

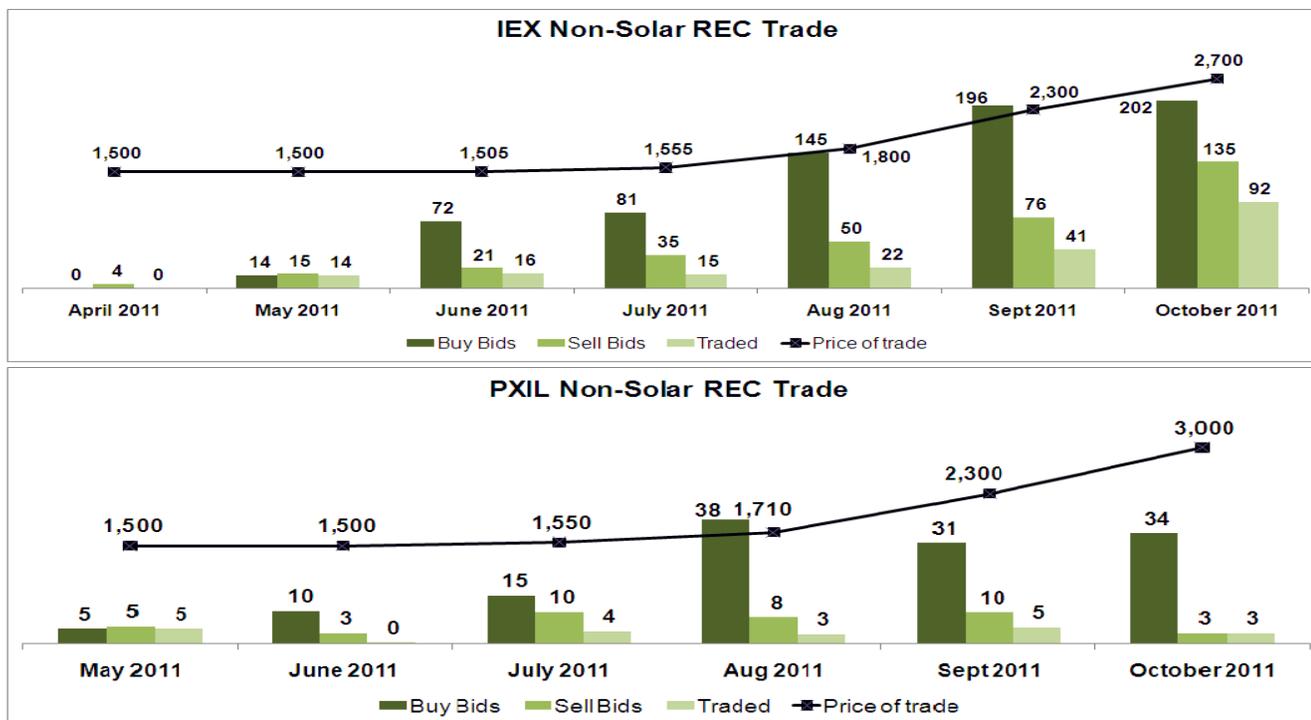
Diwali Surprise – Breaking the 3000 Barrier

REC prices continue upward climb – Rs. 3000 at PXIL

REC Trade October 2011		Buy Bids	Sell Bids	Volume Traded	Clearing Price Rs. per REC
Non-Solar	IEX	201,532	135,424	92,303	2,700
	PXIL	33,869	3,201	3,201	3,000
Solar	IEX	1	-	-	-
	PXIL	-	-	-	-

