

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Draft Guidelines for Virtual Power Purchase Agreements

1. Introduction

- 1.1. India has made great strides in 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 BEE, has specified the minimum required share of non-fossil energy consumption for Designated Consumer. This includes different consumption requirements for electricity from various types of non-fossil 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 Energy 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, CERC sought the opinion from SEBI on the regulatory jurisdiction over VPPAs. SEBI, vide its letter dated 31st 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 NTSD (Non-Transferable Specific Delivery), the provisions of the Securities Contracts Regulation Act (SCRA) would not apply, and such contracts would come under the regulatory purview of CERC.
- 1.4. Ministry of Power (MoP), vide communication dated 3rd March 2025, has requested CERC to devise a suitable regulatory framework for Virtual Power Purchase Agreements as Non-Transferable Specific Delivery (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 the date of their notification in the official gazette.
- 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 regulations, unless the context otherwise requires
 - a) **“Commission”** means the Central Electricity Regulatory Commission constituted under Section 76 of the Electricity Act, 2003,
 - b) **“Consumer”** means a consumer as defined under the Electricity Act, 2003, as amended from time to time.
 - c) **“Designated Consumer”** means a designated consumer as defined under the Energy Conservation Act, 2001, as amended from time to time.
 - d) **“Over The Counter Contracts”** shall be as defined under the Power Market Regulations 2021.
 - e) **“Over The Counter Platforms”** shall be as defined under the Power Market Regulations 2021.
 - f) **“Power Exchange”** shall be as defined under the Power Market Regulations 2021.
 - g) **“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.
 - h) **“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.
 - i) **“Trader”** 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.

- j) **“Virtual Power Purchase Agreement (VPPA)”** means the Non-Transferable Specific Delivery (NTSD) based Over-the-Counter (OTC) contracts entered between a Consumer or Designated Consumer and a RE generator, wherein, the Designated Consumer guarantees payment of the mutually agreed price (VPPA price) to the RE generator for the entire duration of the agreement. The RE generator shall sell electricity through power exchange or any other mode authorized under the Electricity Act 2003, and the difference between the VPPA price and the market price shall be settled bilaterally between the contracting parties as per mutually agreed terms.
- k) **“VPPA Price”** means the price of electricity as mutually agreed between a Consumer or a Designated Consumer and an RE generator either directly or through a trader or by listing on an OTC Platform.

- 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. A Consumer or a Designated Consumer may enter into a long-term bilateral Virtual Power Purchase Agreement (VPPA) with a Renewable Energy (RE) generator at a mutually agreed price (VPPA price).
- 5.2. Under this arrangement, if the RE generator sells electricity components through power exchanges (in DAM and/or RTM market segments) or any other mode authorized under the Electricity Act 2003, the Renewable Energy Certificates (RECs) received thereby shall be transferred to the Consumer or Designated Consumer who can use such RECs for RCO compliance or for claiming green attributes. Such RECs shall not be allowed to be traded.

6. Implementation Arrangement

- 6.1. A Consumer or a Designated Consumer may enter into a VPPA with an RE generator directly or through a trader or by listing on an OTC Platform granted registration by CERC on mutually agreed terms and conditions.
- 6.2. The project 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. RE generator shall be allowed to sell the electricity component through power exchanges (in DAM and/or RTM market segments) or any other mode authorized

under the Electricity Act 2003, and the Renewable Energy Certificates (RECs) received thereby shall be transferred to the Consumer or Designated Consumer who can use such RECs for RCO compliance or for claiming green attributes.

- 6.4. The VPPA contracts 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.

7. Payment Terms

- 7.1. The RE generator shall sell electricity through power exchange or any other mode authorized under the Electricity Act 2003, and the difference between the VPPA price and the market price shall be settled bilaterally between the contracting parties as per mutually agreed terms and conditions.

8. Renewable Energy Certificates

- 8.1. The RE 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.
- 8.2. The RECs issued shall be transferred by the RE generator to the Consumer or Designated Consumer directly.
- 8.3. The Consumer or Designated Consumer shall communicate to the REC Registry about the receipt of the RECs, upon which the REC Registry shall extinguish such certificates.
- 8.4. The RECs transferred to the Consumer or Designated Consumer shall be used for their RCO Compliance or for claiming green attributes.

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.
