

# CENTRAL ELECTRICITY REGULATORY COMMISSION

No. L-1/257/2020/(PMR-4)/CERC

Date: 24<sup>th</sup> December 2025

## Guidelines for Virtual Power Purchase Agreements

### 1. Introduction

- 1.1. India has made great strides in the addition of RE capacity towards achieving its ambitious targets of 500 GW of installed capacity from non-fossil fuel sources by 2030. In furtherance of accelerating the addition of RE capacity, the Central Government, in October 2023, under section 14(n) and (x) of the Energy Conservation Act, 2001, in consultation with the Bureau of Energy Efficiency (BEE), has specified the minimum required share of non-fossil energy consumption for Designated Consumers. This includes different consumption requirements of electricity from various non-fossil fuel sources based on the consumer category, such as electricity distribution licensees, open-access consumers, and captive users, with respect to their total electricity consumption. The Renewable Consumption Obligation (RCO) targets can be met directly or through Renewable Energy Certificates (RECs). Any shortfall in achieving specified RCO targets is treated as non-compliance, and penalties are imposed accordingly.
- 1.2. Based on the study of international practices, it emerges that the Virtual Power Purchase Agreement (VPPA) could be evolved as another instrument to enable the Designated Consumers to meet their RCO targets.
- 1.3. VPPAs being innovative contracts in terms of nature and structure, the Central Electricity Regulatory Commission (CERC) sought the opinion from the Securities and Exchange Board of India (SEBI) on the regulatory jurisdiction over VPPAs. SEBI, in its letter dated 31<sup>st</sup> January 2025, to CERC, opined that VPPAs are bilateral Over The Counter (OTC) Contracts, which are non-tradable and non-transferable. Hence, if VPPAs or any such OTC Contracts were to be considered as Non-Transferable Specific Delivery (NTSD), the provisions of the Securities Contracts Regulation Act, 1956 (SCRA) would not apply, and such contracts would come under the regulatory purview of CERC.
- 1.4. Ministry of Power (MoP), vide communication dated 3<sup>rd</sup> March 2025, has requested CERC to devise a suitable regulatory framework for Virtual Power Purchase Agreements as NTSD-based OTC Contracts for facilitating RCO compliance by the regulated entities.
- 1.5. In pursuance of the above, and in the exercise of the powers conferred under Regulation 54(3) of the Central Electricity Regulatory Commission (Power Market)

Regulations, 2021, the Commission issues the following Guidelines.

## **2. Title and Applicability**

- 2.1. These Guidelines may be called the “Guidelines for Virtual Power Purchase Agreements”.
- 2.2. These Guidelines shall come into effect from such date as may be notified by the Commission separately and shall be reviewed from time to time or as and when decided by the Commission.
- 2.3. These Guidelines shall apply to the parties entering into Virtual Power Purchase Agreements (VPPAs) as defined in these Guidelines.

## **3. Scope of the Guidelines**

- 3.1. These Guidelines seek to describe the statutory framework for VPPAs.

## **4. Definitions**

- 4.1. In these Guidelines, unless the context otherwise requires,
  - a) **“Commission”** means the Central Electricity Regulatory Commission constituted under Section 76 of the Electricity Act, 2003.
  - b) **“Consumer”** shall be as defined under the Electricity Act, 2003, as amended from time to time.
  - c) **“Designated Consumer”** shall be as defined under the Energy Conservation Act, 2001, as amended from time to time.
  - d) **“Over The Counter (OTC) Contracts”** shall be as defined under the Power Market Regulations, 2021.
  - e) **“Power Exchange”** shall be as defined under the Power Market Regulations, 2021.
  - f) **“Power Market Regulations”** or **“PMR 2021”** means the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, as amended from time to time or any subsequent enactment thereof.
  - g) **“Renewable Consumption Obligation”** or **“RCO”** shall have the same meaning as defined in the Energy Conservation Act, 2001, as amended from time to time.
  - h) **“Renewable Energy Certificates”** or **“RECs”** shall have the same

meaning as defined under the REC Regulations.

