

# CERC proposes introduction of Virtual Power Purchase Agreements

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## Introduction

The Central Electricity Regulatory Commission (CERC) has through its Public Notice bearing No. L-1/257/2020/CERC dated 17 June 2025 released the draft CERC (Power Market) (First Amendment) Regulations, 2025 (Draft Power Market Amendment Regulations) inviting comments / suggestions / objections from stakeholders on or before 14 July 2025. Through the Power Market Amendment Regulations, CERC is proposing a significant amendment in the form of recognition of Virtual Power Purchase Agreements (VPPAs) in relation to the Indian power market.

The aforesaid draft amendment comes in the backdrop of the Public Notice bearing No. L-1/257/2020/(PMR-2)/CERC dated 22 May 2025 vide which CERC had earlier proposed to introduce the draft Guidelines for VPPAs (Draft VPPA Guidelines). Through Public Notice bearing No. L-1/257/2020/CERC dated 20 June 2025 the last date for submission of comments / suggestions / objections from stakeholders on the draft VPPA Guidelines has been extended to 11 July 2025.

## Background

The Draft VPPA Guidelines were issued by CERC by invoking inherent powers vested in it through Regulation 54(3) of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 (Power Market Regulations). These Guidelines were issued pursuant to the recommendations dated 30 October 2019 of the Committee on Efficient Regulation of Electricity Derivatives (Electricity Derivatives Committee). The Electricity Derivatives Committee recommended that CERC would have jurisdiction over all physical delivery based forward contracts whereas SEBI would regulate financial derivatives.

Further, a communication dated 3 March 2025 was issued by Ministry of Power (MoP) to CERC wherein CERC was advised to devise a framework for VPPAs as non-transferable specific delivery (NTSD) contracts based Over-the-Counter (OTC) contracts. MoP recommended for the guidelines for VPPAs to be focused towards facilitating Renewable Consumption Obligation (RCO) compliance for entities.

As per the Draft VPPA Guidelines, if the Renewable Energy (RE) Generator sells electricity components in power exchanges, be it Day Ahead Market (DAM) and/or Real Time Market (RTM) segments or any other authorized mode under the Electricity Act, 2003 (Electricity Act) then the Renewable Energy Certificates (RECs) received thereby can be transferred to the consumer under a VPPA who may use the same for RCO compliance. The VPPA contracts shall be non-tradable and non-transferable and signatories thereto will be bound by contractual terms for the entire period of contract.

In the background of the aforesaid Draft VPPA Guidelines being notified, CERC has now proposed to also make amendments to the Power Market Regulations, salient features of which are summarized hereinbelow:

## Salient Features of the Draft Power Market Regulations:

- Recognition to VPPAs

The Draft Power Market Regulations have proposed to give recognition to VPPAs. VPPAs have been defined to mean NTSD based OTC contracts between a consumer / designated consumer and a RE Generator. In this scenario, the consumer / designated consumer has to guarantee payment of a mutually agreed price (to be known as the VPPA price) to the RE Generator for the complete duration of the VPPA. Electricity shall be sold through a power exchange or any other mode as authorized under the Electricity Act. The difference between the VPPA price and the market price shall be settled mutually between the parties.

- Introduction of Minimum Net Worth for OTC Platform Operator

An OTC Platform Operator will be required to meet the minimum net worth criteria of INR 35,00,00,000 at all times. In case the OTC Platform Operator had received registration prior to coming into force of these Draft Power Market Regulations, then the OTC Platform Operator shall have a time of 12 (twelve) months from the date of coming into force of Draft Power Market Regulations to meet the minimum net worth criteria. The OTC Platform Operator that had prior registration will also be required to submit an audited special balance sheet to support its compliance of the net worth criteria.

- Validity period of OTC Platforms' registration increased

The validity period of registration for OTC Platforms has been increased to 10 (ten) years under the Draft Power Market Regulations. Earlier, this validity period was 5 (five) years.

## Conclusion

While VPPAs are not a novel concept globally, the Indian regulatory framework appears to be catching up with the global recognition of VPPAs. Such recognition has come at a conducive time keeping in view the push by MoP to ensure compliance with RCOs.

This is a step in the right direction aimed at promoting the power markets, where consumers which lack physical infrastructure for direct RE power procurement will be able to comply with renewable consumption targets with greater flexibility.

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