

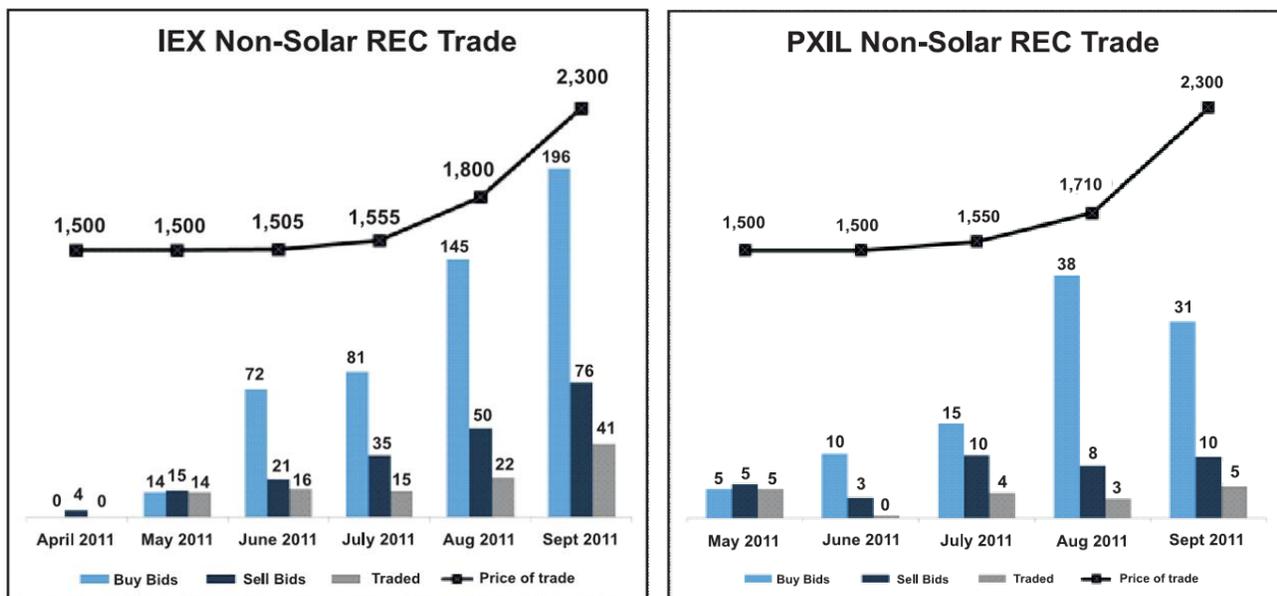
REC Market in September – Gaining Ground

REC price at all time high of Rs. 2,300

REC Trade September 2011		Buy Bids	Sell Bids	Volume Traded	Clearing Price Rs. per REC
Non-Solar	IEX	196,159	76,026	41,385	2,300
	PXIL	30,853	9,562	4,977	2,300
Solar	IEX	7	-	-	-
	PXIL	-	-	-	-

Significant upswing in prices as well as volumes

REC Trade conducted on Wednesday 28th September 2011 was one of the most encouraging REC trading sessions so far. With more trades and higher participation by market players, the market is gaining in clarity on price discovery as well as depth.

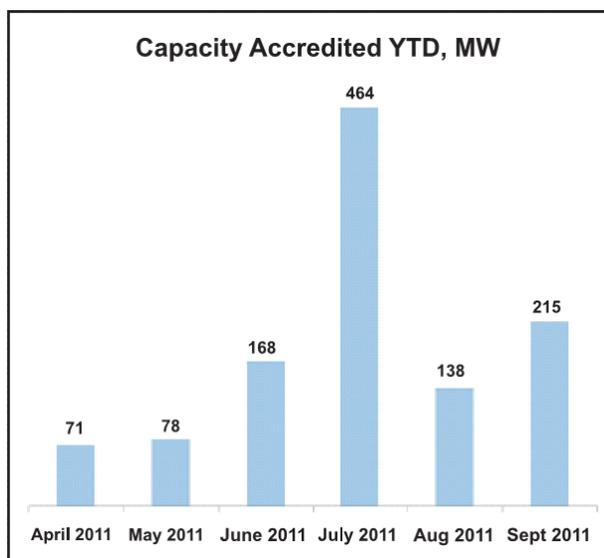
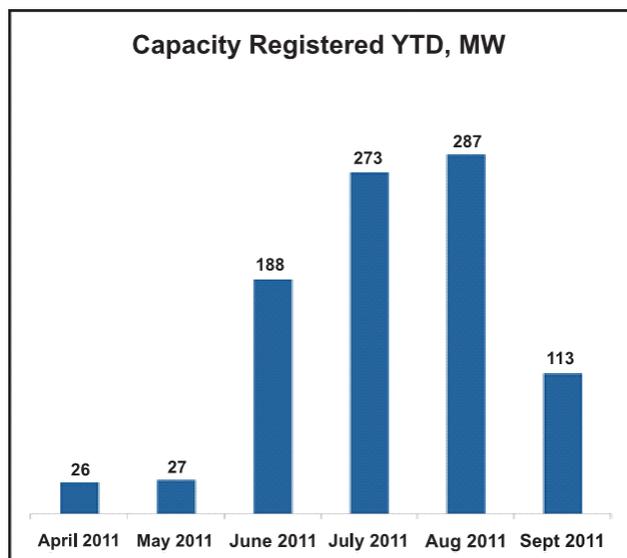


