Legal Updates

Supreme Court grants relief to Gujarat Urja Vikas Nigam Ltd. and orders Essar Power Ltd. to repay fixed charges for diverted electricity

The Supreme Court, vide its order dated 25.09.2025 in Civil Appeal Nos. 6581–6582 of 2025 titled ***Gujarat Urja Vikas Nigam Limited v. Essar Power Limited and Anr.***, granted relief to Gujarat Urja Vikas Nigam Limited ("GUVNL") by setting aside the Appellate Tribunal for Electricity's ("**APTEL**") judgment and restoring the 2009 order of the Gujarat Electricity Regulatory Commission ("**GERC**") in its long-standing dispute with Essar Power Limited ("**EPL**").

The case concerned EPL's diversion of electricity in breach of a 1996 Power Purchase Agreement ("**PPA**"), which required EPL to supply 58% of power to GUVNL and 42% to Essar Steel Ltd. ("**ESL**"). The Court held that EPL had failed to maintain this proportion, thereby violating the terms of the PPA, and ruled that GUVNL is entitled to both reimbursement of fixed charges and compensation for the shortfall.

The Division Bench observed that since GUVNL had paid fixed charges for power it never received, it must be reimbursed on the principle of restitution, not merely compensated for breach. The Supreme Court emphasized that reimbursement of fixed charges arose directly from the provisions of the PPA, whereas compensation is intended to cover losses resulting from a contractual breach. It further held that APTEL had misinterpreted the PPA and wrongly denied GUVNL's rightful claim, thereby restoring the Commission's original reasoning. The Court also referred to its 2016 ruling in Gujarat Urja Vikas Nigam Limited v. Essar Power Limited [(2016) 9 SCC 103], which had directed EPL to adhere to the 58:42 sharing ratio, pay HTP-1 energy charge–based compensation for diverted power, and reimburse fixed charges if GUVNL's share was sold to ESL.

Reiterating the earlier principles, the Supreme Court directed GERC to recompute the total dues payable to GUVNL in accordance with its findings. It clarified that both compensation (for loss)

and reimbursement (for payments not due) must be made to ensure complete restitution. The Bench further noted that since EPL had earlier supported a half-hourly computation method to avoid installation of a circuit breaker, it could not later object to the same method being applied for calculating the diversion of power. Accordingly, the appeals were partly allowed, APTEL's judgment was set aside, and GERC was directed to carry out a fresh computation of amounts recoverable by GUVNL.

MoP has sought comments / suggestions on the draft Electricity (Amendment) Bill, 2025

The Ministry of Power ("**MoP**"), vide letter bearing Ref. No. 42/6/2011-R&R (Vol.-IX) dated 09.10.2025, has issued the draft Electricity (Amendment) Bill, 2025 to amend the Electricity Act, 2003 to strengthen and reform the electricity sector in alignment with evolving industry requirements.

Some of the salient features of the Bill are as follows:

i. It proposes to define the term "*Energy Storage System (ESS)*" as a system to store electrical energy in any form for a period of time and delivering it as electrical energy when required. Further, ESS is proposed to be included in the definition of "*power system*".
ii. It proposes to explicitly empower the Central and State Governments to make rules governing captive generation.
iii. It proposes to simplify procedures thereby reducing unnecessary clearances and promoting ease of doing business in the power sector, for instance the deletion of Section 15(2)(ii) and Section 18(2)(b).
iv. Section 42(1) of the Electricity Act is proposed to be amended to provide non-discriminatory open access to an existing distribution licensee's network in its area of supply to a parallel licensee.
v. It proposes to establish a uniform minimum standard of service across the country to ensure that all electricity consumers, regardless of where they live, receive a basic level of reliable power supply.
vi. Section 61(g) is proposed to be amended whereby the tariff reflects the cost of supply of electricity and also progressively reduce cross subsidies in the manner specified by the appropriate Commission. Proviso to the amended Section provides that cross subsidy Manufacturing Enterprises, Railways and Metro Railways shall be fully eliminated within 5 years from the date of commencement of the amendment.
vii. Proposed amendment to Section 86(1)(e) requires State Commissions to specify non-fossil obligations which shall not be less than the percentage as may be prescribed by the Central Government.

MoP has sought comments / suggestions on the draft within 30 days from the date of issuance of the letter.

A copy of the draft Electricity (Amendment) Bill, 2025 can be accessed *here*.

