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CERC–SERC JURISDICTION CONFLICTS: WHO REGULATES INTER-STATE VS INTRA-STATE RENEWABLE ENERGY?

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ABSTRACT

The structure of electricity generation and consumption in India have changed rapidly, especially with surge in inter-state transmission networks and composite power supply agreements for renewable energy. The Electricity Act, 2003 gives federal regulatory framework whereby the division of authority is between the Central Electricity Regulatory Commission (CERC) and the State Electricity Regulatory Commissions (SERCs). However, the operational experience throws up persistent jurisdictional ambiguities in renewable energy integration. Disputes often arise in respect of matters such as tariff determination, forecasting and scheduling of variable renewable energy, curtailment, grid discipline etc. and whether such matters are within the exclusive domain of CERC or SERCs. This research paper analyses the CERC-SERC jurisdiction conflicts, how their functions has been divided when it comes to renewable energy. It zooms in on Sections 79 and 86 of the Electricity Act, 2003, and focuses on what the Supreme Court decided in Energy Watchdog v. Central Electricity Regulatory Commission. The paper argues it's time for a more coordinated federal system, because the regulation of these bodies needs massive reformation for better impact.

Keywords: Central Electricity Regulatory Commission, the State Electricity Regulatory Commissions, The Electricity Act, Section 79, Section 86.

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INTRODUCTION

India's move to renewable energy is rapidly changing, the electricity generation and transmission structure where an increasing share of power is generated in one State and consumed in several other States. The shift encouraged by policies and statutes has exposed some tensions within the federal structure of the Electricity Act, 2003. This is especially true with regards to the tariff of inter-State renewable energy projects. The inter-state renewable energy projects have intensified the jurisdictional conflicts between the Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs) on the matters of tariff, scheduling, forecasting, curtailment and grid discipline.[1]

The Electricity Act, 2003 establishes a dual regulatory framework: CERC, as per Section 79, regulates inter-State transmission and tariff determination for generating companies supplying power to States, while SERCs, as per Section 86, regulate intra-State transmission, distribution and promotion of renewable energy within their respective territories. Though the division appears clear, the operation of renewable energy which is of variable generation, dependent on transmission corridors of other states, and on composite supplies now blurs the line between inter-State and intra-State regulation.

The inclusion of renewable energy has made the gap more complex. The forecasting and scheduling for variable renewables, deviation settlement mechanism and curtailment directions by State Load Dispatch Centres, etc., have regulatory overlapping of the central and state bodies. Consequently, renewable energy generators often encounter uncertainties linked to regulation, compliance contradictions, and inconsistent tariff treatment, which disincentivizes investment and hampers market efficiency.

Judicial intervention has endeavoured to resolve these conflicts. Most notable is Energy Watchdog v. Central Electricity Regulatory Commission, where the Supreme Court devised a supply-based test to determine regulatory jurisdiction. It further affirmed exclusive CERC competence to determine tariff for inter-State composite power schemes. Even though this ruling brought doctrinal clarity on regulation of tariff, its application apparently raises jurisdictional issues as seen in the disputes in the renewable sector. Most of the tribunal cases

[1] Renewables Integration in India. (n.d.). Available at: https://iea.blob.core.windows.net/assets/7b6bf9e6-4d69-466c-8069-bdd26b3e9ed1/RenewablesIntegrationinIndia2021.pdf. [Accessed 24 Dec. 2025].

relate to hybrid projects and partial inter-State sale while they also involve operational control at the State level.

In light of this context, this paper tries to assess the developing jurisdictional conflict of CERC and SERCs in renewables. This research emphasizes into the Electricity Act, 2003, along with key court decisions and rules on renewable energy, to see if federal and state regulators are stepping on each other's toes. Sure, the courts have cleared up some jurisdiction issues, but things still feel scattered. If we want renewable energy to fit smoothly into the system, and not mess up the balance between state and central powers, we need a more unified approach.

