



Third-Party vs Group Captive Open Access PPAs in India 2026: Cost and Risk

By Sudarshan Karweer · 13 September 2026 · growthifye.com

A 2026 practitioner guide to third-party vs group captive open access PPAs in India, covering charges, compliance, banking and landed cost.

India's open access market in 2026 is no longer a simple tariff-shopping exercise. For commercial and industrial consumers, the real boardroom question is whether a third-party PPA or a group captive structure produces the lower landed power cost after all charges, compliance conditions, working-capital impacts and operating risks are included.

That decision matters because many buyers still compare only the quoted energy tariff. In practice, a third-party solar or wind-solar hybrid PPA that appears cheaper at first glance can become more expensive after cross-subsidy surcharge, additional surcharge, losses, banking charges and balancing costs are loaded in. Equally, a group captive deal that avoids some surcharges can disappoint if captive compliance is weak, shareholder alignment is poor, or the buyer's load curve does not match generation.

In 2026, with state-level open access rules continuing to diverge and corporate decarbonisation targets becoming more audit-driven, the choice between third-party and group captive needs a structured evaluation. This article sets out a practitioner framework for C&I consumers, developers, lenders, utilities and policymakers.

Why the third-party vs group captive choice has become sharper in 2026

The open access market has matured, but it has also become more state-specific. Several forces are driving a sharper distinction between structures:

- Distribution companies are more active in protecting high-paying C&I loads.
- State regulators are revisiting banking rules, drawal windows and settlement methodology.
- The Green Energy Open Access framework has improved market access, but not eliminated state-level charge complexity.
- Corporate sustainability commitments now require tighter proof of supply, attribute treatment and contract bankability.
- Lenders are scrutinising not just PPA tariff, but offtaker stickiness, charge pass-throughs and legal compliance.

In many industrial states in 2026, the all-in difference between third-party and group captive can still range from about Rs 0.60/kWh to Rs 1.80/kWh depending on voltage level, state surcharges, banking availability, procurement profile and annual plant utilisation. That is too large to ignore.

The legal and commercial distinction: what changes between the two models

In a third-party open access PPA, the generator sells electricity to a consumer as an independent seller. The consumer does not hold captive equity and therefore usually remains exposed to cross-subsidy surcharge, and in many cases additional surcharge as applicable under state regulations and exemptions.

In a group captive structure, consumers collectively hold at least 26% of the ownership in the captive generating plant and must consume at least 51% of the electricity generated on an annual basis, measured



in proportion to shareholding principles applicable under the Electricity Rules and judicial interpretation. Where the structure is compliant, consumers generally obtain relief from cross-subsidy surcharge, which is often the single biggest economic advantage of captive procurement.

But group captive is not merely a billing variant. It changes:

- Equity commitment by consumers
- Annual compliance obligations
- Shareholding and consumption tracking requirements
- Exit mechanics and replacement risk if one shareholder under-consumes
- Lender diligence and security package design
- Governance complexity across multiple buyers

This means the correct choice is not “which tariff is lower?” but “which structure is more bankable, compliant and economical over the contract term?”

Landed cost comparison: where the economics really diverge

For most buyers, the central issue is landed cost. In 2026, an informed comparison should include at least the following line items:

- Base energy tariff under PPA
- Transmission charges and losses
- Wheeling charges and losses
- SLDC and scheduling charges
- Cross-subsidy surcharge
- Additional surcharge
- Banking charges and unutilised banked energy treatment
- Standby or balancing power cost
- DSM or deviation-related cost allocation, where relevant
- Metering, forecasting and compliance administration cost
- Equity carry cost in captive structures

A simple illustration shows why decisions can reverse after full costing.

Assume a 33 kV industrial consumer in a high-CSS state is evaluating solar open access in 2026.

Third-party case:

- PPA tariff: Rs 3.35/kWh
- Transmission and wheeling impact including losses: Rs 0.45/kWh
- SLDC and related charges: Rs 0.05/kWh
- CSS: Rs 1.10/kWh
- Additional surcharge: Rs 0.40/kWh
- Banking and balancing net impact: Rs 0.30/kWh
- Effective landed cost: about Rs 5.65/kWh

Group captive case:



- PPA tariff equivalent: Rs 3.55/kWh
- Transmission and wheeling impact including losses: Rs 0.45/kWh
- SLDC and related charges: Rs 0.05/kWh
- CSS: Rs 0.00/kWh if valid captive exemption applies
- Additional surcharge: often nil in many captive situations, but must be state-tested
- Banking and balancing net impact: Rs 0.30/kWh
- Equity carry and compliance administration impact: Rs 0.20/kWh
- Effective landed cost: about Rs 4.55/kWh

In this example, the captive PPA starts with a higher headline tariff but ends up roughly Rs 1.10/kWh cheaper after surcharge relief.

