

March 25, 2026

IWPA Circular No.11 of 2025-26



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Dear Members,

Sub: Key Amendments in the Electricity (Amendment) Rules, 2026 notified by the Ministry of Power

The Ministry of Power has notified the Electricity (Amendment) Rules, 2026 on March 13, 2026, making changes to Rule 3 (Requirements of Captive Generating Plant) of the Electricity Rules, 2005. The amendments come into force on the date of publication in the Official Gazette, with certain provisions relating to proportionate consumption for Association of Persons (AoP) and verification procedure taking effect from April 1, 2026.

These amendments follow the draft rules circulated by the Ministry in January 2026, on which IWPA submitted detailed comments representing the interests of our members.

Key amendments made in the Rule are given below:

- a. SPVs (Special Purpose Vehicle) owning CGPs should not have any other business activity – Rule (3(1)(e))
- b. SPVs will be treated as AOP - Explanation to Rule 3. Hence proportional consumption clause as per the amendment will become applicable for SPVs
- c. Rule 3 (2) (d) requirements on consumption and proportionality as per the amendment reproduced below:
 - (d) *In the case of a power plant set up by an association of persons, —*
 - (i) *the conditions specified in sub-clause (i) and sub-clause (ii) of clause (a) above shall be satisfied collectively by all the captive users, and the aggregate consumption by all such captive users from the power plant shall be considered for the purpose of verifying compliance with the said conditions;*
 - (ii) *captive consumption by an individual captive user shall be admissible **only up to one hundred per cent of its proportionate consumption**, calculated with reference to its share in the total captive ownership in the power plant; **(this clause is effective from 1.4.2026)***
 - (iii) ***where any captive user holds not less than twenty-six per cent ownership in the power plant, the condition relating to proportionate consumption specified in sub-clause (ii) of clause (d) shall not apply to such captive user; (this clause is effective from 1.4.2026)***
 - (iv) *where the ownership pattern of the power plant varies during the financial year, the proportionate consumption of each captive user shall be determined on the basis of the weighted average shareholding of such captive user during the financial year;*
 - (v) *for the purpose of calculating proportionate consumption under sub-rule (2), a captive user, its subsidiary or subsidiaries, its holding company, and any other subsidiary or subsidiaries of such holding company shall be collectively treated as a single captive user.*

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Indian Wind Power Association

NATIONAL OFFICE

Door No. E, 6th Floor, Tower -1, Shakti Towers, No. 766, Anna Salai, Chennai 600 002.

Regional Council: New Delhi

State Councils: Ahmedabad, Bengaluru, Hyderabad, Indore, Jaipur, Mumbai

Phone : 044 4550 4036, 4550 4281

E-mail : iwpaHQ@windpro.org
secretary.general@windpro.org

Website : www.windpro.org

- d. If a captive user consumes more than 100% of his proportionate consumption, CSS and Additional surcharge shall be levied on such excess consumption. Provision to Rule 3(3). However, such excess consumption will be considered for calculating the 51% minimum consumption requirement. The 100% proportional consumption clause shall not be applicable to captive user holding more than 26%equity shareholding in the CGP.
- e. The minimum proportional consumption requirement of 51% by each captive user seems to have been dispensed with. We will discuss this aspect with our legal counsel and confirm.
- f. Pending verification of the captive norms, CSS and Additional surcharge shall not be levied. Failure to comply with the Captive norms – CSS and Additional surcharge to be paid
- g. The Amendment comes into effect from the date of Publication in gazette (13th March 2026) except the clauses that are specified to come into force from 1st April 2026.
- h. CGP verification to be carried out by Nodal agency appointed by the State Government. Rule 3(4)(a) (effective 1.4.2026)
- i. Appeal against the decision of Nodal agency will lie before a Grievance Redressal Committee to be constituted by the state government. Rule 3 (4) (b)

Points (h) and (i) mark significant departure from the existing practice of State commission notifying the procedure and declaring the CGP status. Whether under the Electricity Act such power to appoint verifying authority can be given to State government through a rule by Central Government will be examined in consultation with our counsel and an update will be provided in due course to members.

- j. If there are any changes in shareholding during the year, weighted average shareholding is to be considered for proportional consumption purposes.

The condition relating to minimum equity of 26% with voting rights to be held by captive users and not less than 51% of the aggregate electricity generated in a financial year should be consumed for captive use continues as such without any change. Minimum consumption compliance to be made on a financial year basis - Rule 3 (2)(a)(ii)

The amendment notified by the Ministry is attached.

Members who own CGPs in SPVs or are operating under group captive structure are advised to go through the attached amended rule and ensure compliance with the amended rule to qualify as a CGP.

Thanking you,

Yours sincerely

For Indian Wind Power Association

M Mohankumar
Secretary General

Encl.: as above

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NATIONAL OFFICE

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