MoC increases the area limits for grant of mining leases and prospecting licenses in respect of coal blocks located in the State of Madhya Pradesh

The Ministry of Coal ("**MoC**"), vide Order bearing F. No. 13016/42/2015-CA-III/P&S-II dated 06.10.2025, has increased the area limits for obtaining one or more mining lease(s) to 125 sq. kms. and the area limits for obtaining one or more prospecting license to 125 sq. kms. in respect of coal blocks located in Madhya Pradesh, in exercise of power under Section 6(1) of the Mines and Mineral (Development and Regulation) Act, 1957 ("**MMDR Act**").

Section 6 (1) of the MMDR Act stipulates that no person shall acquire one or more prospecting licenses covering a total area of more than 25 sq. kms., or one or more mining leases covering a total area of more than 10 sq. kms., in respect of any mineral or prescribed group of associated minerals in a State. However, the Central Government can increase the area limits if it is of the opinion that it is necessary to do so in the interest of the development of any mineral or industry.

The Order dated 06.10.2025 has been issued in supersession of the Order dated 07.03.2024, whereby the area limit for prospecting licenses was increased from 25 sq. kms. to 35 sq. kms. and the area limit for mining leases was increased from 10 sq. kms. to 35 sq. kms. in respect of coal blocks located in Madhya Pradesh.

A company which has been awarded one or more coal blocks with combined area of more than 35 sq. kms. in Madhya Pradesh had to seek relaxation of area limits beyond the limit for obtaining one or more mining lease. Thus, the Central Government decided to increase the area limits to expedite the process of obtaining clearances, facilitate early operationalization of coal blocks and reduce compliance burden.

A copy of the Order dated 06.10.2025 issued by the Ministry of Coal can be accessed *here*.

CERC proposes Buyout Price for Renewable Consumption Obligation Compliance

The Central Electricity Regulatory Commission ("**CERC**"), vide proposal dated 22.10.2025 in Suo-Motu Petition No. 12 / SM/2025, has proposed a Buyout Price mechanism to help designated entities meet their Renewable Consumption Obligation ("**RCO**"). This is an additional option alongside the existing methods of consuming renewable electricity directly (including through energy storage) or purchasing/self-generating Renewable Energy Certificates ("**RECs**").

The proposed Buyout Price mechanism will apply to distribution licensees, open access consumers, and captive users. For the financial year 2024–25, CERC has proposed a Buyout Price of ₹245/MWh, which is approximately 5% higher than the weighted average REC price for the year, calculated from transactions conducted through power exchanges and trading licensees.

For the years ahead, the Buyout Price will be fixed at 105% of the weighted average REC price of the respective financial year. The National Load Despatch Centre ("**NLDC**") will publish the weighted average REC price and the corresponding Buyout Price for the previous year by 30th April every year, up to FY 2029–30.

The Buyout Price will cover both the cost of the green attribute and the cost of electricity. Entities opting for this route will pay for the green attribute, which will be equivalent to the REC price, while purchasing electricity separately to meet their consumption needs.

Funds collected through this mechanism will be deposited into the Central Energy Conservation Fund under a dedicated head. From this, 75% of the total amount will be transferred to the respective State Energy Conservation Funds, to be used for promoting renewable energy projects and energy storage capacities. The Government will specify the detailed process for how these funds are to be utilized.

CERC has observed that the first two RCO compliance methods, direct consumption of renewable electricity or use of RECs, result directly in investment and capacity creation in the renewable energy sector and should therefore remain the preferred options. The Buyout Price is meant to serve only as a fallback option when these two routes are not feasible.

Stakeholders may send their comments, suggestions, or objections on the Buyout Price proposal to the Secretary, CERC, at Tower B, World Trade Centre, New Delhi, or by email (secy@cercind.gov.in ; advisor-re@cercind.gov.in) by 21st November 2025. The Commission will consider all inputs before passing a final Order.

Additionally, it is also important to note that CERC had recently also issued draft amendments to the REC Regulations to clarify eligibility criteria for captive projects, set a new timetable for REC applications, update certificate multipliers, and address RECs under Virtual PPAs. CERC's proposal can be accessed from the following *link*.

GERC issues Draft Net Metering Rooftop Solar PV Grid Interactive Systems (Fifth Amendment) Regulations, 2025.

The Gujarat Electricity Regulatory Commission ("**GERC**") on 14.10.2025 issued the Draft Net Metering Rooftop Solar PV Grid Interactive Systems (Fifth Amendment) Regulations, 2025, The draft regulation proposes amendments to the GERC (Net Metering Rooftop Solar PV Grid Interactive Systems) Regulations, 2016, ('**Principal Regulations**').

It introduces two key changes to the 2016 principal regulations.

