



Open Access PPA Contracting in India 2026: Tenor, Indexation, Exit and Credit Risk

By Sudarshan Karweer · 27 August 2026 · growthifye.com

A 2026 practitioner guide to open access PPA contracting in India: tenor, tariff design, change-in-law, security, exits and landed-cost risk.

India's open access market in 2026 is no longer just about obtaining approval, comparing third-party versus group captive, or estimating wheeling and banking charges. For serious C&I buyers, developers and lenders, the real value sits inside the contract architecture of the power purchase agreement and the linked energy supply documents. A tariff that looks attractive at Rs 3.20-3.70/kWh can become uneconomic if the contract allocates change-in-law risk poorly, allows weak generation guarantees, provides no clarity on curtailment compensation, or leaves exit mechanics open to dispute.

This article focuses on a different but decisive angle: how to structure open access solar and hybrid PPAs in India in 2026 so that the deal remains bankable, financeable and commercially resilient through policy, grid and business-cycle changes. The lens here is practical: what clauses matter, where parties typically disagree, what numbers are currently seen in the market, and how those choices affect landed cost, debtability and long-term operating flexibility.

Why contract structure matters more in 2026

By 2026, most sophisticated corporate buyers already understand the broad economics of open access. They know that delivered renewable power can often undercut industrial grid tariffs by Rs 0.75-2.50/kWh depending on state, voltage level, banking treatment, time-of-day profile and CSS/AS trajectory. They also know that a low quoted tariff alone is not enough.

Three market realities make contracting discipline essential in 2026:

- State-level charge regimes continue to evolve, especially around additional surcharge, banking charges, banking settlement and procurement from hybrid or RTC-like portfolios.
- Distribution companies are scrutinising open access migration more closely, especially where high-paying HT consumers reduce drawal from the grid.
- Lenders financing open access assets are placing greater emphasis on offtaker credit quality, termination compensation, deemed generation treatment and curtailment-related revenue volatility.

In short, the PPA has become the main tool for allocating policy risk, payment risk, operational risk and flexibility risk.

Choosing the right commercial model: fixed, escalated or indexed tariff

Most open access corporate PPAs in India still use a fixed discovered tariff for 12-25 years, but 2026 contracting is seeing more nuanced structures. The key issue is not merely whether the tariff starts at Rs 3.10, Rs 3.45 or Rs 4.20/kWh. It is whether the tariff profile aligns with the buyer's tariff-avoidance trajectory and the developer's cost-of-capital assumptions.

Common structures now seen in the market include:

- Flat tariff for full tenor, usually in the Rs 3.10-4.25/kWh range for solar open access depending on state, project vintage, substation, evacuation and risk allocation



- Front-loaded discount structures where early-year tariffs are lower but step up after year 5 or year 10
- Escalation-linked tariffs, often 1.5-3.0 percent annually, more common in hybrid or FDRE-style portfolios than plain vanilla solar
- Partial indexation, where a base energy charge remains fixed but pass-through items such as change in law, new taxes or material transmission charge changes are adjusted separately

For C&I buyers, a fixed tariff looks clean but can become suboptimal if grid tariffs rise slower than expected or if banking restrictions reduce usable energy. For developers, a fully fixed tariff can be risky if project O&M, land lease, inverter replacement and balancing costs increase faster than assumptions.

A useful negotiation principle is to separate controllable and uncontrollable cost elements. Energy generation risk can remain largely with the developer. Policy-driven cost changes should be clearly allocated. If not, disputes emerge within 12-24 months.

This is where Growthifye's [Demand & ToD analysis](/coreservices/greenenergypa/demandandtodanalysis) and [PPA structuring & negotiation](/coreservices/greenenergypa/ppastructuringandnegotiation) capabilities matter in practice. The right tariff design depends on load shape, avoided-discom tariff by time block, expected spill/banking outcomes and future expansion plans of the consumer.

Tenor, volume commitment and generation matching

A common mistake in corporate open access contracting is treating term and volume as secondary items. They are not. They determine stranded-energy risk for the developer and over-contracting risk for the buyer.

In 2026, typical tenor patterns are:

- 12-15 years for buyers seeking medium-term flexibility or uncertain plant load outlook
- 18-25 years for large industrial buyers with stable baseload and lender-backed developer counterparties
- Split tenors in multi-site arrangements, where anchor loads sign for longer and satellite loads have shorter commitment periods

Volume design is equally important. Most disputes arise not because the contracted capacity was impossible, but because the buyer's actual drawal pattern diverged materially from assumptions.

