No. 23/12/2019-R&R-I (Part-4A)
Government of India
Ministry of Power
*****

Shram Shakti Bhawan, Rafi Marg.
New Delhi, 10th November, 2026

To,

1. Secretary, MNRE, New Delhi.
2. Secretary, Ministry of MSME, New Delhi.
3. Chairperson, CEA, Sewa Bhawan, R.K. Puram, New Delhi.
4. Secretary, Central Electricity Regulatory Commission (CERC), New Delhi.
5. Principal Secretaries/Secretaries (Power/Energy) of all State Governments/UTs.
6. Secretaries of All State Electricity Regulatory Commissions/JERCs.
7. Chairman/CMDs of all PSUs under administrative control of Ministry of Power.
8. CMD, SECI, New Delhi.
9. CMDs/MDs of Discoms/Gencos of all State Governments.
10. CMD, IEX LTD New Delhi & MD/CEO, PXIL, Mumbai/ HPX New Delhi.
11. DG, Association of Power Producers, New Delhi.
12. President, FICCI, House No. 1, Tansen Marg New Delhi.
13. President, CII, New Delhi.
14. President, PHDCCI, New Delhi.
15. ASSOCHAM, Chanakyapuri, New Delhi.
16. Member, PRAYAS Energy Group, Pune.
17. DG, Electric Power Transmission Association (EPTA), New Delhi.
18. Chairman Indian Wind Power Association, New Delhi.
19. Chairman, Indian Wind Turbine Manufacturers Association, New Delhi.
20. Director General, National Solar Energy Federation of India (NSEFI), New Delhi.
21. Director General, Solar Power Developers Association, New Delhi.
22. CEO, PFC Consulting Ltd (PFCCL), New Delhi.
23. Dr. Anoop Singh, Professor, CER (IIT), Kanpur.
24. Director General, Power Foundation of India, New Delhi.

Subject: Seeking comments on draft amendment of the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 to extend their applicability to standalone Energy Storage Systems – reg.

Sir/Madam,

I am directed to forward herewith the draft amendment of the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 to extend their applicability to standalone Energy Storage Systems with request to provide your comments, if any, to this Ministry within 30 days from the date of issue of this letter i.e. by 10th December, 2026. The comments (in word and pdf format) may also be emailed at rr1-mop@gov.in.

2. This issues with the approval of Competent Authority.

Encl: as above

Manish Mishra 10/11/2026

(**Manish Mishra**)
Director
Tel. No. 011- 23718077

Copy for information to:
PS to Hon'ble Minister of Power, APS to Hon'ble MoSP, PPS to Secy(P), PPS to AS(SN), PSO to CE(R&R), Ministry of Power.

Copy to: Technical Director, NIC Cell for uploading on MOP's website under "New Notices" with the heading of **" Seeking comments on draft amendment of the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 to extend their applicability to standalone Energy Storage Systems."**

[To be published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i)]

GOVERNMENT OF INDIA

MINISTRY OF POWER

NOTIFICATION

New Delhi, the …… , 2026

G.S.R. …… (E).—In exercise of the powers conferred by sub-section (1) of section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government hereby makes the following rules further to amend the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, namely:—

1. (1) These rules may be called the Electricity (Late Payment Surcharge and Related Matters) (Amendment) Rules, 2026.

   (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 (hereinafter referred to as the said rules), in rule 1, for sub-rule (3), the following sub-rule shall be substituted, namely:—

   "(3) These rules shall be applicable to outstanding dues of generating companies, transmission licensees, electricity trading licensees and energy storage service providers.".

3. In rule 2 of the said rules, in sub-rule (1),—

   (a) in clause (b),—

      (i) in sub-clause (i), after the words "electricity trading licensee", the words "or energy storage service provider" shall be inserted;

      (ii) in sub-clause (iv), after the words "transmission licensee, distribution licensee", the words ", energy storage service provider" shall be inserted;

   (b) in clause (d), after the words "transmission licensee", the words "or energy storage service provider" shall be inserted;

   (c) in clause (e), in sub-clause (i), for the words "electricity trading licensee or the transmission licensee", the words "electricity trading licensee, the transmission licensee or energy storage service provider" shall be substituted;

   (d) in clause (f),—

(i) after the words “power supplied by the generating company or electricity trading licensee”, the words “or energy storage service provider” shall be inserted;

(ii) for the words “electricity trading licensee or transmission licensee”, the words “electricity trading licensee, transmission licensee or energy storage service provider” shall be substituted;

(e) after clause (f), the following clause shall be inserted, namely:—

‘(fa) “energy storage service provider” means an entity providing energy storage as a service or supplying electricity using energy storage system, that is not owned by a generating company, transmission licensee, distribution licensee or consumer;’;

(f) in clause (g), after the words “for power procured from it”, the words “or to an energy storage service provider for storage service availed” shall be inserted;

(g) in clause (h), for the words “electricity trading licensee, or a transmission licensee,”, the words “electricity trading licensee, a transmission licensee or energy storage service provider,” shall be substituted;

(h) in clause (j), after the words “power supply”, the words “or energy storage service” shall be inserted;

(i) in clause (k),—

(i) after the words “the transmission licensee”, the words “or energy storage service provider” shall be inserted;

(ii) after the words “source of power”, the words “or energy storage system” shall be inserted;

(iii) after the words “to regulate the power supply”, the words “or energy storage service” shall be inserted.

