

Submission on draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2025

Prayas (Energy Group)

14th January 2026

The Central Electricity Regulatory Commission (henceforth the Commission or the CERC) published the draft notification on the second amendment to the Multi Year Tariff (MYT) Regulations on 1st December 2025, and invited public comments on the same.

The draft amendment includes revisions to provisions with regard to Integrated mines and the inclusion of Energy Storage Systems (ESS) with thermal power plants and transmission licensees. These changes will likely have significant impacts on several sector actors, including the distribution licensee and the end electricity consumer. Give this and towards improving clarity, efficiency and prudence, Prayas (Energy Group) has the following inputs:

1. Lack of Explanatory Memorandum

The proposed amendment introduces significant changes, especially with provisions allowing for co-location of ESS with TPPs and transmission projects, with likely impacts on power procurers and electricity consumers. Despite the potential cost and operational effects of the proposed amendments, the Commission has not provided an explanatory memorandum elaborating the intent and the impact of the amendments. For example, it is not clear whether the purpose of co-locating ESS with TPPs is to optimise TPP operations, reduce procurer costs or promote ESS. Each of these use-cases would require different legal and operational treatment.

The Commission has, in the past, followed the good practise of providing a Statement of Reasons in instances of new or amended Regulations. The absence of the same in this instance leads to increased ambiguity, poor transparency and dilutes the quality of public engagement.

Thus, we request the Commission to:

- Publish an Explanatory Memorandum at the earliest and allow stakeholders time to submit additional comments, as needed

2. Amendments with regard to ESS

2.1. Lack of clarity and potential legal implications

Without the requisite explanatory memorandum, several points of ambiguity persist, which could result in litigious processes. For instance, it is not clear whether ESS co-located with TPPs fall within the purview of the existing PPA, or qualify for separate consideration. If it is to be considered as part of the existing project, and therefore, be accounted for in the same PPA, the proposed amendments are equivalent to amending the existing PPA. This would be against procurer and consumer interests, since such amendment would be unilateral, lead to increased costs, be without justification and not account for the needs of the procurer.

While it is understood that co-located ESS maybe suitable for some generating stations that are often required to operate at/below the technical minimum to optimise operations of such TPPs, addition of such ESS capacity is not justified for all generating stations. The proposed amendment does not provide the criteria or justification based on which the addition of co-located ESS with TPPs should be considered. This would result in ESS additions based on unilateral consideration of the generator, leaving the procurer and consumer to bear the costs .

Further, in para 40 of the draft document, the second proviso to the new Regulation 64B states that *“where the surplus energy from the associated generating station is not available for charging the integrated energy storage system, energy from the most economical alternate source may be arranged by the beneficiary or the generating company on behalf of the beneficiaries.”* If the purpose of co-locating ESS is to permit greater flexibility of TPP operations by allowing for ESS charging when TPP operation at/below technical minimum is required by the grid, the need for the proposed alternate source of charging is unclear.

Thus, we request the Commission to:

- Provide the required clarity and align the regulations with the intended objectives of co-locating ESS with TPPs

2.2. Considering ESS project separate from the existing generation project

As highlighted earlier in this submission, considering ESS as part of the existing TPP could result in several contractual and operational complications. To avoid this, the proposed ESS additions should be considered as a separate project from the existing TPP. In case the ESS is to be located at the same substation as the generating station, the generating station can utilise the ESS in instances where the TPP schedule requires it to operate below its technical minimum. This can be carried out through a bilateral agreement between the ESS and the TPP for charging and discharging, accounting for financial and energy transactions. Such an arrangement should have no financial or contractual implications for the TPP’s procurers. Hence, the proposed amendments to the regulations to pass the costs of the ESS through to procurers become redundant.

Thus, we request the Commission to:

- Consider the co-located ESS project as separate from the existing TPP, and therefore, not amend regulatory provisions to introduce cost pass-through of ESS co-located with TPPs.

2.3. Need for beneficiary-led ESS addition

As discussed above, there is little rationale for ESS co-located with TPPs that are considered part of the TPP project. However, if such ESS addition is considered, it is comparable to capacity addition and has cost implications for consumers. Therefore, it should require regulatory approval before a procurer can contract such capacity.

