



## CERC (Virtual Power Purchase Agreements (VPPAs)) Guidelines, 2025

The CERC notified draft on (Virtual Power Purchase Agreements (VPPAs)) Guidelines, 2025 Issued on 22<sup>nd</sup> May, 2025

### Objective:

The Draft Guidelines for Virtual Power Purchase Agreements (VPPAs), issued by the Central Electricity Regulatory Commission (CERC) in 2025, aim to establish a formal regulatory framework to facilitate financial contracts for renewable energy procurement without physical delivery. These guidelines recognize VPPAs as Non-Transferable Specific Delivery (NTSD) over the counter (OTC) contracts between renewable energy generators and consumers (including designated consumers), enabling large commercial and industrial buyers to meet their Renewable Consumption Obligations (RCO) through the purchase of RECs linked to these agreements. The strike price is mutually agreed upon by parties and settled financially against the market price (typically on power exchanges), with the difference paid or received by the consumer. Key highlights include clear recognition of VPPAs under CERC's regulatory oversight (subject to SEBI's jurisdictional clarity), mandatory REC transfer (non-tradable) to buyers for RCO compliance, and a standardized contract structure with defined settlement and dispute resolution mechanisms. The guidelines also propose integration with emerging OTC platforms and mark a step toward market-based decarbonization, providing legal certainty and scalability for corporate renewable procurement in India. [here](#)

### CER Opinion:

- 1. Relevance of Virtual PPAs:** Virtual Power Purchase Agreements (VPPAs) would help unlock further investment in the renewable energy development, wherein a buying entity need not take direct delivery of the electrical energy, which is separately sold in the market. This offers greater revenue certainty to the investors as the price associated with the RECs as well as the energy can be directly contracted/negotiated between the RE generator and the buyer entity. This would also help enhance RPO compliance for open access and captive consumers.
- 2. Enabling Tradability of Surplus RECs:** *Draft Clause 5.2 “Under this arrangement, if the RE generator sells electricity components through power exchanges (in DAM and/or RTM market segments) or any other mode authorized under the Electricity Act 2003, the Renewable Energy Certificates (RECs) received thereby shall be transferred to the Consumer or Designated Consumer who can use such RECs for RCO compliance or for claiming green attributes. Such RECs shall not be allowed to be traded.”*

RECs under VPPAs are transferrable to the consume but are not allowed to be traded, in line with the NTSD nature of such contracts. However, since RPO compliance rollover is generally not permitted under current regulations, any surplus RECs resulting from under-forecasting or over-procurement may remain unutilized. Allowing the trade of such verified surplus RECs would enhance compliance flexibility, prevent wastage, and support overall RPO achievement. This approach also aligns with the intent of the REC framework – to promote an efficient and fungible green certificate market. Moreover, as the market evolves, if RECs are replaced or supplemented by other instruments such as Carbon Certificate, I-RECs (International Renewable Energy

Certificates) or similar green attribute products, the same flexibility should be extended to ensure these certificates can be optimally used or traded. **A well-regulated provision enabling the trade of surplus green attributes—whether RECs, I-RECs, or future equivalents—would strengthen market efficiency and RPO compliance without undermining the integrity of VPPA contracts.**

A buyer entity entering into a VPPA contract may wish to enter into such an agreement to either ensure its RPO compliance or consume RE on a voluntary basis. It is likely that the VPP contract may cover more than its need for green power. Excess RECs procured over and above the RPO target should be allowed to be either carried forward or ‘tradable’ by the buyer entity entering into a VPPA. **Allowing trade of such verified surplus RECs** would enhance compliance flexibility, optimize cost of compliance, and support overall RPO achievement.

3. **Distinguishing Trading License Vs OTC Registration: Draft Clause 6.1** “*Consumer or a Designated Consumer may enter into a VPPA with an RE generator directly **or through a trader or by listing on an OTC Platform granted registration by CERC on mutually agreed terms and conditions.**” (emphasis added)*

Traders are issued by the CERC while OTC platforms are merely registered. The following suggested modified version would provide necessary clarity.

