Ref: SRIPL/CERC/2025/12/26 **Date: 26.12.2025**

To
The Secretary,
Central Electricity Regulatory Commission
Tower B, 6,7,8 Floor, World Trade Centre,
Safdarjung Enclave, New Delhi – 110029

Subject: Comments/ Suggestions on Proposal for allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed

Respected Sir,

This is with reference to the above subject wherein the Hon'ble Commission has invited comments and suggestions on the Staff paper on Proposal for allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed published in November 2025.

We thank you for providing opportunity to stakeholders to provide their comments and suggestions on the above-mentioned subject. We believe that auction is a step in the right direction and should be highly nuanced in its approach as explained in our comments. Our detailed inputs are enclosed herewith for your perusal and reference as Annexure 1. Further, from a first principles point of view we would like to submit the following:

Proposal 1: Connectivity has been granted on the basis of LoA, but the signing of the PPA is delayed

1. **Is Auction a Means to Allocate Connectivity Forfeited under LoA Route Only?**
   The discussion paper provides options to RE Developer agreeing on cancelling LoA to continue with the connectivity by submitting PBG of Rs 10 Lakhs/MW or substitute under another LoA with PPA or submit for auction. There are also connectivities under Land or Land BG route that have been cancelled by CTU or are before CERC for relief or voluntarily surrendered (though rare). We believe such connectivity should also come up for auction wherever the cancellation by CTU has been accepted by the RE Developer or RE Developer has voluntarily forfeited or CERC has not provided relief and proceeded with cancellation. **The principle of transparent allocation of connectivity to most deserving RE Developer should apply equally to all cancelled connectivity, irrespective of LoA route, given that present cluster-based approach has no guarantee of project coming up**. **It is emphasized here that as a principle price auction should apply only to cancelled connectivity.**

2. **Are Timelines for Commissioning Projects Getting Connectivity under Auction Practical?**
   Connectivity is scarce in the country and there is a rush of getting connectivity by RE Developers. Connectivity of substations get filled up within a few days and further expansion is being requested by RE Developers. In this context, when a connectivity is auctioned out to a Developer, he will require time to develop the project. Given that the incumbent would have

acquired land and already some other IPPs would have done the same, time would be taken for land acquisition and setting up the power plant. The RE Developer that has paid a premium for getting connectivity should be given reasonable time to set up project as per industry practise. Instead of 12 months, minimum 24 months for solar and 36 months for wind/hybrid projects should be considered.

3. **Are Penalties for Delay in COD Post Auction Reasonable?**
   If the objective of auctioning is to select the most deserving IPP that is capable to set up project and utilize connectivity, the penalty on delayed seems very onerous. As an example say for wind projects, the average time for constructing a 300 MW wind project is 3 to 3.5 years. The maximum time given post auction is 24 months (where connectivity is coming after 12 mts) for constructing a project failing which Rs. 5000/MW/mth is applied for failing to meet COD. If after 3 years or with 1 year delay the project gets commissioned in two lots of 150 MW each, the total penalty paid would be Rs. 27 Crore or Rs. 9.12 Lakhs/MW impacting viability. Compare this with reserve price for auction of Rs. 3 Lakhs/MW. **The penalty therefore should be capped as very high penalty would deter auction participation by RE Developers and those who win would be forced to approach CERC for relief increasing avoidable litigation.**

4. **Can Utilization of Funds Received through Auction be for Improving Grid Safety?**
   It is proposed that the amount of funds obtained through auction will be put in Deviation & Ancillary Pool Account after adjusting the value of Con BG2/3. Here it may be added that deviations from RE Projects are a matter of concern for grid operators and accordingly the Hon'ble CERC has suggested tightening the deviation band and implementing "X" factor for calculating Error. Serentica has pointed out in its suggestion that a commercial penalization mechanism may not reduce deviation as real challenges in terms of accurate weather forecasting or availability of deviation market or well-developed ancillary services market to absorb deviations remain non existent. It was suggested by us to have big Battery Banks in grid substation to provide ancillary service and manage deviations under TBCB route. Principally the objective of managing this deviation pool is to ensure **grid security and stability** by commercially settling the various charges. Building up on this, we proposes that money received through auction should serve to meet Capex of these Battery Banks which make the grid more safe. The discretion of spending this should be with CTU/RLDC and under transparent bidding process like TBCB for transmission assets.

