

## Frequently Asked Questions - Renewable Energy Certificates

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What is the objective of Renewable Energy Certificate (REC) mechanism?.....2	How long one REC would be valid? ..... 3
What is RPO?.....2	Which RE technologies are eligible for REC? ..... 3
Who could buy REC? Can REC be used to fulfil Renewable Purchase Obligation?.....2	Where RECs would be traded? ..... 3
Can RECs be purchased on voluntary basis? .....2	What are the operational parameters for Trading of RECs through Exchange? ..... 3
What is the denomination of each REC issued?.....2	What is the current price band of one REC? ..... 3
How many types of RECs are there? .....2	What is the trend of Prices of RECs and Volume of RECs traded on PXIL since the start of the REC scheme?..... 3
What are the salient features of REC .....2	What happens if Renewable Purchase Obligation is not met by the Obligated Entities? ..... 3
What would be the sources of revenue under REC mechanism? .....2	
Who is eligible for to get REC? .....2	
To whom REC would be issued? Whether Distribution licensee, Open Access consumer, Conventional captive power consumer are eligible for issuance of REC? .....3	

### What is the objective of Renewable Energy Certificate (REC) mechanism?

Renewable Energy Certificate (REC) mechanism is a market based instrument to promote renewable energy and facilitate compliance of renewable purchase obligations (RPO). It is aimed at addressing the mismatch between availability of RE resources in state and the requirement of the obligated entities to meet the renewable purchase obligation (RPO).

### What is RPO?

RPO refers to Renewable Purchase Obligation and is defined by the Central Electricity Regulatory Commission (CERC) as: "Renewable Purchase Obligation means the requirement specified by the State Commissions under clause (e) of subsection (1) of section 86 of the Act, for the obligated entity to purchase electricity from renewable energy sources."

The RPO is specified by a State Commission in terms of percentage of total annual electricity consumed by Obligated Entities. Being a mandate from State Commission, Obligated Entities would be required to either purchase electricity generated from Renewable energy sources or purchase REC in lieu of the same.

### Who could buy REC? Can REC be used to fulfil Renewable Purchase Obligation?

REC could be purchased by the obligated entities.

### Can RECs be purchased on voluntary basis?

Yes, REC could also be purchased by entities other than obligated entities on voluntary basis to demonstrate their inclination towards promoting green technologies. Tradability of RECs allows wider participation by NGOs, development agencies, Govt. Entities as well as the corporate sector that may purchase RECs as a part of their social corporate responsibility. It is a win-win proposition for RE generators and for entities that purchase RECs on voluntary basis.

### What is the denomination of each REC issued?

One Renewable Energy Certificate (REC) is treated as equivalent to 1 MWh.

### How many types of RECs are there?

There are two categories of RECs, viz., solar RECs and non-solar RECs.

- Solar certificates based on electricity generation from solar as renewable energy source
- Non-Solar certificates based on electricity generation from renewable energy sources other than solar

### What are the salient features of REC

Trading Platform	Power Exchanges only
Banking	Not Allowed
Borrowing	Not Allowed
Transfer Type	Single transfer only, repeated trade of the same certificate is not possible
Penalty for Non-compliance	'Forbearance' Price (Maximum Price)
Price Guarantee	Through 'Floor' Price (Minimum Price)
Price Discovery Mechanism	Closed Double-sided Auction*
Trading Calendar	Last Wednesday of the month (T day)
Trading Period	1300-1500 hrs (T day)
Market Clearing	1700 hrs(T day)
Financial Settlement	Buyers pay upfront (T day) and Sellers receive on (T+1 day)

### What would be the sources of revenue under REC mechanism?

Revenue for a RE generator under REC scheme includes revenue from the sale of electricity component of RE generation and the revenue from the sale of environmental attributes in the form of RECs.

### Who is eligible for to get REC?

A generating company engaged in generation of electricity from renewable energy sources shall be eligible for participation under REC scheme if it fulfills the following conditions:

- a. it does not have any power purchase agreement to sell electricity at a preferential tariff determined by the Appropriate Commission; and
- b. it sells the electricity generated either
- c. to the distribution licensee of the area in which the eligible entity is located, at a price not exceeding the

## Frequently Asked Questions - Renewable Energy Certificates

- pooled cost of power purchase of such distribution licensee, or
- d. to any other licensee or to an open access consumer at a mutually agreed price, or through power exchange at market determined price.

### To whom REC would be issued? Whether Distribution licensee, Open Access consumer, Conventional captive power consumer are eligible for issuance of REC?

REC would be issued to RE generators only.

### How long one REC would be valid?

The REC once issued shall remain valid for three hundred and sixty five days from the date of issuance of such Certificate.

### Which RE technologies are eligible for REC?

Grid connected RE Technologies approved by MNRE would be eligible under this scheme.

### Where RECs would be traded?

REC would be exchanged only in the CERC approved power exchanges.

### What are the operational parameters for Trading of RECs through Exchange?

CERC has mandated that only Power Exchanges approved by CERC can undertake trading of REC. The salient features of Trading of REC through Exchanges are as below:

1. Only a registered Member or Client of the Exchange can trade RECs
2. Trading would happen once in a month on the last Wednesday of each month
3. Trading of two categories of RECs viz. Solar and Non-Solar, would be undertaken on the power exchanges
4. Each category of REC would have maximum (Forbearance) and minimum (Floor) price prescribed by CERC
5. Exchanges to match trades subject to the number of RECs being bid for sale being confirmed by the Central Agency
6. All those Certificates that get matched would be extinguished by the Central Agency.

### What is the current price band of one REC?

ERC has determined floor price and forbearance price on 23rd Aug, 2011 applicable from, 2012 valid till FY 2016-17.

	Non solar REC ( ₹ / MWh)	Solar REC ( ₹ / MWh)
Forbearance Price	3,300	13,400
Floor Price	1,500	9,300

### What is the trend of Prices of RECs and Volume of RECs traded on PXIL since the start of the REC scheme?

For information on trends in REC Prices and Volume kindly visit PXIL webpage

<https://www.powerexindia.com/PXILReport/pages/RECMVPReport.aspx>

### What happens if Renewable Purchase Obligation is not met by the Obligated Entities?

As per the Model Regulation evolved by FOR, in case of default the concerned SERC may direct obligated entity to deposit into a separate fund to purchase the shortfall of REC at forbearance price. However, in case of genuine difficulty in complying with the renewable purchase obligation because of non-availability of certificates, the obligated entity can approach the Commission for carry forward of compliance requirement to the next year.

For further info on Products & Services, kindly contact [Market Operations](#) at

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