1. For rooftop solar systems are installed under the PM Surya Ghar Muft Bijli Yojana, consumers will no longer be required to execute a separate written connectivity agreement with the distribution licensee, instead, the agreement will be deemed to commence from the date of system commissioning, and the concerned DISCOM will issue a formal communication specifying the agreement date and the applicable purchase rate for surplus energy.

2. The amendment revises Clause 8(2) to ensure that the connectivity levels for rooftop solar PV systems are consistent with the supply voltage levels prescribed under the GERC (Electricity Supply Code and Related Matters) Regulations, 2015, as amended from time to time.

Draft Net Metering Rooftop Solar PV Grid Interactive Systems (Fifth Amendment) Regulations, 2025 can be accessed from the following *link*.

RERC issues (Grid Interactive Distributed Renewable Energy Generating Systems) (Third Amendment) Regulations, 2025

The Rajasthan Electricity Regulatory Commission ("**RERC**") vide its order dated 13.10.2025 in Petition No. 2332/2025) has published RERC (Grid Interactive Distributed Renewable Energy Generating Systems) (Third Amendment) Regulations, 2025, for making amendments in RERC (Grid Interactive Distributed Renewable Energy Generating Systems) Regulations 2021. The amendment formally introduces Virtual Net Metering ("**VNM**") and Group Net Metering ("**GNM**") mechanisms, providing consumers with greater flexibility to generate, share, and utilise renewable energy.

RERC observed that the amendments are aimed to align the State's renewable energy framework with national initiatives such as the PM Surya Ghar Muft Bijli Yojana and the Rajasthan Integrated Clean Energy Policy, 2024. The Commission emphasised that the new framework is seeks to facilitate greater consumer participation, improve transparency, and simplify procedural requirements for the installation and operation of distributed renewable systems.

Under the amended regulations, VNM will allow consumers to receive energy credits for renewable energy generated at a remotely located system within the same distribution licensee's area, while GNM will enable consumers with multiple service connections to offset their aggregate consumption through energy exported from a single renewable energy system. The Commission has clarified that such systems may be installed on rooftops, balconies, elevated structures, land parcels, or even water bodies, thereby expanding the range of viable installation options.

The amendment simplifies the procedure for determining technical feasibility. For domestic consumers installing systems of up to 10 kW capacity, including those under VNM or GNM arrangements, no technical feasibility study will be required. For larger systems or non - domestic consumers, the feasibility process must be completed within 15 days for existing connections and 30 days for new ones, after which the proposal will be deemed technically feasible. This reform reflects the Commission's focus on streamlining administrative procedures and reducing barriers to renewable energy adoption.

The Commission has also introduced incentives and financial relaxations to encourage participation. Domestic and government consumers opting for VNM or GNM will be exempted from banking charges, wheeling charges, cross - subsidy surcharges, and additional surcharges. For government installations under the RESCO model, only 50% of the cross - subsidy and additional surcharge will apply. Moreover, the amendment provides a significant boost to Battery Energy Storage Systems **("BESS")** by offering progressive waivers in wheeling charges from a 75% exemption for systems with storage equivalent to 5% of solar capacity, up to a 100% exemption where storage exceeds 30% of solar capacity.

To promote innovation and future - readiness, the order introduces enabling provisions for Peer - to - Peer **("P2P")** energy trading and plug and play solar systems, allowing the Commission to bring such models into operation through subsequent orders. The technical and power quality standards for BESS will conform to the norms prescribed by the Central Electricity Authority **("CEA")** and the Ministry of Power **("MoP")**, ensuring reliability and safety.

In a move to further support consumer participation, the Commission has directed that applications for domestic systems up to 10 kW be processed without application or meter testing fees, and that such connections be facilitated through online portals integrated with the Revamped Distribution Sector Scheme **("RDSS")** smart metering platform.

While several stakeholders had advocated for extending VNM and GNM to commercial and industrial categories, the Commission has decided to initially limit these mechanisms to domestic and government consumers. It observed that a phased implementation approach would allow the regulatory framework to evolve with operational experience and grid stability considerations before broader inclusion.

The order directs that the finalised regulations be published in the Official Gazette and circulated to the State Government, Central Electricity Authority, Distribution Licensees, and other stakeholders for immediate implementation.
RERC (Grid Interactive Distributed Renewable Energy Generating Systems) (Third Amendment) Regulations, 2025 can be accessed from the following *link*.

RERC invites comments on the Draft RERC (Battery Energy Storage Systems) Regulations, 2025

RERC has invited comments on the Draft RERC (Battery Energy Storage Systems) Regulations, 2025 **("Draft Regulations")**. The draft Regulations have been proposed with the aim of establishing a comprehensive regulatory framework for the planning, procurement, deployment, and utilisation of Battery Energy Storage Systems **("BESS")** in the State of Rajasthan.