Now take a different case in a state with lower surcharge burden and poor banking conditions:

Third-party case:

- PPA tariff: Rs 3.25/kWh
- Network and SLDC impact: Rs 0.42/kWh
- CSS plus AS combined: Rs 0.55/kWh
- Banking and balancing: Rs 0.50/kWh
- Landed cost: about Rs 4.72/kWh

Group captive case:

- PPA tariff equivalent: Rs 3.50/kWh
- Network and SLDC impact: Rs 0.42/kWh
- Surcharge relief benefit: Rs 0.55/kWh
- Banking and balancing: Rs 0.50/kWh
- Equity carry, legal and administration cost: Rs 0.30/kWh
- Landed cost: about Rs 4.67/kWh

Here, captive still wins, but only marginally. Any compliance failure or under-consumption can eliminate the benefit entirely.

That is why Growthifye typically advises buyers to evaluate third-party vs captive through a state-specific landed-cost stack, not a tariff headline. This is where [Demand & ToD analysis](/coreservices/greenenergyppa/demandandtodanalysis) and Landed-cost management become commercially decisive.

Group captive can save money, but compliance risk is real

The principal attraction of group captive is surcharge avoidance. The principal danger is non-compliance.

In 2026, sophisticated buyers and lenders are paying close attention to four recurring captive risk areas:

- 26% equity ownership must be real, not merely paper-arranged.
- 51% consumption of generated energy must be achieved annually by captive users collectively.
- Consumption must remain proportionate to shareholding in line with the applicable legal test.



- Share transfers, M&A events, shutdowns or load loss at one consumer can destabilise compliance for the full group.

For example, suppose a 40 MW captive solar-wind hybrid is structured for six industrial users. One anchor user representing 22% of consumption shuts a line for four months due to demand weakness. Another user delays open access drawal because of substation constraints. The project may then struggle to satisfy annual captive consumption thresholds. If regulators or discoms challenge status, the retrospective exposure to CSS alone can be severe.

Illustratively, on 60 million kWh annual supply, a retrospective CSS exposure of even Rs 0.90/kWh means Rs 5.4 crore of risk before interest, penalties or dispute cost. That can wipe out projected savings for a year.

Therefore, a lender-friendly and dispute-resistant captive design in 2026 usually includes:

- Careful shareholder sizing with demand buffers
- Monthly compliance tracking, not only annual true-up
- Replacement user mechanics in transaction documents
- Clear treatment of outage, curtailment and force majeure on consumption tests
- Restrictions on share transfer without compliance review
- Board and voting rights aligned to long-term offtake stability

This is where [PPA structuring & negotiation]([coreservices/greenenergyppa/ppastructuringandnegotiation]) is not just legal drafting; it directly protects economics.

Third-party PPAs remain attractive in specific use cases

Despite the surcharge disadvantage in many states, third-party PPAs remain the better answer in several practical situations.

First, third-party works well for consumers that do not want to deploy equity into generation SPVs. Many listed companies prefer an asset-light power procurement strategy and do not want minority shareholding administration, related-party concerns, or internal treasury lock-up.

Second, third-party can be superior for buyers with volatile load. If annual consumption can swing sharply due to commodity cycles, seasonal operations or plant shutdowns, captive compliance may be too risky. The economic benefit of surcharge exemption may not justify the compliance tail risk.

Third, third-party may fit better for multi-state corporate portfolios where aggregation is complex and decision-making speed matters more than squeezing every paise from a single site.

Fourth, third-party may remain competitive in states where:

- CSS is moderate

n- Additional surcharge is low or not applicable in the practical fact pattern

- Banking is restrictive for all structures anyway
- Discom tariff escalation is steep enough to preserve OA savings despite surcharge burden

A common 2026 example is a corporate buyer facing discom energy charges of Rs 8.20-9.50/kWh at the LT or HT level. Even after all third-party OA charges, the landed renewable cost may still fall in the Rs 5.00-6.20/kWh band, preserving meaningful savings without captive complexity.

Banking, profile matching and ToD shape often decide the final answer



Buyers frequently over-focus on surcharge exemption and under-focus on load shape. That is a mistake.

