

MEMORANDUM OF COMMENTS, SUGGESTIONS AND OBJECTIONS

Date : 29 .06.2026

To

The Chairperson,
Telangana Electricity Regulatory Commission (TGERC),
Vidyut Niyamtran Bhavan, Sy.No.145-P,
G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

Respected Sir/Madam,

Sub : Request not to reduce the tariff from Rs.3.13/kWh to Rs.2.98/kWh payable to Solar Power Generators established under PM-KUSUM Component-A Scheme – Representation submitted – Reg.

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The undersigned respectfully submit as follows:

1. That the applicants, namely **“CHALMANI NARESH (SOLAR POWER GENERATOR) Group of Farmers”**, have participated in the implementation of the PM-KUSUM Component-A Scheme floated by the Government with an avowed objective of promoting renewable energy, enhancing farmers' income and strengthening decentralized power generation.
2. That pursuant to the scheme, the applicants applied for establishment of a **1 MW (AC) decentralized grid connected Solar Power Plant** before Telangana Renewable Energy Development Corporation Limited (TGREDCO), a State Government Company.
3. That after due verification and inspection of all relevant documents and the proposed site, TGREDCO was pleased to issue a **Letter of Award (LOA) vide Ref.No. TGREDCO/KUSUM/Comp A/2025/167 dated 01.05.2025** in favour of **“CHALMANI NARESH (SOLAR POWER GENERATOR) Group of Farmers”**.

4. That acting upon the assurances and policy framework announced by the Government and the tariff structure prevailing at the time of issuance of the Letter of Award, the applicants have made huge investments towards acquisition/development of land, civil works, procurement of solar modules, inverters, transformers, transmission infrastructure and other allied equipment.
5. It is submitted that substantial amounts have also been borrowed from banks and financial institutions by availing long-term loans, apart from investing personal savings and mobilizing resources from family members and other stakeholders, solely on the legitimate expectation that the tariff assured under the scheme would continue during the project period.
6. It is respectfully submitted that any reduction in the tariff payable to the Solar Power Generators at this stage would seriously jeopardize the financial viability of the project. The entire project has been conceptualized, financed and implemented based on the tariff existing on the date of award and the projected cash flows derived therefrom.
7. Any downward revision of tariff after the entrepreneurs have already made substantial investments and incurred huge financial liabilities would result in severe financial hardship and irreparable loss. Such reduction would adversely affect repayment of bank loans, servicing of interest, operation and maintenance expenses and overall sustainability of the project.
8. It is further submitted that the PM-KUSUM Scheme was introduced with the objective of encouraging farmers to participate in renewable energy generation and to augment their income. Reduction of tariff after investments have been made would defeat the very object and spirit of the Scheme and would discourage farmers and other prospective investors from participating in renewable energy projects in future.

9. The applicants, being farmers and small entrepreneurs, have ventured into solar power generation relying upon the policies and commitments extended by the Government. Any adverse alteration in tariff at this stage would not only lead to grave financial distress but may also result in loan defaults and consequent non-performing assets (NPAs).
10. In these circumstances, it is most humbly requested that the Hon'ble Commission may be pleased to retain the tariff applicable at the time of issuance of the Letter of Award and ensure that no reduction in tariff is made in respect of projects already awarded and implemented under the PM-KUSUM Component-A Scheme.
11. It is further submitted that the applicants had altered their position and made substantial investments, acquired/provided land, entered into contractual arrangements, procured equipment and availed financial assistance from banks and financial institutions solely on the basis of the representations, assurances and tariff structure prevailing at the time of issuance of the Letter of Award. The applicants had a legitimate expectation that the tariff prevailing on the date of issuance of the LOA would continue to govern the project throughout its tenure. Therefore, any subsequent reduction in tariff would be contrary to the doctrines of Legitimate Expectation and Promissory Estoppel, which are well-recognized principles of law, as the applicants have acted to their detriment relying upon the promises and policy framework extended by the Government and its instrumentalities.
12. It is further submitted that even during the installation and erection phase of the project, particularly with regard to the installation of transmission towers and allied infrastructure, there was little to no assistance or support extended by the officials of the department. Despite such lack of institutional support, the SPGs, by mobilizing their

own resources, manpower and finances, successfully completed the installation works entirely at their own cost, effort and risk.

13. It is further submitted that the SPGs had availed substantial loans and financial assistance from various banking and financial institutions solely on the basis of the tariff assured and specified in the Letters of Award (LOAs). The entire financial viability and bankability of the projects were structured on the strength of the said assured tariff. Having induced the SPGs to make huge investments and incur substantial financial liabilities on the basis of the tariff prevailing under the LOAs, the department is now seeking to reduce the tariff at a stage when the projects have reached the commissioning/supplying stage.

14. Such an action on the part of the Discom is wholly arbitrary, unreasonable, unjust and ex facie illegal. The proposed reduction of tariff at this advanced stage not only violates the principles of natural justice, but also defeats the legitimate expectations of the Solar Power Generators and is hit by the doctrine of promissory estoppel. The impugned action amounts to altering the rules of the game after the Solar Power Generators have irreversibly altered their position based on the representations and assurances held out by the Discom. Consequently, the proposed action is non est in the eye of law, unsustainable and liable to be set aside.