Key drafting choices include:

- Contracted capacity in MW versus annual committed energy in MUs
- Monthly minimum offtake obligations versus annual reconciliation
- Tolerance bands, such as buyer permitted to schedule 80-120 percent of a baseline profile
- Treatment of underdrawal caused by plant shutdowns, low market demand or internal energy-efficiency upgrades

For solar-only PPAs, seasonal mismatch is unavoidable. A consumer with strong evening load but lower afternoon usage may see actual economic benefit diluted even when annual energy volumes look correct on paper. In many industrial cases, the right answer is not a larger solar allocation but a smaller solar block combined with market purchases, storage, or a hybrid product.

A well-negotiated PPA should explicitly define:

- Forecasting responsibility

n- Scheduling lead times



- Allowed revision windows
- Deviation consequences if generation differs from schedules
- What happens to unutilised energy: sale on exchange, developer retention, or buyer entitlement at alternate settlement terms

Change in law, taxes and regulatory pass-throughs

In 2026, the change-in-law clause is one of the most negotiated portions of any open access contract. It should not be drafted casually. Broad wording helps one side during negotiation, but narrow and precise wording helps both sides during actual implementation.

At minimum, the clause should address:

- Introduction, withdrawal or revision of statutory charges directly affecting supply under open access
- Changes in banking charges, banking settlement ratio or banking period where such facility is contracted as part of delivered economics
- New or revised surcharge categories, wheeling charges or transmission-related levies
- New tax, duty, cess or statutory imposition affecting project construction or operation
- Metering, forecasting, scheduling or DSM rule changes causing material incremental cost

The commercial question is whether all such changes are fully passed through to the consumer, fully absorbed by the developer, or shared using a defined threshold.

For example, if a project was priced assuming banking charge of 8 percent and a state later shifts to 12 percent plus restrictive time-block settlement, the landed cost impact could be Rs 0.20-0.60/kWh depending on the load curve. If the contract is silent, both parties will claim unfairness.

Similarly, where cross-subsidy surcharge is assumed nil due to captive qualification or another exemption basis, the contract must state what happens if regulatory interpretation changes, shareholding slips below threshold, or annual consumption conditions are not met. The consequences can be severe. In several state scenarios, CSS plus AS can together change landed cost by more than Rs 1.00-2.50/kWh.

The drafting approach that works best in practice is:

- Define specific named charges and regulatory instruments
- State the baseline assumptions at contract signing
- Provide a transparent adjustment formula
- Set notice and evidence requirements
- Include a dispute-while-performing obligation so supply is not interrupted during interpretation disputes

Payment security, credit support and lender requirements

As open access matures, developers and lenders are differentiating sharply between strong and weak offtake credit. An investment-grade multinational manufacturer and a thin-margin domestic processor will not receive the same security package expectations.

In 2026, common payment-security structures include:

- One to three months of average billing as security deposit
- Revolving letter of credit covering 1-2 months of expected invoices



- Corporate guarantee from parent or stronger affiliate
- Escrow or charge over specific receivables in select structured deals
- Step-up security triggers if payment delays cross a threshold, for example 30 or 45 days

Invoice payment cycles are typically 7-15 days from invoice receipt for stronger buyers and up to 30 days in negotiated mid-market deals. Late payment surcharge often ranges from SBI MCLR-linked rates to 12-15 percent per annum. The actual number matters less than enforceability and collection discipline.

Lenders financing the project usually require comfort on four points:

- Clear billing and meter hierarchy
- Termination compensation that protects debt service in defined default scenarios
- Cure rights in favour of lenders before termination for developer default
- Restrictions on easy walk-away by the buyer without meaningful compensation

Corporate buyers often resist hard termination compensation formulas, but bankability requires them. If a buyer can terminate a 20-year PPA after 3 years with minimal penalty, the asset is difficult to finance competitively. That higher financing cost eventually returns to the buyer in the form of tariff.

A practical middle path is to include:

- Buyer convenience termination only after a lock-in period
- Defined make-whole formula linked to residual debt and contract value caps
- Replacement-of-offtaker mitigation requirement on the developer side
- Pre-agreed exit fee grid by contract year

Performance obligations, curtailment and deemed generation treatment

Even though curtailment and DSM are separate technical subjects, the contracting angle remains underappreciated. Many PPAs refer vaguely to force majeure or grid unavailability, without specifying commercial treatment of lost generation. That is a mistake.

