NATIONAL SOLAR ENERGY FEDERATION OF INDIA
Regd. No. 362 / IV of 8 May, 2013
भारतीय सौर ऊर्जा महासंघ
पंजीकरण नं 362 / IV - 8 मई, 2013

Ref no: NSEFI/CERC/2025-26/0070
Date: 26.12.2025

To,

The Secretary,
Central Electricity Regulatory Commission (CERC),
6th-8th Floor, World Trade Centre, Tower B,
Nauroji Nagar, New Delhi - 110029

Subject: Submission of comments on CERC Staff Paper on Proposal for allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed

Ref: CERC Public Notice L-1/261/2021/CERC dated 25th November 2025

Respected Sir,

Greetings from National Solar Energy Federation of India (NSEFI)!

NSEFI is a non-profit organization with the objective of advocating for renewable power development. It is an umbrella organization representing Renewable energy companies active along the whole photovoltaic value chain: project developers, manufacturers, engineering companies, financing institutions and other stakeholders. NSEFI was founded in 2013 by solar energy industry leaders with the vision to promote solar energy, NSEFI is a public trust based in New Delhi. Our members have executed Solar as well as Wind power projects across the country, under the State and Central Schemes across India.

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This is with reference to the Staff Paper issued by the Commission's staff in November 2025 regarding the challenges associated with Connectivity granted via the Letter of Award (LoA) route under Regulation 5.8(xi)(a) of the GNA Regulations.

First and foremost, our Association would like to extend its sincere gratitude to the Hon'ble Commission for its pragmatic and supportive approach toward the renewable energy sector. We specifically appreciate the recent decision to extend the timeline for exercising the Right of First Refusal (ROFR) regarding non-solar hour Connectivity. By extending this window from 3 months to 5.5 months, the Commission has provided much-needed relief to developers navigating complex operational transitions.

Regarding the specific proposals outlined in the Staff Paper, we submit our detailed comments for your kind consideration:

1. **Strengthening the Sanctity of LoAs and Resolution for the Existing 45 GW**

   The Staff Paper highlights that approximately 45.34 GW of Connectivity capacity is currently tied to LoAs where PPAs are yet to be signed. While we acknowledge the Commission's concern regarding the optimal utilization of the transmission system, revoking or forcing the surrender of such a massive quantum of Connectivity should not be the primary solution.

   - **Inter-Ministerial Collaboration:** We request CERC to work in close coordination with the Ministry of Power (MoP) and the Ministry of New and Renewable Energy (MNRE) to ensure these 45 GW of LoAs are converted into formal PPAs.
   - **Enforcement of RPO/RCO:** The MoP can facilitate this conversion by strictly enforcing Renewable Purchase Obligations (RPO) and Renewable Consumption Obligations (RCO). Currently, the lack of PPA signing is often exacerbated by a lack of accountability at the state level. We note with concern that:
     - **Waiver of Penalties:** Several State Electricity Regulatory Commissions (SERCs) have frequently exercised "Power to Relax" clauses to waive off liquidated damages or penalties for RPO shortfalls, citing the poor financial health of Discoms.

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- **Carry-forward Provisions:** Commissions in states like Rajasthan and Maharashtra have allowed Discoms to carry forward their RPO deficits to subsequent years rather than enforcing the purchase of power. This removes the financial incentive for Discoms to sign PPAs, directly contributing to the bottleneck.

- **National Objectives:** An LoA issued by a Renewable Energy Implementing Agency (REIA) such as SECI, NTPC, or NHPC is a sacrosanct document. Large-scale cancellation would cast doubt on the methodology of nationwide competitive bidding and diminish investor confidence in the Indian RE industry.

2. Strong Opposition to the Proposed Auction Mechanism (Option-III)

The Staff Paper proposes that vacated Connectivity be reallocated through an auction process based on an increasing price bid (suggested base price of ₹3 Lakh/MW). We vehemently oppose this proposal as it fundamentally misdiagnoses the sector's challenges and introduces dangerous market distortions.

