

CERC confirms gradual rollback of ISTC waiver for RE projects based on wind / solar or combination of both

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Introduction

The Central Electricity Regulatory Commission (CERC), vide Notification dated 26 June 2025, has notified the CERC (Sharing of Inter-State Transmission Charges and Losses) (Fourth Amendment) Regulations, 2025 (Fourth Amendment Regulations).

Aligned with the policy priorities of the Ministry of Power, Government of India, **the Fourth Amendment Regulations** seek to support the expansion and integration of Renewable Energy (RE) sources, Battery Energy Storage Systems (BESS), and green hydrogen / ammonia plants into the national grid framework.

Notably, the CERC has confirmed the industry-wide speculation of gradual phasing out of the waiver for Inter-State Transmission Charges (ISTC) on RE Generating Systems based on wind or solar source (REGS) and Renewable Hybrid Generating Systems based on a combination of wind and solar source (RHGS), based on the commissioning of such generating systems.

While changes have also been affected for BESS and hydro generating stations / Pumped Storage Projects (PSP) and waiver of their ISTC, the Fourth Amendment Regulations have for the first time introduced a timeline for waiver of ISTC for REGS based on offshore wind and green ammonia/hydrogen plants.

A 100% waiver of ISTC charges has been granted, for 25 years for (i) the REGS based on offshore wind commissioned by 31 December 2032; and (ii) green hydrogen/ammonia plants as a drawee designated ISTC customer (DIC), commissioned up to 31 December 2030. Interestingly, as a drawee DIC, green hydrogen / ammonia plants sourcing at least 51% power from REGS, RHGS or hydro generating stations, are entitled to the highest eligible category of waiver i.e., waiver granted to such plants vis-à-vis the waiver granted to the source they are connected to.

It is understood that various industry stakeholders had sought an extension of the existing waiver regime for REGS, RHGS, hydro generating stations / PSP and BESS, expressing concerns that the withdrawal of such waivers may adversely impact project viability and potentially lead to higher tariffs for end consumers.

Key changes for REGS, RHGS and BESS

The timelines governing ISTC waiver eligibility for REGS and RHGS remain unchanged under the Fourth Amendment Regulations. Specifically, a 100% waiver continues to apply to such projects commissioned by 30 June 2025, with a gradual reduction in the waiver percentage for projects commissioned thereafter.

In respect of BESS, the regulatory treatment has now been bifurcated into 2 distinct categories:

- (i) BESS co-located with REGS and charged exclusively from such REGS at the same substation; and
- (ii) All other BESS configurations, including those connected at substations without REGS, or those charged from the grid or other sources.

For the latter category, the waiver timeline remains consistent with the pre-amendment framework. However, the Fourth Amendment Regulations introduce a significant concession for the first category i.e.,

BESS units charged exclusively from co-located REGS and commissioned by 30 June 2028 are now eligible for a 100% ISTC waiver for a period of 12 years.

Importantly, REGS, RHGS and BESS may still qualify for a full waiver of ISTC, even if they are not commissioned by the cut-off date of 30 June 2025, subject to the fulfilment of the following key conditions:

- (i) The project must have had a Scheduled Commercial Operation Date (SCOD) on or before 30 June 2025.
- (ii) The project must have achieved commissioning within the extended period granted for SCOD.
- (iii) Such extension must have been granted due to:
 - (a) a force majeure event (including non-availability of the transmission system); or
 - (b) reasons not attributable to the project developer.
- (iv) If the SCOD is extended beyond 30 June 2025, each extension must not exceed 6 months at a time.
- (v) A maximum of 2 such extensions is permitted.

Conclusion

The Fourth Amendment Regulations, and the framework for ISTC waiver therein, come at a pivotal moment, as India accelerates efforts to achieve its ambitious target of 500 GW of non-fossil fuel-based capacity by 2030, in alignment with its Nationally Determined Contributions under the Paris Agreement.

While the CERC has not provided any specific rationale for declining to extend the ISTC waiver timelines for REGS and RHGS-based projects, the Fourth Amendment Regulations do offer a limited safeguard for developers unable to achieve commissioning by 30 June 2025, where delays are attributable to force majeure events or other factors beyond the developer's control.

It remains to be seen whether the Central Government or other relevant authorities will introduce additional policy or regulatory measures to sustain the momentum in wind, solar, and hybrid energy deployment, a momentum that the ISTC waiver regime has significantly helped foster over the past several years.

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