A bankable open access contract should distinguish at least five events:

- Resource shortfall due to irradiation or weather
- Technical underperformance of the project
- Grid outage at the injection point
- Curtailment by SLDC/STU/discom instruction
- Consumer-side inability to receive power due to shutdown or internal constraints

These events should not be settled the same way.

Developers generally provide CUF estimates, for example 19-24 percent for many solar assets depending on location and technology. But buyers should avoid turning CUF into a blunt guaranteed-delivery number without carve-outs. Instead, use annual net generation benchmarks with reasonable tolerance and clear exclusions.

For curtailment, the key commercial question is whether deemed generation compensation applies, and if yes, how it is valued. Full tariff compensation is uncommon in pure merchant-like structures but more achievable in tighter corporate contracts where the buyer expects priority treatment and the developer has limited alternate sale options.



Possible approaches include:

- No deemed generation, developer bears curtailment risk and prices it into tariff
- Shared risk above a threshold curtailment level
- Compensation based on alternate sale realisation shortfall
- Deemed energy credited only where curtailment is discriminatory and documented

The best choice depends on state history, grid congestion profile and project evacuation arrangement.

Exit rights, assignment and M&A scenarios

Corporate India in 2026 is dynamic. Plants expand, business units are sold, entities merge, and demand footprints move across states. A rigid PPA that ignores these realities can quickly become a stranded contractual liability.

Exit and assignment clauses should cover:

- Change in control of buyer or developer
- Transfer of load to another unit of the same group
- Merger or demerger of contracting entity
- Closure of facility due to economic reasons
- Conversion between captive-style structure and third-party procurement where legally feasible

For multi-site consumers, the ability to reallocate contracted energy within the same state distribution area or among approved entities can materially improve utilisation. This is especially valuable where one plant's load factor falls below plan.

Developers, however, will seek limits. They will want substitute sites to be creditworthy, legally eligible and technically connected to receive open access power without increasing project risk.

A mature contract therefore provides assignment flexibility, but not unlimited novation rights.

Important drafting points include:

- Prior consent standard: not to be unreasonably withheld
- Financial test for replacement offtaker
- Time limit for completing transfer approvals
- Liability treatment for pre-transfer dues and post-transfer obligations
- Continuity of security package after transfer

What buyers should model before signing

Before signing, buyers should move beyond the quoted tariff sheet and run a full landed-cost and risk model. At minimum, this model should test:

- Base, upside and downside assumptions for wheeling, transmission and surcharge changes
- Banking benefit under actual load profile rather than annual average consumption
- Curtailment sensitivity by season and time block
- Plant shutdown periods and resulting minimum-offtake exposure
- Exit cost if the facility closes or production shifts



- Effect of delayed open-access approvals on commencement obligations

Illustratively, a PPA quoted at Rs 3.35/kWh can deliver very different outcomes:

- Landed cost near Rs 4.10/kWh in a favourable intra-state structure with stable charges and high daytime self-consumption
- Landed cost above Rs 5.00/kWh if banking economics deteriorate, underdrawal persists, and fixed charges continue on retained grid demand

That difference cannot be discovered from tariff benchmarking alone. It requires rigorous [Sourcing strategy](/coreservices/greenenergyppa/sourcingstrategy) and Landed-cost management.

The 2026 contracting takeaway

In India's 2026 open access market, the next wave of value will come less from finding the absolute lowest headline tariff and more from signing contracts that remain workable across regulation, operations and corporate change. The most successful PPAs are not the most aggressive on day one. They are the most explicit on risk allocation, payment security, volume flexibility, change-in-law treatment and exit mechanics.

For C&I buyers, the objective is to protect tariff savings without locking the business into inflexible energy obligations. For developers, the objective is to preserve debtability and avoid unpriced downside. For lenders, the objective is contractual clarity. For policymakers and utilities, standardisation of these themes can reduce disputes and improve market credibility.

If your team is evaluating a new open access procurement or renegotiating an existing corporate PPA, contract design deserves the same attention as tariff discovery and regulatory approvals. Contact Growthifye's advisory desk for support on commercial structuring, risk review and lender-aligned open access documentation.

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