Significant upswing in prices as well as volumes

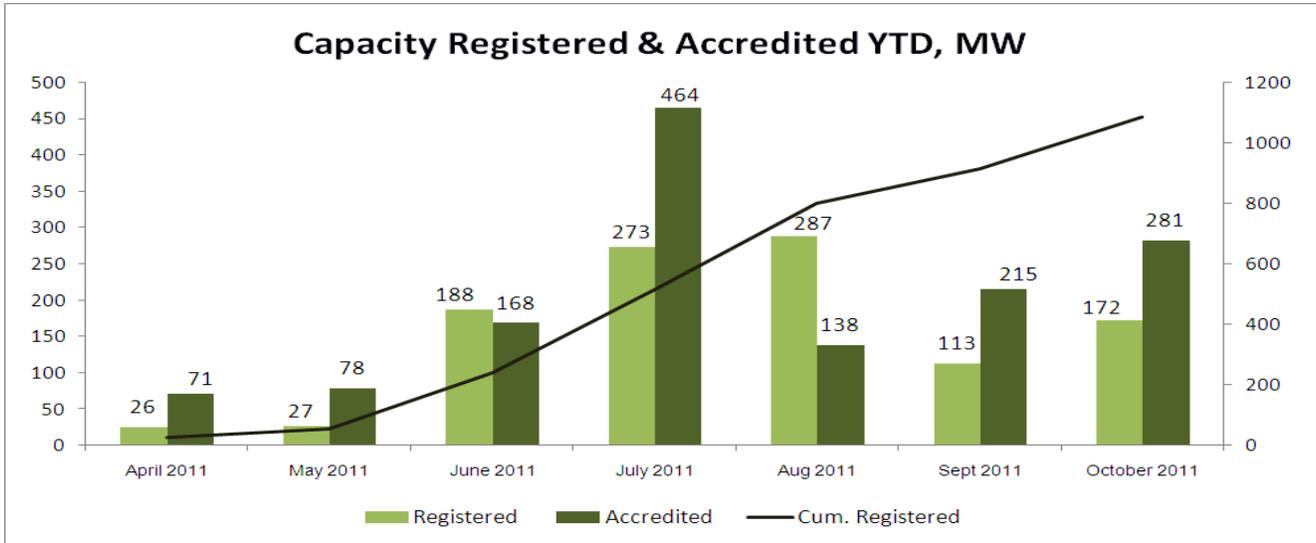
Post Diwali REC Trade on Thursday 27th October 2011 sprang a surprise at both exchanges with prices reaching all time highs yet again. At IEX where major part of the trading took place, rise in price to Rs. 2700 was accompanied by a huge jump in volumes. At the PXIL, while traded volumes remained subdued, REC price crossed the Rs. 3000 barrier for the first time.



*Buy bids, Sell bids and Trade numbers in thousands

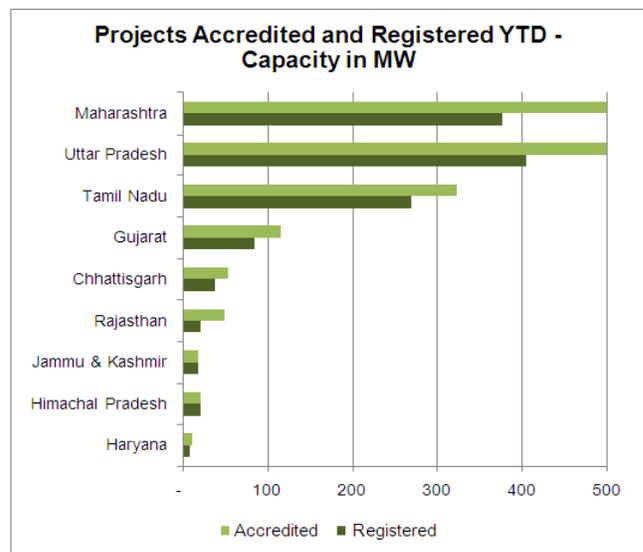
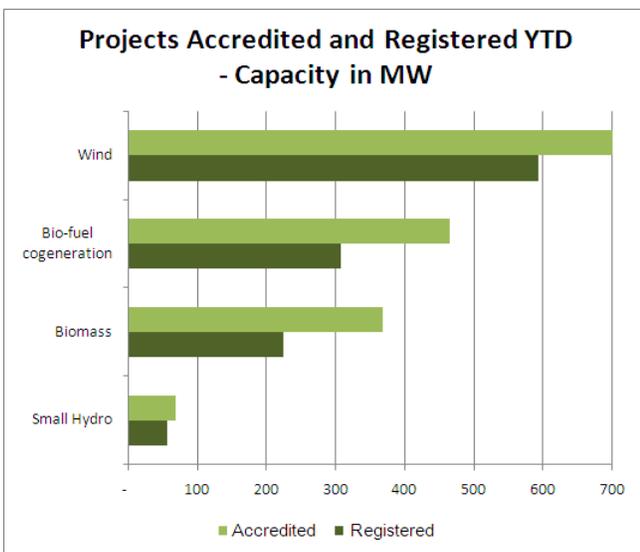
Source of data – IEX, PXIL

