

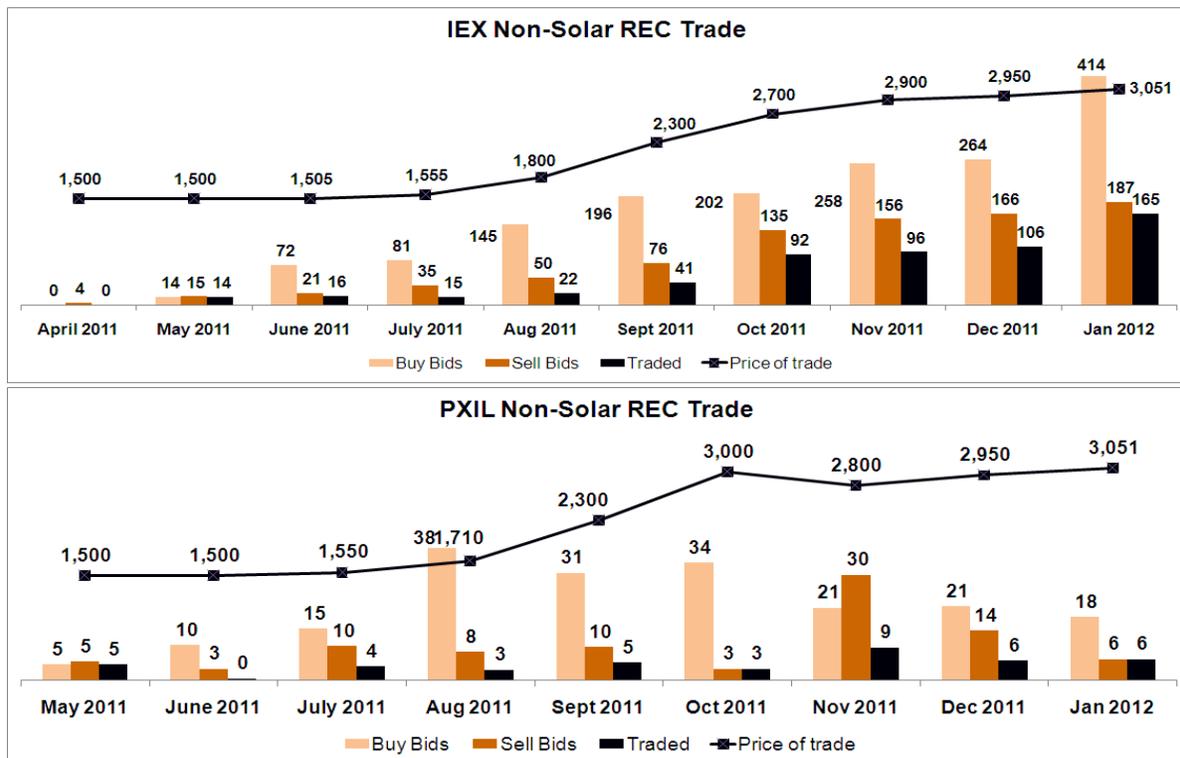
Prices cross Rs. 3000 mark in New Year

Demand outstrips supply – REC prices touch highest this FY

REC Trade January 2012		Buy Bids	Sell Bids	Volume Traded	Clearing Price Rs. per REC
Non-Solar	IEX	414,387	186,610	165,460	3,051
	PXIL	18,113	6,072	6,064	3,051
Solar	IEX	2,635	-	-	-
	PXIL	-	-	-	-

Trade Value crosses Rs. 50 crores mark in January

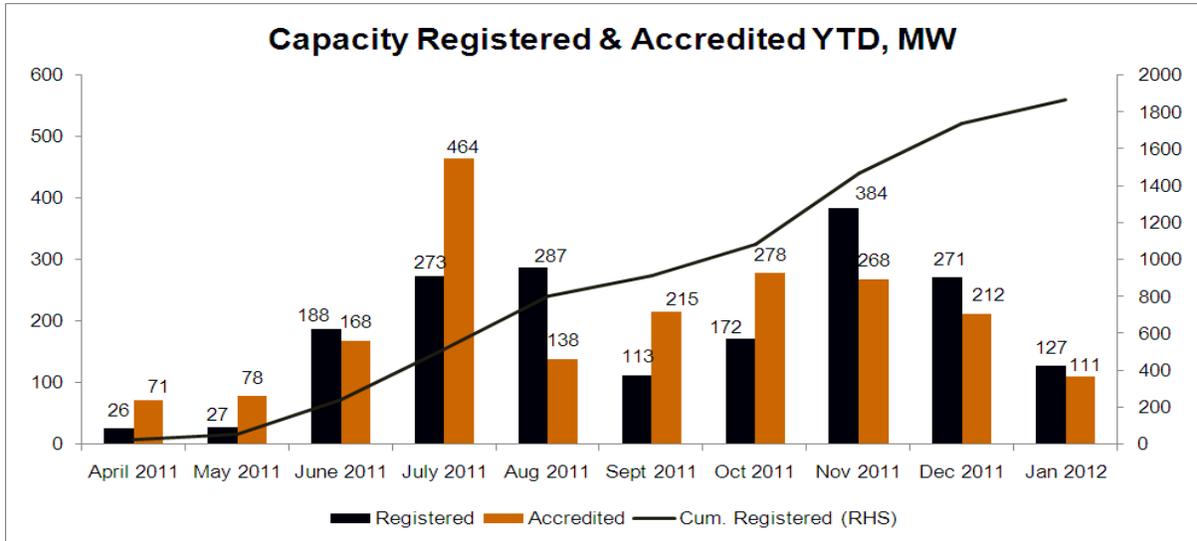
The tenth REC trading session of this FY and the first in the New Year on Wednesday 25th January saw REC prices continue to rise. REC price reached Rs. 3051 at both exchanges – the highest so far this financial year. Traded volumes rose at both IEX as well as PXIL with majority of the trading conducted on the former.



