

MNRE Proposes One-Time Relief Package for Renewable Energy Capacities Awaiting Signing of Power Purchase Agreements

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I. Introduction and Background

- The Ministry of New and Renewable Energy (MNRE), Government of India (GoI), vide Office Memorandum dated 25 May 2026 bearing No. 238/10/2025-P AND RA (OM), has proposed a structured One-Time Relief Package (Proposed Relief Package) to address the issue wherein Letters of Award (LoAs) have been issued by Renewable Energy Implementing Agencies (REIAs) as intermediary procurers but Power Purchase Agreements (PPAs) and Power Sale Agreements (PSAs) remain unsigned as on 30 April 2026. This proposal is directed to provide relief to generating companies, with a cumulative capacity of 44.8 GW of renewable energy (RE) facing such issue.
- The Proposed Relief Package:
 - follows a high-level meeting on 06 May 2026 chaired by the Advisor to the Hon'ble Prime Minister, attended by the Secretaries of the Ministries of Power and New and Renewable Energy, at which MNRE was directed to formulate a targeted relief mechanism for stranded RE projects. The measures proposed are not yet finalised and remain subject to revision before formal adoption by the Ministry of Power (MoP), GoI; and
 - is intended to operate alongside 2 (two) parallel regulatory proceedings before the Central Electricity Regulatory Commission (CERC), i.e., (i) the Order dated 06 May 2026 in Petition No. 11/SM/2026, proposing a one-time framework for RE generating stations which obtained connectivity under the CERC (Connectivity and General Network Access to the Inter-State Transmission System) Regulations, 2022 (GNA Regulations) on the basis of LoAs that have not converted into PPAs within 12 (twelve) months of LoA issuance; and (ii) the Order dated 15 April 2026 in Petition No. 5/SM/2026, proposing a compensation procedure for additional time to achieve project milestones under the GNA Regulations and the applicable Milestone Extension Charges (MECs).

II. Key Measures Under the Proposed Relief Package

- The Proposed Relief Package operates under 2 (two) broad tracks:
 - (i) Category A, comprising demand-side facilitation measures to incentivise Distribution Companies (DISCOMs) and end-procurers to execute PSAs/PPAs; and
 - (ii) Category B, providing RE developers with supply-side resolution options for stranded LoAs.

A. Category A: Demand-Side Facilitation Measures

- Category A is aimed at incentivising DISCOMs and end-procurers to execute PSAs/PPAs within a 90 (ninety)-day closure window, extendable up to 30 (thirty) days. The proposed measures under this category are as follows:

- (a) **ISTS Charge Waiver:** A one-time 100% waiver of Inter-State Transmission System (ISTS) charges or alternatively, the existing regulatory ISTS waiver plus an additional 25%, is proposed for projects signing PSAs/PPAs within 3 (three) months of issuance of the final relief package. Projects not signing within this window will revert to the applicable phased ISTS waiver framework for projects commissioned until 30 June 2028. Where commissioning is delayed due to non-readiness of the transmission system, eligibility for the ISTS waiver will be assessed with reference to the original Scheduled Commissioning Date (SCD).
- (b) **BESS Integration:** States signing PPAs for vanilla solar projects may avail 2 (two) hours of Battery Energy Storage System (BESS) capacity, with tariffs for non-solar hours determined by the Appropriate Commission under Section 62 of the Electricity Act, 2003 (which governs the regulatory process for fixation of tariffs for generation, transmission, and distribution of electricity).
- (c) **STU Connectivity:** As a one-time measure, ISTS-tendered projects may connect to the State Transmission Utility (STU) network where power is supplied within the same state, regardless of the original tender conditions. The REIA's trading margin entitlement is unaffected.
- (d) **Deemed RPO/RCO Compliance:** Deemed Renewable Purchase Obligation (RPO)/ Renewable Capacity Obligation (RCO) compliance is proposed from the date of PPA signing for States executing PSAs within the 90-day window. In cases of extension of the Scheduled Commercial Operation Date (SCOD) attributable to sequential transmission delays, the relevant State will be accorded deemed RPO/RCO compliance for the affected financial year on the basis of contracted capacity.
- (e) **Deemed Tariff Adoption:** Tariffs are proposed to be treated as deemed adopted within 45 (forty-five) days of application if no action is taken by the concerned State Electricity Regulatory Commission (SERC).

