

# The Regulatory Framework for Virtual Power Purchase Agreements in India

The regulatory framework governing Virtual Power Purchase Agreements (“VPPAs”) in India has been finalized by the Central Electricity Regulatory Commission (“CERC”) through the issuance of (final) guidelines for VPPAs (“VPPA Guidelines”) pursuant to a [notification dated December 24, 2025](#), which was [published in the Gazette on January 28, 2026](#), followed by a detailed [statement of reasons dated April 27, 2026](#) (“SOR”) addressing stakeholder comments. For an overview of VPPAs and past efforts to regulate them in the Indian context, *see our notes [here](#) and [here](#)*. For a more detailed discussion on VPPAs, *see [here](#) (pp. 27-71)*.

The VPPA Guidelines mark a significant milestone in India’s journey towards achieving its target of 500 GW of non-fossil fuel-based installed capacity by 2030. As the country transitions toward a greener energy mix, the VPPA Guidelines provide a structured pathway for ‘designated consumers’ (“**Designated Consumers**” or “**DCs**”), as defined under the Energy Conservation Act, 2001 (“**EC Act**”), to meet their Renewable Consumption Obligations (“**RCOs**”), as defined under the EC Act, as well as for corporate / other ‘consumers’, as defined under the Electricity Act, 2003 (“**Electricity Act**”), to lock in long-term electricity prices while fulfilling green mandates. VPPAs are expected to act as a critical financial instrument for accelerating renewable energy (“**RE**”) adoption across the country. The VPPA Guidelines will come into effect from a date separately notified by the CERC, and will be reviewed from time to time or as decided by the CERC.

This note summarizes the background and context surrounding the evolving regime governing VPPAs in India, the core elements of the VPPA Guidelines, as well as related developments and implications with respect to integrating VPPAs into the broader power market – including, in particular, under the CERC (Power Market Regulations) 2021 (“**PMR 2021**”) and the regulatory ecosystem related to Renewable Energy Certificates (“**RECs**”), as defined under the CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022 (“**REC Regulations**”).

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## BACKGROUND AND CONTEXT

Between 2022 and 2024, under the amended EC Act, the Central Government specified RCO targets for DCs – *i.e.*, minimum shares of non-fossil energy consumption for specified consumer categories. In January 2025, pursuant to a request from the CERC, the Securities and Exchange Board of India (“**SEBI**”) issued an opinion (“**SEBI Opinion**”) resolving longstanding ambiguity on whether VPPA governance falls under SEBI or CERC jurisdiction (for an overview of such jurisdictional ambiguity, see [here](#) (pp. 57-62) and [here](#)). The SEBI Opinion clarified that if VPPAs were structured as non-transferable specific delivery (“**NTSD**”)-based over-the-counter (“**OTC**”) contracts – as defined under the PMR 2021, they would fall outside the scope of the Securities Contracts Regulation Act, 1956 (“**SCRA**”) and be under the regulatory purview of the CERC.

While the SCRA defines NTSD contracts as specific delivery contracts (rights or liabilities under which are not transferable), a ‘specific delivery contract’ under the SCRA means a commodity derivative that provides for the actual delivery of specific qualities / types of goods during a specified future period at a fixed / agreed upon price. Importantly, VPPAs are not intended to involve the actual delivery of electricity.

In March 2025, to facilitate RCO compliance under the EC Act, and pursuant to the SEBI Opinion, the Ministry of Power (“**MoP**”) requested the CERC to develop a framework for VPPAs (as NTSD-based OTC contracts). Thereafter, pursuant to a [public notice](#) dated May 22, 2025, and in exercise of its powers under the PMR 2021, the CERC released [draft VPPA guidelines](#) (“**Draft Guidelines**”) inviting comments from stakeholders (for a deep dive into the Draft Guidelines, including the background and context of their issuance, see our note [here](#)).

## FROM DRAFT TO FINAL GUIDELINES

While a VPPA under the VPPA Guidelines needs to be an NTSD-based OTC contract, as entered into between a consumer (or Designated Consumer) and a Renewable Energy Generating Station (“**REGS**,” *i.e.*, a power generating station based on renewable sources, as defined under the CERC (Indian Electricity Grid Code) Regulations, 2023 (“**Grid Code**”)), such consumer is required to guarantee payment of the “**VPPA Strike Price**” (*i.e.*, the price of electricity mutually agreed upon between the contracting parties) to the REGS pursuant to such arrangement for the whole duration of the contract.