- **Misdiagnosis of the Core Issue:** The current bottleneck is not caused by a lack of willingness to pay for Connectivity, but by the uncertainty of Offtake (PPA execution). An auction mechanism forces a developer to pay a premium to secure Connectivity, yet they face the exact same downstream risks—Discom reluctance and regulatory delays. Winning an auction for Connectivity does not guarantee a PPA; it merely ensures that the capacity is "stranded" with a developer who has paid a higher sunk cost.

- **Artificial Inflation of Tariffs:** Connectivity charges are a pass-through component of capital cost. Any premium paid in an auction will directly translate into a higher Levelized Cost of Energy (LCOE). At a time when the goal is affordable power, introducing a "Bidding Premium" acts as an indirect tax on renewable energy. This will inevitably result in higher discovered tariffs in future bids, making Discoms *even less likely* to adopt power.

- **Creation of Oligopolies:** Grid access is a public utility enabler, not a scarce commercial commodity. An auction regime inherently favors large conglomerates with deep balance sheets who can afford to "outbid" competitors merely to hoard Connectivity. This will price out efficient mid-sized developers and MSMEs, leading to a monopolistic market structure that stifles competition.

3. **Proposed Regulatory Interventions for Future Connectivity**

To address the root cause of PPA delays—which stems from the disconnect between price discovery and price acceptance—we recommend the following structural changes to the tendering ecosystem:

- **Pre-Tender Consultation and Ceiling Tariffs:** REIAs must be mandated to release tenders only after thorough consultation with beneficiary Discoms. Crucially, every tender must include a Ceiling Tariff that is not arbitrarily decided, but determined and vetted by the Appropriate Commission (CERC/SERC) *prior* to the bid issuance.
- **Statutory Mandate for Tariff Adoption:** If the price discovered through the National Competitive Bidding (NCB) process falls below the pre-approved Ceiling Tariff, it must be made mandatory for the beneficiary Discoms to procure that power. Since the Discoms would have already consented to the Ceiling Tariff, they should hold no right to reject a lower discovered tariff.
- **Rationalizing the Role of Commissions:** The role of the CERC and SERCs should be to ensure the ceiling tariff has a rational basis and that the tender follows Standard Bidding Guidelines. Once these conditions are met, the adoption of the tariff should be automatic. This eliminates the "Buyer's Remorse" that currently stalls PPA signing.

4. **Transitioning to PPA-based Connectivity Allocation**

While we oppose auctions, we acknowledge the need for grid discipline. We submit that the Commission may consider omitting the LoA as the basis for Connectivity allocation and moving towards a PPA-based allocation, provided that the "LoA Document" itself is strengthened in parallel.

- **PPA as the Grant Milestone:** Connectivity may be granted only upon the submission of a signed PPA/PSA. This ensures that no transmission capacity is blocked by "speculative" bids or projects stuck in adoption limbo.
- **Strengthening the LoA (Making it "Legible" and Robust):** However, for a PPA-based allocation to work, the LoA must become a more "legible" and powerful document.

- If the regulatory interventions in Point 3 (Mandatory Adoption below Ceiling Tariff) are implemented, the LoA becomes a near-guarantee of a PPA.
- Without strengthening the LoA to guarantee a PPA, moving Connectivity allocation to the PPA stage will simply kill the development pipeline, as developers cannot take the risk of land acquisition without visibility on Connectivity.

Conclusion: In conclusion, we believe that the solution lies in strengthening the sanctity of the bids and the regulatory framework surrounding offtake. We request the Hon'ble Commission to reject the Auction mechanism (Option-III) and instead focus on regulatory interventions that make the transition from LoA to PPA seamless and mandatory.

We have also provided our specific Comments over the various ideas and proposal of staff paper below. Please consider our Comments without prejudice to the above submission.