B. Category B: Supply-Side Resolution Options for RE Developers

- In parallel with the demand-side measures, Category B proposes to provide RE developers holding stranded LoAs with 3 (three) supply-side resolution options, one of which must be mandatorily elected within a stipulated period. These options broadly align with the CERC framework in Petition No. 11/SM/2026, with certain modifications to timelines noted below.
 - (a) **Option I – Exit from LoA Route (Retaining Connectivity):** A developer may exit the LoA route while retaining connectivity by applying to Central Transmission Utility of India Limited (CTUIL), with the requisite documents. A fresh SCOD is required, which must not be later than 24 (twenty-four) months from the date of CTUIL's acceptance intimation or the firm start of connectivity, whichever is later. MECs are payable as stipulated with no MEC being levied for the first 2 (two) months post-GNA effective date for achievement of the Commercial Operation Date (COD).
 - (b) **Option II – LoA Substitution (Swap with PPA):** A developer may substitute its stranded LoA with a PPA signed under another LoA by applying to CTUIL for conversion to the PPA route. The SCOD will be as per the substitute PPA, subject to an outer limit of 30 (thirty) months from the date of conversion. MEC conditions are the same as under Option I.
 - (c) **Option III – Penalty-free exit:** A developer may surrender connectivity in exchange for the return of all Connectivity Bank Guarantees (Conn-BG1, Conn-BG2 and Conn-BG3) by applying to CTUIL, upon which the corresponding REIA LoA is cancelled. Option III operates as the default where no election is made within the stipulated period.

Comments

The OM and Proposed Relief Package represent a significant and timely policy intervention addressing a systemic risk to India's RE capacity addition targets and clean energy transition commitments, which complements and builds upon the regulatory groundwork laid by CERC in Petition Nos. 11/SM/2026 and 5/SM/2026.

The alignment between the OM and the CERC Orders signals a coordinated executive-regulatory approach to resolving stranded connectivity and provides stakeholders with reasonable predictability on the policy direction. The two-track structure is conceptually sound and measures such as the ISTS waiver and deemed RPO/RCO compliance directly address the barriers that have driven large-scale PSA/PPA non-execution by DISCOMs.

As the Proposed Relief Package remains at proposal stage, stakeholders, including RE developers, DISCOMs and REIAs, should engage with the finalisation process and assess the commercial and contractual implications for their existing project portfolios.

If adopted in its current or substantially similar form, the following aspects warrant close attention.

- (a) **Deemed Tariff Adoption - Jurisdictional Risk:** The deemed tariff adoption mechanism raises a fundamental question of legislative competence. Tariff determination under Section 62 of the Electricity Act, 2003 (Electricity Act) is vested in SERCs as independent statutory bodies, and that jurisdiction cannot be displaced by executive direction. While the 45 (forty-five) days deemed adoption timeline is intended to expedite tariff approvals, it effectively bypasses substantive regulatory scrutiny, including considerations of reasonableness, consumer interest, and compliance with applicable regulatory principles, in cases where SERCs do not act within the window. If SERCs decline to implement this mechanism on the ground that it exceeds MNRE's authority, the measure risks being unenforceable in precisely those states where regulatory delay is most acute.
- (b) **SCOD Conflict and ISTS Waiver - Regulatory Gap:** The Proposed Relief Package proposes a 24-month SCOD under Option I, whereas CERC's Order in Petition No. 11/SM/2026 proposes 18 (eighteen) months. The Proposed Relief Package does not address which instrument will prevail in the event of conflict upon finalisation, leaving a material ambiguity unresolved. Separately, the projected additional 25% ISTS waiver over and above the existing regulatory framework requires a formal amendment to the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 and cannot be effected by executive direction alone.
- (c) **ISTS Waiver - Risk of Opportunistic Compliance:** The 100% ISTS waiver is conditioned solely on the signing of a PSA/PPA within 3 (three) months, without any corresponding obligation on the developer to commission the project within a reasonable period. A developer could sign a PSA/PPA to capture the waiver and thereafter remain inactive without consequence. This creates a risk of the ISTS waiver benefit being obtained without genuine project progression, which would impose an uncompensated cost on the transmission system.
- (d) **Deemed RPO/RCO Compliance - Policy Coherence Risk:** Treating RPO/RCO obligations as deemed complied with from the date of PPA signing, without requiring actual procurement or consumption of RE, risks severing the link between the compliance mechanism and its underlying policy objective. The RPO/RCO framework is designed to drive actual RE generation and consumption and extending deemed compliance to the mere signing of a PPA could incentivise DISCOMs to execute PPAs as a compliance formality without genuine offtake commitment, distorting both the RPO/RCO framework and the broader RE procurement ecosystem.
- (e) **Implementation Timeline:** The 90 (ninety) days closure window (extendable by 30 days) may prove challenging in practice, given the administrative and political constraints under which many DISCOMs operate.

Notwithstanding these concerns, the overall thrust of the Proposed Relief Package is to be welcomed. The stranded capacity problem has persisted for several years and poses a direct risk to India's energy transition targets. A coordinated, time-bound resolution mechanism of this nature is the structural intervention the sector needs. Stakeholders should monitor the finalisation of both the Proposed Relief Package and the CERC Orders closely and engage with the ongoing consultation processes to shape the final outcome.

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