



Modification in Renewable Energy Certificate Contract and modalities of REC Trading from December 2022

Dear Members,

1. The Hon'ble Central Electricity Regulatory Commission (CERC) issued Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 ("REC Regulations 2022") on 09th May 2022 which has been made effective by Hon'ble Commission from 05th December 2022. Accordingly, IEX has filed a Petition no. 375/MP/2022 before CERC for approval to align its REC contract with the REC Regulations 2022. Hon'ble Commission in its "Record of Proceedings" of hearing dated 15.12.2022 in the said Petition, with respect to REC trading session to be held on 28.12.2022 and onwards during the pendency of the petition, int-alia directed that:

"4. As to the prayer of the Petitioner for interim order in view of the next bidding session scheduled on 28.12.2022, the Commission directed as under:

.....

(d) On the issue of fungibility in RECs and pro-rata allocation of RECs based on source, the Commission noted that categorization of RECs has been dispensed with, on introduction of the concept of multiplier under REC Regulations, 2022. With due regard to the fact that different categories of RPOs still exist for the buyers, the Commission in its Statement of Reasons Order dated 11.06.2022 on REC Regulations, 2022 had stated that the Central Agency will be required to indicate origin of RE source while issuing REC certificates.

(e) Accordingly, the Commission directed that while the price discovery and matching methodology in the REC market on power exchanges shall continue to be based on double sided closed bid auction mechanism, pending and subject to final orders in this petition, the mechanism of pro rata allocation based on buyer's preference as proposed by the Petitioner may be followed by the Power Exchanges to allocate cleared RECs in the Power Exchanges among the buyers of RECs."

2. Accordingly, as per Hon'ble CERC's interim directions, Members are requested to note following modalities for the REC trading session at IEX platform from 28.12.2022 onwards till further communication:
 - a. Solar and Non-Solar REC contract will be De-activated for December 2022 Month Trading



and onwards. However, as per Regulation 19(2)(c) of REC Regulations 2022, existing REC contract for Non -Solar RECs issued prior to 01.04.2017 will remain available for the trading till further directions of the Hon'ble Supreme Court/Hon'ble Commission.

- b. A new contract named "REC" will be available for placing the Orders on IEX Platform for Buyer and Sellers. All participants will need to place their orders in new REC symbol "REC" for purchase or Sell Bids through existing MAT / TWS.
 - c. There will be no Floor and forbearance Price range applicable for REC Contract.
 - d. Bids accumulated in REC contract during the Trading session, will be matched and Price / Volume will be discovered as per existing matching methodology. A Bid Upload format is annexed at **Annexure A**.
 - e. Buyers will have option to give their preference quantities in SOLAR & NON-SOLAR type as per the format annexed at **Annexure B**. Preference should be sent through email at REC-Preference@iexindia.com before 13:00 hrs on REC Trading Day. In case the buyer has not given preference as per the above timelines then no preference will be considered for that buyer.
 - f. In case the cleared quantity in the auction is lesser than the bid quantity placed by a buyer then the allocation of Solar and Non-Solar RECs shall be based on the ratio of respective preference quantity provided by buyer.
 - g. In case the cumulative preference for a particular REC type is less than the cleared RECs in that type then the complete allocation will be made as per the preference. In case the preference for a particular REC type is more than cleared RECs in that type then pro-rata methodology will be followed for the allocation.
 - h. In case the buyer has not given any preference then allocation will be done based on whatever REC types is available after allocating it on preference basis.
 - i. Bifurcation of Allocated Quantity with respect to Source of Origin will mentioned in Buyer Certificate.
 - j. An illustration of allocation methodology is annexed as **Annexure-C**.
3. Further, the Hon'ble Delhi high Court vide its order dated 20.12.2022 in W.P.(C) 15477/2022 b/w INDIAN WIND POWER ASSOCIATION NORTHERN REGION COUNCIL vs UNION O INDIA & ORS. And W.P.(C) 16824/2022 & CM APPL 53244/2022 b/w INDIAN SUGAR MILLS ASSOCIATION vs UNION F INDIA & ORS., inter-alia held that the trading of RECs issued prior to 31.10.2022 shall be suspended. Relevant para of the said order dated 20.12.2022 is reproduced below:

"6. We are not inclined to stay the 2022 Regulations at this stage. However, as a pro-tem measure pending consideration of the petitioners request for an interim order, we consider it apposite that trading in the RECs issued prior to 31.10.2022 be suspended for a period of six weeks. It is so directed."



