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CERC's 2026 GNA Proposal: From Regulatory Rigidity to Practical Flexibility

In India's power sector, regulatory interventions rarely signal a clear shift in approach. The 15 April 2026 Draft Proposal issued by the Hon'ble Central Electricity Regulatory Commission ("**Hon'ble CERC**") on delays under the GNA framework is one such instance. It reflects a conscious move away from a rigid, consequence driven system towards a framework that is more closely aligned with the practical realities of project execution, while continuing to preserve regulatory discipline.¹

I. Moving Beyond a "Comply or Exit" Framework

The existing GNA framework is structured around strict milestone compliance. Developers are required to achieve key milestones submission of land documents, financial closure, and declaration of Commercial Operation Date ("**COD**") within prescribed timelines under Regulation 11A.² Non-compliance triggers significant consequences. Regulation 11B provides for revocation of connectivity and encashment of bank guarantees,³ while Regulation 24.6 directly links delay in achieving COD with revocation.⁴ This framework has served an important purpose in ensuring that scarce transmission capacity is not indefinitely occupied by non-performing projects.

Under the existing GNA regime, a single failure to meet a milestone, irrespective of the degree of progress made or the reasons for delay triggers an all-or-nothing outcome: full revocation of connectivity and encashment of bank guarantees, with no intermediate relief available. For projects at advanced stages of development, this meant that years of investment, land acquisition, and financial structuring could be rendered futile by delays that were often beyond the developer's control. The absence of any calibrated or compensatory pathway left developers with no recourse other than to approach the Hon'ble CERC individually, leading to a proliferation of petitions and an uneven application of outcomes across similarly situated entities.

The Draft Order recognises a practical limitation in this approach. Delays in project execution do not always reflect a lack of intent or diligence on the part of developers; they are often attributable to external constraints such as land acquisition challenges, financing timelines, or delays in transmission infrastructure. The proposal seeks to address this by introducing a structured mechanism for granting additional time, not as a relaxation of standards, but against the payment of compensation. This is enabled through the Hon'ble CERC's powers under Regulation 41 (Power to Relax)⁵ and Regulation 42 (Power to Remove Difficulty).⁶

¹ Central Electricity Regulatory Commission, *Proposal for Procedure for Levying Compensation Charges for Permitting Additional Time to Achieve Milestones under the GNA Regulations*, Petition No. 5/SM/2026 (Apr. 15, 2026).

² Central Electricity Regulatory Commission (*Connectivity and General Network Access to the inter-State Transmission System*) Regulations, 2022, Reg. 11A.

³ *Id.* Reg. 11B

⁴ *Id.* Reg. 24.6.

⁵ *Id.* Reg. 41.

⁶ *Id.* Reg. 42.

It is significant that invocation of Regulations 41 and 42 for relief was not exceptional under the earlier framework; rather, it had become a recurring, near-routine recourse for developers facing milestone non-compliance. As noted in the Draft Order, several entities had either received revocation notices or anticipated such action and accordingly approached the Hon'ble CERC seeking extensions. While some petitions were disposed of by granting additional time upon payment of compensation, many remained pending. This repeated, case-specific exercise of the power to relax and remove difficulties led to regulatory uncertainty and administrative burden, with the risk of inconsistent outcomes for similarly placed developers. The proposed Compensation Procedure, therefore, represents a formalized and systematic response to a recurring issue that had previously been addressed on a case-by-case basis through ad hoc adjudication.

In doing so, the Hon'ble CERC departs from a strictly dual framework and adopts a more calibrated approach, under which delays may be accommodated within defined limits where sufficient progress is demonstrated. The proposal prescribes clear outer limits of three months for land-related milestones, six months for financial closure, and twelve months for COD, beyond which the consequences of revocation and encashment continue to apply. This ensures that the framework remains disciplined while becoming more responsive to practical realities.

II. Economic Calibration and Enforcement Design

A key strength of the proposal lies in the design of the Milestone Extension Charges ("**MEC**"). The prescribed rates INR 1500/MW/day for land-related and financial closure delays, and INR 3000/MW/day for COD delays are not arbitrary. They are derived from the financial exposure represented by the bank guarantees. The Draft Order explains this through clear illustrations, demonstrating how these rates correspond to proportions of Land Bank Guarantees and Connectivity Bank Guarantees.

This approach ensures that the cost of delay is proportionate, economically grounded and at the same time strengthened through a graded escalation mechanism, under which charges increase progressively with the duration of delay. It also reflects a deliberate effort to align regulatory consequences with financial risk, rather than imposing uniform or punitive penalties.

The proposal also reflects an appreciation of the different pathways through which projects are developed. It distinguishes between Land Bank Guarantee ("**Land-BG**") routes and Letter of Award ("**LOA**")/Power Purchase Agreement ("**PPA**") routes and prescribes varying eligibility thresholds in terms of land availability and project progress. This differentiation ensures that the framework is responsive to the realities of project development rather than being uniformly applied.

From an enforcement perspective, the mechanism is clearly defined. MEC is required to be paid in advance, specifically fifteen days prior to the relevant period, failing which connectivity remains liable to be revoked. At the same time, provisions for refund of unutilised charges ensure that the framework does not operate disproportionately. The proposal also clarifies that developers remain liable for mismatch charges under the Sharing Regulations, thereby creating a layered compliance structure.

A particularly notable aspect of the Draft Order is its recognition of operational realities. The Hon'ble CERC acknowledges that COD cannot be achieved immediately upon connectivity becoming effective, as projects require time for trial runs and pre-commissioning activities. Accordingly, a two-month window post GNA effectiveness is provided without levy of MEC. This reflects a practical and technically informed understanding of project execution.

The proposal also establishes clear procedural requirements. Applications for extension must be made in advance, eligibility conditions must be satisfied, and separate charges apply where delays occur across multiple milestones. The firm start date of connectivity remains unchanged, ensuring continuity in the broader regulatory framework.

III. Conclusion: A More Grounded and Workable Framework

Taken as a whole, the Draft Proposal represents a considered evolution of the regulatory approach under the GNA framework. It does not dilute the importance of timelines or compliance, but it recognises that delays are not always avoidable and that immediate revocation may not be the most efficient outcome where projects are otherwise progressing.

By introducing a mechanism under which delay is permitted but subject to a clearly defined economic cost, the Hon'ble CERC has created a framework that is both practical and disciplined. Eligibility conditions ensure that only genuine projects benefit, while escalation and enforcement mechanisms ensure that delays are neither prolonged nor costless.

It is also important to note that the proposal remains in draft form, with stakeholder comments invited until 30 April 2026 and a public hearing to follow. This consultative approach enhances both the legitimacy and adaptability of the framework.

Ultimately, the proposal reflects a more balanced and mature regulatory approach one that seeks to align legal structure with commercial realities while maintaining accountability. If implemented effectively, it has the potential to improve project execution outcomes without compromising the efficient utilisation of transmission resources.