

SUBMISSION ON PROPOSED REDUCTION OF TARIFF UNDER PM-KUSUM COMPONENT-A

Subject ISSUE: Proposed reduction of Tariff from Rs.3.13/Kwh to Rs.2.98/Kwh citing benchmark Capital Cost of ₹3.60 Crore/MW reduction due to recent reduction in GST rate from 12% to 5%

The **TG DISCOMS (TGSPDCL/TGNPDCL)** respectfully submits that any proposal to reduce the tariff from **Rs.3.13/Kwhr** to **Rs.2.98/Kwhr** citing the reduction of benchmark capital cost of **Rs 3.60 Crore/MW** on account of the recent reduction in GST rate from **12% to 5%** is contrary to the findings already recorded by the Hon'ble Commission as per "O.P.No.24 of 2020 Dated 02.01.2021" and is therefore liable to be rejected.

1. Commission's Existing Tariff (Rs. 3.13/Kwhr) was determined based on Benchmark capital Cost adopted during 5% GST Regime

The Hon'ble Commission, while determining the benchmark capital cost and has categorically observed:

- MNRE vide Office Memorandum dated 21.07.2020 determined benchmark cost for grid connected Solar PV systems for FY 2020-21 as Rs.36 per Watt, equivalent to Rs. 3.60 Crores/MW. Therefore, the commission finds it prudent to consider the capital cost of Rs. 3.60 Crores /Mw as per "**O.P.No.24 of 2020 dated 02.01.2021**".
- During FY 2020-21, GST applicable on solar equipment was 5%. The benchmark cost of ₹3.60 Crores/MW was already established under a 5% GST regime. Therefore, the tariff of ₹3.13/kWh was never determined on the basis of a 12% GST structure.
- Consequently, reduction of tariff on the premise that GST has now reverted from 12% to 5% is factually incorrect.

2. Restoration of GST to 5% Does Not Create Any New Cost Advantage

The GST rate applicable to solar equipment was:

- 5% up to 30.09.2021,
- 12% from 01.10.2021,
- Subsequently reduced again to 5%.

Therefore, the present GST regime is substantially identical to the tax regime that existed when the Commission originally adopted the benchmark capital cost of Rs. 3.60 Crores/MW and determined the tariff framework.

Consequently, there is no factual or legal basis to contend that the benchmark cost should be reduced below ₹3.60 Crores/MW merely because GST has reduced from 12% to 5% recently or reverted to the same level that prevailed at the time of determination of benchmark cost.

3. Benchmark Cost Is Not Solely a Function of GST

The benchmark cost approved by the Commission represents an aggregate project cost comprising:

- Solar modules
- On-Grid Solar Inverters
- Module Mounting Structures
- Inverter Duty Transformers
- Associated Civil Works & Balance of Systems
- Power Evacuation Infrastructure
- Engineering, Procurement, Construction and Management Costs
- Financing, Insurance, Statutory Approvals and contingencies Costs.

The benchmark cost was not derived exclusively from GST incidence but from the overall capital expenditure necessary for establishing a grid connected solar power plant.

Therefore, selective reliance on GST reduction alone, without considering the substantial increase in equipment prices, labour costs, steel prices, logistics costs, land development costs and financing costs over the intervening years, would be arbitrary and contrary to sound regulatory principles. Hence, GST reduction alone cannot justify reducing the benchmark cost.

4. Regulatory Certainty Must Be Maintained for PM-KUSUM Projects Viability

- The Hon'ble Commission has consciously adopted a benchmark cost of ₹3.60 Crore/MW after considering stakeholder comments and the MNRE benchmark cost.
- Once such benchmark cost has been determined through a regulatory process, it cannot be selectively revised downward based only on GST parameter while ignoring other cost escalations.
- Any reduction would undermine regulatory certainty and adversely affect project viability, financing arrangements and investor confidence under PM-KUSUM Component-A.

5. Principle of Consistency

Having adopted the MNRE benchmark capital cost of Rs.3.60 Crores/MW under the prevailing 5% GST regime, the same benchmark cost ought to continue unless a comprehensive cost review is undertaken based on fresh MNRE benchmark Costs or fresh Regulatory exercise for a detailed cost studies.

6. In the Alternative, Tariff Merits Upward Revision Rather Than Reduction

Without prejudice to the above submissions, it is respectfully submitted that:

- Benchmark capital cost of ₹3.60 Crore/MW was adopted in FY 2020-21.
- Since then, substantial inflation has occurred in labour, civil works, transmission infrastructure, financing costs and O&M expenses.
- Therefore, if a fresh cost review is undertaken; all parameters must be revisited comprehensively.
- Such an exercise may justify continuation of the existing tariff or even an upward revision rather than a reduction.

Prayer to Hon'ble Chairman, Telangana Electricity Regulatory Commission.

In view of the above submissions, it is respectfully prayed that the Hon'ble Commission may:

1. Reject the proposal for reduction of tariff from **Rs. 3.13/kWh to Rs. 2.98/kWh**
2. Continue to adopt the approved benchmark cost **Rs.3.60 Crores/MW** was originally determined under a 5% GST regime and therefore remains fully applicable and continue the existing tariff **of Rs. 3.13/kWh** for PM-KUSUM Component-A projects, unless revised through a separate comprehensive regulatory exercise.
3. In the alternative, undertake a comprehensive review of all tariff parameters before considering any revision, taking into account inflation, financing costs, O&M costs, evacuation costs and other project expenditures;
4. Pass such other orders as deemed fit in the interest of justice and promotion of Renewable Energy Developers under PM-KUSUM Component-A in Telangana State.

Your's Faithfully

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