



Third-Party vs Group Captive Open Access PPAs in India 2026: Cost & Compliance

By Sudarshan Karweer · 13 September 2026 · growthifye.com

A practitioner guide to third-party vs group captive OA PPAs in India 2026: charges, compliance, landed cost and deal design.

India's open access market in 2026 is no longer about whether a corporate should buy renewable power. The real decision is structural: should the buyer contract through a third-party open access PPA or through a group captive arrangement? That choice affects not just tariff optics, but cross-subsidy surcharge exposure, equity commitments, compliance obligations, lender comfort, approval complexity and the all-in landed cost over 10–20 years.

For Indian commercial and industrial consumers, the answer is highly state-specific and load-profile-specific. In some states, group captive still produces a decisive landed-cost advantage because it avoids cross-subsidy surcharge (CSS). In other cases, the equity lock-in, annual captive-compliance tests, banking restrictions and governance burden narrow that edge enough that a third-party PPA becomes the better risk-adjusted solution.

This article sets out a practitioner framework for comparing third-party versus group captive open access PPAs in India in 2026, with concrete cost logic, policy references and structuring implications for corporates, developers and lenders.

The structural difference in one page

At a high level, both models use open access to deliver renewable electricity from an offsite generator to a C&I consumer. The distinction lies in ownership and regulatory treatment.

- Third-party open access:
 - The generator sells power to the consumer under a PPA.
 - The consumer is only an offtaker, not an owner in the project SPV.
 - CSS usually applies, unless exempted under a specific state regime or central policy pathway.
 - Wheeling, transmission, losses, SLDC charges and other applicable charges still apply.
- Group captive open access:
 - The users collectively hold at least 26% of equity ownership in the captive generating plant.
 - The captive users collectively consume at least 51% of the electricity generated on an annual basis, in proportion to shareholding norms as interpreted under the Electricity Rules and evolving regulatory orders.
 - If compliant, the arrangement generally gets exemption from CSS.
 - Other network charges, losses and operational constraints still apply.

In 2026, the core economic reason companies continue to evaluate group captive is simple: CSS in many states remains material, often in the range of around Re 0.80/kWh to above Rs 2.50/kWh depending on consumer category, voltage level and state methodology. Avoiding that charge can transform project economics.



But the core risk is equally simple: if captive compliance fails, the arrangement can lose captive-status benefits and trigger CSS exposure, sometimes retrospectively, depending on the regulatory treatment and contract drafting.

Why the economics diverge in 2026

Most boardrooms first compare PPA tariffs. That is the wrong starting point. The right comparison is landed cost at meter.

A simplified landed-cost framework looks like this:

- Generator tariff under PPA
- Interstate or intrastate transmission charges, where applicable
- Wheeling charges
- Transmission and wheeling losses
- SLDC and scheduling charges
- CSS, where applicable
- Additional surcharge (AS), where applicable or exempted depending on state rules and consumer context
- Banking charges and carry-forward loss, if banking is used
- DSM or deviation-related balancing costs where contractually passed through
- Auxiliary commercial costs such as forecast and schedule services, metering and transaction fees

For a typical 2026 solar open access project, the base energy tariff may sit roughly in the Rs 3.00-4.25/kWh range depending on state, radiation, CUF, developer return expectation, payment security and tenure. But the landed cost can move far higher.

Illustratively:

- Third-party intrastate solar OA in a high-CSS state:
 - PPA tariff: Rs 3.35/kWh
 - Wheeling + transmission + losses impact: Rs 0.55/kWh equivalent
 - SLDC and admin: Rs 0.05/kWh
 - CSS: Rs 1.35/kWh
 - Banking net impact: Rs 0.20/kWh
 - Landed cost: about Rs 5.50/kWh
- Group captive intrastate solar OA in the same state:
 - PPA tariff or energy charge equivalent: Rs 3.45/kWh
 - Wheeling + transmission + losses impact: Rs 0.55/kWh equivalent
 - SLDC and admin: Rs 0.05/kWh
 - CSS: Nil if captive compliant
 - Banking net impact: Rs 0.20/kWh
 - Landed cost: about Rs 4.25/kWh

That Re 1.25/kWh gap is why group captive remains powerful.