BESSs have emerged as a vital enabler of the modern power system. They provide multiple grid-supporting functions such as enhancing grid flexibility and resilience, maintaining frequency and voltage stability, managing peak loads, reducing renewable energy curtailment, supporting time-shifting of renewable generation, and providing ancillary and balancing services. By addressing the intermittency associated with renewable energy generation, BESS contributes significantly towards ensuring reliable supply, improving grid efficiency, and achieving national and State-level decarbonisation objectives.

The Draft Regulations are applicable to all licensees, generating companies, Renewable Energy Developers, aggregators, BESS service providers, consumers, and other entities involved in the planning, procurement, deployment, operation, or utilization of BESS within the State of Rajasthan. The primary objectives of the draft Regulations is to enable deployment and utilization of BESS as part of generation, transmission, and distribution assets; to facilitate the participation of BESS in ancillary services and energy markets; to promote cost-effective energy storage solutions that support grid stability, frequency management, renewable energy integration and to establish a framework for Aggregators and third-party BESS developers to participate in the electricity market.
As per Regulation 4 of the Draft Regulations the BESS shall be utilised either as an independent battery energy storage system or as part of the generation, transmission, or distribution system or integrating the consumer's load independently or with RE sources co-located behind the meter. As per Regulation 5 of the draft Regulations the Distribution Licensees and the State Transmission Utility **("STU")** shall plan the requirement of energy storage capacity within their respective areas of operation, keeping in view the technical considerations, system reliability, and load requirements.
As per Regulation 6 of the Draft Regulations, BESS shall be eligible to provide services such as frequency regulation, spinning reserves, voltage support, black start services, and demand response services or any other services.

As per Regulation 9, all procurement of BESS capacity and services by the licensees shall be undertaken only through tariff-based competitive bidding.

As per Regulation 12, distribution licensees shall publish on their websites potential sites at the 11 kV voltage level in their 33/11 kV substations for establishing BESS of the required capacities based on feeder level solarization.

In this regard RERC has invited comments from the stakeholders on the draft Regulations and the last date for submission of the comments is 14.11.2015. The draft Regulations can be accessed from the following *link*.

KERC has sought objections / comments / suggestions on the draft KERC [Framework for Demand Flexibility (DF) / Demand Side Management (DSM)] Regulations, 2025

The Karnataka Electricity Regulatory Commission ("**KERC**") has, vide Notification No. KERC/DF/DSM/2025-16/1010 dated 13.10.2025, issued the draft KERC [Framework for Demand Flexibility (DF) / Demand Side Management (DSM)] Regulations, 2025, which aim to strengthen the regulatory framework to support the Demand Flexibility ("**DF**") / Demand Side Management ("**DSM**") programs designed as a cost-effective approach to reduce energy consumption and improve the overall efficiency of the energy system. The said Regulations will be applicable to all the Distribution Licensees or their successor entities in the State of Karnataka.

The said Regulations will repeal the existing KERC (Demand Side Management) Regulations, 2015.

Some of the salient features are as follows:

i. **Implementation of DF / DSM**: Distribution Licensees are mandated to adopt DF / DSM in daily operations and undertake the planning and implementation of appropriate DF / DSM programmes on a sustained basis that are measurable and available for smooth grid operations balancing the supply and demand.

ii. **Cost Recovery**: Provides for cost recovery for all justifiable costs incurred by the Distribution Licensees in any DF / DSM related activity, under Capital Investment Plan in their MYT filling and annual reporting.

iii. **DF / DSM Guiding Principles**: Distribution Licensees have a duty to develop a strong DF / DSM portfolio, meet multi-year Demand Flexibility Portfolio Obligations targets, submit annual implementation reports, and ensure transparency through public disclosures.

iv. **Evaluation, Measurement and Verification** ("**EMV**"): Introduces three basic types of EMV processes of DF / DSM programmes, namely Impact Evaluation, Process Evaluation, and Market Effects Evaluation, to assess programme outcomes, delivery efficiency, and market transformation impacts.

v. **Independent Verification**: Distribution Licensees have to empanel Independent Verification Agencies for a transparent DF / DSM portfolio evaluation.

KERC has invited stakeholder comments, suggestions, or objections by 14.11.2025.

The draft Regulations can be accessed *here*.

A-142, Neeti Bagh
New Delhi – 110 049, India
T: +91 11 4659 4466 F: +91 11 4359 4466
E: mail@neetiniyaman.com
W: www.neetiniyaman.com

Office No. 501, 5th Floor,
Rehman House Premises CHS,
Nadirsha Sukhia Street,Fort,
Mumbai-400001, India