This financial mechanism will operate as a ‘Contract for Difference’ (“**CfD**”) (under the SCRA, which defines a ‘derivative’ to include commodity derivatives, the term ‘commodity derivatives’ includes CfDs that derive their value from the price of underlying goods), where the REGS is required to sell the ‘physical’ electricity in the market at the “**Settlement Price**” (*i.e.*, the price discovered on a ‘power exchange’, as defined under the PMR 2021 (“**Power Exchange**”), or through other authorized modes under the

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Electricity Act or the PMR 2021 for the sale of such electricity for purposes other than Renewable Purchase Obligation (“**RPO**,” as defined under Section 86(1)(e) of the Electricity Act) / RCO compliance), while the difference between the VPPA Strike Price and the Settlement Price will be settled bilaterally between the contracting parties as per mutually agreed terms.

The public consultation process stemming from the release of the Draft Guidelines led to certain deviations in the VPPA Guidelines, including for the purpose of enhancing clarity and bankability. For instance, the VPPA Guidelines have redesignated the ‘VPPA Price’ (under the Draft Guidelines) as the ‘VPPA Strike Price’ to align with standard market terminology and prevent regulatory ambiguity. Similarly, the term ‘Market Price’ (under the Draft Guidelines) has been replaced with ‘Settlement Price’ in the VPPA Guidelines (as defined above). Further, unlike the Draft Guidelines, the VPPA Guidelines explicitly define RCO and RPO to prevent confusion between mandates under the EC Act and the Electricity Act, respectively. The SOR clarifies that RCO / RPO targets may change in accordance with updated notifications issued by the Government of India.

In addition, while the draft was seen to lack a clear mandate for storage, the CERC has clarified in the SOR that all REGS projects are eligible for executing VPPAs (not just solar power projects, for example), where the Grid Code defines REGS to include RE-based generating stations with Energy Storage Systems (ESS) – such as Battery Energy Storage Systems (BESS) – and includes Renewable Hybrid Generating Stations. This clarification is expected to widen the scope of VPPA utilization (including by avoiding concentration of VPPA use in solar/ wind energy projects alone by applying to all clean RE sources), ensure and support technology neutrality, and incentivize the development of firm, dispatchable green power.

While the consultation process involved a wide range of entities – including global conglomerates, MNCs, and large Indian companies, several stakeholders had suggested that foreign entities, corporates, and non-power consumers with voluntary RE targets are willing to participate in the Indian power market using International RECs (“**I-RECs**”) or other Environmental Attribute Certificates (EACs), including for the purpose of addressing global Scope 2 and Scope 3 emissions/ footprints. Accordingly, requests were made for the inclusion of such foreign entities within the ambit of the VPPA Guidelines, as well as for the recognition of I-RECs and similar EACs under the regulatory framework. However, the CERC clarified in the SOR that such instruments are not within the purview of the VPPA Guidelines, including on account of reasons described below.

Consistent with the Government of India’s vision to promote the addition of RE capacity in the country, the VPPA Guidelines were prepared to facilitate increased shares of non-fossil energy consumption among consumers and DCs, and to help them meet targets for RCO / RPO compliance. Accordingly, the CERC has restricted the application of the final

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guidelines to domestic RCO / RPO compliance, including for the purpose of maintaining the integrity of the Indian NTSD framework. Foreign entities not utilizing electricity in India, as well as international / global green attribute schemes, are excluded from the regulatory scope of, and the registration process under, such guidelines.

While certain stakeholders had suggested that the regulatory framework on VPPAs should take the form of formal regulations or codes under the Electricity Act (as opposed to 'guidelines') to enhance bankability and legal clarity, the CERC decided that since VPPAs were intended as bilateral, NTSD-based, OTC contracts – the terms of which would need to be mutually agreed upon between contracting parties, such guidelines would be sufficient for the purpose – although the CERC has initiated necessary amendments to the PMR 2021 and the REC Regulations to provide necessary regulatory support, as described below.

Relatedly, with respect to distinguishing between mandatory and advisory provisions, the CERC clarified in the SOR that, to enter into a VPPA under the VPPA Guidelines, the contracting parties must adhere to the 'essential features' of a VPPA, as set out under Clause 5 of such guidelines (see below), while Clause 8 lists out requirements for the purpose of registering a VPPA in accordance with the terms and conditions of the REC Regulations to ensure transparency in the accounting, transfer, and extinguishment of RECs. Aspects not listed in the VPPA Guidelines need to be dealt with as per the mutually agreed terms and conditions between contracting parties.

