103. The details of the weighted average REC Price from December 2024 to November 2025, as per the Market Monthly Monitoring Reports, are as follows:

	IEX	PXIL	HPX	Bilateral through Traders	Weighted Average of REC Price including PXs and Traders (₹/MWh)
Months	Weighted Average Price (₹/MWh)				
Dec-24	282	281	290	265	281.09
Jan-25	330	328	350	328	329.69
Feb-25	350	350	349	344	348.32
Mar-25	347	347	347	346	346.87
Apr-25	346	350	305	317	345.34
May-25	345	346	349	369	347.67
Jun-25	359	350	357	342	351.71
Jul-25	360	358	359	302	334.11
Aug-25	360	360	360	353	359.48
Sep-25	368	367	369	355	364.82
Oct-25	370	370	370	404	383.38
Nov-25	367	369	370	368	368.39

104. The average price for the period December 2024 to November 2025 is **₹346.74/MWh**. As such, the Buyout Price for FY 2024-25 and FY 2025-26 is determined to be **₹347/MWh**



(by rounding off from ₹346.74). Further, the buyout price for the financial years from FY 2026-27 to FY 2029-30 shall be escalated annually by 5% over the preceding year's buyout price. A 5% annual increase is applied in future years to provide regulatory certainty for stakeholders.

105. Accordingly, the Commission determines that the Buyout Price for FY 2024-25 till FY 2029-30 as follows:

FY	Weighted Average of REC Price including PXs and Traders (₹/MWh)
2024-25	347
2025-26	347
2026-27	364
2027-28	382
2028-29	401
2029-30	421

106. With regard to the suggestions to introduce a sunset clause, the Commission is of the view that the buyout price is intended to provide a transitional compliance option. The Commission is of the view that the buyout prices determined above shall remain in force up to FY 2029-30, unless they are reviewed by the Commission.

107. Petition No. 12/SM/2025 is disposed of in terms of the above directions.

Sd/-	Sd/-	Sd/-	Sd/-
Ravinder Singh Dhillon	Harish Dudani	Ramesh Babu. V	Jishnu Barua
Member	Member	Member	Chairperson



List of the Stakeholders who commented on the proposal for “Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)”

Name of Stakeholders

1. ABC Cleantech Pvt Ltd
2. AGEL Adani Green Energy Ltd
3. Apraava Energy
4. Aryan-Renewable Energy Pvt Ltd
5. Axis Energy Ventures India Pvt Ltd
6. BEPL Balaji Energy Pvt Ltd
7. CER-IIT-Kanpur
8. CESC
9. Chambal-Fertilizer-and-Chemicals
10. Chandigarh Power Distribution Ltd
11. Cleanmax Enviro Energy Solutions Pvt Ltd
12. Clickpower India Ltd
13. DiSPA Distributed Solar Power Association
14. Energy Edge
15. Fertiliser Association India
16. Friends Group Company Friends Impex
- 16A. Friends Group Company Friends Salt
- 16B. Friends Group Company Gautam Freight
- 16C. Friends Group Company Oswal Salt
- 16D. Friends Group Company Terapanth Foods
- 16E. Friends Group Company The Kutch Salt
17. Greenko
18. Grid-India
19. Hero Futures Energies Pvt Ltd
20. HPSEBL
21. HPX
22. IEX
23. India Power Corporation Ltd IPCL

24. IWPA
25. Jindal India RE JIREL
26. JSW Energy
27. Juniper-Green-Energy
28. KERC
29. Manikaran Pvt Ltd
30. Ministry of New and Renewables Energy (MNRE)
31. Ministry of Power
32. MPPMCL
33. NAME
34. NHPC
35. Nilmadhab Deb-Individual
36. NSEFI
37. PCKL
38. Prayas Energy-Group
39. PXIL
40. ReNew-Pvt-Ltd
41. RIL
42. RPG Power-Trading company
43. SA Power Companies
44. Samvardhana Motherson Ind Ltd
45. SECI
46. Sembcorp
47. Somani-Finance
48. Tata Power
49. Torrent Power Ltd
50. Vedanta Ltd Aluminium Power
51. Venas
52. Yara Fertilisers Pvt Ltd
53. NEEPCO



List of the Stakeholders who presented during Public Hearing on the proposal for “Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO)”

Name of Stakeholders

1. Hindustan Power Exchange Ltd
2. Power Exchange India Limited
3. National Solar Energy Federation of India
4. NHPC Ltd.
5. CleanMax Fusion Power LLP
6. Apraava Energy Private Limited
7. CESC Limited
8. Indian Energy Exchange Ltd.
9. Vedanta Limited
10. Manikaran Power Limited
11. Nayara Energy Ltd
12. Gujarat Urja Vikas Nigam Limited
13. New Age Markets in Energy Pvt.Ltd.
14. Greenko
15. Indian Wind Power Association
16. MP Power Management Company Limited
17. Adani Green Energy Ltd.
18. Ms. Vidisha Dube