Proposal 2 – Grant of fresh connectivity in the future

1. **Is a Merit Based Transparent Process Needed for Allocating Connectivity instead of Sole Price Auction?**
   In the draft discussion paper, it is proposed for inputs if all future connectivity allocation should be through price Auctions. **We believe that while auction has a lot of merit, its demerit is high electricity prices. Globally, it is recognized that connectivity is a scarce resource and should be allocated to ensure its timely utilization while maintaining <u>electricity affordability</u>.** Therefore, in countries like Australia, there is a multi-criterion transparent auction process followed, wherein serious players are sieved out from non-serious players. Auctions are held basis multiple criterion like technology (solar vs solar & BESS), financial capability, technical competence etc to create a merit list of most deserving IPPs and they are then allocated. Price based auctions are not held in any country globally principally to keep energy affordable to common people. **Similarly in India, connectivity**

should be granted to all but on a merit based criterion where those topping the merit should be allocated first followed by others, instead of first come first serve approach followed today. Having PPA should carry maximum weight as a PPA ensures debt closure and project execution. PPA for C&I or merchant projects should necessarily be considered with suitable guard rails.

We hope you will consider our above submissions and issue a suo-moto order for early implementation of the proposed draft.

Thanking you,

Yours faithfully
For Serentica Renewable India Pvt. Ltd.

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Date: 2025.12.26 13:45:18 +05'30'

Kunal L Kaistha
Vice President – Regulatory & Advocacy

Enclosed: Annexure 1

ANNEXURE 1

1. **Proposal**

   In addition to Bank Guarantees against Performance Bank Guarantee (PBG) or EMD for the Option I (Rs. 10 Lakhs/MW) and Option III (Auction) or EMD against Option III (Auction), Insurance Surety Bonds (ISB) may be accepted to give financial relief to RE Generators without compromising on value of the financial security

   Rationale

   Insurance Surety Bonds (ISBs), recognized by the Government of India and the Ministry of Finance as valid security instruments, may be accepted in place of Performance Bank Guarantees (PBGs) for connectivity. ISBs offer equivalent assurance and risk coverage while easing the burden on developers' working capital and credit limits.

   Accepting ISBs will enhance liquidity by freeing banking limits, reduce financing costs, and improve administrative efficiency. This measure supports the government's aim to create a more business-friendly environment, enabling renewable energy developers to allocate capital more strategically and accelerate project execution and capacity addition. It may be appreciated that under Option III (Auction), RE Generators would already be paying huge amount for connectivity, hence relief of PBG or EMD as being Insurance Surety Bond would be most welcome.

2. **Option-III – Exit from Connectivity**

   .....(iii).(d) There shall be two windows for calling the auction of such surrendered Connectivity basis, whether the evacuation system exists or is under commissioning:

   .....

   (i) The commissioning timeline of the project for such awarded connectivity shall be up to ~~*12*~~ ***24 months for Solar Projects and 36 months for Wind Projects****.....*

   (ii) In case the auction of the Connectivity is done at the future substation (either in the construction stage or under the planning stage), or at the existing substation for which the firm start date of Connectivity is more than 12 months:

   • Auction shall be done based on the bid price with a fixed timeline of ***24 months for Solar and 36 months for Wind*** *for commissioning of the project or the commissioning of the substation, whichever is later, failing which a penalty will be imposed.*

