

Sesola Power Projects < tenders@sesolaenergy.com >

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To "Chief General Manager"<cgmir@tgnpdcl.com>

To

The Commission Secretary,

Telangana Electricity Regulatory Commission (TGERC),

Vidyut Niyantran Bhavan,

GTS Colony, Kalyan Nagar,

Hyderabad – 500045.

Subject: Objection to Proposed Tariff Reduction from 3.13/kWh to 2.98/kWh under PM-KUSUM Component-A Scheme

Respected Sir,

I respectfully submit this representation as a stakeholder and prospective Solar Power Generator (SPG) under the PM-KUSUM Component-A Scheme.

I strongly object to the proposal to reduce the pre-fixed levelized tariff from 3.13/kWh to 2.98/kWh. Such reduction would adversely impact the financial viability, bankability, and sustainability of PM-KUSUM projects in Telangana.

The current tariff of 3.13/kWh itself is already under severe financial pressure, with limited project returns and challenging financial ratios. Any further reduction to 2.98/kWh would make projects financially unviable and significantly impact loan sanctions by banks and financial institutions.

My objections and submissions are as follows:

1. Tariff Determined in 2021 is Based on Outdated Assumptions

The tariff of 3.13/kWh was determined in January 2021 based on market assumptions prevailing at that time. Present-day project costs have increased substantially and no longer align with those assumptions.

2. GST Reduction Alone Cannot Justify Tariff Reduction

The proposed reduction appears to be based primarily on the reduction in GST from 12% to 5%.

While GST reduction may provide some limited savings, and such benefits may flow to end users under Change in Law provisions of the PPA, GST forms only a small component of the overall project cost.

The marginal benefit from GST reduction cannot justify a tariff reduction of 15 paise per unit.

3. Significant Increase in Steel Prices Since 2021

Steel is a major cost component in solar projects, particularly for:

- Module Mounting Structures (MMS)
- Support Structures
- Equipment Foundations
- Cable Trays
- Structural Works

Average structural steel prices have increased significantly:

Period	Approx. Steel Price
Jan 2021	48–52/kg
Sep 2025	58–62/kg
Jun 2026	65–72/kg

This reflects:

- 25–35% increase from 2021 to 2025
- 35–45% increase from 2021 to 2026
- 10–15% increase from Sep 2025 to Jun 2026

This has significantly increased the cost of mounting structures and civil works.

4. Sharp Increase in Copper Prices Since 2021

Copper is extensively used in:

- HT/LT Power Cables
- Earthing Systems
- Transformers
- Switchgear
- Electrical Equipment

Average copper prices have increased drastically:

Period Approx. Copper Price

Jan 2021 580–620/kg

Sep 2025 850–900/kg

Jun 2026 950–1,020/kg

This reflects:

- 40–50% increase from 2021 to 2025
- 55–70% increase from 2021 to 2026
- 8–15% increase from Sep 2025 to Jun 2026

This has substantially increased electrical infrastructure costs.

5. Increase in Major Equipment Costs

Prices of major equipment such as:

- Transformers
- HT Panels
- Switchgear
- Breakers
- Protection Systems
- SCADA Systems
- Evacuation Infrastructure

have increased considerably since 2021.

6. Increase in Civil and Infrastructure Costs

Project-related costs including:

- Land Development
- Fencing
- Internal Roads
- Drainage Systems
- Foundations
- Labour
- Transportation

have increased substantially due to inflation.

7. Increase in Financing Costs and Interest Rates

Interest rates on project loans have increased significantly compared to 2021, resulting in:

- Higher Debt Servicing Obligations
- Increased Financing Burden
- Lower Project Returns

This has adversely affected overall project viability.

8. Tariff Reduction Severely Impacts Bankability

This is one of the most critical concerns.

Even at 3.13/kWh, project viability remains challenging.

Banks assess projects based on:

- DSCR
- IRR
- Payback Period
- Debt-Equity Ratio
- Cash Flow Sustainability

At 3.13/kWh, projects are already operating at marginally acceptable financial ratios.

If tariff is reduced to 2.98/kWh:

- Project Revenue Reduces Significantly
- Cash Flows Weaken
- DSCR Falls Below Acceptable Levels
- Payback Period Increases
- IRR Reduces Substantially

Under such conditions, banks may not approve project financing.

Without bank financing, many PM-KUSUM projects cannot proceed.

9. PM-KUSUM Developers are Mainly Small Investors and Farmers

Unlike large utility-scale developers, PM-KUSUM developers are mainly:

- Farmers
- Small Investors

- Rural Entrepreneurs

They do not have access to low-cost capital or large financial reserves.

10. Limited Economies of Scale

PM-KUSUM projects are decentralized and smaller in size, resulting in higher per-MW capital costs compared to utility-scale projects.

11. Fixed Tariff with Rising O&M Costs

The tariff remains fixed throughout the PPA period, whereas:

- O&M Expenses
- Insurance Premiums
- Security Costs
- Replacement Costs

continue to increase every year.

12. Significant Benefits to DISCOMs and State

PM-KUSUM projects provide substantial benefits:

- Reduced Transmission Losses
- Feeder-Level Balancing
- Lower Transmission Infrastructure Requirement
- RPO Compliance Support
- Improved Rural Power Supply

13. Clean Power at Fixed Cost for 25 Years

Thermal power procurement costs continue to rise due to:

- Coal Price Increase
- Transportation Costs
- Environmental Compliance Costs

Whereas PM-KUSUM provides clean and reliable solar power at fixed cost for 25 years.

14. Reduction Creates Regulatory Uncertainty

Developers have planned investments based on the existing tariff framework.

Any downward revision creates regulatory uncertainty and negatively affects investor confidence in government-backed schemes.

15. Inflation Impact Far Exceeds GST Savings

The Commission may kindly note:

- Steel prices increased by 35–45%
- Copper prices increased by 55–70%
- Equipment costs increased by 20–35%
- Financing costs increased substantially

Overall project costs have increased by 25–30% or more since 2021.

The limited savings from GST reduction are negligible compared to these escalations.

Therefore, considering GST reduction alone while ignoring major cost increases does not reflect the true economic realities of PM-KUSUM project implementation.

Prayer

In view of the above facts and circumstances, I humbly request the Hon'ble Commission to:

- A. Reject the proposal to reduce tariff from 3.13/kWh to 2.98/kWh.
- B. Continue the existing tariff of 3.13/kWh without any reduction.
- C. Consider revising and enhancing the tariff to at least 4.00/kWh to reflect present market conditions and ensure financial viability.
- D. Protect the interests of farmers, small investors, and renewable energy developers participating under PM-KUSUM Component-A Scheme.

I sincerely request the Hon'ble Commission to consider these submissions in the interest of renewable energy development, farmer welfare, investor confidence, and long-term sustainability of PM-KUSUM projects in Telangana.

Thanking You.

Yours faithfully,
Sesola Power Projects Private Limited

Mahabhubabad Division
PM-KUSUM Component-A Scheme