

Way Forward After Project Allotment under TBCB Process (India)

1. Introduction

India's transmission sector has increasingly adopted the Tariff Based Competitive Bidding (TBCB) framework to accelerate capacity addition, improve efficiency, and attract private capital. Under this regime, projects are awarded to bidders quoting the lowest levelized transmission charges, followed by transfer of a project-specific Special Purpose Vehicle (SPV) to the successful bidder. Post-allotment execution discipline becomes critical, as timelines, regulatory approvals, and financing are tightly linked to contractual milestones. This note outlines the way forward after award of a transmission project under the TBCB process, drawing upon the project-specific milestones shared by the Company and broader regulatory and market practices in India.

2. Immediate Post-LOI Actions: Securing the Project

Receipt of Letter of Intent (LOI)

The issuance of the LOI marks the formal conclusion of the competitive bidding process and confirms the Company as the Selected Bidder. From this stage onward, the focus shifts from bid competitiveness to execution certainty, regulatory compliance, and financial closure readiness.

Submission of Contract Performance Guarantee (CPG)

Within 10 days of receipt of the LOI, the Selected Bidder is required to submit a Contract Performance Guarantee (CPG) in favour of the Nodal Agency. Timely submission of the CPG is a critical condition precedent to further contractual actions and demonstrates financial seriousness and execution capability.

3. SPV Acquisition

Comprehensive Due Diligence of the Project SPV

Following LOI issuance, the bidder must undertake a multi-disciplinary due diligence of the project SPV, covering:

- Legal and regulatory compliances
- Financial statements and contingent liabilities
- Secretarial records and corporate approvals
- Direct and indirect tax positions
- Review of statutory applications already filed

Independent advisors are typically appointed to conduct this exercise, and observations identified during diligence are resolved prior to SPV acquisition. Early initiation of diligence, even parallel to LOI formalities, is a widely adopted best practice to avoid slippage in statutory timelines.

Execution of Share Purchase Agreement (SPA)

The acquisition of 100% equity shareholding of the SPV is effected through execution of a Share Purchase Agreement (SPA) between:

- The Selected Bidder,

- The Bid Process Coordinator, and
- The Project SPV.

As per the tender framework, the SPA is required to be executed within 10 days of LOI receipt. However, in practice, bidders often seek limited extensions to complete due diligence in a robust manner. The consideration payable for acquisition of the SPV is part of tender documents.

4. Regulatory Approvals Post-SPV Transfer

Transmission Licence

Upon execution of the SPA, the SPV, acting as the Transmission Service Provider (TSP) must apply for a transmission licence under Section 14 of the Electricity Act, 2003, read with the relevant State Electricity Regulatory Commission (SERC) licensing regulations. The application is required to be made within five days of SPA execution. Grant of the licence entitles the TSP to statutory Right of Way (RoW) under Sections 67 and 68 of the Electricity Act, subject to coordination with the Transmission Utility.

Adoption of Tariff under Section 63

The SPV must also file a petition before the SERC for adoption of tariff under Section 63 of the Electricity Act, 2003, which mandates tariff adoption where the bidding process has been conducted in a transparent manner in accordance with Central Government guidelines. This filing is generally required within five days of SPA execution and provides long-term revenue certainty to the project.

5. Execution of Project Agreement

Transmission Service Agreement (TSA)

The TSA is executed between the SPV (as TSP) and the Nodal Agency. This agreement defines:

- Scope of the transmission system
- Commercial operation milestones
- Payment security mechanisms
- Default and termination provisions

Execution of the TSA is typically targeted within 10 days of LOI receipt, subject to completion of regulatory preconditions.

Interconnection Agreement

Prior to physical interconnection, the TSP must provide at least 60 days' prior notice to RLDCs, STU/CTU, and other relevant agencies. This step ensures system readiness and grid security before energisation of project elements.

6. Land, Infrastructure, and Right of Way

Substation Land and MoU with Nodal Agency

In case Nodal Agency provides any substation land, MOU / Agreement with the Nodal Agency is required to be executed.

Use of Existing Infrastructure

In case Nodal Agency provides any infrastructure/bay, MOU / Agreement with the Nodal Agency is required to be executed.

7. Project Execution Planning

Within 120 days from the Effective Date, the SPV must submit a detailed Project Execution Plan to the Nodal Agency, Central Electricity Authority (CEA), and the Independent Engineer. This plan typically covers:

- Engineering and design philosophy
- Procurement and contracting strategy
- Construction schedule and milestones
- Risk management and mitigation measures

Timely submission and approval of the execution plan is essential for maintaining commissioning timelines and avoiding liquidated damages.

