CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Supplementary draft notification to the Draft Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) (Fifth Amendment) Regulations, 2026.

No. L-1/250/2019/CERC **Dated: 26.10.2026**

Explanatory Memorandum

1. Background

1.1. The Draft Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) (Fifth Amendment) Regulations, 2026, was published on 31.07.2026 proposing amendments to the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 (hereinafter referred to as "Principal Regulations"). The comments/ suggestions/ objections were invited from stakeholders until 15.09.2026, and the public hearing was held on 28.09.2026.

1.2. In the draft notification dated 31.07.2026 new sub-clauses (h-i) and (h-ii) were proposed to be inserted after sub-clause (h) of Clause (2) of Regulation 13 of the Principal Regulations to cover the extension of waiver of inter-state transmission charges in terms of MoP OM dated 16.04.2026. MoP OM dated 16.04.2026provides as under:

> ***"Subject: Extension of Inter-State Transmission charges waiver on transmission of the electricity generated from solar and wind sources of energy, for the RE projects delayed due to delay in readiness of transmission infrastructure - reg.***
>
> *I am directed to refer to the representations received from Renewable Energy (RE) developers seeking clarification regarding the extension of the benefit of graded waiver of Inter-State Transmission System (ISTS) charges in respect of projects whose firm start date of connectivity falls within the period from 1 July 2025 to 30th June 2028, but whose commissioning may be delayed beyond the firm start date of connectivity due to non-readiness of the transmission systems.*
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> *2. The benefit of ISTS charges waiver accrues to the procurers rather than the Renewable Energy (RE) developers, as the responsibility for payment of ISTS charges lies with the procurers in accordance with the extant regulatory provisions. However, the delay in commissioning of RE projects due to the non-readiness of the transmission system may lead to PPA disputes between RE developers and end procurers. Therefore, such cases may be considered for extension of the benefit of graded waiver of 75%/50%/25%, as applicable, to such projects.*

i. Having firm Power Purchase Agreement (PPA) as on 31 March, 2026, and

ii. Having the firm start date of connectivity within the period from 01.07.2025 to 30.06.2028, and

iii. Achieve COD before, or within the specified time limit from, the COD of the concerned transmission system.

3. Further, the projects with firm start date of connectivity on or before 30.06.2025 may be considered for grant of 100% waiver in case they satisfy the relevant conditions under para 2.

4. CERC may make suitable regulatory provisions for providing benefit to RE projects as mentioned above."

1.3. Subsequently, MoP has issued OM dated 05.10.2026 which provides as under:

"Subject: Extension of Inter-State Transmission charges waiver on transmission of the electricity generated from solar and wind sources of energy, for the RE projects delayed due to delay in readiness of transmission infrastructure-reg.

Reference:
(i) MoP OM Dated 16.04.2026 on the subject.
(ii) Draft 5th Amendment to the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020

I am directed to convey that this Ministry has received representations from stakeholders including the end procurers and Renewable Energy (RE) developers related to change in ISTS charges waiver slab due to shifting in start date of connectivity after signing of Power Sale Agreements (PSA)/ Power Purchase Agreement (PPA).

2. It has come to notice that, in certain cases, the end procurer had signed the PSA for RE capacity based on the start date of connectivity indicated by CTUIL at the time of issuance of In-Principle Grant of Connectivity, as the firm start date of connectivity had not been indicated by CTUIL at the time of signing of the PSA. It is imperative that the contractual arrangements already entered into are not adversely affected on account of revision in start date of connectivity after signing PSA/PPA due to delay in transmission system readiness.

3. In view of above, for determining eligibility for extension of the graded ISTS charge waiver on account of delay in readiness of the transmission system, ***CERC may consider taking into account the date later of (i) the start date of connectivity communicated by CTU as on the date of signing of the PSA with the end Procurer, and (ii) the SCOD mentioned in the PSA.*** *In cases where the PPA is entered into directly between the RE generator and the end procurer, the connectivity status communicated by CTU and prevailing as on the date of signing of the PPA may similarly be treated as the baseline for the above purpose. However, such dispensation would not be applicable, in cases, where CTU had granted in-principle connectivity, but, subsequently, conveys to the developer that firm/final connectivity cannot be granted, due to any reason.*

4. Further, the extension of ISTS charges waiver on account of delay in readiness of the transmission system may be made applicable to RE projects for which the PPA/PSA, as applicable, has been signed with the end procurer on or before 31.03.2027. Accordingly, suitable regulatory provisions in this regard may be considered by CERC."