A group captive project with poor generation-demand alignment can lose more through spill, unutilised banking, peak drawal replacement and settlement haircuts than it gains from CSS relief. Conversely, a well-designed third-party hybrid with strong temporal matching can outperform an ill-shaped captive solar deal.

In 2026, this is especially relevant because many states have:

- Monthly banking caps
- Restricted banking for certain technologies or seasons
- Time-of-day adjusted settlement logic
- Lower compensation for unutilised banked units
- No carry-forward beyond a limited settlement window

Consider a manufacturing unit with a flat daytime profile and limited Sunday load. A plain-vanilla solar captive plant may produce apparent annual savings on paper, but if 10-15% of generation is banked and later settled at discounted rates, the realised benefit can shrink materially. If replacement power during evening peak is purchased at Rs 7.5-10.0/kWh, the net savings can narrow further.

This is why the right comparison is not third-party solar versus captive solar in isolation. The right comparison is between alternative delivered portfolios, such as:

- Third-party solar
- Group captive solar
- Third-party wind-solar hybrid
- Group captive hybrid
- Partial OA plus discom retention for peak balancing

An accurate decision framework uses hourly consumption, tariff category, contract demand, drawal pattern, holiday operations, seasonal utilisation and expected production losses. In practical procurement, [Sourcing strategy]/(coreservices/greenenergyppa/sourcingstrategy) should begin with profile analytics, not with developer quotes.

What lenders, developers and utilities should watch in 2026

For lenders, the key issue is enforceability of cash flows. Group captive may improve competitiveness by reducing surcharge burden, but it also introduces shareholder coordination risk. Lenders should examine whether the captive user mix is diversified enough, whether replacement mechanisms are credible, and whether non-compliance could trigger material payment stress.

For developers, the temptation in 2026 is to sell captive as a universal solution. That is risky. Developers that underplay compliance governance may win bids but invite disputes later. The better approach is to qualify prospects honestly:

- Is the buyer willing to hold equity for 15-25 years?
- Is annual consumption stable enough?
- Can the buyer absorb generation variability?
- Is management prepared for compliance reporting?



For utilities and policymakers, the market signal is clear: corporate consumers are not avoiding discom supply for ideology; they are responding to landed economics and decarbonisation needs. More transparent surcharge methodology, predictable banking rules and faster approvals will reduce litigation and improve planning certainty.

A practical decision checklist for C&I buyers

Before choosing third-party or group captive in 2026, buyers should test the following:

- What is the current discom landed tariff by time block and voltage level?
- What are the exact CSS and AS implications in the target state and connectivity path?
- How much generation will be consumed instantly, banked, spilled or replaced by market/discom power?
- Does the project need solar only, or a hybrid profile to reduce balancing cost?
- Can the buyer commit equity and governance bandwidth for captive participation?
- What is the downside if annual consumption drops by 10-20%?
- Are approval timelines and connectivity risks acceptable?
- How are curtailment, change in law and charge pass-through addressed?

If the answer to the compliance and stability questions is weak, third-party may be the safer structure even if captive looks cheaper in the base case. If the answer is strong and surcharge burden is high, group captive often creates a durable cost advantage.

The winning structure in 2026 is the one that survives not only the spreadsheet, but also operations, regulation, financing and year-3 demand uncertainty.

For a state-specific comparison of third-party and group captive open access, including charge mapping, banking impact, compliance design and landed-cost modelling, contact Growthifye's advisory desk. We help corporates, developers and investors build procurement structures that are bankable, compliant and commercially resilient.

Explore Growthifye's related capabilities

This analysis connects directly to our advisory practice: [Demand & ToD analysis](/coreservices/greenenergyppa/demandandtodanalysis) · [Sourcing strategy](/coreservices/greenenergyppa/sourcingstrategy) · [Competitive developer selection](/coreservices/greenenergyppa/competitivedeveloperselection) · [PPA structuring & negotiation](/coreservices/greenenergyppa/ppastructuringandnegotiation).

ABOUT THE AUTHOR

Sudarshan Karweer — Chief Executive Officer, Growthifye

Over 23 years in management consulting — concept to scale — building and scaling new-age digital and energy businesses. An EY alumnus, Sudarshan leads Growthifye's renewable energy & storage advisory, EPC, transmission engineering and green-financing practices for developers, utilities and C&I consumers across India.

Contact: info@growthifye.com · +91 84510 99371 · growthifye.com

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