With regard to stakeholder suggestions on permitting transferability and tradability of RECs to enhance market liquidity and facilitate increased participation in the voluntary RE market, the CERC has confirmed that RECs will not be permitted for neither transfer nor trading under the VPPA Guidelines (although surplus RECs may be carried forward for compliance in future years – see below), and that registration under global green attribute schemes is not permitted. Furthermore, in respect of suggestions of not extending restrictions on transferability to VPPA assignments for financing purposes, the SOR clarifies that RECs connected with VPPAs are not permitted for limited assignment or transfer to affiliates, group companies, speculators, lenders, etc. Separately, to address clarifications sought on ownership changes to VPPAs, an addition has been made to the Draft Guidelines, where the VPPA Guidelines now specify that in the event of a change in ownership of a REGS, its responsibilities under the VPPA will be transferred in accordance with applicable laws.

Further, pursuant to stakeholder comments, the erstwhile Clause 5 under the Draft Guidelines ('*Overview of VPPA*') has been appropriately modified under the VPPA Guidelines, and the SOR clarifies that aspects related to the VPPA / REC registry, accounting, and monitoring will be managed by the Grid Controller of India Limited ("**Grid**

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India”) pursuant to the procedure outlined in Clause 8 of the VPPA Guidelines (related to RECs).

Stakeholder requests for a standardized VPPA model were declined by the CERC on account of the unfeasibility of standardizing such a model for all entities operating across diverse industries and sectors. VPPA parties have the autonomy to discuss *inter se* and mutually agree upon appropriate terms and conditions related to their contract. Moreover, in response to a recommendation to widen the eligibility parameters for sellers (*i.e.*, beyond RE generators) by including distribution licensees (“**discoms**”) with surplus RE, as well as aggregators of distributed energy resources (DERs) via virtual power plants (VPPs), the CERC clarified that the expansion of such scope would defeat the intended purpose of the VPPA Guidelines.

## ‘ESSENTIAL FEATURES’ OF VPPAS

To be recognized as a VPPA under the VPPA Guidelines, a contract must include certain essential features, as below:

1. **Physical Delivery:** The electricity generated by the REGS must be sold at the Settlement Price for physical delivery.
2. **REC Transfer:** The RECs issued to, and received by, the REGS on account of such sale and physical delivery of electricity, must be transferred to the consumer / DC – who can use such RECs for RPO / RCO compliance.
3. **Nature of Contract:** The VPPA must be a bilateral OTC contract that is both non-tradable and non-transferable.
4. **Minimum Duration:** The final VPPA Guidelines introduce a mandatory minimum duration of one (1) year for a contract to qualify as a VPPA under the regulatory framework.

## IMPLEMENTATION AND PAYMENT

A consumer / DC may enter into, and execute, a VPPA as an OTC contract with a REGS on mutually agreed terms and conditions at the VPPA Strike Price. The SOR clarifies that the REGS may sell the electricity component under VPPAs through Power Exchanges in market segments other than the Green Day Ahead Market (“**GDAM**”) and the Green Term Ahead Market (“**GTAM**”) (the sale of power through such green segments would disqualify the underlying energy from receiving RECs – since green attributes are intended to be provided to the REGS in the form of RECs under the terms of a VPPA, selling electricity through GDAM and GTAM will not qualify for REC issuance). The roles of OTC platforms,

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traders, and Power Exchanges will be governed by existing regulations and guidelines of the CERC.

The SOR clarifies that GST and taxation on VPPAs will be governed by the applicable laws of the Government of India. It also clarifies that issues related to VPPA pricing, settlement, payment security mechanism, risk mitigation, etc., will be dealt with as per the mutually agreed terms and conditions between the VPPA parties (since VPPAs are bilateral OTC NTSD contracts).

## THE REC ECOSYSTEM AND COMPLIANCE

RECs serve as the primary 'currency' of the VPPA framework. With respect to an applicable REGS, the capacity contracted through a VPPA will be eligible for REC issuance once such REGS has been registered in accordance with, and in terms of, the eligibility conditions specified in, the REC Regulations.

Further, the REGS will be required to submit an undertaking in respect of its capacity contracted through the VPPA to the REC registry to prevent double / duplicate counting / accounting of such capacity. Once issued to the REGS, RECs must be transferred to the consumer / DC with whom the REGS has entered into a VPPA, and once transferred, such RECs will stand extinguished: the consumer / DC or the REGS under the VPPA will be required to communicate the receipt of RECs to the REC registry. The 'Central Agency' under the REC Regulations (*i.e.*, the National Load Dispatch Center (NLDC)) will extinguish such certificates after they are used by the consumer / DC for RPO / RCO compliance and update its records.