*Buy bids, Sell bids and Trade numbers in thousands

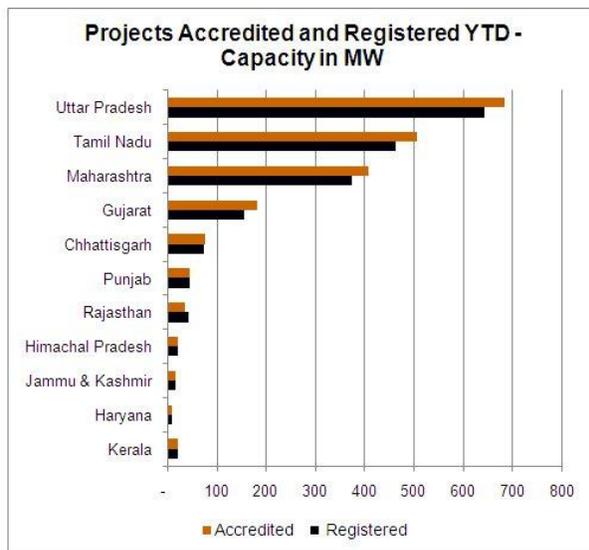
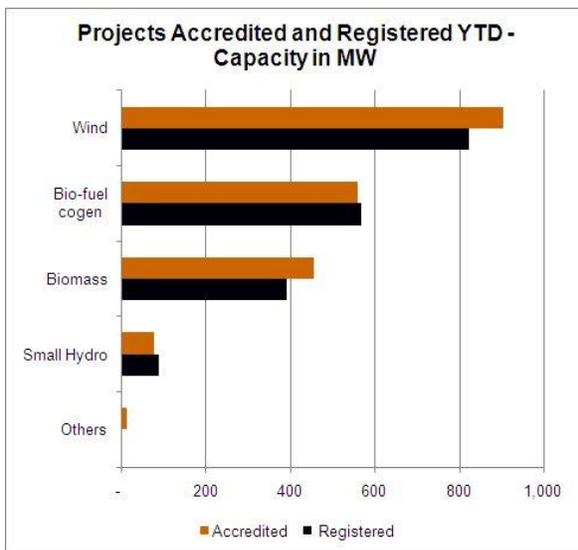
Source of data – IEX, PXIL

The number of buy bids recorded on IEX saw a big rise of 57% this month. Overall trade value increased by a phenomenal 60% to cross the Rs. 50 crores mark, compared to a little under Rs. 33 crores in December. Registration and accreditation of projects however continued to slow down – January 2012 saw number of registrations as well as accreditations falling by half over last month.