As per the above, MoP has noted that in certain cases, the end procurer had signed the PSA for RE capacity based on the start date of connectivity indicated by CTUIL as on the date of signing of PSA. Accordingly, MoP OM suggested to consider the date later of (i) the start date of connectivity communicated by CTU as on the date of signing of the PSA with the end Procurer, and (ii) the SCOD mentioned in the PSA, for determining eligibility for extension of the graded ISTS charge waiver on account of delay in readiness of the transmission system, as the baseline for the slab of waiver. MoP OM also provides eligibility as PPA/PSA to be signed with the end procurer on or before 31.03.2027.

1.4. It is observed that the baseline of waiver may undergo a change for the projects in terms of MOP OM dated 5.10.2026 as against OM dated 16.4.2026. However, other conditions such as 'firm PPA' and achieving COD within the specified timeframe from the COD of the transmission system shall continue to be governed in terms of MoP OM dated 16.4.2026.

1.5. Accordingly, a supplementary amendment is proposed to include modified new sub-clauses (h-i), (h-ii) after sub-clause (h) of Clause (2) of Regulation 13 of the Principal Regulations to incorporate MoP OM dated 5.10.2026. The explanation for the following proposals has already been provided in the Explanatory Memorandum issued along with the draft fifth amendment dated 31.7.2026 and has not been repeated here for the sake of brevity:

(a) PPA/PSA for at least 7 years

(b) COD to be achieved within 2 months from GNA effective date.

1.6. It is also proposed that the RE projects which have achieved COD prior to effectiveness of the proposed amendment may also choose the option under proposed sub-clauses (h-i) and (h-ii), if it satisfies the other conditions of the sub-clauses.

1.7. In terms of the MoP OM dated 05.10.2026, the baseline for waiver eligibility is linked to the SCOD specified in the PPA or PSA. It is imperative to clarify the terms PPA and PSA for the purpose of these regulations. An RE project may enter into a contract to supply power directly to a Discom or consumer (referred to as drawee DIC), or through a trading licensee or REIA. Where the generating station enters into contract directly with the end consumer (drawee DIC), only a single contract (i.e., a PPA) is executed, and accordingly the SCOD specified in that PPA shall be considered for waiver eligibility under the proposed amendment.

However, when power is supplied to a Discom or end consumer (drawee DIC) through a trading licensee or REIA, two contracts are executed: (i) a PPA between the generating station and the Trading Licensee or REIA, and (ii) a PSA between the Trading Licensee or REIA and the Discom or end consumer (drawee DIC). In such cases, the SCOD specified in the PSA shall serve as the baseline for waiver eligibility under the proposed amendment. In such case, if only a PPA (with REIA or trader) is executed but no back-to-back PSA with the drawee has been executed by such REIA or trader, such generating station shall not be eligible to seek the waiver under the proposed clauses.

1.8. It is observed that PPAs or PSAs may be executed either for a period of 25 years or for a shorter duration, such as 10 years. Under the proposed amendment, both agreements (whether for 25 years or 10 years) shall be considered valid for the transmission charge waiver, as it is more than the qualifying criteria of 7 years. However, the waiver shall apply only for the duration of the respective agreement i.e. 25 years or 10 years, based on the applicable tenure of the PPA or PSA. Since the waiver eligibility under the proposed framework is tied directly to the PPA or PSA, the following conditions shall govern extensions and terminations of the PPA or PSA:

(a) **PPA/PSA Extension:** If the PPA or PSA (as applicable) with the same Discom or consumer is extended, the project shall continue to remain eligible for the waiver up to a cumulative maximum period of 25 years.

(b) **Termination of PPA/ PSA:** In the event the PPA or PSA (as applicable) is terminated prior to the expiry of its original tenure, or if the RE generator enters into a new PPA or PSA to supply power to a different Discom or consumer, the basis on which the waiver was granted under clause 13.2(h-i) becomes invalid. Consequently, the generator shall cease to be eligible for the waiver under the proposed sub-clause.