4. Accordingly, Members may note that till suspension of trading of RECs issued prior to 31.10.2022 in terms of the above order of Hon'ble Delhi High Court, RECs issued after 31.10.2022 shall be eligible for trading. Hence, Members are advised to place bids in the REC trading session to be held on 28.12.2022 only for the eligible RECs as per the said order of Hon'ble Delhi High Court. A copy of the said order dated 20.12.2022 of Hon'ble Delhi High Court is annexed as **Annexure- D**.

All members are requested to plan their bidding accordingly till further communication.

For any clarification you may contact: 0120-4648253/254.

**For and on behalf of
Indian Energy Exchange Limited**

**Amit Kumar
Senior Vice President
(Market Operations)**



Annexure – A

Bid upload Format

Member ID	User ID	Portfolio ID	Buy/Sell	Instrument	Symbol	Lot	Quantity	Price	Validity	Remark
N2DLOABC0000	ABC01	N2DLOABC0002	Sell	AUCREC	REC	RL	XXXXX	XXX	EOS	RM1
N2DLOABC0000	ABC01	N2DLOABC0003	Buy	AUCREC	REC	RL	XXXXX	XXX	EOS	RM1
N2DLOABC0000	ABC01	N2DLOABC0004	Buy	AUCREC	REC	RL	XXXXX	XXX	EOS	RM1

Annexure – B

Buyer Preference Format

Portfolio Code	Preference	
	Solar (certificates)	Non-Solar (certificates)
Portfolio 1		
Portfolio 2		
Portfolio 3		
Portfolio 4		
Portfolio 5		

(Note – In the above format, the count of Solar/Non-Solar Buy should be mentioned at the Portfolio Code level. If a Portfolio Code wants only Solar, then the Non-Solar Buy column will have value as either Blank or Zero. If a Portfolio Code wants both Solar and Non-Solar, then the respective count should be mentioned in the “Solar Buy” and in the “Non-Solar Buy” columns.)

Preference should be sent through email at REC-Preference@iexindia.com before 13:00 hrs on REC Trading Day.

Annexure - C

Example of Allocation:

Single Buyer	Buy Bid	Preference by Buyer		Total REC Cleared	Available REC Type		Final Allocation	
		Solar	Non-Solar		Solar	Non-Solar	Solar	Non-Solar
Case 1	1000	1000		800	500	300	500	300
Case 2	2000		2000	1500	500	1000	500	1000
case 3	2000	1200	800	1000	500	500	500	500
case 4	3000	NA	NA	2000	500	1500	500	1500

Multiple Buyers	Buy Bid	Buyer Preference		Total REC Cleared	Buyer Preference post Clearing		Available REC Type		Final Allocation	
		Solar	Non-Solar		Solar	Non-Solar	Solar	Non-Solar	Solar Allocation	Non-Solar Allocation
Buyer 1	1000	500	500	800	400	400	1000	1000	250	550
Buyer 2	2000	2000		1200	1200				750	450
	3000	2500	500	2000	1600	400			1000	1000

Allocation mechanism:

- (1) Total REC cleared is divided into the preferences based on their initial ratio. Buyer 1 cleared RECs is divided into preference of 400 Solar and 400 Non-Solar and Buyer 2 preference will be all Solar
- (2) As total Non-Solar RECs requirement is less than the available Non-Solar RECs the same will be allocated as it is. Buyer 1 will be allocated 400 Non-Solar RECs
- (3) As Solar RECs requirement is more than the available Solar RECs the allocation will be made on a pro-rata basis in the ratio of remaining available Solar and Non-Solar RECs i.e. 1000 Solar and 600 Non-Solar RECs. Buyer 1 requirement of Remaining 400 REC will be met by $400 * (1000/1600) = 250$ Solar Rec and 150 non-Solar, Hence Total 250 Solar and 550 Non Solar REC will be allocated. Similarly, allocation will be done for Buyer 2.



