

To,

The Secretary,
Telangana State Electricity Regulatory Commission (TGERC),
Vidyut Niyamtran Bhavan, G.T.S. Colony, Kalyan Nagar,
Hyderabad – 500 045.

Date: 28th June 2026 Place: Vemulawada

Subject: Objections of an affected Solar Power Generator under PM-KUSUM Component-A to the petition of TGSPDCL (on behalf of TGDISCOMs) in **I.A. No. 4 in O.P. No. 24 of 2020**, seeking revision of the pre-fixed levelised tariff from Rs. 3.13/kWh to Rs. 2.98/kWh on the ground of change in law (reduction in GST).

Reference: (i) TGERC Public Notice dated 23.06.2026 in I.A. No. 4 in O.P. No. 24 of 2020; (ii) Order dated 02.01.2021 in O.P. No. 24 of 2020 determining the pre-fixed levelised tariff of Rs. 3.13/kWh.

Respected Sir/Madam,

I. Locus and interest of the objector

1. I, **Ajay Nalla**, am a Solar Power Generator (SPG) developing a **2 MW grid-connected solar power plant** under Component-A of the PM-KUSUM Scheme (PPA No. 103; Application No. TG/PM KUSUM-A/24-25/00664), having executed a Power Purchase Agreement with the Northern Power Distribution Company of Telangana (TGNPDCL) at the determined tariff of **Rs. 3.13/kWh, fixed for the entire 25-year term**. The project is financed by a sanctioned term loan of Rs. 6.30 crore with agricultural land mortgaged as security. I am directly and adversely affected by the relief sought, and I object both in my own interest and on behalf of similarly placed farmer-developers under the Scheme. A detailed Economic Impact Analysis, together with the project's sanctioned financial model, is annexed and relied upon.

II. Grounds of objection

2. **The proposed cut comes directly out of the Return on Equity that the Commission itself fixed for the farmer, and which it expressly refused to reduce.** In determining Rs. 3.13/kWh, the Commission adopted a cost-plus methodology (Table-2 and Annexure-4 of the Order dated 02.01.2021) which builds in a fixed Return on Equity (RoE) of **14%**, equal to Rs. 0.92/kWh of the levelised tariff. The proposed reduction of Rs. 0.15/kWh equals **16% of that entire return-on-equity component**. As every other component of the tariff (O&M, depreciation, interest on loan and working capital) is mere cost recovery, the cut can be absorbed only out of the farmer's return on equity, dragging the adjudicated 14% down to approximately 11.7% — i.e. into the very range the Commission already examined and **rejected as inadequate** in 2020. At paragraphs 29–30 of the Order, stakeholders sought an RoE of 11% and the Commission declined,

holding 14% to be the prudent rate. The petition seeks, in effect, to achieve indirectly what the Commission has already refused to do directly.