LEGAL FRAMEWORK

Section 79(1)(c) of the Electricity Act[2] specifies the CERC's power of regulation governing interstate distribution of electricity. However, this regulation does not revoke State Commissions, including RERC, of authority over state-specific elements of accessible information.[3]

Section 86 of the Electricity Act of 2003 describes the State Electricity Regulatory Commission's (SERC) duties, which involve establishing tariffs, promoting renewable energy and cogeneration, issuing transmission in addition to distribution permits, overseeing purchasing, and resolving conflicts. It is an important element that creates the SERC's authority to oversee the power business within a state, assuring equitable and open procedures.[4]

The forecasting and scheduling of renewable power, one of the key starting points to minimise grid imbalance and aid effective integration. CERC Framework on Forecasting, Scheduling and Imbalance Handling for Variable Renewable Energy Sources (Wind and Solar) which applicable to all wind and solar generators which are regional entities. Model Regulations on Forecasting, Scheduling and Deviation Settlement of Wind and Solar Generators at the State Level is another framework that is intended to guide the SERCs to form their own legal provisions for VRE generation at the state level. The CERC functions under section 79 of the

[2] *The Electricity Act, 2003*, s 79(1)(c).
[3] Sucheta (2025). *Electricity Act, 2003 mandates that Regulations framed by the State Commissions must serve larger public interest: Supreme Court*. [online] SCC Times. Available at: https://www.scconline.com/blog/post/2025/04/07/electricity-act-mandates-state-commission-regulations-serve-larger-public-interest-sc-legal-news/ [Accessed 19 Dec. 2025].
[4] *The Electricity Act, 2003*, s 79.

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Electricity Act, 2003 is based on the determination of tariffs that is generated by the companies to synchronise the inter-state transmission of power. The SERC functions under section 86 of the Electricity Act, 2003 makes sure that the tariffs for intra-state transmission operates in open access.

ROLE OF JUDICIARY

Energy Watchdog v. Central Electricity Regulatory Commission[5] came from disagreements over tariff setting for bulk initiatives that supplied light to numerous jurisdictions under extended agreements to buy electricity. The Supreme Court's primary issue was as to whether tariff determination for power producers who provide voltage to a variety of states is subject to the authority of the CERC under Section 79 of the Electricity Act of 2003 or the SERC under Section 86.[6] The Supreme Court used an intentional approach to analysing Sections 79 and 86 of the energy Act of 2003, ruling that authority is determined by the nature of the energy supply rather than the place of operation of the energy production plant. The apex court decided that when a producing business delivers electricity to numerous States under an amalgamated program, the CERC has sole authority to regulate tariffs under Section 79(1)(a)[7]. As a result, the State Commissions' authority under Section 86 is excluded in such cases. This legal attitude seeks to avoid legislative heterogeneity and enhance clarity in rate setting for statewide power trade. Energy Watchdog is especially important in terms of green energy. Renewable energy installations typically reside in economically prosperous territories, yet they provide energy over multiple states via the interstate grid.[8] The decision establishes a supply-sensitive competence test, which provides a legal foundation for CERC regulation of such endeavours, covering tariff allocation, public access, and implementation procedures. Despite Energy Watchdog's clarity, legal issues keep popping up in instances that include mixed green energy developments, limited cross-state trade, and technical issues such as suspension and shift mediation, all of which are still under the authority of territorial Distribution Centers. energy integration causes regulatory tension between CERCs and SERCs.

[5] Energy Watchdog v Central Electricity Regulatory Commission (2017) 14 SCC 80
[6] *The Electricity Act, 2003, s* 86.
[7] *The Electricity Act, 2003*, s 79(1)(a).
[8] Sinsinwar, R., Ul Kubra, Z. and Shukla, A. (2022). *Energy Watchdog v Central Electricity Regulatory Commission and its Impact on Section 56 of the Contract Act*. [online] Available at: https://www.juscorpus.com/wp-content/uploads/2022/12/13.-Rudra-Sinsinwar.pdf. [Accessed 15 Dec.2025].

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ANALYSIS

The ongoing clash between the Central Electricity Regulatory Commission (CERC) and the State Electricity Regulatory Commissions (SERCs) in the renewable energy sector basically comes down to a tug-of-war between a centrally managed electricity market and a federal system that splits power between the centre and the states. The Electricity Act, 2003 tries to draw clear lines in Sections 79 and 86, but things get messy in practice. Renewable energy generation and transmission rarely fit cleanly into the "inter-State" or "intra-State" boxes the law sets up.[9]

Section 79 gives CERC the power to set tariffs for companies that sell electricity across state borders and to oversee inter-State transmission. Section 86, on the other hand, tells SERCs to handle transmission and distribution within their own states, set retail tariffs, and push for more renewable energy locally. This setup assumes electricity deals can be clearly sorted as either inter-State or intra-State, but that's just not how things work anymore. Renewable projects often involve complicated supply arrangements, merchant sales, power exchanges, and the use of inter-State transmission corridors. Trying to squeeze all of that into neat legal categories just doesn't work.

