CERC proposes mandatory PPA for power transmission connectivity

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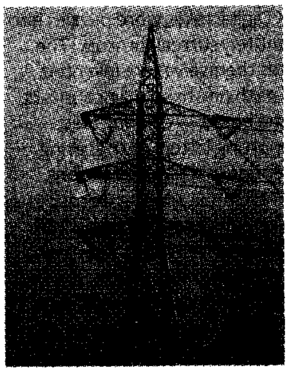

The Central Electricity Regulatory Commission (CERC) has floated a proposal to require renewable energy developers to first sign their power purchase agreements (PPAs) before seeking transmission connectivity for evacuating power from their projects.

The move comes against the backdrop of nearly 45.3 GW of renewable capacity that has secured letters of award (LoAs) from one of the four renewable energy implementing agencies (REIAs) — SECI, NTPC, SJVN and NHPC but has been unable to sign PPAs, often for no fault of the developers.

CURRENT SYSTEM

Under the current system, developers win a bid, receive an LoA, tie up land and finances, furnish bank guarantees, sign the PPA and then take up construction — obtaining transmission connectivity somewhere along the way. When PPAs are delayed, the connectivity allotted to such projects remains locked and unused, blocking access for others.

Recognising this bottleneck, the CERC has released a staff paper proposing remedies for both stranded projects and future applicants. The paper is open for public comments.

For future projects, CERC suggests two approaches: allow connectivity only after a PPA is in place, removing the LoA route entirely, or allocate connectivity solely through auctions, similar to the competitive bidding framework for generation projects. Which of these becomes the norm will depend on stakeholder feedback.

For the existing 45.3 GW of stuck projects, CERC has outlined three options.

Option I allows developers to exit the LoA route but retain their connectivity by furnishing an additional performance bank guarantee of ₹10 lakh/MW. They must then meet strict timelines — land documents in 12 months, financial closure in 15 months and commercial operations date (COD) within 18 months of conversion. Delays attract daily milestone-extension charges, and continued non-compliance leads to encashment of the guarantee and revocation of the relevant connectivity. If only part of the capacity is converted, connectivity for the balance is revoked. Mismatch charges continue to apply, as the connectivity start date remains unchanged.

Option II permits substitution of the original LoA with a PPA signed under another LoA issued by the same or a different REIA, provided the new PPA has a firm start date at least six months later than the original. This PPA may be held by the developer, its parent or its subsidiaries. Financial closure must be achieved six months before COD or the firm connectivity date, whichever is later. Failure to meet FC or COD milestones results in revocation and bank-guarantee encashment.

Option III enables developers to exit connectivity altogether. Of the three connectivity-related bank guarantees, the transmission utility would retain BG-1 (₹50 lakh) but return BG-2 and BG-3. The released connectivity would then be re-auctioned.

If a developer fails to exercise any option within one month, this third option is triggered automatically.