S. No.	Reference (Proposal/Option)	Issue / Concern Identified	Our Suggestion / Recommendation	Rationale
1.	Proposal 1: Option-III *(Auction of Surrendered Connectivity)*	**Inefficiency of Auction:** The proposal to auction surrendered connectivity creates a perverse incentive. It bypasses the existing priority queue and encourages speculative hoarding by deep-pocketed entities who may "corner" capacity without having a genuine project ready. **Commoditization:** Auctions transform a public utility (grid access) into a tradable	**Strongly Reject Option-III.** Proposed Reallocation Hierarchy: We recommend that vacated connectivity should be reallocated in the following order of priority: 1. Priority 1: Existing applicants in the CTUIL Priority Queue (Time-	**Prevention of Hoarding:** Utilizing the existing queue respects the "First-Come-First-Served" principle. Prioritizing firm PPAs ensures that "ready-to-build" projects are not starved of connectivity while speculative bidders hoard capacity via auctions.

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		commodity, inflating project costs which will ultimately pass through to consumers.	stamped). 2. Priority 2: Applicants holding Firm PPAs with REIAs, Discoms, or Reputed C&I Consumers who were previously denied connectivity. 3. Priority 3: Only residual capacity, if any, should be open to general application.	
2.	Proposal 1: Option-III *(Conn-BG Encashment)*	*"An entity may apply to surrender such Connectivity to CTUIL, within one month. In such a case, CTU shall encash Conn-BG1 and return Conn-BG2 and Conn-BG3. Such entity shall be liable to pay the applicable charges under the Sharing Regulations until the date of surrender of the Connectivity is allowed by the CTUIL"*	An entity may apply to surrender such Connectivity to CTUIL, within one month. In such a case, CTU shall return Conn-BG1, Conn-BG2 and Conn-BG3.	Signing of a PPA lies squarely within the domain of REIAs. PPA signing is beyond the control of the developer. To penalize developers by encashing Connectivity Bank Guarantees (Conn-BGs) for delays attributable to REIAs' failure to secure PPAs would constitute an arbitrary exercise of power
3.	Proposal 1: Option-III	*"If the entity that has been granted Connectivity on the LoA route, where the*	This entire option, including the deemed surrender mechanism,	

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		signing of the PPA is delayed for more than 12 months and has not opted for either Option-I, Option-II, or Option-III, within one month, Connectivity of such entity shall be deemed surrendered under Option-III." The proposal for a "deemed surrender" with encashment of BGs for projects where PPA signing is delayed by more than 12 months is fundamentally unfair. No tender or regulatory framework contemplates such a punitive outcome for a delay that is clearly beyond the developer's control. This provision incorrectly equates a systemic, third-party delay with a developer's default. The signing of the PPA is a critical condition precedent for a developer to proceed with financial closure and project construction.	should be applicable only to those projects where the LoA has been formally cancelled by the REIA, not where it is merely delayed.	

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4.	Proposal 2: Option-I *(Eligibility Criteria for Future Grants)*	**Exclusion of C&I Sector:** The proposal restricts future connectivity only to "Govt. PPAs," effectively barring Commercial & Industrial (C&I) projects. This contradicts the Open Access rights granted under the Electricity Act, 2003.	**Include "Bankable C&I PPAs":** The definition of eligible PPAs must explicitly include C&I PPAs signed with creditworthy off-takers. The credit rating threshold (e.g., 'AA' or equivalent) can be decided in consultation with stakeholders.	**Statutory Consistency:** Limiting connectivity strictly to government procurement is discriminatory and ultra vires to Sections 9, 38, and 42 of the Electricity Act, 2003, which mandate non-discriminatory open access for captive and third-party users.
5.	Proposal 2: Option-I *(Eligibility Criteria for Future Grants)*	**Bureaucratic Fluidity vs. Merit-Based Allocation** Proposal 2 (Option 1) suggests making the PPA signing the sole criterion for connectivity. PPA signing is administratively fluid and often delayed by factors beyond a developer's control (e.g., PSA adoption delays). Making this the criterion turns connectivity allocation into a "bureaucratic race" rather than a merit-based system, disadvantaged developers who won bids earlier but faced administrative bottlenecks.		