4. In rule 4 of the said rules, after the words “for power procured from it or”, the words “to an energy storage service provider for the energy storage service or” shall be inserted.

5. In rule 6 of the said rules, in sub-rule (2), for the words “electricity trading licensees and transmission licensees”, the words “electricity trading licensees, energy storage service providers and transmission licensees” shall be substituted.

6. In rule 7 of the said rules,—

(a) after the words “other user of transmission system”, the words “or energy storage system” shall be inserted;

(b) after the words “transmission licensee or trading licensee”, the words “or energy storage service provider” shall be inserted.

7. In rule 10 of the said rules, for the words “or a trading company for power procured from it”, the words “or a trading company or energy storage service provider for power procured or service availed from it” shall be substituted.

[F. No. 23/22/2019-R&R]

(Shashank Misra)
Joint Secretary to the Govt. of India

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 416(E), dated the 3rd June, 2022 and were last amended vide number G.S.R. 288(E), dated the 2nd May, 2025.

EXPLANATORY NOTE

Proposed amendment to the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 to cover standalone Energy Storage Systems

Ministry of Power proposes to amend the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 (the "LPS Rules"). The amendment will give independent companies that run standalone energy storage systems the same protection against delayed payment by electricity distribution companies (DISCOMs) that power generators, transmission companies and electricity traders already have.

2. What do the LPS Rules do?

The LPS Rules were made in 2022 to stop the build-up of unpaid bills owed by DISCOMs to those who supply them. The rules mandate:

(a) **Fix a due date:** A bill must be paid by the date set in the power purchase agreement. If the agreement is silent, it must be paid within 45 days of the bill.

(b) **Charge interest on late payment:** Late Payment Surcharge is payable on delayed amounts. It starts at the State Bank of India one-year lending rate plus 5%, rises by 0.5% for each month of delay, and won't be more than 3% above the starting rate.

(c) **Require payment security:** The DISCOM must keep a Letter of Credit from a bank, from which the supplier can draw if a bill is not paid.

(d) **Act against continued default:** If a bill remains unpaid two and a half months after it is presented, the DISCOM is stopped from buying power in the short-term market and on the power exchanges. If dues remain unpaid, its long-term supply is cut progressively. Normal access is restored within one day of payment.

3. What is energy storage and why does it matter?

Energy storage systems (ESS) store electricity when it is plentiful, for example solar power at midday, and provide it when it is needed, for example during the evening peak. As the share of solar and wind power grows, storage becomes essential for reliable round-the-clock supply. ESS projects need large investment upfront, which is recovered through payments over many years. Investors and banks will invest into such projects only if they are confident that these payments will be made on time.

Battery Energy Storage System (BESS) capacity is projected to increase from around 15 GWh in October 2026 to 321 GWh by 2035-36, while Pumped Hydro Storage (PSP) capacity is expected to grow from 44 GWh in September 2026 to 630 GWh during the same period. Mobilising investments of this scale would require an assured and timely payment mechanism for energy storage developers.

4. What is the gap today?

Rule 18 of the Electricity Rules, 2005 allows storage to be owned by a generator, a transmission company, a DISCOM, a consumer or an independent storage company. Storage owned by a generator takes the legal status of the generator, so it is already covered by the LPS Rules. However, if a DISCOM delays payments of an independent energy storage service provider, such a company gets none of the protections described above and must rely only on its contract.

5. What will change?

The draft adds a new category, "energy storage service provider". This means a company that provides energy storage as a service, or supplies electricity using storage, and is not owned by a generator, transmission company, DISCOM or consumer. Wherever the LPS Rules protect generators, transmission companies and traders, the draft adds these storage providers.

6. Who benefits, and what does it mean for consumers?

(a) Storage developers and their lenders get certainty of payment. This will attract more investment and lower the cost of finance, and over time it can bring down the cost of storage.

(b) DISCOMs that pay on time are not affected. The amendment creates no new charge. The surcharge applies only when bills are paid late.

(c) Consumers benefit indirectly, through more storage capacity, better use of solar and wind power, and a more reliable supply.

7. Next steps

Once the proposal is approved, the draft amendment will be placed for stakeholder consultation, with comments invited within 30 days. After the comments have been considered, the amendment will be finalised, vetted legally and notified in the Official Gazette.

***