The Supreme Court tried to clear things up in the Energy Watchdog v. CERC case. The Court said that if a company supplies electricity to more than one state under a composite scheme, then only CERC can set the tariff. This "supply-based test" helps keep tariff rules uniform, so companies aren't dealing with conflicting state and central regulations. For developers working on big interstate renewable projects, this decision has brought some much-needed certainty around tariffs.

But while Energy Watchdog settles who gets to set tariffs, it doesn't iron out all the wrinkles. There are still plenty of conflicts over day-to-day operations things like forecasting and scheduling variable renewable power, handling deviations, curtailment, and grid discipline. State Load Dispatch Centres and SERCs still hold a lot of sway in these areas, and their decisions can make or break a project, even when CERC sets the tariffs. So, developers often end up stuck between competing orders from state and central regulators.

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[9] India, in (2016). *Grid Integration of Renewables in India: An Analysis of Forecasting, Scheduling and Deviation Settlement Regulations for Renewables*. [online] Prayas Energy. Available at: https://energy.prayaspune.org/our-work/research-report/grid-integration-of-renewables-in-india [Accessed 24 Dec. 2025].

You really see these overlaps in cases where a project sells only part of its power out of state, or with hybrid wind-solar projects, or when electricity gets sold through power exchanges. Sometimes SERCs claim authority because the power physically enters or leaves the grid inside their state. Meanwhile, developers point to Energy Watchdog to argue that CERC should be in charge. Decisions from the Appellate Tribunal for Electricity (APTEL) show that, even after the Supreme Court's ruling, the confusion hasn't gone away.

From a federalism angle, giving too much power to the centre can undermine what SERCs are supposed to do especially their job under Section 86(1)(e) to promote renewable energy tailored to local needs. States need room to handle their own grids, deal with local demand, and meet renewable targets. But when each state handles interstate projects on its own, the market falls apart. Investors back off, and progress stalls.

RECOMMENDATIONS

First, we really need someone to lay down clear rules about who handles inter-State renewable energy projects. The Supreme Court already decided who gets to set tariffs in the Energy Watchdog case, but there's still a lot that's not settled, stuff like forecasting, scheduling, deviation settlement, and curtailment. Lawmakers or regulators have to make it clear: do these responsibilities belong to the Centre, the States, or do they share them? Tweaking the Electricity Act, 2003, or letting CERC set binding rules after talking things through with SERCs, would really help sort out all this confusion.

Next, it's time to build a coordinated regulatory framework that actually puts cooperative federalism into practice. CERC, working with the Forum of Regulators, should create joint regulations or harmonized guidelines. This way, we get consistency across the board, but States still keep some flexibility where it matters. This sort of teamwork is especially important for forecasting and scheduling, right now, different State rules make life harder for renewable energy generators who work in more than one State.

Third, we can't just rely on tariff-based tests to decide jurisdiction judges and regulators need to move beyond that. The supply-based test in the Energy Watchdog case just doesn't cut it for disputes about grid management. Courts and tribunals should start using a functional test that separates out market regulation from grid operation when they decide who's responsible for what.

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Appellate oversight really needs some attention. APTEL should jump in and make sure Sections 79 and 86 get interpreted the same way every time, using decisions grounded in solid precedent. This kind of leadership brings stability to the whole regulatory scene and actually makes life a lot easier for everyone dealing with it.

CONCLUSION

India's push for renewable energy has shaken up its electricity sector, exposing some real cracks in the way the Electricity Act, 2003 divides up authority. The Supreme Court's ruling in Energy Watchdog v. Central Electricity Regulatory Commission cleared up who handles tariffs for inter-State power projects. But it left bigger questions hanging, mainly, who really calls the shots when the Central and State regulators (CERC and SERCs) both want in on the action?

Integrating renewables isn't just about setting tariffs. It's a messy mix of central rules and State-level grid management. The boundaries that once made sense just don't fit anymore. Fights keep breaking out over forecasting, scheduling, curtailment, and how to settle deviations. Just arguing over who sets the price misses what really matters. When the Centre and States don't work together, you end up with a mess, confusing rules, endless legal fights, and investors backing off because they can't trust what's coming next. India needs a setup that fits the way things actually work on the ground. The Centre and States have to team up, not fight for control. When everyone's clear on their job and the rules actually work in real life, everything runs smoother.