Renewable Energy Certificates

Why in News

Recently, sales of **Renewable Energy Certificates (RECs)** rose over 79 % to 8.38 lakh units in March compared to 4.68 lakh in the same month a year ago **owing to good supply.**

Key Points

- Renewable Energy Certificates (RECs) **is a market-based instrument to promote renewable sources of energy** and **development of the market in electricity.**

  - One REC is created when **one megawatt hour of electricity** is generated from an **eligible renewable energy source.**
- REC acts as a **tracking mechanism for solar, wind, and other green energies** as they flow into the power grid.
- RECs go by many names, including **Green tag, Tradable Renewable Certificates (TRCs), Renewable Electricity Certificates, or Renewable Energy Credits.**
- Under **Renewable Purchase Obligation** (RPO) bulk purchasers like discoms, open access consumers and capacitive users are required to buy a certain proportion of RECs. They can buy RECs from renewable energy producers.

  - **RPO** was **instituted in 2011,** it is a mandate that requires **large power procurers to buy a predetermined fraction of their electricity from renewable sources.**
- The **proportion** of renewable energy for utilities **is fixed by the central and state electricity regulatory commissions.**
- In India, RECs are traded on **two power exchanges — Indian Energy Exchange (IEX)** and **Power Exchange of India (PXIL).**
- The price of RECs is **determined by market demand,** and contained between the **'floor price' (minimum price)** and **'forbearance price' (maximum price)** specified by the **Central Electricity Regulatory Commission (CERC).**

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- CERC is a **regulator of the power sector** in India.
- It intends to **promote competition, efficiency and economy** in **bulk power markets, improve the quality of supply, promote investments** and **advise** the government on the removal of institutional barriers to bridge the demand supply gap.
- It is a **statutory body** functioning with **quasi-judicial status** under **the Electricity Act 2003.**

Source: ET