1.9. Illustrations to the proposed amendments are provided herewith for clarity as follows:

Illustration 1:

RE Generator	Date of Intimation of in Principle grant of Connectivity	Start Date of Connectivity as per in-Principle grant	Signing date of PPA or PSA (as applicable), tenure of PPA or PSA (as applicable)	SCOD as per PPA or PSA (as applicable)	Date of Intimation of Final grant of Connectivity	Firm start date of connectivity communicated in final grant	GNA effectiveness date	COD
XXX	10.04.2024	30.04.2026	10.06.2024, 10 years	10.12.2025	11.04.2025	29.06.2027	31.12.2027	29.02.2028

(a) If the RE developer does not choose to avail waiver based on proposed sub-clauses (h-i and h-ii), it will be eligible under Regulation 13(2)(a) for waiver of 25% for a period of 25 years from COD.

(b) If the RE developer chooses to avail waiver based on proposed sub-clauses (h-i and h-ii) based on its start date of connectivity as on date of signing of PPA/PSA or SCOD as per PPA/PSA, whichever is later, the project shall be eligible for waiver of 75% for a period of 10 years i.e. PPA tenure (considering baseline date as 30.04.2026) from its COD. If the RE developer extends the same PPA beyond 10 years , it will continue to be eligible for a waiver of 75% maximum up to 25 years from date of COD. However, after the expiry of the term of the original PPA i.e. 10 Years, if the new PPA is entered with different buyer or in case the original PPA gets terminated (due to any of the reasons) before expiry of the tenure of the PPA (say during 8th year), the project shall be eligible for waiver as per trajectory under Table 1 of Regulation 13(2)(a) read with Regulation 13(2)(h) for the balance period (considering the max. waiver period allowed is for 25 years).

(c) If the said project chooses to avail waiver under the proposed sub-clauses (h-i) or (h-ii), however it achieves the COD on 15.03.2028 (i.e. after the two-month timeline given for the COD), the project shall not be eligible for waiver under the proposed sub-clauses (h-i) and (h-ii) and would be governed as per trajectory under Table 1 of Regulation 13(2)(a) (read with Regulation 13(2)(h), wherever applicable) for a period of 25 years.

Illustration 2:

RE Generator	Date of Intimation of in Principle grant of Connectivity	Start Date of Connectivity as per in-Principle grant	Signing date of PPA or PSA (as applicable), tenure of PPA or PSA (as applicable)	SCOD as per PPA or PSA (as applicable)	Date of Intimation of Final grant of Connectivity	Firm start date of connectivity communicated in final grant	GNA effectiveness date	COD
XXX	10.04.2024	30.04.2026	30.06.2024 10 years	30.06.2026	30.06.2025	01.06.2027	Not effective	30.07.2026

(a) Suppose the instant amendment becomes effective from 1.12.2026. In the above illustration, the COD of the project has already been achieved on 30.07.2026. Accordingly, as per the existing trajectory under Table 1 of Regulation 13(2)(a), the project may be availing waiver of 50% from its COD, i.e. 30.07.2026 (considering it could not be covered under Regulation 13(2)(h) of the Sharing Regulations since its COD got delayed after 30.6.2026).

(b) Above project, shall also qualify for waiver under proposed sub-clause (h-i), based on the start date of connectivity communicated by CTU as on the date of signing of PPA or PSA or SCOD as per PPA/PSA, whichever is later.

Suppose such a project has already furnished the eligible PPA or PSA (with a tenure of 10 years) to RLDC on 25.7.2026 and is scheduling power under such PSA, and the drawee DIC is availing waiver of 50% (as per applicable slab of COD between 1.7.2026 - 30.6.2027).

After effectiveness of this amendment, suppose such project furnishes an undertaking to the CTUIL and NLDC to avail the waiver under proposed sub-clause(h-i), it shall be eligible for waiver of 75% with effect from 30.7.2026 i.e. the COD of the project, for power scheduled under such PPA/PSA, in terms of proposed sub-clauses subject to the condition that the total period allowed for availing waiver is for 25 years from COD. In such case, since the slab of waiver is changing from 50% to 75% for prior period, NLDC shall be required to carry out revised calculations for waiver for the drawee DIC.

Suppose the project furnishes PPA /PSA post effectiveness of this amendment, which is eligible under the Clause (h-i) on 15.2.2027 and furnishes the undertaking to avail waiver under Clause (h-i), it shall be eligible to avail such waiver from the day it schedules power under the eligible PPA/PSA submitted on 15.2.2027.

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