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		Contradiction with MNRE Guidelines for Under-Construction Projects If connectivity is denied until a PPA is signed, the "under-construction" category encouraged by MNRE guidelines becomes unviable. Investors cannot deploy equity into a project lacking grid access.		
6.	Proposal 2: Option-II *(Future Grants via Auction Only)*	**Double-Auction Risk:** Forcing developers to bid for connectivity (Auction 1) and then bid for tariffs (Auction 2) introduces a "Double Risk" and forces equity lock-in for long gestation periods (6-8 years).	Retain "First-Come-First-Served" or "PPA-based" Allocation. Do not shift to a 100% Auction regime for future connectivity.	Consumer Interest: The "Connectivity Premium" paid in an auction is a sunk cost that will inevitably raise the final renewable energy tariff, defeating the national goal of affordable green power.
7.	General Suggestion *(Group Company Flexibility)*	**Corporate Structure Rigidity:** Current regulations do not allow the conversion of land/land BG Connectivity to PPA based connectivity based on the PPA secured by any group company under the same ultimate parent. Often a certain subsidiary or parent entity holds the Connectivity, but a different subsidiary within the same ultimate parent company signs the PPA.	**Explicit Flexibility:** Please allow that a Group Company PPA (Parent/Subsidiary/Affiliate) is a valid document for converting "Land/Land BG Connectivity" into "PPA-based Connectivity."	Ease of Doing Business: Large infrastructure projects are often executed via different SPVs. Denying conversion because the PPA is in a subsidiary's name which is different from the subsidiary which is a Connectivity grantee is a procedural barrier that delays genuine projects without

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				adding regulatory value.
8.	Proposal 1: Option-I *(Con-BGs & PBG)*	**Additional Performance Bank Guarantee:** The proposal to mandate an additional Performance Bank Guarantee of INR 10 lacs/MW is an anti-competitive measure that would create a financial barrier for new and emerging players, particularly those in the MSME sector. A developer on the LoA route has already furnished substantial financial securities in the form of Conn-BG1, Conn-BG2, and Conn-BG3, locking up significant capital. To impose a fresh, multi-crore guarantee as a precondition for continuing a project delayed by factors outside the developer's control is not only punitive but also economically unviable.	Instead of this punitive measure, we propose that developers be given the option to either (a) furnish proof of having acquired 50% of the required land, demonstrating tangible project progress, or (b) furnish a Bank Guarantee in lieu of land, consistent with the existing Land BG route, which would be released upon the subsequent submission of the required land documents.	
9.	Proposal 1: Option-I *(Timelines for Conversion)*	**Unrealistic 18-Month SCOD:** The proposal mandates an SCOD of 18 months from conversion. This ignores the standard REIA tender timeline of 24 months. Consequently, the land and financial closure timelines are also too	Align with Standard Bidding Guidelines: We propose the following revised timelines: 1. SCOD: 24 Months from conversion (or as per PPA).	Project Viability: Typically, 75% of a project is debt-funded. Lenders will not finance a project with a compressed 18-month timeline when the industry standard is

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		tight.	2. Financial Closure: 15 Months. 3. Land Submission: 12 Months.	24 months. Timelines must mimic the PPA conditions.
10.	Proposal 1: Option-I *(Firm Start Date)*	The provision that the firm start date of Connectivity shall not change is highly prejudicial and inequitable. If the project's SCOD is being reset due to a PPA signing delay—a delay not attributable to the developer—it is a matter of natural justice that the firm start date of connectivity be correspondingly extended. As argued, the SCOD should is usually 24 months from the PPA effective date. Consequently, the firm start date of connectivity must be realigned with this new SCOD. To hold the start date fixed while the project timeline shifts would unfairly expose the developer to significant mismatch charges under the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020	The firm start date of connectivity be automatically extended to align with the PPA-linked SCOD, which would logically mean that the levy of any mismatch charges for this period would not become applicable.	This will give fair chance to developer whose project is delayed due to non-signing of PPA.