Co-located ESS with TPP, accounted as part of the existing project, should be considered only if the procurer approaches the appropriate Commission and obtains requisite regulatory approval for such ESS capacity, based on public consultations and cost-benefit justification.

Thus, we request the Commission to:

- Ensure any co-located ESS, additional to existing TPP capacity, is only considered if demand for such ESS capacity is beneficiary led and has already acquired regulatory approval based on public consultation and cost-benefit justification

2.4. ESS addition should only be considered under TBCB route

Without prejudice to the above submission, in case the ESS is considered part of the same project as the TPP, the proposed cost-plus tariff determination framework for ESS is not well suited. There have been several recent tenders for ESS projects, including those that are co-located, for price discovery under Section 63 which have resulted in awarding of tenders at competitive rates. Increasingly competitive rates are continually being discovered, with costs for ESS declining significantly within the last year.

While deferring from defining generic tariff for solar PV and wind projects in 2017, CERC, in its [statement of reasons](#) for CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2017, has stated that "*The Commission has received a mix of comments on Project Specific Tariff Regulation. Some stakeholders have welcomed the Commission's step to not define generic tariff for Wind and Solar projects and some have requested to continue with the generic tariff for them. Under the prevailing market conditions, where most of the solar projects have come up primarily through competitive bidding and similar trend is anticipated for wind projects, the Commission is of the view that setting generic tariff based on norms does not provide the right price signals. Also, the MNRE is in the process of finalizing the Guidelines for Tariff based Competitive Bidding Process for Wind projects.*" This is comparable to the current situation of ESS. Their prices have declined significantly in the last year and competitive bidding is the predominant way of procuring services from ESS.

For instance, storage tariffs discovered between July 2025 and Nov 2025 ranged from Rs. 4.5 lakhs/MW/month to Rs. 2.85 lakhs/MW/month (based on data from the PEG RE data portal: <https://energy.prayaspace.org/renewable-energy-data-portal/re-re-tender-tracker>). This makes it difficult to benchmark cost for ESS projects. Given the above, any ESS project development must not be allowed under Section 62, and should only be considered through the TBCB route.

Thus, we request the Commission to:

- Rescind the proposed amendments pertaining to ESS capacity consideration under the Section 62 tariff framework even if the TPP itself is a Section 62 project

3. Amendments with regard to Integrated Mines

3.1. Disallow consideration of prices of alternative coal sources

In Para 31 of the draft document, the price of alternative coal is introduced as an option for calculation of comparative energy charge rate, in addition to the CIL notified price for the commensurate grade.

Since coal procured from alternate sources is typically much more expensive than linkage coal, even marginal procurement of fuel from any alternate source, such as imported coal, provides

the generator the avenue to recover much higher input price for coal from the integrated mine – without beneficiary consultation (until it results in an impact of over 20% on the ECR). To ensure prudence, the Commission must clearly define what constitutes a permissible alternate source of coal and limit it to domestic sources.

Additionally, the comparative energy charge rate should be computed based on the input price of coal, the notified price by CIL for the commensurate grade of coal, and the price of alternative coal for every month from the date of commercial operation of integrated mine. The computation of energy charge rate with consideration of fuel price at these three instances will ensure accountability from the generator, with minimal additional effort.

The extant provision in Regulation 50 clause 2 requires that the generating company makes this calculated energy charge rate available to the beneficiary. Since these costs ultimately impact consumer tariffs, the beneficiary and the generator must then be required to make the month-wise comparative energy charge available in the public domain.

Thus, we request the Commission to:

- Clearly define permissible alternate sources of coal, and ensure they are limited to domestic sources
- Insert the words “**and** the price of alternative coal, if applicable” after the words “the commensurate grade of coal” in clause (2) of Regulation 50
- Require the beneficiary and the generating company to regularly make the month-wise comparative energy charge rate available on their respective website in an accessible manner

We request the Commission to take our submission on record, and allow us to make additional submission on the matter, if required.

Prayas (Energy Group)

Place: Pune

Date: 14th January 2026