Third-Party vs Group Captive Open Access PPAs in India 2026

By Sudarshan Karweer · 01 September 2026 · growthifye.com

A practical 2026 guide to third-party vs group captive PPAs in India: charges, compliance, banking, RPO and landed cost.

India's commercial and industrial power buyers increasingly ask a simple question in 2026: should we sign a third-party open access PPA or move to a group captive structure? The answer is rarely driven by the ex-bus renewable tariff alone. It depends on state-level cross-subsidy surcharge and additional surcharge treatment, captive-rule compliance, banking availability, load shape, wheeling path, financing constraints, and the buyer's appetite for governance and audit risk.

This article sets out a practitioner framework for comparing third-party and group captive open access in India in 2026. The objective is not to declare one structure universally superior, but to identify where each works, what can go wrong, and how landed cost should be evaluated over the full PPA term.

Why this comparison matters in 2026

Open access procurement has matured, but the economics are now more state-specific and contract-specific than they were a few years ago. In many states, energy charges from solar and hybrid projects remain attractive, often in the range of about Rs 3.0-4.2/kWh at generator bus for plain vanilla C&I deals depending on tenor, technology mix, evacuation voltage, and location. But by the time one adds transmission, wheeling, SLDC charges, scheduling costs, losses, banking charges where allowed, and state-specific surcharges, the delivered number can diverge sharply.

For a C&I consumer comparing procurement routes, the 2026 question is usually this:

- Is the buyer better off accepting third-party simplicity while paying CSS and, in many cases, AS?
- Or should the buyer enter a group captive structure to seek surcharge relief, while taking on equity participation, annual consumption tests, and compliance monitoring?

That trade-off has become more material because several states have tightened banking, moved toward tighter settlement periods, increased scrutiny on captive eligibility, and differentiated treatment by voltage level or consumer category.

Core structural difference: energy buyer or co-owner?

A third-party open access PPA is straightforward. The generator sells electricity to an off-taker that is not an equity owner in the generating SPV. The consumer pays the contracted energy price plus applicable open access charges and surcharges. From an execution perspective, this route is usually easier for buyers who want minimal corporate action, no equity infusion, and limited governance involvement.

A group captive structure is fundamentally different. The users collectively own at least 26% of the captive generating plant, and captive users must consume at least 51% of the electricity generated on an annual basis, measured under captive rules as interpreted by regulators and case law. In practice, users in a group captive SPV become both off-takers and shareholders. If validly maintained, the structure generally seeks relief from cross-subsidy surcharge and additional surcharge, subject to state implementation and legal position.

That relief is the headline attraction. But it is not free. The buyer must commit equity, accept shareholder obligations, monitor annual generation and consumption ratios, and ensure that changes in load, shutdowns, affiliate restructuring, or member exits do not break captive status.

Landed cost comparison: where third-party loses, and where it wins

For 2026 decision-making, the correct comparison is delivered landed cost at the consumer meter, not just PPA tariff. A realistic model should include:

- Ex-bus energy charge under the PPA
- Transmission and wheeling charges
- Transmission and wheeling losses
- SLDC and scheduling charges
- Application and connectivity-related recurring charges where applicable
- CSS and AS for third-party structures
- Banking charges, banking losses, and settlement haircut where allowed
- Reactive power, deviation, and forecasting/scheduling pass-throughs if contractually applicable
- Cost of captive equity and any shareholder-level expenses for group captive
- Risk-adjusted cost for possible captive non-compliance

In many intra-state cases in 2026, third-party open access remains costlier than group captive by roughly Rs 0.80-2.00/kWh once CSS and AS are included. In high-surcharge states, the gap can be wider. For example, if a solar PPA is priced at Rs 3.20/kWh and delivery-related charges and losses add Rs 0.70-1.10/kWh, the landed cost may still remain viable. But if CSS alone adds around Rs 1.0-2.5/kWh and AS adds another Rs 0.3-1.5/kWh depending on the state and consumer segment, third-party economics can weaken quickly.

By contrast, a compliant group captive consumer may avoid CSS and AS, leaving only network charges, losses, and balancing-related costs. Even after accounting for equity lock-in and administration, group captive often emerges lower by a meaningful margin for large, stable loads.

However, third-party can still win in at least five situations:

- The state’s CSS/AS burden is modest or exemptions apply in a specific case
- The buyer’s annual load is uncertain or seasonal, making captive compliance harder
- The consumer wants short-to-medium tenor flexibility rather than 15-25 year participation
- Internal treasury or governance does not permit equity in generating SPVs
- The buyer prefers portfolio optionality across multiple developers and states without shareholder entanglement

This is why [Demand & ToD analysis](/coreservices/greenenergyppa/demandandtodanalysis) and Landed-cost management matter before selecting the route. A wrong structural choice can erase the apparent savings in the tariff sheet.

Group captive compliance risk is the real price of surcharge relief

The market often underestimates the operational complexity of group captive. In 2026, lenders, developers, and sophisticated C&I buyers now treat compliance as a first-order bankability issue.

The key risk areas include:

- Equity threshold: captive users as a group must hold the required ownership share in the SPV or generating asset structure
- Consumption threshold: captive users must collectively consume at least 51% of generation annually
- Proportionate consumption logic: each captive user's consumption should align with shareholding expectations under prevailing regulatory interpretation
- Member change risk: entry, exit, merger, or affiliate restructuring can disturb compliance
- Generation variability: weak wind year, curtailment, or plant underperformance can alter denominator and numerator outcomes
- Load disruption: factory shutdown, demand contraction, or process changes can reduce consumption below plan

If captive status fails for a year, the financial pain can be severe. The consumer may be exposed to back-calculated CSS and AS, often with interest and litigation risk depending on state treatment. That can wipe out one to three years of expected savings. Therefore, group captive should not be sold as merely a cheaper tariff product. It is a compliance-managed procurement model.

