No. 238/3/2026-P AND RA
Ministry of New and Renewable Energy
Government of India
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Atal Akshay Urja Bhawan
Lodhi Road, New Delhi

Dated: 30th March 2026

OFFICE MEMORANDUM

Subject: Proposal for Implementation of a pilot Contract for Difference (CfD) Scheme for Renewable Energy- reg.

This has reference to SECI's letters dated 30.10.2025 and 02.01.2026 regarding the implementation of a pilot Contract for Difference (CfD) Scheme for Renewable Energy.

2. The undersigned is directed to convey approval of the Competent Authority for implementation of the pilot scheme as per the Guidelines placed at Annexure.

Encl.: As above

(Shobhit Srivastava)
Scientist-E
Email: shobhit.srivastava@nic.in

To,

The Managing Director
Solar Energy Corporation of India Ltd.
NBCC Tower -4, East Kidwai Nagar
New Delhi

Copy to: PS to Hon'ble Minister, NRE/ PPS to Secretary, MNRE/ AS, MNRE/ JS (Policy & Regulatory), MNRE

Annexure

<u>Guidelines for Implementation of Contract for Difference (CfD) for 500 MW Renewable Energy Capacity</u>

1. Executive Summary

1.1. Solar Energy Corporation of India (SECI) has been designated as the Nodal Agency to implement a Contract for Difference (CfD) mechanism for renewable power, a globally proven framework that guarantees stable revenues to developers while maintaining market-based price discovery.

1.2. Under the CfD mechanism, Renewable Energy (RE) developers sell electricity on power exchanges, while SECI settles the difference between a competitively discovered strike price and the reference market price. This ensures predictable cash flows for investors and fiscal neutrality for the system.

1.3. SECI proposes to implement a 500 MW pilot CfD tender for the supply of 1500 MWh of RE power each day during the non-solar hours. Settlements would be benchmarked to zonal Day-Ahead Market (DAM) prices and administered through a dedicated CfD Stabilization Fund of ₹76 crore provided by the Government.

1.4. The pilot aims to demonstrate fiscal prudence, operational transparency, and institutional scalability, establishing a policy foundation for large-scale CfD adoption in the RE Sector.

2. Rationale

2.1. India has made remarkable progress in scaling up variable renewable energy capacity, surpassing 190 GW as of December 2025. The PPA-based procurement model, implemented by SECI and other agencies, has successfully attracted private investment and delivered cost efficiency. However, as the power market evolves, there is a need to introduce advanced market mechanisms like CfD support to sell power in Day Ahead Market (DAM) or Real Time Market (RTM). CfD complements the existing PPA framework by offering an additional instrument for integrating renewables into a more competitive and liquid electricity market. A CfD guarantees a fixed “strike price” to the generator while allowing settlement against market prices — ensuring that the generator’s revenue remains stable while the broader market remains competitive and flexible.

3. Pilot CfD Implementation Guidelines:

3.1. SECI will issue the first tender under the CfD mechanism for 500 MW x 3hr supply, i.e., for procurement of 1500 MWh RE power during any 3 hours during the **non-solar hours**, with a flexibility with SECI to invite bids to supply power in a limited band of hours within the non-solar hours to increase the market depth and ensure supplies as per the need for storage seasonally.

3.2. Hours for injection on the exchange shall be chosen by the Renewable Energy Generator (REG) during the non-solar hours or the band specified by SECI within non-solar hours daily, to maximize revenue. The pilot will test the financial, operational, and regulatory framework of CfDs in India's market environment.

3.3. The pilot implementation of CfD for RE shall be carried out as per the guidelines given below:

a) SECI is the designated nodal agency responsible for implementing the CfD mechanism, including operation of the CfD pool.

b) Projects shall be set up on a Build-Own-Operate basis, and the Contract shall be signed for a period of 12 years. After 12 years, the RE Generator (REG) would be free to continue in the market without a CfD or enter into a PPA/bilateral contract to supply power to any entity, fulfilling regulatory requirements.

c) Selection of REG shall be carried out through a transparent reverse bidding, on a bucket-filling basis, for the total capacity of 500 MW. In order to ensure maximum participation, the maximum bid capacity by a single bidder shall be restricted to 125 MW, corresponding to 375 MWh in energy terms. SECI may introduce a minimum project capacity, if required.

d) Strike price will be discovered by SECI through reverse bidding. SECI may keep a ceiling on the strike price if found appropriate to ensure proper market discovery. Such a ceiling shall be worked out strictly based on the approved estimation methodology, while ensuring the future energy storage prices are adequately priced.

e) If the Market Clearing Price (MCP) exceeds the Strike Price, the difference shall be credited to the CfD pool. Conversely, if the MCP is lower than the Strike Price, the shortfall shall be paid to the REG from the CfD pool to ensure payment at the Strike Price.

f) Profit/loss sharing mechanism: The profits earned as well as losses borne by the REG shall be shared between the REG and CfD pool in a 30:70 ratio daily, with reconciliation to be carried out monthly.

g) A clear sequence of bidding shall be defined in the tender to ensure that the REGs bid in a manner that is transparent and minimizes the risk of curtailment and litigation due to non-clearance. The sequence of bidding should be Green Day Ahead Market (GDAM) followed by Order Carry Forward (OCF) to the DAM, and any cleared/curtailed volume must be bid in the RTM.

h) A stabilization fund of ₹76 crore has been created. This corpus will serve as a revolving buffer to manage pay-ins and pay-outs under the CfD settlement framework, ensuring financial discipline and smooth functioning of the pilot phase.

i) To compensate SECI to meet its operational expenses, which largely relate to daily monitoring of market trends, monthly settlement exercises, and coordinating with SLDCs, Power exchanges, etc, out of the total profits being credited to the CfD pool (after deducting the REG's share), up to 25% may be retained by SECI as its income.

j) To ensure strengthening of the CfD pool in the initial years, a 2-year moratorium from the date of the first transaction to/from the CfD pool applies to the withdrawal by SECI. The amount accrued towards SECI's income during this period may be withdrawn in the subsequent years.

k) The withdrawal of SECI's income shall be undertaken quarterly. In a given quarter, SECI may withdraw up to 30% of its entitled share, subject to the liquidity position of the CfD Pool and the anticipated liquidity requirements for the ensuing quarter.

l) SECI will maintain the pool for the complete tenure of 12 years of the CFD contract, and in case the pool accrual at any given time during this tenure becomes zero/negative, SECI will replenish it with an appropriate amount from its own resources. The Government of India's outgo under this framework is limited to ₹76 crore.

m) To encourage greater transparency, SECI may explore the possibility of settlement through a power exchange clearing corporation rather than SECI doing it directly. Further, SECI shall ensure strict compliance with all applicable regulatory requirements of CERC and/or SEBI.

n) Upon completion of the contract period of 12 years, SECI will reconcile and audit the accounts after settlement of the liabilities, and approach MNRE for directions/ guidance on utilization of funds accrued in the CfD pool, before bringing out any follow-up CfD Scheme or any other instrument for promotion of renewable energy.

o) <u>Sale of RECs in the market & deposition of revenue to SECI/CfD Pool:</u> For the quantum of electricity sold in the brown markets (DAM/RTM), RECs will be issued to the REG (as input power used for charging is RE). These RECs issued to the developer shall be sold in the market, and the revenues generated from the sale of these RECs must also be deposited into the CfD pool.

p) SECI will implement the CfD mechanism as per these guidelines and the applicable regulations. In case of any ambiguity in the guidelines, the decision of the Ministry of New & Renewable Energy (MNRE) would be final and binding on all concerned parties.

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