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Date: Tue, 23 Dec 2025 17:06:11 +0530
Subject: CERC Staff Paper on proposal for allocation of Connectivity granted (on LOA route) where the signing of the Power Purchase Agreements (PPA)/ Power Sale Agreements (PSAs) is getting delayed
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PFA as Suggestions on behalf of Bihar DISCOMs on CERC Staff Paper on proposal for allocation of Connectivity granted (on LOA route) where the signing of the Power Purchase Agreements (PPA)/ Power Sale Agreements (PSAs) is getting delayed.

It is requested to kindly consider the same and condone the delay in submission of the same.

With regards,
Chief Engineer (Commercial),
SBPDCL - HQ, Patna

Suggestions - Allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed

A. Introduction:

Central Electricity Regulatory Commission (CERC) has come up with a staff paper on proposal for allocation of Connectivity granted (on LOA route) where the signing of the Power Purchase Agreements (PPA)/ Power Sale Agreements (PSAs) is getting delayed. Stakeholders have been invited to provide their suggestions/comments to the Staff of the Commission by 15th December 2025.

This staff paper has come up when the Government of India (GoI) had directed Renewable Energy Implementing Agency (REIAs) to close all legacy bids and cancel the LOAs for all renewable energy projects for which PPAs and PSAs are not feasible by 30th September 2025. The Ministry of New & Renewable Energy (MNRE) has also initiated a comprehensive review of 43.9 GW of RE capacities, which are languishing due to lack of interest from Discoms in signing PSAs.

Based on information provided by REIAs, there is a total of 45.34 GW of RE projects (June 2025) where Connectivity has been granted via the LoA route, but PPAs are yet to be signed. Of this, Connectivity requests have been applied for around 13.54 GW capacity but are yet to be granted. Connectivity has been granted for 31.80 GW capacity.

B. Current System:

Under the current system, if a developer wins a bid, receive a LoA, tie up for land and finances, furnishes BGs, 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. There are three different routes under the present GNA Regulations, wherein an REGS or ESS may apply for the grant of Connectivity under either of the following routes:

1. LoA/PPA route – An entity may seek Connectivity on the basis of the LoA issued by or PPA entered into with (i) REIA or (ii) distribution licensee or (iii) authorized agency on behalf of licensee, or (iv) the Central government approved third party acting as an authorized representative of the generating station.
2. Land Route - An entity may seek Connectivity by submitting the land document for 50% of the land required for the capacity for which Connectivity has been sought.
3. Land BG Route - An entity may seek Connectivity by furnishing Bank Guarantee (BG) of Rs. 10 lakh/MW for a capacity up to 1000 MW, and BG of Rs. 100 Cr plus Rs. 5 lakh/MW for capacity over and above 1000 MW, in lieu of the land documents, with a condition to submit land documents within the specified timeline.

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C. Key Changes Proposed:

1. In a bid to streamline the country's clogged transmission network, the Regulator termed Connectivity as a "scare resource", which should be auctioned for future applications.
2. For all future projects, LoA to be replaced with the PPA entirely as the valid document for granting connectivity or allocating connectivity solely through auctions, similar to the competitive bidding framework for generation projects. This means all the present three routes – LoA/PPA route, Land Route and Land BG route to shift to auctions with attached timelines and financial consequences, turning connectivity into a market mechanism rather than an administrative gate.
3. For existing 45.3 GW of stuck projects, three options have been notified:
    - Option I allows developers to exit the LoA route but retain their connectivity by furnishing an additional performance BG of Rs 10 Lakh/MW. Also they need to meet strict timelines – land documents in 12 months, financial closure (FC) in 15 months and Date of Commercial Operation (CoD) within 18 months of conversion. Delays attract daily milestone- extension charges and continued non-compliance would lead to encashment of the guarantee and revocation of the relevant connectivity. If only part of the connectivity is converted, connectivity of the balance is revoked. Mismatch charges continue to be applied, 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 different REIA, provided the new PPA has a firm start date at least six months later than the original. This PPA must be held by the developer or parent or its subsidiaries. Financial closure must be achieved six months before the CoD or the firm connectivity date, whichever is later. Failure to meet FC or CoD milestones to attract revocation and BG encashment.
    - Option III enables developers to exit connectivity altogether. Of the three connectivity related BGs, the transmission utility to retain (BG-1 of Rs 50 lakhs) but return BG-2 and BG-3. The released connectivity would then be reauctioned.

