Date: - 29-Dec-2025

Ref: SEPL/CERC/01

To,

The Secretary,

Central Electricity Regulatory Commission (CERC),

6th-8th Floor, World Trade Centre, Tower B,

Nauroji Nagar, New Delhi - 110029.

Respected Sir,

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 company 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.
    - 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 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.	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-stamped). 2. Priority 2: Applicants holding Firm PPAs with REIAs,	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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		Commoditization: Auctions transform a public utility (grid access) into a tradable commodity, inflating project costs which will ultimately pass through to consumers.	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 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.
3.	Proposal 2: Option-II *(Future Grants via Auction Only)*	Double-Auction Risk: Forcing developers to bid for connectivity (Auction 1) and then	Retain "First-Come-First-Served" or "PPA-based" Allocation.	Consumer Interest: The "Connectivity Premium" paid in an auction is a sunk cost that will

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		bid for tariffs (Auction 2) introduces a "Double Risk" and forces equity lock-in for long gestation periods (6-8 years).	Do not shift to a 100% Auction regime for future connectivity.	inevitably raise the final renewable energy tariff, defeating the national goal of affordable green power.
4.	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 adding regulatory value.
5.	Proposal 1: Option-I *(Timelines for Conversion)*	Unrealistic 18-Month SCOD: The proposal mandates an SCOD of 18 months from	Align with Standard Bidding Guidelines: We propose the following revised timelines:	Project Viability: Typically, 75% of a project is debt-funded. Lenders

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		conversion. This ignores the standard REIA tender timeline of 24 months. Consequently, the land and financial closure timelines are also too tight.	1. SCOD: 24 Months from conversion (or as per PPA). 2. Financial Closure: 15 Months. 3. Land Submission: 12 Months.	will not finance a project with a compressed 18-month timeline when the industry standard is 24 months. Timelines must mimic the PPA conditions.
6.	Proposal 1: Option-II *(Substitution of LoA)*	Impractical Window & Restrictions: 1. 1-Month Window: Finding a substitute LoA and obtaining 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.	1. Timeline: Increase the substitution window to 3 to 6 Months. 2. Gap Rule: Remove the restrictive condition regarding the 6-month gap between connectivity start dates.	Administrative Reality: Inter-agency approvals (SECI/NTPC/CTU) take time. A 1-month window effectively renders this option useless. The 6-month gap rule restricts commercial freedom without adding technical value.
7.	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	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	Legal Clarity: Risk and Responsibility must travel together. If the new entity owns the PPA and the Project, they must

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		entity. This creates a disconnect between the project executor and the liable entity.	discharged of all GNA obligations.	also own the full regulatory liability.



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