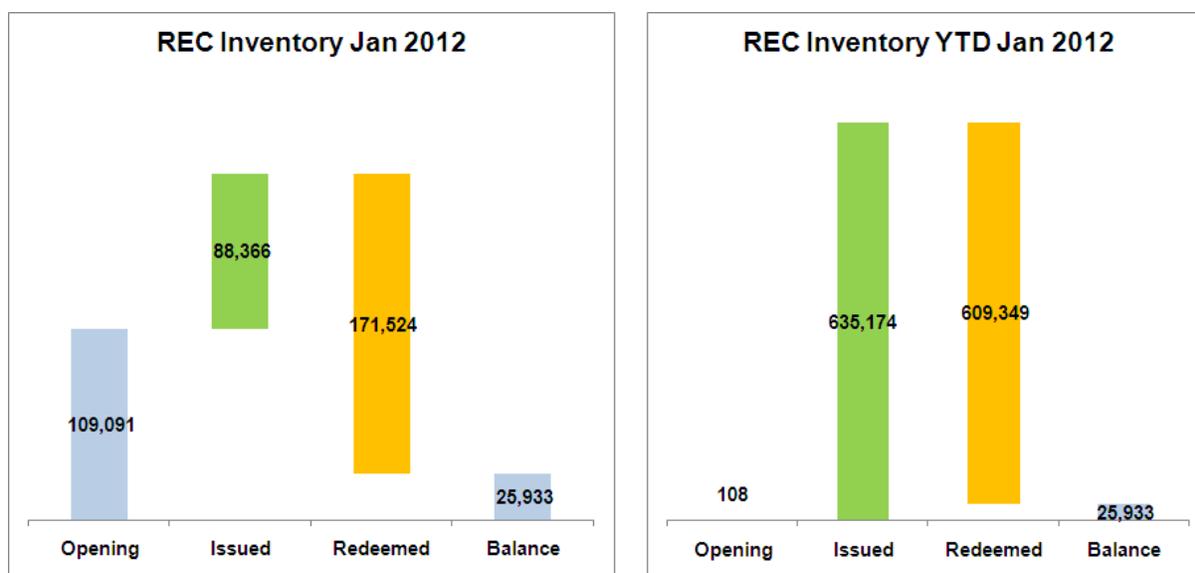
YTD – Year to Date (April 2011 to Jan 2012); Source of data – REC Registry of India

In total, 127 MW of capacity was registered in January whereas another 111 MW was accredited. With these additions, the capacity registered year to date (April 2011 to January 2012) has touched 1,868 MW while the capacity accredited now stands at 2,004 MW.



YTD – Year to Date (April 2011 to Jan 2012); Source of data – REC Registry of India

Uttar Pradesh continues to lead all states in terms of projects registered and/or accredited with a total of 643 MW registered and 683 MW accredited, YTD. Along with UP, TN, Maharashtra and Gujarat continue to account for just under 90% of the total capacity registered. Wind, bio-fuel co-gen and biomass, together account for more than 95% of total capacity registered with small hydro contributing 88 MW.



YTD – Year to Date (April 2011 to Jan 2012); Source of data – REC Registry of India

January opened with an inventory of over one lakh RECs. On a net basis, roughly eighty thousand RECs were redeemed resulting in a small inventory of twenty five thousand RECs left towards the end of the month. Total issuances crossed the 600k mark this financial year, of which 96% have been redeemed so far.

Restricted Supply in face of Growing Demand

REC prices have risen steadily in the last three months to cross Rs. 3000 level this time. As demand for RECs increases driven by need for compliance toward the end of the year, prices are expected to rise further. January saw a steep rise in number of buy bids (52%) that was accompanied only by a comparatively smaller rise in sell bids (7%). Prices could have gone up further but for aggressive expectations of buyers. Considering that the final trading volumes were just 40% of the total buy bids, it can be reasonably expected that prices are well on the way to reaching maximum levels by end of this financial year.

Power Sector Reforms – Version 2.0

Power, like food, is an emotive topic in India. It is not seen as just a “business” but as a socio-economic composition at the centre of which stands the “common man”. A look at the number of Central Ministries involved – Power, Coal, Finance, Commerce, Petroleum & Gas shows the heavy dependence of this sector on the efficient functioning of the Government.

Managing varied Stakeholders

The sector has a large number of stakeholders often with divergent interests. These include miners, generators, transmission companies, distribution companies, investors and consumers. Regulatory Commissions was envisaged to be impartial techno-economic bodies who would formulate policies that integrated these divergent interests. In reality they are operating in an essentially political environment where rational economics does not necessarily dictate choices. The problems of the power sector are well recognized – it is now for the Government to make the tough decisions that give the best possible results for all stakeholders.

Size of the Challenge

The 12th Plan Period (2012-17) begins with challenges clearly laid out. It aims at achieving 90-100 GW of capacity addition (target for 11th Plan was 78 GW of which actual achievement is projected to be 50 GW). This capacity addition needs a procurement plan for coal. Generators need to secure on-time supply of equipment at competitive prices. Balance sheets of Discoms need cleaning up – the Shunglu Committee recently recommended an SPV backed by the RBI to take on bad debts of these companies. This will work only if AT&C losses are cut, tariffs are raised on a sustained basis and electricity to farm sector is regulated. Finally, all these need to work on introducing technology that enables more supply of power per unit of land, fuel and rupee invested.

Time for Coordinated Action

The heads of power industry met the Prime Minister this month to discuss their concerns. While the PMO has promised action and regular progress reviews, nothing less than a 90s style reform will do this time. The size of the challenge is enormous and the political stakes are big. To address interests of the large number of stakeholders involved, Central Ministries will have to come out of their silos and work together in mission mode. This decade's Power Sector reforms will be the test of our ability to translate intellect into progress.

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Promoted by alumni of IIM Ahmedabad and IIM Bangalore, we at **agneya** 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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