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		("Sharing Regulations"). This would mean penalising the developer for a transmission asset they cannot use, due to a delay they did not cause.		
11.	Proposal 1: Option-I *(Land Document Submission)*	*"Entity shall submit the land documents in terms of Clause 5.8(xi)(b) of the GNA Regulations for the converted capacity within 12 months, and shall achieve the financial closure within 15 months from the date of conversion"* The proposed timeline as per the above, which requires the submission of land documents within 12 months and achievement of financial closure within 15 months from the date of conversion, is overly stringent. A developer forced to exit the LoA route is essentially being pushed into a merchant or third-party sale model, which requires a fundamental reassessment of project viability and land strategy.	We propose that the timeline for submission of land documents be extended to 15 months from the date of conversion to provide a realistic period for due diligence and acquisition. Furthermore, the deadline for financial closure should not be a fixed number but should be dynamically linked to the project's commercial milestone. In line with Regulation 11A (2) of the GNA Regulations and standard project finance practice, the financial closure deadline should be set at six months prior to the re-calculated SCOD (which is usually 24 months from the PPA signing date and in this case should be 24 months from	This approach provides necessary flexibility and aligns regulatory compliance with the commercial realities of the project.

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			conversion).	
12.	Proposal 1: Option-I *(Conversion of part-quantum connectivity)*	*"In case of conversion of part quantum of Connectivity, the balance quantum of Connectivity shall be revoked and shall be governed in terms of Regulation 24.6 of the GNA Regulations. In the event of revocation of the Connectivity, the corresponding Conn-BGs shall be treated in accordance with Regulations 24.2 and 24.3 of the GNA Regulations."* The proposal that the Conn-BGs corresponding to the revoked portion of connectivity shall be encashed is unduly harsh and fails to consider the position of MSME players. As an MSME, we operate on tight capital and cash flows. The encashment of bank guarantees for a partial revocation—which itself stems from a PPA signing delay beyond our control—imposes a severe financial penalty for a situation we did not create. Encashing our BGs in such a scenario is punitive, not corrective.	For any capacity surrendered due to partial conversion under this option, the corresponding proportionate Conn-BGs should be returned to the developer. This would be an equitable measure, acknowledging that the developer is not at fault and preventing a crippling financial blow to smaller entities committed to the renewable energy sector.	

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	Proposal 1: Option-I *(Triggered revocation date)*	*" The entities whose revocation date has already been triggered due to non-submission of the Financial Closure document or COD shall be treated in terms of the GNA Regulations."*	The entities whose revocation date has already been triggered due to non-submission of the Financial Closure document or COD should be granted additional time based on the revised Start Date and SCOD.	This approach ensures a fair opportunity for developers whose projects are delayed due to non-signing of PPAs—a factor beyond their control
13.	Proposal 1: Option-I *(Delay in Commissioning)*	*" Delay in commissioning or to meet the milestones (furnishing of land document or to Financial Closure.* *MEC, such charges shall be encashed from the Performance Bank Guarantee submitted by such entity"* The introduction of Milestone Extension Charges (MEC) at INR 1500/MW/day or INR 5000/MW/day is a form of double charging and is inconsistent with the existing regulatory framework. Under Regulation 13(7) of the Sharing Regulations, a developer is already liable to pay mismatch charges at the rate of INR 3000/MW/month if the COD is delayed beyond the firm start date of connectivity. This charge is designed to compensate the system for the non-utilisation of the		

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		transmission asset. To now impose an additional, punitive per-day MEC on top of this monthly charge for the very same delay constitutes a double penalty. It is excessive, lacks a sound regulatory basis, and is not contemplated in the primary GNA or Sharing Regulations. Such a provision would be legally untenable as it imposes two separate financial penalties for a single event, violating principles of proportionality and fairness in administrative action.		
14.	Proposal 1: Option-I *(Connectivity Revocation & Encashment of PBG)*	*"In case Land Documents or financial closure is not furnished by the extended timeline or COD is not achieved within the stipulated timeline or the extended timeline, connectivity for the proportionate quantum shall be revoked and Conn-BG shall be treated in terms of Regulations 24.3 and 24.4 of the GNA Regulations. The Performance Bank Guarantee shall also be encashed."* The proposal to encash the Performance Bank Guarantee in addition to the Conn-BGs in the event of failure to meet land or	Only the Conn-BGs should be encashed in accordance with the GNA Regulations in the event of default, and there should be no requirement for submission or encashment of any additional security.	This approach is fully aligned with the intent and provisions of the GNA Regulations and ensures a fair and balanced treatment of developers.

