

Monthly Newsletter

October, 2025



Here’s what has happened in the last month and what’s to come!

The last month has been marked by crucial legal and regulatory decisions that are tightening compliance and providing much-needed clarity across India's energy, infrastructure, and environmental sectors. Regulators, backed by the Supreme Court, have significantly reinforced the principle of regulatory discipline, emphasizing that administrative actions must be strictly aligned with statutory mandates and approved tariff orders. Concurrently, new policy frameworks have emerged, particularly in the environmental and carbon market space, that signal a shift towards highly granular, unit-level compliance and a formal integration of sustainability metrics into investment decisions.

Looking ahead, stakeholders can expect continued emphasis on audit-ready compliance, especially for captive power projects and monitored industries, given the CEA's new unit-level declaration mandate and the CPCB's push to migrate to the new OCEMS portal. The proposed CERC amendments for the REC market will introduce the Virtual Power Purchase Agreement (VPPA) framework, creating new avenues for corporate renewable procurement. Furthermore, the momentum on Article 6 of the Paris Agreement suggests that detailed procedures and a functional Indian Carbon Market Portal will soon enable the use of international carbon trading mechanisms to meet India's climate goals.

In this newsletter you can expect:

Policy Updates

Regulatory Changes

Key Court Rulings

Renewable Energy & ESG Policy

Emerging Trends

Future Outlook



Ministry of Power Issues New Renewable Compliance Framework under Energy Conservation Act

On 27 September 2025, the Ministry of Power issued a notification reshaping India's renewable compliance framework. While renewable consumption targets remain unchanged through FY2030, topping out at 43.33% in 2029–30, the compliance structure has been overhauled. Multiple state-level Renewable Purchase Obligations (RPOs) are now unified under a single national Renewable Consumption Obligation (RCO), bringing greater clarity for distribution licensees, open access consumers, and captive users. The framework tightens baselines with sharper exclusions, ring-fences Distributed Renewable Energy (≤ 10 MW), and provides fungibility across wind, hydro, and other renewables, though DRE shortfalls remain non-fungible. Obligations can now be met via direct renewable consumption, RECs (including VPPA-linked), or a CERC buyout option, with proceeds directed to renewable and storage capacity development. Reporting timelines have also been streamlined, reinforcing the government's push for a simpler, sharper, and stricter compliance regime.

Government Reduces GST on Solar Panels to 5% to Boost Renewable Energy Adoption

On 22 September 2025, the Government of India introduced a new GST structure, reducing the tax on solar panels and related components from 12% to 5%. This move significantly lowers the cost of installing solar systems, making residential rooftop projects, commercial installations, and utility-scale projects more affordable. While inverters, panels, and mounting structures now fall under the 5% slab, batteries remain at 18%, keeping hybrid and storage-linked projects relatively costlier. The reform is expected to reduce overall solar project costs by 8–10%, accelerate adoption under schemes like the PM Surya Ghar Muft Bijli Yojana and KUSUM Solar Pump Yojana, and strengthen India's renewable energy push by making solar more accessible to households, businesses, and industries.

CPCB Releases New Guidelines for Municipal Solid Waste to Energy Plants

The Central Pollution Control Board (CPCB) has published comprehensive "Guidelines on MSW Incineration-Based Waste to Energy Plants" to address operational and environmental challenges faced by these facilities across the country. These guidelines serve as a uniform reference for authorities, operators, and regulators, ensuring that all existing, under-construction, and proposed Waste to Energy (WtE) plants in India are environmentally safe and technically viable. Key provisions include detailed guidance on waste pre-processing practices, technology configuration, emissions control, ash and leachate management, and mandatory compliance with Solid Waste Management Rules, 2016. Significantly, the CPCB has classified WtE plants under the revised system as "Blue Category" projects, recognizing them as Essential Environmental Services Sectors for domestic waste management. The document also reinforces the need for proper site management, including maintaining a buffer zone and developing a minimum 10m-wide green belt around the facilities.



