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Ease of Doing Business in India

The ease of doing business in India's energy sector illustrates how sector-specific reforms have deepened the overall impact of national policy. The sector's progress is shaped by the country's evolving relationship between regulation and investment.

India has leapfrogged in the ease of doing business. We have seen steady improvement in its global rankings. The progress is primarily the result of the Government's reform initiatives through regulatory simplifications, improving transparency, and fostering investor-friendly policies.

These reforms have specifically bolstered India's infrastructure development through reliable connectivity of roads across the country, last-mile connectivity of electricity connections and access to air travel through UDAN, to name a few. In the infrastructure space, the contracts are executed with the government/government entities. For the effective delivery of public services, government contracts are essential to ensure transparency and public interest. This finds its basis under Articles 298 and 299 of the Constitution of India. While these contracts pose a robust transactional framework, contracting with the Government involves navigation through multiple entities like central ministries, state utilities and local authorities, which operate with their own diverse procedures. To tackle these procedural challenges, the Government, over time, has undertaken continuous efforts to simplify processes through a single window mechanism like standardisation of rules, digital platforms and model contract frameworks.

Building on this foundation, the ease of doing business in India's energy sector illustrates how sector-specific reforms have deepened the overall impact of national policy. The sector's progress is shaped by the country's evolving relationship between regulation and investment.

Given the framework, what is the power sector of India doing today to make contracting with the government easier or more uniform?

The sector has long served as a testing ground for regulatory transformation. The sector has undergone a complete transformation in its interaction between public and private enterprises. The framework of guidelines and tariff orders has progressively undergone transformation, where now competition has replaced discretion and standardised precedents are embedded into State contracts.

One of the most visible illustrations of India's ease of doing business journey lies in the centralised bidding system that governs the power sector. The Electricity Act 2003 introduced competition through Section 63 by moving from a cost-plus regime to tariff-based competitive bidding processes. The Ministry of Power (MoP) operationalised this vision through the Standard Bidding Guidelines (SBGs), first issued in 2005. The guidelines established a framework that standardised risk allocation and tariff discovery. Over the years, these guidelines were repeatedly amended and were also expanded, i.e. from being confined to conventional generation to being introduced for renewables, hybrid, round-the-clock and storage-linked projects. Today, the power sector has adopted competitive bidding as its standard procedure for not only the power generation but also the inter-state transmission, short-term supply and distribution franchisee arrangements.

Standard bid documents now include all stakeholders in their development process. The process of updating bidding guidelines now includes public consultation, which provides developers, lenders and distribution utilities a structured forum to review frameworks. This process of transparent feedback and institutional learning has turned what began as a procedural reform into regulatory maturity.

Parallel to the standardisation of contracts, India has also strengthened financial discipline in the power sector through the creation of a mechanism designed to ensure payment transparency. The PRAAPTI portal (Payment Ratification and Analysis in Power Procurement for Bringing Transparency in Invoicing of Generators) was launched by the Ministry of Power in 2018. The portal publicly tracks the dues owed by defaulting entities (distribution licensees) to the generating companies. It not only shows real-time performance data of payment activity rankings between states and utilities, but also establishes a trigger mechanism under the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022. Once a default persists beyond the prescribed period, the defaulting entity becomes subject to restrictions on power sale and procurement. This centralised system of checks and balances, having regulatory consequences, has ensured financial discipline in the sector.

While PRAAPTI improved payment flows, the institutional framework for RE contracting also evolved in parallel. Interstate RE contracting now mostly operates through an intermediary-based framework, with the Solar Energy Corporation of India (SECI) as the central counterparty in most scenarios. Acting as an aggregator between developers and State utilities, SECI executes back-to-back power purchase and sale agreements on uniform terms. The framework distributes investment risks and payment protection between States in a balanced manner, which establishes a stable investment environment for the investors.

Standardisation has also extended to the supply chain itself. The Ministry of New and Renewable Energy established the Approved List of Models and Manufacturers (ALMM) to guarantee that grid-connected solar projects use modules and cells that are domestically manufactured and have received certification. Besides ALMM encouraging growth in the domestic solar module manufacturing ecosystem, for an investor, it means greater availability of supply, shorter logistics chains and potentially better local support and maintenance.

The latest reform initiative is also reflected in the proposed Electricity (Amendment) Bill 2025. The Bill proposes to make the Renewable Purchase Obligation (RPO) legally binding at the national level. The proposal aims to reduce state-specific implementation variations that created uncertainty for RE project developers. By centralising the RPO regime, the Bill signals a commitment towards steady investment in RE generation. The Bill also proposes to permit the operation of multiple distribution licence-holders in the same area by also enabling the sharing of network infrastructure. This shift could pave the way for private participation while establishing market competition between distribution licensees.

The sector's rulebook, once discretionary, is increasingly turning into a manual of predictable processes. As India learns to wire policy and predictability into the same circuit, the current of reform finally feels steady.