- i) **“Renewable Purchase Obligation”** or **“RPO”** shall have the same meaning as specified in terms of provisions of Section 86(1)(e) of the Electricity Act, 2003.
- j) **“REGS”** shall be as defined under the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2023.
- k) **“REC Regulations”** means the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, as amended from time to time or any subsequent enactment thereof.
- l) **“Settlement Price”** means the price discovered in Power Exchange or through any other mode authorised under the Electricity Act, 2003, or the PMR 2021, for the sale of electricity for purposes other than for RPO/ RCO compliance.
- m) **“Trading Licensee”** shall be as defined under the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020.
- n) **“Virtual Power Purchase Agreement (VPPA)”** means the NTSD based OTC Contracts entered into between a Consumer or a Designated Consumer and a REGS, wherein the Consumer or the Designated Consumer guarantees payment of the mutually agreed price (VPPA Strike Price) to the REGS for the entire duration of the agreement. The REGS shall sell electricity in a power exchange or through any other mode authorised under the Electricity Act, 2003, or the PMR 2021, and such sale shall be for purposes other than for RPO/ RCO compliance. The difference between the VPPA Strike Price and the Settlement Price shall be settled bilaterally between the contracting parties as per mutually agreed terms.
- o) **“VPPA Strike Price”** means the price of electricity as mutually agreed between a Consumer or a Designated Consumer and a REGS.

4.2. Save as aforesaid and unless repugnant to the context or if the subject matter otherwise requires, words and expressions used in these Guidelines and not defined, but defined in the Electricity Act, 2003, or the Energy Conservation Act, 2001, or other regulations made thereunder shall have the meaning assigned to them in the said Acts or other regulations.

## **5. Overview of Virtual Power Purchase Agreement (VPPA)**

- 5.1. The Virtual Power Purchase Agreement (VPPA) between a REGS and a Consumer or a Designated Consumer under these Guidelines shall have the following essential features:
  - a) The electricity generated by REGS shall be sold through any mode authorised under the Electricity Act, 2003, or the PMR 2021 for physical delivery;
  - b) RECs issued to REGS shall be transferred to the Consumer or the Designated Consumer;
  - c) The VPPA shall be a bilateral OTC non-tradable and non-transferrable contract; and
  - d) The VPPA shall have a duration of at least 1 (one) year.
- 5.2. Consumer or Designated Consumer may execute VPPA with REGS at a mutually agreed VPPA Strike Price.
- 5.3. The REGS shall sell electricity through any mode authorised under the Electricity Act, 2003, or the PMR 2021, as per mutually agreed terms and conditions, and such sale shall be for purposes other than for RPO/ RCO compliance.
- 5.4. RECs transferred to the Consumer or Designated Consumer shall not be eligible for trading.

## **6. Implementation Arrangement**

- 6.1. A Consumer or a Designated Consumer may enter into a VPPA with a REGS as an Over The Counter Contract, on mutually agreed terms and conditions.
- 6.2. The REGS shall be registered in accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, or amendments thereof.
- 6.3. REGS shall be allowed to sell the electricity component through power exchange or any other mode authorised under the Electricity Act, 2003, or the PMR 2021, and such sale shall be for purposes other than for RPO/ RCO compliance. The RECs received thereby shall be transferred to the Consumer or Designated Consumer who can use such RECs for RPO/ RCO compliance.
- 6.4. The VPPA for RPO/ RCO compliance shall be non-tradable and non-transferable, and the contracting parties shall be bound by the contract terms for the entire period of the contract. In case of a change of ownership, the responsibilities of REGS under the VPPA shall be transferred, as per applicable laws.

## **7. Payment Terms**

- 7.1. The REGS shall sell electricity through power exchange or any other mode authorised under the Electricity Act, 2003, or the PMR 2021, and such sale shall be for purposes other than for RPO/ RCO compliance. The difference between the VPPA Strike Price and the Settlement Price shall be settled bilaterally between the contracting parties in accordance with mutually agreed terms and conditions.

## **8. Renewable Energy Certificates**

- 8.1. The REGS capacity contracted through VPPA shall be eligible for issuance of RECs upon registering in accordance with and in terms of the eligibility conditions specified in the REC Regulations. The REGS shall submit an undertaking for capacity contracted through VPPA to the REC Registry to avoid any double accounting of the said REGS capacity.
- 8.2. RECs issued to the REGS shall be transferred to the Consumer or the Designated Consumer with whom such REGS has a contract under VPPA.
- 8.3. The Certificates, once transferred to the Consumer or the Designated Consumer, shall stand extinguished. Further, Certificates to the credit of the Consumer or the Designated Consumer, over and above the RPO/ RCO, can be carried forward for compliance in future years. The Consumer or Designated Consumer or REGS under VPPA shall communicate to the REC Registry the receipt of RECs. The Central Agency shall extinguish such Certificates after they are used for compliance with the RPO/ RCO by the Consumer or the Designated Consumer and shall update its records.
- 8.4. The Consumer or the Designated Consumer under the VPPA shall be eligible to meet their RPO/ RCO compliance, as the case may be, by way of such Certificates.

## **9. Dispute Resolution**

- 9.1. Any disputes arising out of VPPA shall be mutually settled by the parties as per the terms of the contract.

Sd./-  
(**Harpreet Singh Pruthi**)  
**Secretary**