Annexure – D

Below mentioned is the copy of the said order dated 20.12.2022 of Hon'ble Delhi High Court

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- * **IN THE HIGH COURT OF DELHI AT NEW DELHI**
- + **W.P.(C) 15477/2022 & CM APPL 48145/2022**
- INDIAN WIND POWER ASSOCIATION NORTHERN REGION COUNCIL** Petitioner
- Through: Mr. Sajan Poovayya, Senior Advocate alongwith Mr. Venkatesh, Mr. Bharath Gangadharan, Mr. Nihal Bhardwaj, Ms. Raksha Aggarwal & Mr. Kartikay, Advocates
- Versus
- UNION OF INDIA & ORS.** Respondents
- Through: Mr. Apoorv Kurup, CGSC alongwith Mr. Yash Tandon, G.P. with Mr. Ojasva Pathak, Advocates for UOI/Respondent No. 1
Mr. Nikhil Nayyar, Senior Advocate alongwith Mr. TVS Raghavendra Sreyas & Mr. Divyanshu Rai, Advocates for Respondent No. 2
- + **W.P.(C) 16824/2022 & CM APPL 53244/2022**
- INDIAN SUGAR MILLS ASSOCIATION** Petitioner
- Through: Mr. Shri Venkatesh, Mr. Bharath Gangadharan, Mr Nihal Bharadwaj & Mr. Kartikay Trivedi, Advocates
- Versus
- UNION OF INDIA & ORS.** Respondents
- Through: Mr. Asheesh Jain, CGSC alongwith Mr. Keshav Mann, Mr. Gaurav Kumar & Mr. Vishal Kumar, Advocates for Respondent Nos. 1 & 5
Mr. Sethu Ramalingan, Advocate for Respondent No. 3
Mr. Gautam Narayan, ASC, for GNCTD.

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CORAM:

HON'BLE MR. JUSTICE VIBHU BAKHRU

HON'BLE MR. JUSTICE PURUSHAINDRA KUMAR KAURAV

ORDER

20.12.2022

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1. The present petitions are filed under Article 226 of the Constitution of India impugning the Central Electricity Regulatory Commission (Terms and Conditions for Renewal Energy Certificates for Renewable Energy Generation), Regulations, 2022, (hereafter the 2022 Regulations). The 2022 Regulations were published in the Gazette of India on 28.05.2022. By virtue of a notification dated 31.10.2022, the 2022 Regulations have come into force with effect from 05.12.2022.

2. The petitioners are, essentially, aggrieved by the removal of the floor price in respect of Renewal Energy Certificates (REC), which they have acquired pursuant to generation of energy from renewable sources.

3. The learned counsel appearing on behalf of the petitioners submits that in terms of the amendment to the earlier regulations (2010 Regulations), which came into effect from 01.04.2017, the floor price for REC was reduced from Rs.1500/- to Rs.1000/-. The same was subject matter of challenge before the Appellate Tribunal for Electricity, New Delhi, and thereafter before the Supreme Court in Civil Appeal No. 6083/2017.

4. By an order dated 14.07.2017, the Supreme Court had modified the earlier interim order and had directed the Obligated Entities purchasing the RECs to deposit the difference between the two floor prices (i.e. Rs.1000/- and Rs.1500/-). The said order was operative for RECs issued prior to

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01.04.2017. The learned counsel for the petitioners contends that the said date was fixed as the amendment of the 2010 Regulation, impugned before the Supreme Courtin was brought in force retrospectively from the said date.

5. The 2022 Regulations repeal the 2010 regulations. The 2022 Regulations, which are impugned in the present petitions, have removed the floor price altogether. In this context, learned counsel for the petitioners pray that the 2022 Regulations be stayed pending the consideration of the present petitions. It is contended that the members of the petitioners had engaged in generation of energy on the assurance that the RECs would have a minimum value and the 2022 Regulations, in effect, denude them of their vested rights.

6. We are not inclined to stay the 2022 Regulations at this stage. However, as a pro-tem measure pending consideration of the petitioners' request for an interim order, we consider it apposite that trading in the RECs issued prior to 31.10.2022 be suspended for a period of six weeks. It is so directed.

7. Let the counter affidavit be filed within a period of two weeks from today. Rejoinder, if any, be filed within a period of one week thereafter.

8. List for consideration on 31.01.2023.

VIBHU BAKHRU, J

PURUSHAINdra KUMAR KAURAV, J

DECEMBER 20, 2022

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