3. **The factual premise of the petition is incorrect — the GST reduction never reached the generator and the project cost is unchanged.** The Commission fixed Rs. 3.13 on a normative capital cost of Rs. 3.60 crore/MW, on the express finding (paragraph 45) that solar costs were “reducing year-on-year.” My actual EPC / project cost is **Rs. 7.20 crore, i.e. Rs. 3.60 crore/MW — exactly the norm the Commission approved.** The sanctioned figure of Rs. 7.81 crore is higher only because the bank capitalised Rs. 0.61 crore of interest-during-construction (IDC), which I fund over and above my margin and which is not equipment cost. The plant therefore cannot be built below the very norm on which Rs. 3.13 was determined. Further, the equipment was contracted when GST stood at 12%; when the rate was reduced to 5%, the manufacturers raised their base (pre-tax) prices by almost the same measure — cell, module, structure and galvanising prices rose sharply (of the order of Rs. 40 lakh on modules alone). I now pay the supplier directly what I earlier paid as base-price-plus-tax, so the landed cost is **almost identical to what it was before the GST reduction.** The headline tax saving was absorbed by the supply chain and reached neither the generator nor, through him, the consumer. There is accordingly **no net reduction in project cost** capable of being passed through to a lower tariff. The cost of land, and approximately Rs. 11.5 lakh of unavoidable pre-operative costs (land levelling, supervision of the 1.5 km dedicated evacuation line, and statutory liaisoning), are borne entirely by the farmer and recognised nowhere in the tariff. If the petitioner maintains that the project can be executed at a cost supporting Rs. 2.98/kWh, it ought to be put to proof of that cost — a figure no EPC contractor in the market in fact quotes.
4. **If the cost basis is to be reopened under change in law, it must be done on a net basis; selectively invoking only the single favourable input is impermissible.** Change in law operates symmetrically. Between the determination on 02.01.2021 and today, multiple cost-increasing changes have materially raised project cost, including the Basic Customs Duty on imported solar cells and modules, enforcement of the Approved List of Models and Manufacturers (ALMM) carrying a domestic price premium, and the documented escalation in equipment prices noted above. The petition cites only the GST reduction that lowers the DISCOMs' liability, while ignoring every change that has raised the SPG's cost. A change-in-law exercise undertaken honestly would net all such changes — the aggregate of which points upward, not downward.
5. **The remedy for a change in law is project-specific compensation under Article 13 of the PPA, not a blanket revision of the determined tariff.** Article 9.1.1 of the PPA fixes the tariff at Rs. 3.13/kWh for the full term and expressly makes it “inclusive of all taxes, duties and levies... as applicable from time to time,” so that tax movements in either direction are absorbed within the fixed tariff. Where a change in law nonetheless causes a demonstrated gain or loss, Article 13 provides a specific, fact-based remedy: compensation determined case-by-case by the Commission to place the SPG in the same financial position as before, with the SPG obliged to file within 60 days of any actual

decrease in its expenditure. A uniform downward revision of the headline tariff for all SPGs — irrespective of when each committed its capital and whether any actually realised a saving — has no basis in the contract and overrides the fixed-tariff bargain in Article 9.1.1.

6. **The tariff is already structured to under-pay the farmer in the early years; the cut deepens a deficit the design itself creates.** The Rs. 3.13/kWh is a **levelised** tariff. In the Commission's own computation (Annexure-4), the cost-based tariff is **Rs. 4.00/kWh in Year 1**, declining year on year to about Rs. 2.01/kWh by Year 25; Rs. 3.13 is merely the flat, present-value-equivalent of that declining stream. By design, therefore, the farmer recovers far less than his actual cost in the early years and more in the later years. For my 2 MW plant at the 19% CUF floor, the Year-1 cost requirement is about Rs. 1.33 crore, against which a tariff of Rs. 3.13 yields only about Rs. 1.04 crore — a built-in **under-recovery of roughly Rs. 29 lakh in the first year alone**. This is the structural reason the project is cash-flow negative through the first ten years and must be sustained by the farmer's own funds. Even at the best generation the DISCOM will purchase — the 19% floor plus the 10% tolerance band — a tariff of about Rs. 3.6/kWh would be required merely to meet the Commission's own Year-1 cost requirement. The honest direction indicated by the cost-plus methodology is therefore **upward, not downward**; reducing the tariff to Rs. 2.98 widens the Year-1 shortfall to about Rs. 34 lakh, precisely in the years the farmer can least bear it.
7. **The tariff was calibrated on financing and cost assumptions that the Commission was warned the target farmer could not meet — and which the sanctioned reality contradicts.** The Order built Rs. 3.13 on 70:30 debt-equity at 10% interest over a 12-year tenure, yielding a normative interest of about Rs. 3.02 crore for a 2 MW plant. My sanctioned reality, documented in the bank's letter, is different: financing of about 81:19 at 8.65% over 15 years, with total interest of **Rs. 4.25 crore — about Rs. 1.23 crore more than the tariff was calibrated to bear**, which, the tariff being fixed and not trued-up, falls entirely on the farmer. This is not a matter of choice: at paragraphs 14–16 of the very same Order, stakeholders expressly recorded that farmers cannot arrange 30% equity and would have to borrow more heavily — and the Commission determined the tariff on the 30% equity assumption regardless. The known financing reality of the target beneficiary was placed before the Commission and not provided for.
8. **The model also omits real, mandatory costs and capital commitments that every Component-A farmer must bear.** Among them: (i) a lender-mandated debt-service reserve of Rs. 50 lakh (Rs. 25 lakh deposited upfront and a further Rs. 25 lakh built from plant revenue), plus about Rs. 10 lakh of fees, required as a buffer against the 45–60 day gap in DISCOM payment realisation that would otherwise risk the account being classified as non-performing — a reserve the tariff does not fund; (ii) operating costs that the single normative O&M allowance does not realistically cover — the EPC's preventive-maintenance contract alone is quoted at about Rs. 6 lakh a year for the 2 MW plant from the third year, and expressly excludes panel cleaning, vegetation management and site security, which the farmer must separately staff and pay for; (iii) asset insurance