8. Financing Strategy and Financial Closure

Financing Framework under TBCB Projects

Transmission projects awarded under the TBCB framework typically follow a limited-recourse, project-financed structure, supported by long-term, predictable cash flows under the Transmission Service Agreement (TSA). Post allotment, the SPV is expected to achieve financial closure within the timelines stipulated in the TSA, failing which penal provisions may be triggered. Key features of the financing framework include:

- Long-tenure senior debt aligned with the TSA period (generally 25–35 years)
- Competitive lending by banks, NBFCs, and financial institutions due to annuity-like revenue profile
- Robust payment security mechanisms through the Nodal Agency and state utilities

Debt–Equity Structure

Typical TBCB transmission projects are financed with a debt–equity ratio of 70:30 to 80:20, depending on project size, risk perception, and sponsor strength. Equity is infused upfront to fund SPV acquisition, land-related payments, and early-stage development costs, while debt drawdown is linked to construction milestones.

Steps toward Financial Closure

To achieve timely financial closure, the following actions are critical:

- Appoint Transaction Advisors having experience in Infrastructure sector funding
- Appointment of a lender's engineer and independent engineer
- Finalisation of EPC contracts (including scope, timelines, and LD framework)
- Execution of financing documents, including loan agreements, security documents, and escrow arrangements
- Creation of TRA (Trust and Retention Account) structure as per lender requirements

Early engagement with lenders, parallel to regulatory filings, helps compress timelines and improves bankability.

9. Risk Matrix and Mitigation Framework

Risk Category	Key Risk Description	Potential Impact	Mitigation Measures
Regulatory Risk	Delay in transmission licence or tariff adoption by SERC	Delay in effectiveness and revenue commencement	TSA and Early filing of petitions; continuous engagement with SERC; reliance on precedent TBCB approvals
Land Risk	Delay in handover of substation land by state utility	Construction delays and cost escalation	MoU with STU; clearly defined possession milestones; active coordination with district authorities
Right of Way (RoW)	Local resistance, forest clearances, or compensation disputes	Time overruns and increased project costs	Advance route surveys; early community engagement; adequate provisioning in project cost estimates
EPC Execution Risk	Contractor underperformance, supply chain issues	Delay in COD; exposure to liquidated damages	Engagement of reputed EPC contractors; back-to-back LD clauses; robust project monitoring mechanisms
Financing Risk	Delay in financial closure or tightening of lending terms	Slippage in project schedule; higher financing costs	Parallel lender engagement; strong sponsor support; conservative financial assumptions
Counterparty Risk	Payment delays from state utilities	Liquidity stress and cash flow mismatch	TSA-backed payment security mechanism; escrow and cash waterfall structure
Force Majeure Risk	Natural calamities, law & order or political disruptions	Construction interruptions	Comprehensive insurance cover; force majeure provisions under TSA; contingency buffers
O&M Risk	Higher-than-anticipated maintenance costs	Margin compression over project life	Preventive maintenance practices; long-term O&M planning and cost benchmarking

10. Financial Close Timeline

A disciplined and parallel-processing approach is critical to achieving financial closure within TSA-prescribed timelines. A typical post-allotment financial close roadmap is outlined below:

- Day 0–10 (Post-LOI): Submission of Contract Performance Guarantee (CPG); initiation of SPV due diligence; preliminary discussions with lenders.

- Day 10–45: Completion of legal, financial, and tax due diligence; execution of Share Purchase Agreement (SPA); equity infusion for SPV acquisition and development expenses.
- Day 30–60: Filing of transmission licence and tariff adoption petitions before SERC; appointment of Independent Engineer and Lender's Engineer.
- Day 60–90: Finalisation of EPC contracts, O&M framework, and insurance cover; receipt of in-principle sanction letters from lenders.
- Day 90–120: Execution of financing documents; creation of TRA and security package; satisfaction of conditions precedent.
- By Day 120–150: Achievement of Financial Closure and commencement of full-scale construction activities.

This phased approach allows overlapping of regulatory, technical, and financing workstreams, thereby minimising overall project gestation risk.

11. Strategic Way Forward and Key Success Factors

Post allotment, successful transmission developers under the TBCB regime focus on:

- Parallel processing of diligence, regulatory filings, and financing
- Early stakeholder engagement with SERCs, STUs, and local authorities
- Robust project management and EPC oversight
- Conservative assumptions on RoW, land, and statutory approvals

Given India's strong pipeline of renewable and interstate transmission projects, disciplined execution post allotment enables developers to build long-term annuity-like cash flows while maintaining balance sheet resilience.

12. Conclusion

The TBCB framework offers significant opportunities for scalable growth in India's transmission sector; however, value realisation depends heavily on structured post-allotment execution. A clear roadmap encompassing guarantees, SPV acquisition, regulatory approvals, land and RoW management, and execution planning is essential to ensure timely commissioning and stable long-term returns.

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