Prices have now close to doubled compared to annual kick-off in April at Rs. 1500. REC price was up by 17% and 30% month on month at the IEX and PXIL respectively. Traded volumes at IEX more than doubled over last month while they dropped by 35% at the PXIL. Overall trade value more than doubled to Rs. 26 crores this month from Rs. 11 crores in September.



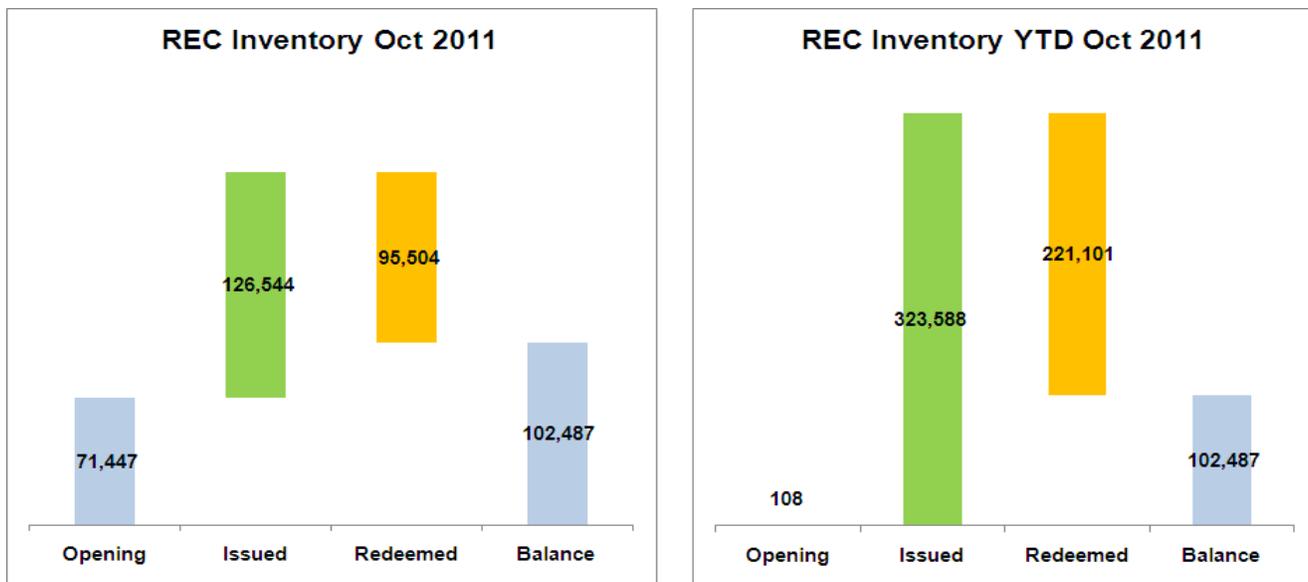
YTD – Year to Date (April to Oct 2011); Source of data – REC Registry of India

In total, 172 MW of capacity was registered in October whereas another 281 MW was accredited. As per our expectations last month, both registration and accredited volumes have gone up significantly. With this, the capacity registered year to date has touched 1085 MW while the capacity accredited now stands at 1416 MW.



YTD – Year to Date (April to Oct 2011); Source of data – REC Registry of India

As before, Maharashtra, Uttar Pradesh, Tamil Nadu and Gujarat continue to lead in terms of projects registered and/or accredited, together accounting for more 90% of these projects in the country till date. Wind continues to lead all types of renewable energy in the trading market with more than 50% of share in registration, followed by bio-fuel co-gen and biomass accounting for another 45% together.



