



Virtual Power Purchase Agreements (VPPAs) – Why C&I Customers Should Care

(As of October 2025)

1. What is a VPPA?

A Virtual Power Purchase Agreement (VPPA) is a financial (contract-for-differences) version of a renewable PPA. The generator sells its power into the power exchange (DAM/RTM). The corporate buyer does not take physical delivery. Instead, both parties settle the difference between the agreed strike price and the market price. The buyer receives green attributes (RECs or equivalent) to claim renewable consumption. Essentially, the generator gets price certainty, and the buyer gets renewable exposure and green-energy credits.

2. Regulatory Status (India, Oct 2025)

- CERC Draft Guidelines released in May 2025; final rules expected soon.
- Official link: https://cercind.gov.in/2025/draft_reg/VPPAGuidelines.pdf
- Proposed classification: OTC power contract (non-transferable), not a financial derivative.
- Eligible buyers: Entities with Renewable Consumption Obligations (RCOs) or sustainability goals.
- Settlement: Monthly or quarterly; RE attributes via accredited registry (REC/EAC system).

3. Why C&I Customers Should Care

Benefit – Impact for Corporates

- Reduce power cost volatility – Locks in a renewable-linked price benchmark
- No grid or OA complexity – Keep existing discom supply lines intact
- Meet sustainability goals – Claim renewable energy without asset ownership
- ESG leadership – Strengthen RE100 and Scope 2 reporting credibility
- Brand differentiation – Demonstrate climate commitment to investors and customers

4. Key Considerations Before Signing

- Accounting treatment: Typically cash-flow hedge; mark-to-market volatility affects P&L.
- Creditworthiness: Both sides need strong credit; LC or parent guarantee expected.
- Market risk: Linked to IEX prices – high volatility possible.
- Regulatory lock-in: CERC rules may evolve; initial deals template-based.
- Green claim alignment: Ensure RE attributes meet RE100/CDP audit standards.

5. Typical Term Sheet Snapshot

Tenor: 10–15 years

Strike price: ₹3.50–₹4.25 per kWh

Market reference: IEX G-DAM or RTM price

Settlement: Monthly, net of IEX average

Volume: 50 MWp+ preferred for liquidity

Attributes: REC / EAC equivalent

Legal basis: OTC contract under final CERC guidelines

6. Global & India Outlook

Amazon, Google, and Meta actively use VPPAs abroad. In India, they await final rules. Once CERC approval is complete, first movers will likely include hyperscalers, data centers, and large manufacturers. An estimated >5 GW of merchant RE capacity is VPPA-ready.

7. How i-ans capital Can Help

- Market intelligence – match merchant RE portfolios with C&I buyers
- Pricing & structuring – financial modeling, IEX exposure analysis
- Regulatory navigation – OTC platform interface, documentation
- Execution & settlement advisory – term sheets, counterparty diligence, RE claim certification