    If a developer fails to exercise any of the above three options within one month, Option III would automatically be triggered.

D. Suggestions from Bihar:

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1. **Non-Closure of PPA/PSAs is not to be attributed only to RE Developers:** Bihar State suggests that the present staff paper approach and loading of BGs with clear timeline pertaining to FC or CoD are more focused on developers and silent on REIAs. It's clear that REIAs aggressive tendering to meet their targets is leading to piling of awarded quantum which may find no takers. REIAs should instead focus on taking buy-in from end purchasers, finalize the RE profile required and hit the market for better price discovery. For example, most of the RE tenders floated by REIAs are not as per demand specific criteria of the State. It has been observed that REIAs are inviting the tender for solar with storage system in two cycles in a day (2 hours in morning peak and 2 hours in evening peak). However, DISCOMs like Bihar has only evening peak and there is a requirement of 4 hours in a cycle (during evening peak) in a day.
2. **Fixed Timelines for PPA Execution, FC & CoD:** Bihar DISCOMs strongly advocates for definite and enforceable timelines for PPA/PSA execution after grant of connectivity, Financial closure and CoD with milestone extension charges if any. It is imperative that if the PPA/PSA is not signed within a prescribed period as mentioned the connectivity granted should automatically lapse and be reallocated. Delays in signing PPA/PSA create ambiguity about the actual power that will be available for distribution, affecting their load forecasting and procurement planning. In case of delay of projects, DISCOMs are forced to arrange costly short-term or emergency power purchases at higher tariffs, adversely impacting retail tariff stability. This would also overcome the underutilization or stranding of downstream infrastructure investments as distribution system's reliability depends on firm commitments of power supply. Obligations such as RCO/RPO and other policy mandates depend on assured power availability; uncertainty due to PPA delays complicates compliance.
3. **Online portal for transparency and monitoring:** Bihar State suggests a centralized real-time online portal should be made mandatory under the said draft staff paper to be maintained by CERC/CTU (in coordination with REIAs) where the status of LOAs, PPA/PSA signing, and reasons for delay (if any) are regularly updated and accessible to stakeholders, including Distribution Licensees. This would help DISCOMs/end users to accordingly take decisions pertaining to power scheduling/allocation so that alternate procurement options may be explored promptly.
4. **Penal measures for unjustified delays:** Bihar State suggests that penalties or forfeiture of connectivity-related fees or deposits be introduced in the staff paper for entities delaying PPA/PSA signing without valid reasons. This would discourage speculative or blocking behavior and act as a deterrent against holding connectivity slots without genuine intent to procure power, ensuring

optimal utilization of limited transmission resources. It should consider scenarios where stakeholders internal delays contribute to PPA signing issue and devise mechanisms (e.g., escrow accounts, conditional contracts) to mitigate this.

5. **Role of coordination with States/Utilities:** Bihar State suggests that States/Utilities should be formally consulted during the allocation and reallocation of connectivity, especially in their license area, to assess practical feasibility and alignment with distribution system capacities. Stakeholders inputs on expected demand, load forecasting, and network constraints are critical for rational allocation of connectivity.
6. **Adoption of Conditional Connectivity Allocation:** Bihar State suggests that connectivity allocation should preferably be granted only if there is a firm and backed PPA/PSA commitment at the time of application or before LOA issuance i.e. an executed or legally binding PPA/PSA or a binding Letter of Intent from DISCOMs or other buyers. This would minimize idle connectivity. Granting connectivity without such commitment encourages speculative applications and leads to underutilized or stranded transmission assets. The Staff Paper should explicitly mandate that connectivity on LOA route is contingent upon firm contractual arrangements to discourage misuse.
7. **Addressing PSA-related delays beyond PPA signing:** Bihar State suggests that in some cases, PPA may be signed but delays occur at the PSA or transmission scheduling and coordination level. The Staff Paper should clarify how connectivity allocation and status will be managed in such cases to avoid penalizing generators unfairly or creating ambiguity for DISCOMs.
8. **Consideration of connectivity for projects apart from the bid route:** Bihar State suggests that the present staff paper fails to recognize the pending connectivity application of projects apart from the bid route. C&I projects are always given less priority to bid routes. Infact, the auction mechanism (Option III) should invariably include all pending applications seeking LTOA connectivity. Also signed PPAs and access to unencumbered land parcels should also be made a criterion based on which connectivity should be granted.