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		financial closure milestones is not tenable, as we have already submitted that there should be no requirement for developers to furnish a Performance Bank Guarantee. Where no Performance Bank Guarantee is required to be submitted, the question of its encashment does not arise. Further, the GNA Regulations, provide for the encashment of the Conn-BGs to cover deemed transmission charges and other liabilities arising from the failure to meet project milestones or achieve COD within the stipulated or extended timelines. The encashment of the Conn-BGs is thus sufficient to safeguard the interests of the transmission utility and to compensate for any blocked capacity. Requiring any further security or encashment, would be contrary to the regulatory framework and would impose an unnecessary and disproportionate burden on developers.		
15.	Proposal 1: Option-II	**Impractical Window & Restrictions:** 1. 1-Month Window: Finding a substitute LoA and obtaining	1. **Timeline:** Increase the substitution window to 3 to 6 Months.	**Administrative Reality:** Inter-agency approvals (SECI/NTPC/CTU) take time.

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	(Substitution of LoA)	NOCs from multiple agencies in 30 days is administratively impossible. 2. 6-Month Gap Rule: The condition that the new LoA must have a start date at least 6 months later is arbitrary.	2. **Gap Rule:** Remove the restrictive condition regarding the 6-month gap between connectivity start dates.	A 1-month window effectively renders this option useless. The 6-month gap rule restricts commercial freedom without adding technical value.
16.	Proposal 1: Option-II *(Extension of Timelines)*	*Provided that, any extension in the timeline to achieve the milestone of Financial Closure due to extension in SCOD under PPA shall not be allowed more than 12 months from the timeline as per initial SCOD under PPA."*	All timelines for SCOD and financial closure under Option II should be aligned with the SCOD of the substituted PPA, with no arbitrary outer limit of 12 months	
17.	Proposal 1: Option-II *(Liability Post-Substitution)*	**Residual Liability:** The proposal suggests the original grantee remains liable even after substituting the LoA with a subsidiary/parent entity. This creates a disconnect between the project executor and the liable entity.	**Full Discharge of Original Grantee:** Upon successful substitution/novation of the LoA to a new entity (or Group Company), the original grantee must be fully discharged of all GNA obligations.	**Legal Clarity:** Risk and Responsibility must travel together. If the new entity owns the PPA and the Project, they must also own the full regulatory liability.
18.	Proposal 1: Option-II	*"After substitution of the LoA1 with the PPA under LoA2, the Connectivity granted basis the LoA2 may be converted to Land or Land BG route and shall*	Following the formal cancellation of a LoA by the REIA, a developer should be provided a fair window of three to six months to choose	

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		comply with Regulation 11A(3) and Regulation 24.6(1)(iii) of the GNA Regulations. If not converted, it shall be considered as surrendered. If the Connectivity granted for LoA2 is surrendered, the same, along with the associated Conn-BGs, shall be treated in the manner provided at Option-III (Auction of the vacated Capacity)" The mechanism of "deemed surrender" and the automatic encashment of Conn-BG1 if no option is exercised within one month is unduly harsh and violates the principles of natural justice and due process. Penalising a developer for delays attributable entirely to third-party actions contradicts the principles of fairness and regulatory certainty. This provision effectively punishes a developer for circumstances beyond their control without affording them a reasonable opportunity to be heard or to await the resolution of underlying issues.	between continuing with the project under Option I or Option II. If a developer does not exercise either of these options within this period, the connectivity should be considered surrendered. However, this surrender should not be punitive. Therefore, in any case where connectivity is surrendered because a developer fails to opt for Option I or II within the three to six month window following an LoA cancellation, all associated bank guarantees, including Conn-BG1, should be returned in full.	

NSEFI respectfully requests the Hon'ble Commission to kindly consider the above submissions.

With Best Regards,



Subrahmanyam Pulipaka
Chief Executive Officer
National Solar Energy Federation of India

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