However, those illustrations ignore the buyer's cost of equity into the captive SPV, governance overhead, potential mismatch risk under the 51% consumption test, and exit complexity. Once those are included, the effective benefit may compress by Re 0.15-0.60/kWh depending on deal design.

The legal and compliance reality of group captive

The legal foundation remains the captive framework under the Electricity Act, 2003 and Rule 3 of the Electricity Rules, 2005, as interpreted by APTEL and state commissions over time. In practice, 2026 transactions still revolve around three recurring questions:

- Is the minimum 26% ownership by captive users maintained continuously as required under the structure?
- Is the minimum 51% annual consumption by captive users achieved at plant level?
- For each captive user, is proportionality between shareholding and consumption maintained closely enough to withstand challenge?

These are not academic questions. They directly affect CSS exemption.

Key practical issues seen in 2026 group captive deals include:

- Load volatility:
 - If a user's demand drops because of shutdowns, production cuts or relocation, annual consumption may undershoot planned levels.
- Multi-buyer coordination:
 - In a group captive pool, one participant's underconsumption can affect the overall test unless reallocation is managed carefully.
- Equity transfers:
 - M&A transactions, treasury restructuring or delayed share issuance can disrupt the 26% ownership condition.
- Plant undergeneration:
 - Lower-than-expected generation can create allocation disputes among users and complicate proportionality.
- Evidence and audit trail:
 - Regulators and discoms increasingly scrutinise shareholding records, energy accounting and annual certification.

This is why group captive should not be sold as a "cheap tariff" product. It is a compliance product. If that compliance cannot be operationally maintained year after year, the structure is weak regardless of headline savings.

For sophisticated buyers, this is where disciplined [PPA structuring & negotiation]([coreservices/greenenergyppa/ppastructuringandnegotiation]) matters. Equity documents, shareholder rights, substitution clauses, minimum offtake covenants, annual true-up mechanics and indemnity allocation are all central to preserving the expected CSS exemption.

When third-party open access is the better choice

Third-party is often dismissed too quickly because of CSS. That is a mistake. In several use cases, third-party is the superior structure in 2026.



Third-party tends to work better when:

- The buyer wants no equity commitment:
- Many corporates prefer an asset-light procurement model. Treasury teams may resist equity deployment into a power SPV, especially where internal hurdle rates exceed project returns.
- The load is uncertain:
 - If annual consumption can swing due to seasonality, capex cycles or operational disruption, third-party avoids captive-compliance stress.
- The buyer needs speed:
- Third-party deals are often simpler to execute than multi-user group captive structures, particularly where board approvals for share subscriptions are cumbersome.
- The state has moderate CSS or meaningful exemptions:
 - In some state contexts, CSS may be low enough that the governance burden of group captive outweighs the financial gain.
- The buyer wants easy exit:
 - Terminating or novating a third-party PPA is generally easier than unwinding captive equity, subject to contract terms.
- The buyer is a smaller load consumer:
 - Buyers with 5-15 MW equivalent annual OA demand may find it harder to optimize captive shareholding and proportionality than a straightforward third-party offtake.

A practical example: if the avoided CSS benefit is only around Re 0.60/kWh, but the buyer's effective equity cost, governance overhead and captive underconsumption risk together imply Re 0.35-0.50/kWh of value leakage, third-party may be the smarter decision even if the headline landed cost looks marginally higher.

Lenders also sometimes prefer the clearer cash-flow profile of third-party offtake, especially where the captive-user consortium is fragmented and credit quality varies across participants.

A decision framework for C&I buyers in 2026

For corporate energy teams, the best approach is not to start with "group captive saves CSS." The right sequence is to test six filters.

1. State charge stack

Map current 2026 charges for the exact consumer category and voltage level:

- CSS
- Additional surcharge
- Wheeling charges
- Transmission charges
- Losses
- Banking charges and adjustment ratio
- Standby or balancing costs if relevant

If CSS is the main cost driver, group captive deserves close attention. If banking restrictions or wheeling losses dominate instead, captive may not solve the core issue.