Draft Amendments to Captive Power Rules Tighten Compliance, Not Thresholds

The Ministry of Power has issued draft amendments to Rule 3 of the Electricity Rules, 2005, which governs captive generating plants. While the familiar thresholds of 26% ownership and 51% consumption remain unchanged, the compliance framework has been sharpened. For Associations of Persons (AOPs), the $\pm 10\%$ proportionality test is replaced with a hard 110% cap on consumption benefits, requiring revised contracts and allocation mechanisms. Group ownership is clarified to include indirect holdings through subsidiaries and holding companies, with voting rights remaining decisive. Special Purpose Vehicles (SPVs) must continue to align equity and consumption with specific units, now reinforced with illustrations to prevent structuring errors. The Central Electricity Authority will remain the verifying authority for interstate projects. In essence, the regime is unchanged in numbers but tighter in discipline—demanding sharper contracts, stricter documentation, and stronger governance. Stakeholder comments are invited until 22 October 2025.

MNRE Sanctions ₹140 Crore Top-Up for National Bioenergy Programme (Phase-I)

On 16 September 2025, the Ministry of New and Renewable Energy (MNRE) sanctioned an additional ₹140 crore for Phase-I of the National Bioenergy Programme (NBP), taking its total outlay to ₹998 crore for FY 2021–26. The top-up allocates ₹37.5 crore for Waste-to-Energy projects, ₹52.5 crore for biomass-based initiatives, and ₹50 crore for biogas plants, with flexibility to shift funds across sub-schemes. Coming alongside the 2025 guideline revisions that simplified monitoring and clearances, this boost reinforces the role of bioenergy in India's renewable mix. For developers and financiers, stronger focus on watertight feedstock and offtake contracts, along with auditable milestones, will be key to ensuring bankability as projects scale from waste management to rural livelihood generation.

CEA Mandates Unit-Level Declaration for Captive Power Status

The Central Electricity Authority (CEA) issued a crucial circular on September 10, 2025, which introduces a significant legal and compliance shift for captive power projects. Generating stations owned by Special Purpose Vehicles (SPVs) are now mandatorily required to identify and formally declare the specific generating unit(s) dedicated for captive use. This unit-level declaration must be filed in a prescribed format with the Verifying Authority (Director, Legal, CEA), the concerned DISCOM(s), and RLDC/SLDC, and its successful completion is essential for recognizing captive status for the Financial Year 2025–26. The change ensures greater granularity and regulatory scrutiny by making it non-negotiable to pinpoint the exact unit supporting captive consumption. Critically, compliance with this new filing requirement is directly tied to the project's eligibility for economic benefits, as the entire captive framework, including exemptions from Cross-Subsidy Surcharge (CSS) and Additional Surcharge, depends on meeting the Rule 3 thresholds of the Electricity Rules, 2005 (at least 26% ownership and 51% consumption by captive users). Failure to comply or provide auditable documentation could jeopardize the economic foundation of these projects.



APTEL Upholds CERC's Rejection of JSW BESS Tariff Due to Market Alignment

The Appellate Tribunal for Electricity (APTEL), in its judgment dated September 12, 2025, in *M/s JSW Renew Energy Five Limited Vs. CERC & Ors.* (Appeal Nos. 26 & 54 of 2025), dismissed the appeal filed by JSW and affirmed the Central Electricity Regulatory Commission's (CERC) order of January 2, 2025. The CERC had refused to adopt the competitively discovered tariff for JSW's Pilot Project of a 500 MW/1000 MWh Stand-alone Battery Energy Storage System (BESS). APTEL found that CERC was justified in not adopting the tariff because it was not aligned with the prevailing market prices. CERC's rejection was based on the "inordinate delay" in signing the Battery Energy Storage Purchase Agreement (BESPA) and Battery Energy Storage Sale Agreement (BESSA), which caused the quoted tariff to appear high when compared to substantially lower rates discovered in subsequent BESS tenders. The Tribunal reiterated that the power of tariff adoption under Section 63 of the Electricity Act carries the inherent power for the Commission to reject a tariff that is deemed not in the interest of the public at large. Critically, APTEL confirmed that no vested right accrues to the selected bidder until the tariff is formally adopted by the CERC.

APTEL Dismisses PSPCL Appeals, Upholds Refund of Peak Load Exemption Charges

The Appellate Tribunal for Electricity (APTEL), in its order dated September 12, 2025, in *Punjab State Power Corporation Limited & Ors. Vs. Punjab State Electricity Regulatory Commission & Ors.*, dismissed the appeals filed by PSPCL and affirmed the orders of the PSERC which directed PSPCL to refund the Peak Load Exemption Charges (PLEC) collected from Large Supply Industrial Consumers (LSICs). The dispute centered on whether PSPCL could unilaterally levy PLEC on industrial consumers who had opted for the Time of Day (ToD) tariff and were sourcing power through open access during peak load hours. The Tribunal held that PSPCL had no lawful authority to levy or recover PLEC through mere administrative circulars because the charge was not expressly sanctioned by the PSERC in its binding Tariff Orders for the relevant fiscal years. APTEL emphasized that imposing a new charge or an impermissible sub-category outside the regulatory framework constitutes a direct breach of the statutory scheme of the Electricity Act, 2003, and that any recovery beyond the commission-approved tariff must be returned to the affected consumers with interest, thereby reaffirming regulatory discipline and consumer protection.



