CERC’s Proposal for Determination of Forbearance Price and Floor Price for the REC Framework

Central Electricity Regulatory Commission (CERC), via notification dated 31st Mar 2020, proposed to adopt forbearance price and floor price of Renewable Energy Certificates (REC) as given in the table:

<table>
<thead>
<tr>
<th>Details</th>
<th>Solar REC (₹/MWh)</th>
<th>Non-Solar REC (₹/MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forbearance Price</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Floor Price</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

REC is a market-based instrument. It aims to bring greater efficiency in choice of cost-effective technology, provides incentives for cost reduction and could facilitate greater support for development of Renewable Energy (RE) sources in the country.

The CERC Document can be accessed [here](#).

**CER Opinion:**
- As the proposed REC floor price for solar/non-solar RECs is zero, reference to floor price as a part of REC framework under the principle REC Regulations can be deleted. The trajectory of floor price and forbearance price is shown in Fig. 1 and Fig. 2 below:

![Fig. 1: REC Floor Price Trajectory](#)

![Fig. 2: REC Forbearance Price Trajectory](#)
As the Floor price and Forbearance price for both solar and non-solar technologies are proposed to be uniform, it is an appropriate time to merge solar and non-solar REC markets.

- Given that SERCs are allowing excess solar (non-solar) RPO quantum to be adjusted against non-solar (solar) RPO, fungibility between solar and non-solar RECs is clearly visible and should be institutionalised.