*Buy bids, Sell bids and Trade numbers in Thousands

Source of data – IEX, PXIL

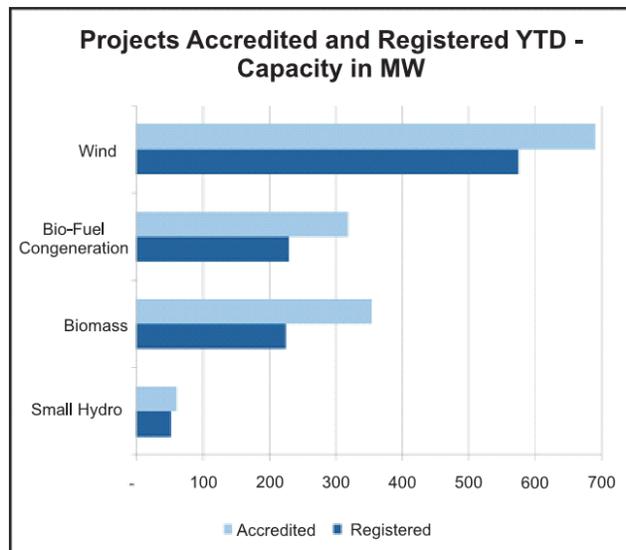
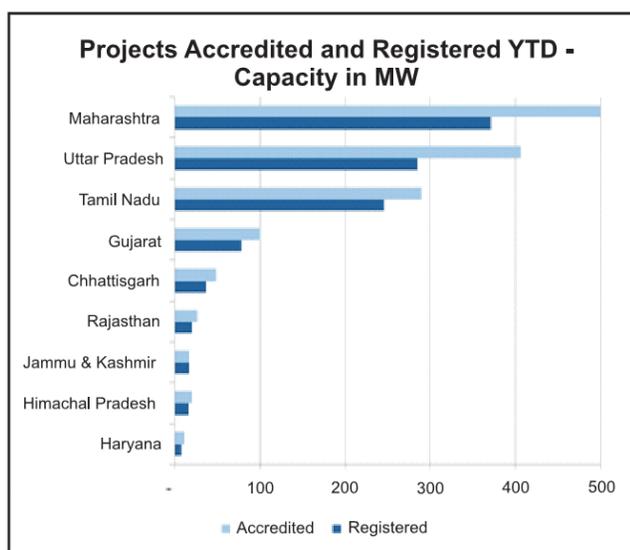
The upswing seen in prices starting July this year continued with significant pick-up in market activity in September. At Rs. 2300, REC price was up by 28% and 34% month on month at the IEX and PXIL

respectively while traded volumes rose significantly by 87% and 65% respectively. Overall trade value more than doubled to Rs. 10.6 crores this month from Rs. 4.5 crores in August.