Supreme Court Upholds CERC/APTEL Rulings on 'Change in Law' and Tariff Sections

The Supreme Court, in its order dated September 8, 2025, in Haryana Power Purchase Centre & Ors. Vs. GMR Kamalanga Energy Limited & Ors, delivered a significant judgment reinforcing the legal principle of regulatory deference to expert bodies and providing clarity on the Electricity Act, 2003. The Court dismissed the appeals filed by various Distribution Companies (DISCOMs), including Haryana Utilities, and upheld the findings of the Central Electricity Regulatory Commission (CERC) and the Appellate Tribunal for Electricity (APTEL) which directed the DISCOMs to pay supplementary bills to the generator (GKEL) for additional costs arising from a Change in Law event related to coal pricing. The ruling specifically confirmed that judicial review under Section 125 of the Act is limited to substantial questions of law, cautioning against routine challenges to CERC and APTEL orders. Crucially, the Court validated CERC's use of a pro rata formula to apportion the increased coal costs among all beneficiary DISCOMs based on energy supplied. Furthermore, the Court legally separated the regulatory frameworks by holding that tariff determination under Section 62 (cost-plus) and Section 63 (based on bidding) are distinct, thereby ruling that GRIDCO, which had a Section 62 PPA, was not a necessary party to the Change in Law proceedings concerning Section 63 PPAs.

CERC Finalizes PGCIL Tariff under 2019 Regulations, Emphasizing Cost and Time Scrutiny

The Central Electricity Regulatory Commission (CERC), in its Order No. 184/TT/2024 dated October 3, 2025, determined the transmission tariff for Power Grid Corporation of India Limited (PGCIL)'s assets under the binding Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019. This order represents the Commission's exercise of its statutory function to fix tariffs under the Regulated Tariff Mechanism (RTM) for the 2019-24 block. Legally, CERC performed a prudence check on the Capital Cost under Regulation 19 and noted a significant, 98.12% variation between PGCIL's Investment Approval cost and CTUIL's estimated cost, requiring the Petitioner to submit justification during the True up process. The Commission also specifically analyzed the project's time overrun by applying the definitions of Controllable and Uncontrollable factors provided in Regulation 22 of the 2019 Tariff Regulations, while also enforcing the correct regulatory norms for O&M Expenses (Regulation 35(3)(a)) and Initial Spares (Regulation 23(d)).



Supreme Court Reinforces Limits of Arbitral Powers in SEPCO v. GMR

In *SEPCO Electric Power Construction Corp. v. GMR Kamalanga Energy Ltd.*, the Supreme Court upheld the Orissa High Court's decision to set aside an arbitral award of nearly ₹995 crores, holding that arbitrators cannot reinterpret or deviate from the terms of a contract. The Court emphasized that awards must strictly remain within the parameters of the arbitration agreement, and any modification of contractual provisions amounts to a violation of Section 28(3) of the Arbitration and Conciliation Act, 1996. Stressing the importance of natural justice and the fundamental policy of Indian law, the Court found that the arbitral tribunal's assumptions and discriminatory treatment undermined fairness and therefore rendered the award invalid.

Landmark Supreme Court Ruling Boosts Waste-to-Energy Projects

In a significant ruling on January 2, 2025, in the case of *Municipal Corporation of Delhi (MCD) vs. Gagan Narang & Ors.*, the Supreme Court has provided crucial legal clarity that empowers municipal bodies to advance Waste-to-Energy (WTE) projects. The Court upheld the Delhi Electricity Regulatory Commission's (DERC) approval of the tariff and Power Purchase Agreement for Delhi's Narela-Bawana WTE plant. Crucially, the judgment clarified that Section 63 of the Electricity Act, 2003, is not restricted to Discoms or generating companies, allowing municipal/local authorities to directly approach the State Commission for tariff adoption when implementing WTE projects under their statutory waste management obligations. This decision effectively removes a major regulatory hurdle, harmonizes the Electricity Act with the Solid Waste Management Rules, 2016, and reinforces the National Tariff Policy, 2016, requirement for Discoms to procure 100% of power generated from WTE plants. By emphasizing the public interest in urban waste disposal and clean energy, the ruling provides a scalable model and regulatory certainty for future projects, reassuring investors and utilities.