of the order of Rs. 0.75 lakh/MW a year, not separately provided in the model; and (iv) replacement of inverters and transformers once their warranties expire — the very contingency for which the bank mandates the Rs. 50 lakh reserve. Costs such as land levelling and supervision of the dedicated evacuation line are borne by the farmer as well. None of these is recognised in the normative tariff; together they confirm that the realised return falls materially below the 14% the Commission fixed, as my detailed financial model (annexed) demonstrates.

9. **Even at Rs. 3.13 the project is at the edge of viability; the cut renders it unfinanceable.** As demonstrated in the annexed analysis, computed on the project's actual cash flows at the 19% CUF floor stipulated in the PPA: debt-service coverage remains **below 1.0 in every year from 1 to 10** (against a normal banking minimum of 1.2), compelling the farmer to inject Rs. 0.75 crore from his own pocket over and above the Rs. 1.51 crore margin merely to keep the loan serviced; and the return on the farmer's own capital is only **5.06%** — below the 8.65% he pays the bank and below a bank fixed deposit. The Order's own record (paragraph 40) notes that Rs. 3.13 yields an equity IRR of about 12% on the optimistic normative model and describes even that as "very low." At Rs. 2.98 the position worsens decisively: coverage stays below 1.0 until year 13, the required injection rises to Rs. 1.27 crore, and the return on the farmer's capital falls to **3.14%** — destroying Rs. 1.20 crore of profit over the term, concentrated in precisely the early years when the farmer is already cash-flow negative.
10. **The cut inverts the balance of risk and reward and defeats the farmer-upliftment purpose of the Scheme.** Under this model the farmer carries the largest up-front commitment and all the operational, weather, payment and interest-rate risk, and supplies power directly at the grid — bearing the wheeling and transmission losses the DISCOMs would otherwise incur. Over the term the lender earns about Rs. 4.27 crore in interest, and the DISCOMs purchase clean, firm-of-location power at Rs. 3.13/kWh — below their own pooled power-purchase cost of Rs. 4.28/kWh recorded in the Order — for onward sale at materially higher retail rates. The farmer's return is the smallest and last-ranked share, and it is this share alone that the petition seeks to reduce. The project also sustains five rural jobs per plant. Component-A was framed by the Commission as a scheme to facilitate farmers to earn additional income; reducing the only return that reaches the farmer, on a premise that does not hold, is contrary to that object.

III. Prayer

It is therefore respectfully prayed that the Commission may be pleased to:

- (a) **Reject** the petition in I.A. No. 4 of 2020 insofar as it seeks revision of the pre-fixed levelised tariff, and **preserve the determined tariff of Rs. 3.13/kWh** for the full term, for all Solar Power Generators under Component-A without distinction;
- (b) Hold that any relief on account of the GST change lies, if at all, only through the project-specific compensation mechanism under Article 13 of the PPA, confined to SPGs that demonstrably realised a net decrease in project cost, and computed after netting all cost-increasing changes in law since 02.01.2021;

- (c) Note that, were the cost-plus methodology applied honestly to present-day costs and to the early years in which the minimum-CUF obligation falls, the indicated tariff would be **higher than Rs. 3.13 — of the order of Rs. 3.6/kWh on the objector's own arithmetic** — not lower; which is itself a complete answer to a petition seeking a reduction; and
- (d) Grant the objector an opportunity to be heard at the Public Hearing scheduled on 08.07.2026, and pass such further orders as may be just.

Respectfully submitted,

Ajay Nalla

Name: Ajay Nalla

Capacity: Solar Power Generator (SPG), PM-KUSUM Component-A — 2 MW

PPA No.: 103 **Application No.:** TG/PM KUSUM-A/24-25/00664

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Enclosure: Annexure – Economic Impact Analysis (with charts) and the project's sanctioned financial model.