

Ministry of New and Renewable Energy proposes one-time relief package to resolve stranded Renewable Energy capacities

The Ministry of New and Renewable Energy (“**MNRE**”), *vide* office memorandum dated May 25, 2026 (“**Memo**”) has proposed a one-time relief package for Renewable Energy (“**RE**”) projects aggregating to approximately 44.8 (forty-four point eight) gigawatt, where Letters of Award (“**LoAs**”) have been issued by Renewable Energy Implementing Agencies (“**REIAs**”) but corresponding Power Purchase Agreements (“**PPAs**”) remain unsigned. The proposal follows stakeholder consultations held on May 6, 2026 under the Chairmanship of the Advisor to the Hon’ble Prime Minister, in view of the increasing volume of such ‘stranded’ capacity and the need for a structured, time-bound resolution framework without direct fiscal support.

The proposed package adopts a 2 (two) pronged approach comprising:

1. demand-side facilitation measures to incentivise offtake by distribution companies (“**DISCOMs**”) and end-procurers, and
2. supply-side resolution mechanisms for developers holding stranded LoAs.

Salient features

Category A: Demand-side facilitation (aimed at enabling power sale agreement /PPA execution by DISCOMs)

1. **One-time waiver of inter-State transmission system (“ISTS”) charges:** MNRE has proposed a one-time waiver of ISTS charges for projects where PPAs/ Power Sale Agreements (“**PSAs**”) are executed within 3 (three) months from the date of notification. The proposal contemplates 2 (two) alternative structures: (a) a full 100% ISTS waiver for PPAs signed within the cut-off date; or (b) ISTS waiver as per the applicable regulations, plus 25% additional waiver. Projects that do not achieve PPA/PSA execution within the stipulated timeline would thereafter be governed by the applicable ISTS charge framework i.e., the phased ISTS waiver for projects commissioned till June 30, 2028. A safe harbour is also proposed for delays attributable to transmission system readiness.
2. **Integration of battery energy storage systems (“BESS”) with solar projects:** States procuring power from solar projects may be provided with up to 2 (two) hours of BESS support. Tariffs for non-solar hours would be determined under Section 62 of the Electricity Act, 2003.
3. **Flexibility for State Transmission Utility (“STU”) connectivity:** Projects originally tendered by REIAs under the ISTS-connected framework may, on a one-time basis, be permitted to connect to the STU network where power is consumed intra-state.

4. **Deemed renewable purchase obligation (“RPO”)/Renewable Consumption Obligation (“RCO”) compliance:** DISCOMs executing PSAs within 3 (three) months from conveying this said decision, DISCOMs may be granted deemed RPO/RCO compliance from the date of PPA signing. In cases where commissioning is delayed due to transmission constraints, deemed compliance may extend to the relevant financial year based on contracted capacity.
5. **Fast-track tariff adoption by State Electricity Regulatory Commissions (“SERCs”):** A deemed tariff adoption mechanism is proposed, whereby tariffs would be treated as approved if the concerned SERC does not issue an order within 45 (forty-five) days of filing, thereby addressing regulatory delays in PSA execution.
6. **Time-bound implementation window:** The above demand-side measures are proposed to be available for a period of 90 (ninety) days with a possibility of extension by 30 (thirty) days for identified cases as per the Memo. Upon expiry of this window, matters would be governed by the Central Electricity Regulatory Commission (“CERC”).

Category B – Supply-side measures (developer-side resolution mechanisms)

Mandatory election of resolution pathway: Developers holding stranded LoAs will be required to elect one of the prescribed resolution pathway as below within a defined timeline, failing which the Option III mechanism (as mentioned below) will apply. The resolution pathways are proposed to be implemented in alignment with CERC’s draft regulatory framework under Petition No. 5/SM/2026 (proposal dated April 15, 2026) and Petition No. 11/SM/2026 (draft order dated May 6, 2026), as may be finalised.