India's National Policy on Geothermal Energy

In September 2025, the Ministry of New and Renewable Energy (MNRE) unveiled India's first comprehensive National Policy on Geothermal Energy, marking a pivotal step in the country's renewable energy transition. Released on September 15, 2025, this policy seeks to unlock the untapped geothermal potential of India and align it with the national target of achieving net-zero emissions by 2070. Amid intensifying climate concerns, the policy positions geothermal energy as a reliable, baseload renewable source that complements solar and wind, offering round-the-clock power generation as well as applications in heating, cooling, and industrial processes.

Mapping India's Geothermal Potential

India's geological diversity provides a strong foundation for geothermal development. The Geological Survey of India (GSI) has identified 10 geothermal provinces and 381 hot springs across the country, with temperatures ranging from 35°C to 98°C, and high enthalpy zones in the Himalayas reaching up to 200°C. Prominent sites include Puga and Chumathang in Ladakh, Manikaran in Himachal Pradesh, Tapoban in Uttarakhand, and others across Bihar, Gujarat, Maharashtra, and Odisha. These locations offer opportunities not only for power generation but also for direct-use applications such as district heating, aquaculture, and geo-tourism. Emerging technologies like Enhanced Geothermal Systems (EGS) are expected to expand this potential beyond naturally occurring hot springs.

Scope and Technology Pathways

- Resource exploration and surveys using geological and geophysical tools.
- Power production systems such as dry steam, flash, binary cycle, and Organic Rankine Cycle (ORC) plants.
- Ground Source Heat Pumps (GSHPs) for efficient heating and cooling in buildings, operable across India at shallow depths.
- Repurposing abandoned oil and gas wells to accelerate deployment while supporting the oil sector's low-carbon transition.
- By-product extraction of minerals like lithium and silica to enhance economic viability.

Addressing Challenges

Recognizing barriers like high upfront costs and exploration risks, the policy outlines financial and regulatory mechanisms, including:

- Risk-sharing frameworks with developers.
- 100% FDI allowance.
- Incentives such as concessional loans, duty exemptions, GST waivers, tax holidays, and accelerated depreciation.
- Recognition of geothermal projects under Renewable Purchase Obligations (RPOs) and must-run status.
- Eligibility under the Indian Carbon Credit Trading Scheme.

Role of States and Implementation Framework

States and union territories are encouraged to allocate geothermal blocks for exploration (up to 3 years, extendable) and development (up to 30 years). They are advised to provide single-window clearances for land, water, forest, and environmental approvals, along with concessional land leases and priority transmission connectivity. Importantly, stakeholder engagement in tribal and remote areas is emphasized to ensure inclusivity.

Implementation will be driven by MNRE, with support from GSI, DGH, CSIR-NGRI, and IREDA. Initiatives include establishing Centres of Excellence, building a geothermal data repository, and fostering international cooperation for technology and financing.

Our View: What Matters Most?

India's geothermal policy is a landmark, but its success hinges on how well innovation, sustainability, and inclusivity are balanced. While the policy rightly focuses on private investment, advanced technologies, and financial incentives, equal emphasis must be placed on environmental safeguards, transparent impact assessments, and active community engagement, especially in ecologically sensitive and tribal regions. The high upfront costs and site-specific risks demand careful pilot projects, data-driven feasibility studies, and robust risk-mitigation mechanisms. Ultimately, geothermal energy can play a transformative role in India's renewable journey, but only if its growth is guided by responsibility, equity, and long-term sustainability in alignment with the nation's net-zero goals.

[Contact Us](#)**Disclaimer:**

This newsletter is intended solely for informational purposes and does not constitute legal advice or create a lawyer-client relationship. Readers should not act or refrain from acting based on its contents without seeking appropriate legal or professional advice for their specific circumstances. While every effort has been made to ensure the accuracy of the information provided, The Firm makes no representations or warranties, express or implied, regarding the completeness, reliability, or accuracy of the information contained herein.

Thank you for reading!