

To

The Secretary,
Central Electricity Regulatory Commission,
6th, 7th & 8th Floors, Tower B,
World Trade Centre, Nauroji Nagar,
New Delhi – 110029

Subject: Comments on Draft Procedure for Levy of Milestone Extension Charges (Petition No. 5/SM/2026)

Respected Sir/Madam,

We appreciate the Hon'ble Commission's initiative to introduce a structured framework for permitting additional time for achievement of milestones under the Connectivity and General Network Access Regulations, 2022. The proposed framework is an important step towards strengthening discipline in utilisation of ISTS connectivity while providing regulatory clarity.

At the same time, it is respectfully submitted that certain elements of the framework may require calibration to ensure that the mechanism remains **cost-reflective, proportionate, and aligned with practical project execution realities**, particularly in relation to the construct of Milestone Extension Charges (MEC), treatment of partial compliance, and consideration of delays arising from external factors.

In this context, the following key aspects merit consideration while finalizing the framework:

- **Alignment of MEC with cost-reflective benchmarks**, including linkage to ISTS transmission charges
- **Application of MEC on residual / shortfall capacity**, rather than the entire connectivity quantum
- **Recognition of external factors and provision of a neutral window** for delays beyond developer control
- **Alignment of milestone timelines with connectivity readiness (GNA effectiveness)** and provision of adequate implementation window

A calibrated approach that appropriately balances **regulatory discipline with project facilitation** will better achieve the intended objective of timely capacity addition and efficient utilisation of transmission infrastructure.

Given the significance of this framework for ongoing and upcoming projects, **early finalisation and adoption, with appropriate refinements, would be in the larger interest of the sector**, enabling

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developers, lenders, and other stakeholders to plan and execute projects with greater certainty and minimize time and cost overruns.

Our detailed submissions are set out in **Annexure-I**.

We request the Hon'ble Commission to kindly consider the above while finalizing the framework.

Thanking you,

For Azure Power India Private Limited
Kritika Baralia (VP – BD & Commercial)

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Annexure – I

1. MEC Should Be Cost-Reflective

It is submitted that linking MEC to Bank Guarantee quantum may not appropriately reflect the economic value of transmission capacity and may therefore result in outcomes not fully aligned with the principle of cost-reflectivity.

In absence of such alignment, MEC may result in **unintended financial burden without corresponding system benefit**.

Accordingly, it is submitted that:

- MEC may be benchmarked to **ISTS transmission charges (or a reasonable proportion thereof)**
- An indicative range of **₹700–1000/MW/day** may be considered
- The linkage of MEC to BG quantum may be **reviewed**

2. Proportionality in Application of MEC

It is submitted that levy of MEC on the entire connectivity quantum, despite partial achievement of milestones, may lead to disproportionate impact, particularly where significant progress has already been achieved.

It is further submitted that the present framework does not adequately account for **partial compliance, shortfall quantum, and marginal deviations**, especially in the context of land aggregation.

Accordingly, it is submitted that:

- MEC may be levied only on the **residual capacity for which the milestone remains unachieved**
- In case of land-related compliance, MEC may be applied only on the **shortfall quantum**
- **Marginal shortfall (e.g., up to ~5%)** in land aggregation may be allowed a limited cure period (e.g., up to one month) prior to levy of MEC
- This principle may be applied **uniformly across all milestones**

3. Consideration of External Factors

It is submitted that application of MEC irrespective of the cause of delay may result in penal implications even in cases where delays arise due to factors beyond the control of the developer, including transmission readiness and statutory approvals.

It is also submitted that the framework does not explicitly provide for **force majeure or similar uncontrollable events**.

Accordingly, it is submitted that:

- A **neutral window of 3–6 months** may be considered where delays are attributable to external factors
- MEC may be applied primarily in cases of **developer-attributable delays**
- Appropriate provisions may be included for **force majeure and similar events**

4. Alignment of Milestones with Project Realities

(a) Land Milestone

It is submitted that land aggregation involves structural constraints and dependencies on external processes.

It is further submitted that land aggregation timelines may require alignment with **actual progress of ISTS substation commissioning**, as delays in evacuation infrastructure may affect project execution planning.

Accordingly, it is submitted that:

- MEC applicable to land milestones may be **appropriately calibrated**
- The extension period may be increased to **up to 6 months**
- **Agreement to Lease (ATL), sub-lease, and similar arrangements** may be recognised
- Land milestone timelines may be **appropriately aligned with connectivity readiness**, where delays in ISTS infrastructure are evident

(b) Financial Closure and COD

It is submitted that milestone timelines may not always align with availability of connectivity or system readiness.

Accordingly, it is submitted that:

- Milestones may be linked to **effective availability of connectivity (GNA effectiveness)**
- Adequate time (including a **reasonable window post system readiness**) may be provided for achieving COD
- MEC may be applied only on **residual capacity**

5. Avoidance of Overlapping Financial Implications

It is submitted that simultaneous application of MEC and other measures such as BG encashment may lead to overlapping financial implications.

Accordingly, it is submitted that:

- The framework may clarify the interaction between MEC and other enforcement measures to ensure **balanced and non-duplicative application**

6. Consideration for Emerging Project Structures

It is submitted that Hybrid, FDRE, and BESS projects involve distinct development timelines and complexities.

Accordingly, it is submitted that:

- Appropriate flexibility or **differentiated treatment** may be considered for such projects

Closing Submission

A framework calibrated to reflect **cost-reflectivity, proportionality, and practical project considerations** would better support timely capacity addition while ensuring efficient utilisation of ISTS connectivity.