2. Load shape and monthly offtake certainty

A buyer with flat round-the-year load is better suited to captive compliance than a buyer with sharp seasonal swings. The annual 51% test is unforgiving if planning assumptions are weak.

This is where [Demand & ToD analysis](/coreservices/greenenergyppa/demandandtodanalysis) is not a side exercise. It determines whether the consumer can actually absorb allocated energy across months without excessive spill, banking dependence or mismatch.

3. Ability to hold equity and govern the SPV

Ask practical questions:

- Can the buyer invest and hold equity for 15-20 years?
- Are there internal restrictions on related-party or infrastructure holdings?
- Can legal, finance and secretarial teams manage shareholder actions, transfers and annual certifications?

If the answer is no, group captive can become an execution burden.

4. Portfolio scale

Large buyers with multi-site demand often benefit more from group captive because they can diversify load risk and absorb annual generation more reliably. Smaller single-site consumers may have less flexibility.

5. Counterparty and substitution design

In multi-user captive structures, replacement of exiting users is critical. Without robust substitution rights and timelines, one participant's exit can endanger the entire plant's compliance profile.

6. Exit economics

The value of a captive stake at exit is often under-modelled. Buyers should assess:

- Share transfer restrictions

n- Developer call/put options

- Valuation formula
- Consequence of early PPA termination
- Treatment of pending CSS or regulatory claims

How developers should structure the choice set

In 2026, the strongest developers do not push one structure universally. They present both options with transparent assumptions.

A credible offer comparison should include:

- Third-party and group captive side-by-side landed-cost models
- Clear identification of exemptions assumed
- State-specific charge references and effective dates
- Banking assumptions by month and settlement treatment
- CSS downside scenario if captive status is lost
- Equity IRR and cash-yield implications for the corporate in captive mode



- Approval timeline and key conditions precedent
- Exit and substitution mechanics

Developers who understate captive risk may win deals, but they create future disputes. Buyers increasingly prefer advisors and counterparties that show downside cases explicitly.

This is also where [Competitive developer selection] matters. Two bids with the same tariff can have very different risk transfer terms, shareholder protections, curtailment clauses and compliance support commitments.

What lenders and policymakers should watch

For lenders, the distinction between third-party and group captive is fundamentally about enforceability of cash flows and resilience of regulatory benefits.

Lenders should focus on:

- Concentration of captive users
- Strength of minimum offtake obligations
- Remedies if a user fails to consume its allocated share
- Evidence package for captive compliance
- Sponsor support during replacement of users
- Change-in-law treatment if CSS exemption is disputed

For policymakers and regulators, the 2026 objective should be clarity rather than constant reinterpretation. Frequent uncertainty around captive qualification, AS treatment, banking eligibility and open access approvals raises the cost of capital and delays adoption by C&I consumers.

Three policy improvements would materially help the market:

- Standardized annual captive-compliance reporting templates
- Faster dispute resolution on CSS-exemption claims
- Transparent state-level publication of applicable OA charges and monthly updates

The more predictable the framework, the lower the transaction friction for both third-party and group captive procurement.

Bottom line: choose the structure that survives scrutiny, not the one with the lowest headline tariff

In India's 2026 open access market, group captive is often the lowest-cost structure on paper because CSS exemption can create major savings. But those savings are real only if ownership, consumption and proportionality conditions are maintained every year. For buyers with stable load, governance capacity and long-term commitment, group captive can be highly effective.

Third-party, by contrast, is usually the cleaner option where flexibility, speed, simpler governance and low equity commitment matter more than squeezing every paisa from the tariff stack. In moderate-CSS states or for buyers with volatile demand, it may be the better risk-adjusted solution.

The right answer is therefore not generic. It depends on state charges, annual load certainty, banking rules, equity appetite, contract quality and compliance discipline. A serious procurement process should test both



structures on a fully loaded basis rather than comparing tariffs alone.

If your team is evaluating third-party versus group captive open access, contact Growthifye's advisory desk for a state-specific cost and compliance assessment, deal-structure review and execution support.

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).

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