

March 21, 2017

The Secretary
Central Electricity Regulatory Commission
3rd and 4th Floor, Chanderlok Building
36, Janpath, NEW DELHI 110 001.

Madam

Sub: CERC Petition No.02/SM/2017 dated 28.02.2017 – Determination of Forbearance and Floor Price for the REC framework to be applicable from 01 April 2017 – Comments

Please refer to our letter dated March 20, 2017 on the captioned subject. We wish to add one more point that was left out in our earlier submission which may please be considered. The details are given below.

Proposed Draft	IWPA's Comments / Suggestions
<p><i>Need for determining the Floor Price:</i> Para 4.1.2 (ii) of Appendix – 1</p> <p><i>"This approach for floor price is considered necessary given the current state of demand supply of REC market. The commission however, directs the staff to examine the need of determining the floor price of REC and whether going forward the floor price can be removed"</i></p>	<p>The current market demand of REC is already on lower side and the generators getting RECs are already having huge stock of unsold RECs.</p> <p>The REC trade is most of the time on the Floor price. <u>Hence the Floor price acts as a base price which a generator would be getting.</u> Thus, the REC market is still not matured as it was intended when it was introduced. Thus, it would be prudent to continue the mechanism of Floor prices till market for REC is more matured and developed.</p> <p>If the concept of Floor Price is removed than it will be completely unfavourable for the generators as the realization for the same will be reduced to a large extent and the project viability will also come under question.</p> <p>Considering the lean REC market and the uncertainty with respect to the realization of RECs, it is suggested that the floor price of REC should be continued as per the existing mechanism i.e. Rs. 1,500/- per REC.</p>

Thanking you in anticipation,

With kind regards,

For Indian Wind Power Association

Prof. Dr. K Kasthurirangaian
Chairman

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National Council

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