   Rationale

   The suggested timeline of 12 months for project commissioning seems to be unrealistic. A commissioning timeline of 24 months for solar and 36 months for wind projects acknowledges on-ground realities, technical complexities, and procedural timelines, fostering a more practical, achievable, and sustainable RE deployment framework. It may be appreciated that once a RE Developer wins auction, time would be required for land acquisition, engineering and design, vendor selection, erection and commissioning amongst

other activities. This is most pronounced in wind, wherein huge site and RoW challenges cause project timelines to stretch to 36 months for commissioning. Solar timelines are shorter due to limited area of project and hence 24 months is suggested. Both these timelines reduce risks related non timely completion of project, thereby facilitating smoother project execution and contributing to India's renewable capacity targets. The commissioning of a WS project accounts for real-world challenges in project execution as below:

a. **Permits and Regulatory Approvals:** Obtaining necessary environmental clearances, Non-Agriculture Conversion approval, WTG registration with nodal authority like MEDA in Maharashtra, land acquisition, and other statutory approvals are very time consuming that cannot be squeezed in 12 months period. Extending project timelines to 24 (solar) and 36 (wind) months respectively provides a realistic timeline to accommodate these approvals.
b. **Supply Chain and Equipment Delivery**: Both solar panels and wind turbines rely on global supply chains that may face disruptions due to geopolitical, economic, or pandemic-related factors.
c. **Finance and Fund Mobilization:** Given the capital-intensive nature of RE projects, generally around 8 to 12 months are needed for bank financial closure.
d. **RoW and Other Site Challenges:** RE projects are impacted by RoW challenges, litigations, adverse weather, rainy seasons and other site related challenges that need to be considered to give reasonable time for project construction.

24 months for solar and 36 months for wind are reasonable time for construction of these projects.

3. **Option-III – Exit from Connectivity**

.....iv. Utilization of the amount received from the Auction of the Connectivity

a. Out of the total amount collected from such auction, a part equivalent to the sum of the Conn-BG2 + ConnBG3 (corresponding to the surrendered connectivity under auction) shall be adjusted in the monthly ISTS transmission charges of the DICs (in lieu of the return of the Conn-BG2 and Conn-BG3, which was otherwise supposed to be encashed under the existing GNA Regulations).

b. The remaining amount, if any, of the auctioned money shall be ***first utilized towards meeting cost of equipment to manage deviations of RE Generators and/or requirement of ancillary service, remaining shall be*** *transferred to Ancillary Services pool account.*

Rationale

As explained in the cover letter, the purpose of ancillary services account is to ultimately keep grid safe. Accordingly, if installation of Battery Banks supports this very cause, the money should gainfully be utilized for it.

4. **Option-III – Exit from Connectivity**

.....(iii).(d) There shall be two windows for calling the auction of such surrendered Connectivity basis, whether the evacuation system exists or is under commissioning:

..... *(ii) Such entity shall furnish the land document within 12 months* ***for Solar Projects and 18 months for Wind and*** *shall submit the financial closure document within 15 months* ***for Solar and Wind Projects****, from the award of the Connectivity or one month prior to the firm start date of Connectivity, whichever is earlier.....*

Rationale

As the processes for land documentation and financial closure involve certain processes and multiple stakeholders, the time mentioned in this proposal is insufficient for wind. The challenges in wind sites for land acquisition are immense as follows:

a. Land is spread out over a large area. A 300 Km wind site is spread over nearly 100 Sq Kms
b. Land has multiple claimants other than registered owners who create nuisance frequently. Many SDM/Tehsil offices do not have proper land records of 30 years as digitization is not complete in many states. Acquisition is done with available records and during payment of money harassment by new claimants is rampant.
c. Exorbitant land rates are asked, especially post covid, delaying land acquisition due to prolonged negotiations. Further, if one land owner is paid more than the other, the latter creates nuisance and threatens employees on site.

For financial closure, 15 months' time is sufficient for both solar and wind project.

5. **Option-III – Exit from Connectivity**

.....(iii).(g) Submission of Earnest Money Deposit (EMD) and Performance Bank Guarantee (PBG) by the entity covered under the above Clauses (i) and (ii):

(iv) After the bidding process is concluded, the successful bidder shall deposit the bid amount within ***~~3~~ 15 Working*** *days****.....***

Rationale

The developer while bidding in auction has an estimate of price to be paid. Often the bid may exceed this price and time would be needed for arranging extra funds, hence the suggestion for 15 days instead of 3 days to arrange for funds.