During the public consultation process, the CERC addressed certain stakeholder concerns regarding REC management, including as follows:

- **Surplus RECs and non-tradability:** If a consumer / DC receives RECs in excess of their RCO / RPO compliance target, such certificates may not be sold, traded on exchange platforms, or be otherwise transferred under the VPPA regulatory framework (since VPPAs are NTSD-based bilateral contracts). However, RECs may be carried forward for compliance in future years.
- **Verification:** To ensure the authenticity of green claims and to prevent greenwashing, a central registry for VPPAs detailing eligibility, registration, monitoring, and accountability of RECs will be established pursuant to procedures established by Grid India.

## DISPUTE RESOLUTION

Disputes arising from a VPPA must be settled mutually between the disputing parties as per their contractual terms and conditions, as agreed upon and finalized while executing

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the VPPA. The CERC's role is primarily to provide the procedural and statutory framework for VPPAs – rather than to act as an adjudicator for bilateral commercial disputes.

## APPLICABILITY OF THE VPPA GUIDELINES

The VPPA regulatory framework is meant to be inclusive, and the SOR clarifies that the VPPA Guidelines will apply to both new and old RE projects. Further, existing contracts (i.e., contracts entered into prior to the effective date of the VPPA Guidelines) may become eligible under the VPPA framework – provided they are restructured to align with the VPPA Guidelines and the associated RE projects are duly registered. However, the option of converting existing power purchase agreements (PPAs) to VPPAs is not currently envisaged.

## MARKET INTEGRATION AND RELATED AMENDMENTS

The integration of VPPAs into the Indian power market requires corresponding structural realignment of other laws and related governance regimes, including the PMR 2021 and the REC Regulations. Around the time of issuance of the Draft Guidelines, certain changes and legislative amendments (“**Draft Amendments**”) were proposed with respect to the wider regulatory framework applicable to VPPAs within the energy / electricity sector. Among other things, with the aim of integrating VPPAs into the power market, the Draft Amendments sought to define the nature and essential features of such contracts and establish their placement within the OTC market. For an overview of the Draft Amendments, *see our note [here](#)*.

## AMENDMENT OF THE REC REGULATIONS

After the notification of the VPPA Guidelines, and pursuant to a [notification dated March 24, 2026](#), the CERC issued the CERC (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) (First Amendment) Regulations, 2026 (“**REC Amendment**”), which were later [published in the Gazette pursuant to a notification dated April 1, 2026](#).

Among other things, the REC Amendment introduces new definitions to the (principal) REC Regulations, including for DCs (as defined in the EC Act), ROC (as defined in the EC Act), and VPPAs (as defined in the PMR 2021). The REC Amendment also adds a new Regulation 14A for the purpose of aligning the REC Regulations with the VPPA Guidelines and providing technical guidance with respect to compliance, including as follows:

- **Deemed Transfer Mechanism:** An eligible generating station must inform the Central Agency about the project that has entered into a VPPA. RECs issued to the REGs will stand transferred to the consumer / DC with whom such generating station has entered

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into a VPPA, and the consumer / DC under such VPPA will be eligible to meet its RPO or RCO, as applicable, through such certificates.

- **Extinguishment and Carry-Forward:** Once transferred to the consumer / DC, RECs will stand extinguished. After such RECs have been used for compliance by a consumer/ DC for RPO / RCO, the Central Agency will extinguish such certificates and update its record. However, surplus RECs (*i.e.*, those certificates to the credit of the consumer / DC exceeding the annual RCO / RPO target) can be carried forward for future compliance.
- **Strict Non-tradability:** Nonetheless, such surplus RECs will not be available for sale on power exchanges or through traders. This prohibition maintains the NTSD nature of the underlying contract.

Further, the REC amendment introduces technology-based multipliers (*e.g.*, 1.0 for solar/wind, 3.0 for BESS or Large Hydro) to incentivize more expensive or dispatchable technologies based on their tariff range and maturity.

## **BROADER IMPLICATIONS FOR THE POWER SECTOR**

- **Price Hedging for Consumers:** VPPAs allow corporate consumers to lock in long-term electricity prices, protecting them from market volatility while fulfilling green mandates without requiring physical grid connectivity to the generator.
- **Revenue Certainty for Generators:** By providing a guaranteed VPPA Strike Price, VPPAs make RE projects more bankable, with the potential of attracting the private capital necessary to scale up capacity.
- **Prevention of Greenwashing:** The involvement of Grid India in managing a central registry for VPPAs ensures monitoring, verification, and accounting, all of which is necessary to prevent double-counting and ensure the authenticity of green claims.
- **Market Deepening:** The inclusion of VPPAs, BESS, and RECs as approved OTC products is likely to deepen the Indian electricity market, allowing for sophisticated financial layering over physical power delivery.