YTD – Year to Date (April to Oct 2011); Source of data – REC Registry of India

October opened with an inventory of over seventy thousand RECs. A net addition of roughly thirty five thousand RECs led to closing inventory crossing the 100k mark. Overall, till date in FY 2011-12, more than three lakh RECs have been issued, with more than 68% of these being redeemed by end of October.

Short Term Outlook

The REC market has surprised all with its strongest ever showing in October in spite of expectations of a dip in the second half of the financial year. Increasing traded volumes indicate a growing belief in the fundamentals of this market. Higher prices are all the more heartening to sellers, many of whom find the assurance of realization from RECs much more dependable than on time payments by state electricity boards. The market seems to have crossed the phase of consolidation, and the stage is now set for much more dynamic activity in the coming months. Prices are now mid-way between floor price and forbearance price – the market seems to be setting a baseline for REC prices at this level. Increased trading activity in the coming months could bring further upsides to sellers.

REC Market – Part of a Bigger Story

Is there any connection between the latest hike in domestic LPG prices and the prospects of the wind energy industry? The way we answer this question will define our approach to the energy crisis that we face in the coming years.

Energy – the Fuel of Economic and Political Power

Energy is not just another aspect of infrastructure like roads, ports and housing but it is the lifeline of all economic activity. For this reason, a large number of entities are interested parties in the energy debate. Energy is a concern not just for consumers but also for power plant operators, governments, regulators, financial institutions as well as domestic industry. It is a matter of national security as well as domestic growth. This is especially true for India that is dependent on imports for most of its energy requirements. Proof of the

pervasive nature of energy lies in the range of issues concerning it – from the Indo-China spat on oil exploration in the South China Sea to rising prices of petrol, the impact is global as well as local.

Possible Solutions Anyone?

The challenge for the Government is therefore managing all the pieces of this puzzle simultaneously – demands of stakeholders can be conflicting e.g. low tariffs for consumers but better tariffs for power producers to compensate for increasing input costs. To its credit, the Government has taken multiple initiatives of which the Electricity Act of 2003 and the NAPCC are noteworthy. But the time has now come for a definitive push before the crisis spins out of control. A resolute push is needed on multiple fronts – clearing infrastructure bottlenecks for distribution of coal as well as power, modernized technology for managing grids, better incentives for renewable energy, securing sources of conventional energy like coal, oil and gas overseas – and all this without forgetting the need to limit Climate Change.

Implications for Clean Energy Markets

When thinking of the future of Renewable Energy Certificates, one tends to focus on statistical aspects like trading volumes and prices. However in our view, the outline of the future market is yet to be drawn. What we see as disparate markets today – Carbon Credits (CDM), Energy Saving Certificates (ESCerts), Renewable Energy Certificates (RECs), crude and gas futures – all of these are multiple aspects of the same solution – meeting energy needs of a growing world without endangering its long term survival. This could be a pointer to an **integrated market for energy** in the near future – one that takes into account all these sub-markets and arrives at the best price for Energy whether it is through Wind or through a simple energy saving device.

agneya

At **agneya**, we work with Renewable Energy Generators to manage their REC accreditation, registration, issuances and trading. We also work with companies covered by the Renewable Purchase Obligation (RPO) on optimum ways to fulfill these obligations. **agneya** also provides services in the following areas –

Renewable Energy Project Management – advising clients on the best possible portfolio of renewable energy (wind, solar, bio) across tariff regimes, technology options, electricity sales structuring and availing incentives like REC and GBI.

Electricity Market Regulations – advising clients on regulatory aspects of electricity market, options for realizing the maximum value from their energy assets and minimizing costs related to regulatory compliance.

Carbon & Energy – measuring carbon footprint, energy audits and current/future energy profiling to assess risks and opportunities related to energy security and climate change.

Sustainability – building robust long term foundations for business i.e. managing economic, environmental and social aspects of business. These include water management, sustainability management and reporting.

For further information on Renewable Energy Certificates or other services, please contact us at –
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