"A Consumer or a Designated Consumer may enter into a VPPA with a Renewable Energy generator directly, or through a trader or by listing on an OTC Platform, granted license/registration by CERC, on mutually agreed terms and conditions."

3. **Dispute Resolution and Adjudication: Draft Clause 9.1** “*Any disputes arising out of VPPA shall be mutually settled by the parties as per the terms of the contract.*”

The Draft clause currently places the entire responsibility of dispute resolution on mutual settlement between parties, without reference to an adjudication authority such a CERC or SERCs, which may be required depending on the nature of the dispute, the contracting entities and the contracting structure. As VPPPs contracts involve electricity as well as green attributes, a fallback to regulatory or judicial adjudication (such as under section 79 or 86 of the Electricity Act<sup>1</sup>, 2003) should be considered as appropriate.

4. **Innovations in Pricing Contracts:** While the guidelines are not prescriptive about the type of pricing contract, it may mention the scope for innovative pricing contracts that may be fully or partially linked to the market, with or without cap and floor for the same (Figure 1).

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<sup>1</sup> <https://cercind.gov.in/Act-with-amendment.pdf>

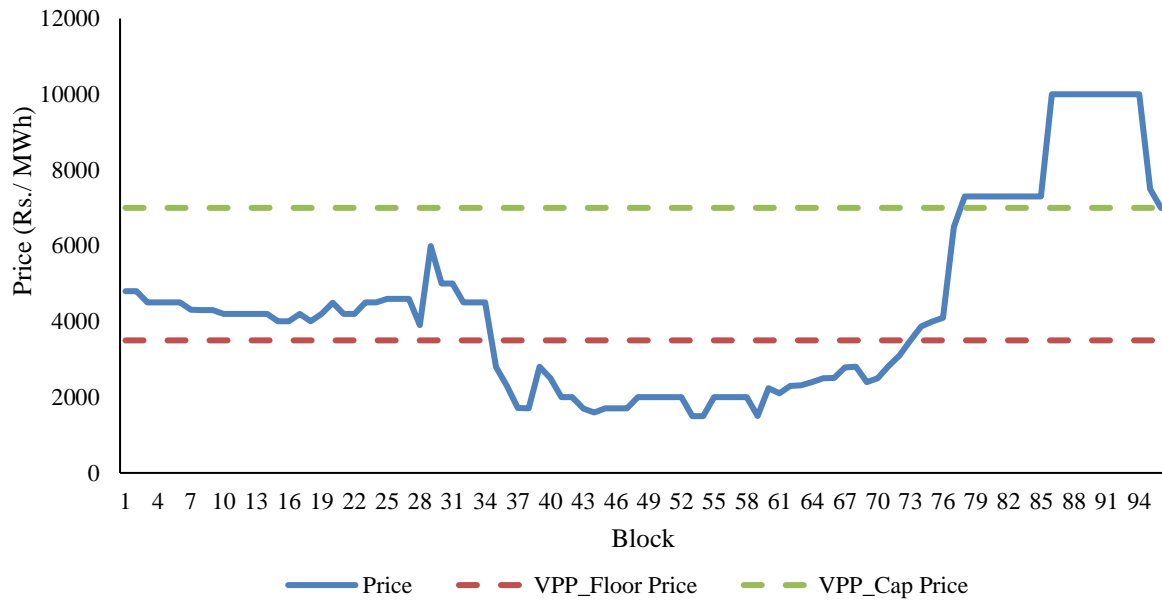


Figure 1. Pricing Mechanism

- 5. Risk Management Tools and Role of Derivatives:** The generator as well as the buyers may consider hedging mechanisms, including financial derivatives, to manage risks associated with their exposure to market price fluctuations. Such instruments can provide additional price certainty beyond the VPP structure, particularly in volatile market conditions. With the emergence of the market of derivatives for electricity, the generator and buyers would now have access to such avenues. Improved liquidity may also open scope for a derivatives market for RECs in future.