6. **Proposal**

5.4 Option-III – Exit from Connectivity

(iii).(h) If the entity, covered under the above clauses (c)(i) and (ii), fails to achieve the CoD of the project within the stipulated timeline, ***but show progress in project construction,*** *such entity may seek additional time up to* ~~*six*~~ ***twelve*** *months, subject to the payment of MEC* ~~*@ Rs. 5000/MW/day*~~ ***Rs. 1500/MW/day subject to overall ceiling of Rs 3 Lakhs/MW****. Such charges shall be paid on a per-day basis and 15 days in advance.*

Rationale

RE Developers that acquire connectivity through auctions already pay a very high amount for a precious resource like connectivity. They intend to hold this connectivity for the purpose of

gainfully utilizing it. Once connectivity is obtained, PPA is executed that takes around 8 to 12 months of time, by which land is acquired and engineering frozen. Remaining 12 mths (solar) or 24 mths (wind) goes in procurement, erection and commissioning of project, that can get delayed. Hence, extension instead of 6 months is suggested for 12 months. Further, as a premium would be paid for connectivity, the amount off Rs. 5000/MW/day would be too onerous given project dynamics. This should be reduced to Rs. 1500 MW/day if the RE developer demonstrates progress in the project. A ceiling of Rs 3 Lakhs/MW is proposed as explained in covering letter to these comments.

7. **Option-II – In Future grant Connectivity only though the Auction mechanism**

(iii) Considering that Connectivity is a scarce resource, in the future, only an auction mechanism may be considered for the grant of Connectivity with a firm commitment to bring the project by the specified date. FC shall be achieved atleast six months prior to the COD. The land documents need to be submitted at the time of COD and COD shall have to be achieved as per the date of COD indicated during auction. All existing routes (LoA/ PPA, Land, and Land BG) for the grant of Connectivity shall be done away with for future applicants.

Rationale

We appreciate this proposal to grant connectivity in the future only through Auction mechanism. This will ensure grant of connectivity to only serious players and in a transparent way. However, global experience shows that auction of grid access is not done on increasing price paid for connectivity by on a multivariate criterion testing technical competence, type of technology, financial competence etc. In New South Wales division of Australia auction is done on this multivariate criterion. Spain too has initiated process for allocating connectivity on this multivariate criterion. Annexure-I highlights the salient features of both these countries. Based on the same we suggest that future connectivity should too be granted on a multi-variate auction-based criterion with payment of fixed money for connectivity. A merit order should be created and those topping it should get first preference followed by others. Highest weightage should be to PPA whether u/s 63 or C&I merchant projects as it ensures financial closure and funds for project execution. Grid supporting technology should also be priroitised that enable better cuf and more evacuation utilisation. **The suggestion of pure price auction should be refrained from to avoid high electricity prices, auction as a principle should only apply to cancelled connectivity under reasons whatsoever.**

Suggestions

Sr. No.	Aspect/Criterion	Details	Benefit
1	Project viability	Existence of PPA whether with Discom or C&I Consumer	PPAs are bankable instruments ensuring loan closure for project construction. This criterion will ensure project development.
2	Technology	Solar Vs Wind Vs (Solar + Battery) Vs (Solar + Wind + Battery). Higher	Better CUF at POI or night-time generation through BESS in pure solar sites would facilitate making grid safer than just solar

		hybridization and increased CUF at POI to get higher preference.	generation. Accordingly, grid access priority should be given to technology that improves grid safety.
3	Technical & Financial Capacity	Previous experience in executing RE projects and sufficient financial capability.	Ensures technically competent players get grid access rights and have necessary financial strength to infuse equity.
4	Payment or Connectivity Fee	Some payment or fee (non-refundable) say of Rs. 3-5 Lakhs/MW be upfront paid	Payment would ensure a reasonable cost of connectivity, making it no longer a free resource.

8. New Proposal

A list of the LoAs for which PPA have not been signed over 12 months may be published in a defined interval (monthly/ quarterly).

Rationale

The list of LoAs which have not been signed beyond 12 months should be published in public portal so that the serious players are aware of it and transparency is maintained for fair allocation of connectivity. Regular disclosures deter speculative bidding by signaling consequences for prolonged inaction, reducing idle capacity in the interconnection queue. Developers gain visibility into at-risk awards, enabling portfolio adjustments, while procurers face Renewable Consumption Obligations (RCO) scrutiny.