

To,
The Commission Secretary
TGERC, Vidyut Niyamtran Bhavan
GTS Colony,
Hyderabad.

Ltr.No.PPM/TGERC/28/26-27
Dt.25.06.26

Respected Sir,
Ref: Your Email Dtd.23.06.26 with attached notice –I.A.No. 4 in O.P .No. 24 of 2020.

Subject: Objections to the Proposed Reduction of PM-KUSUM Component-A Tariff from ₹3.13/kWh to ₹2.98/kWh.

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

I strongly oppose the proposal to reduce the pre-fixed levelized tariff from ₹3.13/kWh to ₹2.98/kWh. The proposed reduction is neither equitable nor financially justified. On the contrary, considering the substantial increase in project costs, financing costs, and inflation since the tariff was determined in January 2021, the tariff warrants upward revision rather than reduction.

1. Financial Commitments Undertaken Based on the Approved Tariff

The tariff of ₹3.13/kWh specified in the Power Purchase Agreement (PPA) formed the fundamental basis for project planning, financial closure, and investment decisions.

Based on the approved tariff:

- Financial institutions appraised and sanctioned project loans.
- A portion of the sanctioned loan has already been disbursed.
- Interest payments on the loan are already being serviced.
- The balance loan amount is scheduled for disbursement based on project progress.

Any reduction in tariff at this advanced stage would adversely affect project viability and may lead lenders to reassess financing terms, increase collateral requirements, or impose additional financial conditions. Such post-facto revision undermines the assumptions on which investments were made and creates significant financial hardship.

2. Tariff Determined in 2021 Does Not Reflect Current Market Conditions

The tariff of ₹3.13/kWh was determined based on cost assumptions prevailing in 2021. Since then:

- Inflation has significantly increased the cost of materials, labour, transportation, and services.
- Land development, fencing, internal roads, drainage systems, and site preparation costs have increased substantially.
- Prices of transformers, HT equipment, switchgear, cables, and evacuation infrastructure have risen sharply.
- Interest rates and financing costs have increased.
- Financial institutions now require higher margin money contributions from developers.

Accordingly, project costs today are considerably higher than those considered while determining the original tariff.

3. Limited Benefit Arising from GST Reduction.

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The proposal for tariff reduction is based primarily on the reduction of GST from 12% to 5%.

However, the GST reduction applies only to certain components such as:

- Solar Modules/Panels
- Inverters

Several major project components continue to attract GST at 18%, including:

- Structural steel and raw materials
- Transformers and associated electrical equipment
- Fabrication and erection works
- Installation and contractor services
- Civil works and other project-related services

Therefore, the benefit arising from GST reduction is restricted to only a portion of the total project cost.

More importantly, the GST benefit is a one-time saving during procurement, whereas tariff reduction affects project revenue for the entire 25-year PPA period.

4. Disproportionate Financial Impact of Tariff Reduction

Based on the generation parameters specified in the PPA:

- Annual generation: 16.50 lakh units per MW
- Tariff reduction: ₹0.15 per unit

Annual revenue loss per MW:

$₹0.15 \times 16,50,000 \text{ units} = ₹2,47,500$

Revenue loss over 25 years:

$₹2,47,500 \times 25 = ₹61,87,500 \text{ per MW}$

Even after considering the one-time GST benefit, the net financial loss remains substantial.

Accordingly:

- For self-executed projects, the estimated net loss is approximately ₹48.30 lakh per MW.
- For EPC-executed projects, the estimated net loss is approximately ₹44.73 lakh per MW.

For a 2 MW project, the cumulative financial loss is approximately ₹89–97 lakh over the PPA period.

Thus, the proposed tariff reduction results in a long-term financial burden far exceeding the one-time GST benefit.

5. Impact on Small Farmers and Rural Entrepreneurs

PM-KUSUM was specifically designed to promote decentralized renewable energy generation and enhance farmer income.

Unlike large corporate developers:

- Small farmers and rural entrepreneurs have limited access to low-cost financing.
- PM-KUSUM projects operate without significant economies of scale.
- Developers bear the entire risk of project execution, operation, maintenance, and generation performance.

Reduction in tariff will disproportionately affect these stakeholders and undermine the objectives of the scheme.

6. Increasing O&M, Insurance and Security Costs

While the tariff remains fixed throughout the 25-year PPA period:

- Operation and maintenance costs continue to rise annually.
- Insurance premiums have increased substantially.

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- Security costs have increased due to theft and vandalism risks.
- Replacement costs for equipment have escalated.

The proposed tariff reduction fails to account for these recurring cost escalations.

7. Public Interest and System Benefits of PM-KUSUM Projects

PM-KUSUM projects provide substantial benefits to the electricity sector and the State, including:

- Decentralized generation near agricultural load centres.
- Reduction in technical losses.
- Improvement in feeder-level efficiency.
- Reduction in transmission infrastructure requirements.
- Long-term supply of clean energy at fixed cost.
- Enhancement of rural income and economic activity.
- Reduction in carbon emissions and environmental impact.

These broader economic and social benefits should be considered while determining tariff.

8. Need for Regulatory Certainty

Regulatory certainty is critical for maintaining investor confidence in government-supported renewable energy programmes.

Developers have made investment decisions, secured financing, and entered into contractual commitments based on the tariff specified in the PPA. Any downward revision after such commitments creates uncertainty, affects project bankability, and discourages future participation in PM-KUSUM.

9. Tariff Requires Upward Revision Rather Than Reduction

The Commission may kindly note that:

- GST reduction provides only a limited and one-time benefit.
- Project costs have increased significantly since 2021.
- Financing costs and interest burdens have increased.
- Inflationary pressures have affected all major project components.
- The cumulative increase in project costs is estimated to exceed 25–30% since the original tariff determination.

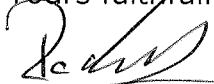
Therefore, rather than reducing the tariff, the present circumstances justify an upward revision to ensure financial viability of PM-KUSUM projects.

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

- A.** Reject the proposal to reduce the 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 current project costs 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 the above submissions in the interest of renewable energy development, farmer welfare, investor confidence, and long-term sustainability of PM-KUSUM projects in Telangana.

Yours faithfully,



CHALLA RAVIKUMAR
PPA No:02(TGNPDCL)