Good transaction design now includes annual compliance simulations, reserve consumer planning, exit mechanics, dilution protections, and board/shareholder controls. This is where [PPA structuring & negotiation](/coreservices/greenenergyppa/ppastructuringandnegotiation) becomes crucial, because energy contract language alone cannot cure a weak shareholder architecture.

Banking, load shape and ToD profile can change the answer

Two buyers with the same annual consumption can reach opposite conclusions depending on hourly load shape. A flat 24x7 industrial consumer may benefit from solar-wind hybrid or FDRE-style shaping under open access, while a day-peaking commercial load may achieve strong solar coincidence without needing extensive banking.

In 2026, banking is no longer a benign assumption. Many states have:

- Restricted banking to certain technologies or consumer classes
- Limited banked energy carry-forward to monthly cycles
- Applied time-of-day adjustment for withdrawal
- Imposed banking charges in percentage or paise-per-unit terms
- Reduced the value of excess settlement

This matters because third-party and group captive both depend on the state's banking framework if generation timing does not match consumption timing. A project that looks cheaper on annual average basis may become more expensive on a monthly settlement basis if surplus daytime injection is settled unfavourably and evening drawal occurs at poor adjustment ratios.

Illustratively, a daytime-heavy solar PPA with a consumer whose load extends into evening may require either:

- Banking with acceptable withdrawal economics
- Supplemental grid purchase for non-solar hours
- Hybrid procurement to improve profile matching
- Storage or RTC overlay, which raises delivered cost

If banking terms are weak, the surcharge advantage of group captive may still remain intact, but the absolute landed-cost savings versus grid can narrow. Conversely, a third-party buyer in a state with difficult surcharges and poor banking may find the route unattractive altogether unless the consumer's daytime self-match is strong.

RPO, accounting treatment and internal decision-making

From a compliance standpoint, both third-party and group captive renewable procurement can support corporate decarbonisation and RPO-aligned strategies, subject to prevailing rules, metering, and attribute treatment. But internal buyer decision-making often turns on non-energy factors that deserve explicit treatment.

These include:

- Whether the CFO accepts equity deployment into an SPV
- Whether the board is comfortable with minority shareholder rights and transfer restrictions
- Whether the procurement team wants one contract counterparty or multiple linked documents
- Whether the legal team accepts long-tenor obligations and deemed generation clauses
- Whether auditors require specific treatment of security deposits, equity valuation, or related-party structures

For many listed or multinational buyers, third-party remains administratively easier even when nominally costlier, especially if they value contractual simplicity, lower governance burden, and easier site onboarding. For promoter-led manufacturers with stable baseload and long planning horizons, group captive can be a highly efficient route if implemented with discipline.

Developers and lenders also view these structures differently. Third-party deals usually offer cleaner off-take characterization. Group captive deals may provide stronger customer stickiness, but they require careful analysis of shareholder continuity, default remedies, and replacement mechanics.

A practical 2026 decision matrix for buyers and developers

A useful way to choose between third-party and group captive is to screen the opportunity on six parameters.

1. Surcharge intensity
- If CSS and AS together are high, group captive deserves serious evaluation.
- If surcharge burden is limited, third-party may be competitive without structural complexity.

2. Load stability
- Stable annual offtake supports captive compliance.
- Seasonal or uncertain loads favour third-party flexibility.

3. Buyer governance appetite
- If equity participation is feasible and internal approvals are manageable, group captive can work.
- If not, third-party is more practical.

4. Banking dependence
- High mismatch between generation and load requires close state-rule analysis.
- Poor banking can reduce value under both routes, especially pure solar structures.

5. Contract tenor and exit needs

- Buyers seeking optionality, site churn flexibility, or shorter procurement horizons may prefer third-party.
- Buyers with long-term operating visibility can capture more value from group captive.

6. Counterparty and financing objectives

- Lenders may prefer simpler structures where enforceability is cleaner.
- Some developers may price group captive more aggressively due to better customer retention.

In practical advisory work, many C&I consumers now run parallel bids for both structures before finalizing. That allows a like-for-like comparison after modelling state charges, losses, banking treatment, and compliance costs. A robust [Sourcing strategy](/coreservices/greenenergyppa/sourcingstrategy) should not begin with a preconceived preference for either route.

Market takeaway for 2026

The Indian open access market in 2026 is no longer about finding the lowest renewable tariff. It is about selecting the right procurement architecture for a buyer's load profile, state regulations, governance capacity, and risk tolerance.

Third-party open access remains valuable where simplicity, speed, and flexibility matter more than the last 50-150 paise of savings. Group captive remains compelling where surcharge relief is large, load is dependable, and the buyer can manage ownership and annual compliance without fail.

The common mistake is to compare only quoted PPA tariffs. The correct comparison is a risk-adjusted landed cost over the life of the arrangement, including surcharge treatment, banking outcomes, equity cost, and failure scenarios. For buyers, developers, and lenders, that is the difference between a bankable savings program and an avoidable dispute.

If your team is evaluating third-party versus group captive open access, contact Growthifye's advisory desk for a state-specific assessment of charges, banking, compliance risk, and delivered power economics.

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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