1. **Option I – Exit from LoA with continuity of connectivity:** Developers may exit the LoA route without surrendering connectivity by making an application to Central Transmission Utility of India Limited (“CTUIL”), along with: (a) a no-objection certificate from the concerned REIA confirming non-signing of the PPA; and (b) land documents or a performance bank guarantee of INR 10,00,000 (Indian Rupees ten lakh)/megawatt. A revised Scheduled Commercial Operation Date (“SCOD”) of up to 24 (twenty-four) months from the date of CTUIL acceptance or firm connectivity start, whichever is later would apply. The residual conditions are proposed to be broadly aligned with CERC’s draft order dated May 6, 2026 in Petition 11/SM/2026, with additional time for achievement of milestones permitted upon payment of the Milestone Extension Charges (“MEC”) in line with CERC’s proposal dated April 15, 2026 as under in the Petition No. 5/SM/2026.
2. **Option II – LoA swapping:** Developers may substitute an existing LoA with a PPA secured under another LoA by applying to CTUIL seeking substitution, the SCOD will be considered as per the PPA with an extended SCOD of up to 30 (thirty) months from the date of such conversion.
3. **Option III – Penalty-free exit with surrender of connectivity:** Developers may opt for a complete exit by surrendering connectivity and cancelling the LoA, with a refund of connectivity bank guarantees (Conn-BG1, Conn-BG2 and Conn-BG3) by applying to CTUIL.

Conclusion

MNRE has prepared and forwarded the draft One-Time Relief Package to the Ministry of Power for consideration. No direct fiscal or subsidy support from the Central Government is proposed.

Electricity and Power Practice

JSA is the leading national practice in the power sector – conventional and non-conventional. JSA provides legal services at all stages of the value chain in the sector - across the spectrum of contractual, commercial, policy, regulatory and legal issues. We represent clients in all segments: generation, transmission, distribution and trading. JSA serves its clients by transaction-specific integrated teams across various locations and practice areas (Banking & Finance, Mergers & Acquisition and Private Equity, Projects and project related contracting, Dispute Resolution, Taxation, Regulatory proceedings and Policy advisory).

JSA has been regularly engaged in; (a) providing policy advice to Governments of Bangladesh and Maldives, as also the Government of India besides various Indian states. Also, JSA partners have presented expert testimony to the Parliamentary Standing Committees and the Forum of Regulators on challenges faced by the power sector and proposed legislative and policy changes, development financial institutions like the World Bank, the Asian Development Bank, DfID, USAID regulatory authorities and industry bodies; (b) advising project developers, investors, suppliers and contractors on commercial / transactional issues and all aspects of licensing, market structures, competition, performance standards and tariffs; (c) advising financial institutions and borrowers in relation to financing transactions; (d) Advising clients on sustainable development issues like clean development mechanism and environmental compliances; and (e) specialised dispute resolution.

This Prism has been prepared by:



Vishnu Sudarsan
Partner



Shashank Vikarm Singh
Partner



Ravneet Singh Gill
Associate



Shiv Sankar
Associate



Vignesh Ravichandran
Associate



19 Practices and
40 Ranked Lawyers



8 Ranked Practices,
22 Ranked Lawyers



15 Practices and
20 Ranked Lawyers



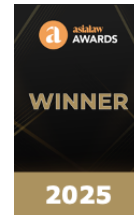
13 Practices and
49 Ranked Lawyers



20 Practices and
24 Ranked Lawyers



8 Practices and
15 Ranked Lawyers
Highly Recommended in 5 Cities



**Regional Legal Expertise Awards
(APAC) of the Year**
Energy Firm Competition/
Antitrust Firm



Among Best Overall
Law Firms in India and
14 Ranked Practices

9 winning Deals in
IBLJ Deals of the Year

15 A List Lawyers in
IBLJ A-List – 2026



Recognised in World's 100 best
competition practices of 2026



Ranked Among Top 5 Law Firms in
India for ESG Practice



Asia M&A Ranking
2025 – Tier 1

For more details, please contact km@jsalaw.com

www.jsalaw.com



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.

Copyright © 2026 JSA | all rights reserved