## **THE SECI TENDER**

Pursuant to a [tender published on April 17, 2026](#), the Solar Energy Corporation of India Limited (“**SECI**”) sought to undertake an assessment and demand aggregation exercise for VPPA-based RE procurement to facilitate subsequent competitive bidding processes for VPPA Strike Price discovery (“**SECI Tender**”). Through the SECI Tender, which has a bid submission end date of May 15, 2026, the SECI – a Central Public Sector Undertaking (CPSU) under the Ministry of New and Renewable Energy (MNRE) – [invited Expressions](#)

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of Interest (“Eols”) from eligible consumers and DCs for participation in its proposed VPPA-based RE procurement.

Among other things, the SECI Tender was issued in light of the RCO targets and trajectories applicable to obligated entities (including DCs, discoms, open access consumers, and captive users) pursuant to the EC Act, which require a progressive increase in the share of RE consumption through structured and scalable RE procurement mechanisms, as well as on account of specified buyout provisions, where non-compliance with RCO attracts financial liability, including in respect of the buyout price determined by the CERC, which follows an escalating trajectory over time, thereby increasing the financial exposure of obligated entities who fail to meet their RCO requirements.

In this regard, recognizing the importance of such emerging market construct, the SECI proposes to act as a facilitation agency to enable the structured development of VPPA transactions in India. The proposed SECI initiative represents a market-enabling intervention aimed to accelerate RE adoption through financial innovation while minimizing systemic risks and ensuring alignment with India’s energy transition objectives.

While the SECI Tender seeks to assess the market readiness and demand for VPPA-based RE procurement among eligible consumers and DCs, the Eol document is intended for collecting information regarding procurement requirements, contractual preferences, and risk considerations of prospective participants. Through such Eol, the SECI seeks to undertake demand aggregation across a diverse set of consumers – including industrial, commercial, public sector entities, and discoms – for the purpose of enabling the design of aggregated procurement frameworks. Such aggregation is expected to enhance the efficiency of subsequent competitive bidding processes, improve price discovery outcomes, and reduce transaction costs. Further, the information obtained through the Eol will form the basis for designing subsequent VPPA tenders, including the determination of procurement quantum, supply profiles (e.g., round-the-clock or peak-hour), contract duration, and payment security structures. The ultimate objective is to facilitate transparent and competitive discovery of VPPA Strike Prices through a standardized and institutionally supported framework.

## **CONCLUSION**

The finalization of the VPPA regulatory framework through the VPPA Guidelines, coupled with the Draft Amendments (including with respect to the PMR 2021) and the REC Amendment, seeks to provide a comprehensive pathway to drive India’s targeted energy transition. While it maintains a domestic focus, the proposed and evolving regulatory framework seeks to establish the necessary operational modalities for the purpose of ensuring that VPPAs become a cornerstone of India’s long-term RE deployment and decarbonization strategy.

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As the SECI Tender demonstrates, the RCO and buyout price trajectories involve progressively increasing financial exposure for non-compliance, thereby reinforcing the need for long-term RE procurement strategies such as VPPAs – which have emerged as a viable and innovative mechanism enabling consumers to secure RE attributes through financial arrangements without necessitating a physical delivery of power.

Multiple stakeholders had suggested during the public consultation process that I-RECs / other international or non-statutory EACs with clearly defined attribute ownership be permitted for market participation by purchasers in order to attract MNCs and ESG investors, as well as to accelerate RE / EAC procurement for voluntary use. However, as of now, the CERC has clarified in the SOR that I-RECs and similar such EACs / other instruments are not within the purview of the VPPA Guidelines, and that such guidelines are mainly intended to facilitate RCO / RPO compliance by Consumers / DCs to promote RE capacity addition in India. It appears that if I-RECs are issued to a REGS for certain volumes of RE generated, it will not be eligible for REC issuances under the VPPA Guidelines, and *vice versa*. Accordingly, it is likely that an RE project will need to choose any one path (i.e., either RECs or I-RECs) for each unit of energy it produces, and I-REC issuances will remain outside the VPPA Guidelines and India's regulatory framework.

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