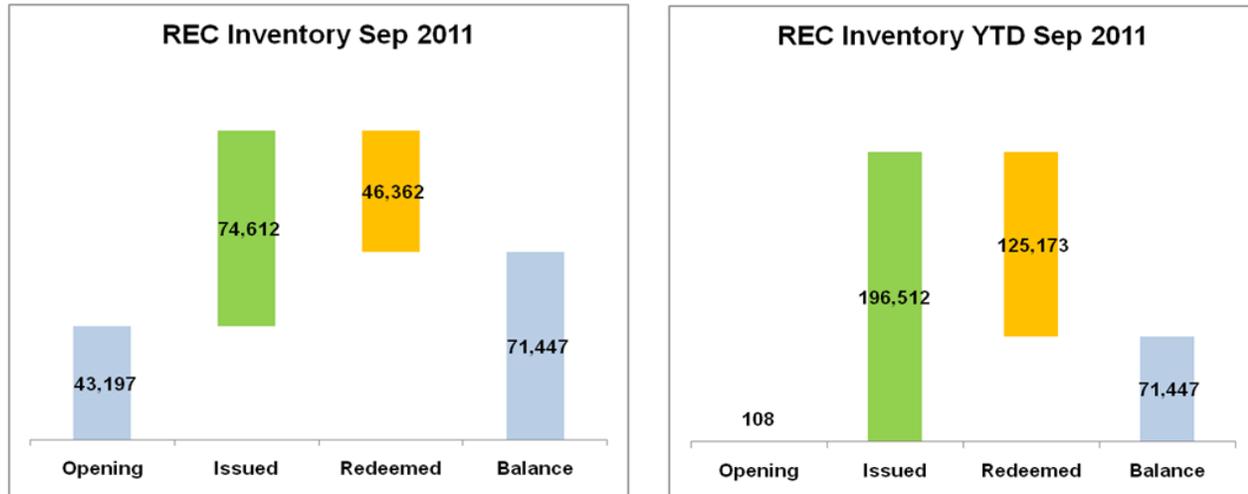
YTD – Year to Date (April to Sept 2011); Source of data – REC Registry of India

In total, 113 MW of capacity was registered in September whereas another 215 MW was accredited. The fall in registration numbers follows fewer number of projects accredited last month. However with the pickup in accreditation again this month, it is expected that registration numbers too will be back on track in October 2011.



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

Maharashtra, Uttar Pradesh, Tamil Nadu and Gujarat continue to lead in terms of projects registered and/or accredited, together accounting for 90% of these projects in the country till date. Wind is still the dominant type of renewable energy in the trading market with around 50% of share, followed by bio-fuel cogen and biomass with roughly 22% share each.



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

September opened with an inventory of over forty thousand RECs. With a net addition of roughly twenty five thousand certificates, the month closed with an inventory substantially higher than the beginning. This may indicate a positive sentiment in the market, with inventories building up despite record prices. Overall, till date in FY 2011-12, close to two lakh RECs have been issued, with close to 65% of these being redeemed by close of half year.

Short Term Outlook

With a strong show in September, the REC market is beginning to demonstrate greater confidence and clarity in direction. It is still early days for the market, with only seven trading sessions on record. Growing participation by market players and upward swing in trade price as well as volumes may indicate that the market has overcome its initial apprehensions. Half year closing price at Rs. 2300 is still at a substantial discount to the upper limit. The market may see a temporary dip in the coming months with reference to this peak. However, clarity on participation by state utilities and further buying to meet obligations under RPO should lead to prices stabilizing at least at current levels by the end of the FY 2011-12.

Long Term Prospects

The 17th Electric Power Survey has estimated the energy requirement of the seven largest states in the country i.e. Maharashtra, Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, Karnataka and Rajasthan at 5.69 TWh of energy by end of this FY.

State	Energy Requirement FY12 (GWh)	RPO	RE requirement for FY12 (GWh)	Compliance at 10% of requirement (GWh)
Maharashtra	125,661	7.0%	8,796	880
Tamil Nadu	87,222	9.0%	8,722	872
Andhra Pradesh	89,032	5.0%	4,452	445
Gujarat	85,445	6.0%	5,127	513
Uttar Pradesh	79,268	5.0%	3,963	396
Karnataka*	53,540	7.0%	3,748	375
Rajasthan	48,916	6.0%	4,647	465
TOTAL	569,084		39,455	3,945

Assuming 7% at an average level. The RPO varies from 5% on CPP to 10% on BESCO

At mandated compliance levels, this would translate to RE requirement equivalent to roughly 40,000 GWh. Taking into consideration capacity constraints, existing renewable energy capacity as well as gradual pick-up in participation of state utilities in the REC market, even at a 10% compliance level, the demand for RECs will be at least 4,000 GWh – equivalent to 40 lakh RECs – at least 30 times the year-to-date issuances. These estimates though rough, point toward depth in demand. Overall, the REC market is based on sound economic and financial grounds and it is expected to continue to grow. The challenge for the Government and Electricity Regulators will be to ensure that this pace is maintained by ensuring compliance by state utilities and encouraging faster installation of renewable energy capacity.

agneya

agneya works in the area of renewable energy, electricity markets, carbon and sustainability. We work with Renewable Energy generators to manage their REC accreditation, registration, issuances and trading and also with RPO obligated entities to help them manage their RPO obligation.

For further information, please contact Kedar at +91-9665407848 or mail kedar@agneya.in

Read more about agneya at <http://www.agneya.in>