15. It is further specifically submitted that as per the Power Purchase Agreement under Article 9 – Applicable Tariff, extracted below:-

9.1 *Applicable Tariff*

9.1.1 *The SPG shall be entitled to receive the Tariff of INR 3.13/kWh of energy, at fixed price for entire term of this agreement, with effect from COD, for the power sold to the TGSPDCL as reflected in Energy Accounts.*

The tariff payable by the TGSPDCL shall be inclusive of all taxes, duties and levies or any other statutory liability as applicable from time to time.

Impact of GST reduction and its adverse effect:

A reduction in GST from 12% to 5% on only certain materials used in a renewable energy project does ****not** automatically entitle the Distribution Company (Discom) to reduce the tariff^{**} payable under the Power Purchase Agreement (PPA). The answer depends primarily on the provisions of the PPA and the applicable regulatory framework.

The following aspects are relevant:

1. ^{**}Tariff Determination Date is Crucial:^{**}

In most renewable energy projects, the tariff is determined and fixed based on the prevailing policy, tax regime, and cost assumptions existing on the date of bidding, issuance of Letter of Award (LOA), or execution of the PPA. Once the tariff is discovered or approved, it generally remains fixed for the entire term unless the PPA specifically permits revision.

2. ^{**}GST Reduction on Limited Components May Not Materially Affect Project Cost:^{**}

If GST is reduced from 12% to 5% only on some components and not on the entire project cost, the overall capital cost reduction may be marginal. Moreover, several other costs such as land, transmission infrastructure, financing costs, civil works, and operation & maintenance expenses remain unchanged.

3. ^{**}Change in Law Clause:^{**}

Most PPAs contain a "Change in Law" provision. Such clauses generally protect the generator against adverse fiscal changes occurring after a specified cut-off date. Whether a beneficial change (such as reduction of GST) can be passed on to the Discom depends entirely on the wording of the clause. Many PPAs provide for compensation only when the change has a material financial impact and after regulatory approval.

4. **Tariff Cannot Ordinarily be Reopened:**

Courts and electricity regulatory commissions have consistently held that a concluded and approved tariff cannot ordinarily be reopened merely because some component of project cost subsequently decreases. The sanctity of tariff and contractual certainty are fundamental principles governing PPAs.

5. **Competitive Bidding Projects:**

In competitively bid projects under Section 63 of the Electricity Act, 2003, the discovered tariff is generally binding. Unless the bidding documents and PPA expressly provide for tariff adjustment on account of tax reductions, the Discom cannot unilaterally reduce the tariff.

Therefore, a mere reduction of GST from 12% to 5% on certain materials, by itself, does not permit the Discom to reduce the tariff. The Discom can seek tariff adjustment only if:

- the PPA specifically provides for pass-through of such tax benefits;
- the applicable "Change in Law" clause covers beneficial tax changes;
- and
- the competent Electricity Regulatory Commission approves such adjustment, wherever required.

In projects where substantial investments were made based on the tariff prevailing at the time of issuance of the LOA and execution of the PPA, the principles of ****legitimate expectation****, ****promissory estoppel****, and ****sanctity of contracts**** **also support the position that the agreed tariff should not be unilaterally altered by the Discom.**

Relevant statutory provisions include:

*** Electricity Act, 2003 – Sections 61, 62 and 63 is extracted below:-**

The relevant provisions of the Electricity Act, 2003 are as follows:

Section 61 – Tariff Regulations

Section 61 empowers the Appropriate Commission (Central or State Electricity Regulatory Commission) to specify the terms and conditions for determination of tariff and mandates that the Commission shall be guided by the following principles:

"The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-

- (a)** the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
- (b)** the generation, transmission, distribution and supply of electricity are conducted on commercial principles;
- (c)** the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;
- (d)** safeguarding consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;
- (e)** the principles rewarding efficiency in performance;
- (f)** multi-year tariff principles;
- (g)** that the tariff progressively reflects the cost of supply of electricity and also reduces and eliminates cross-subsidies within the period to be specified by the Appropriate Commission;
- (h)** the promotion of co-generation and generation of electricity from renewable sources of energy;
- (i)** the National Electricity Policy and tariff policy."

Section 62 – Determination of Tariff

Section 62 provides:

"(1) The Appropriate Commission shall determine the tariff in accordance with the provisions of this Act for—

(a) supply of electricity by a generating company to a distribution licensee:

Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

(b) transmission of electricity;

(c) wheeling of electricity;

(d) retail sale of electricity:

Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Appropriate Commission may, for promoting competition among distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity."

Sub-sections (2) to (6) deal with differentiation of tariff, prohibition against undue preference, fuel surcharge adjustment, and penalties for unauthorized tariff recovery.

Section 63 – Determination of Tariff by Bidding Process

Section 63 reads:

"Notwithstanding anything contained in section 62, the Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government."

Legal Significance

- **Section 61** lays down the guiding principles for tariff determination.
- **Section 62** applies where the tariff is determined by the Regulatory Commission itself.
- **Section 63** applies where the tariff is discovered through a competitive bidding process. In such cases, the Commission ordinarily **adopts** the discovered tariff rather than redetermining it.

The Supreme Court has repeatedly held that once a tariff is discovered through a competitive bidding process under Section 63 and adopted by the Commission, its sanctity must ordinarily be preserved and cannot be altered except in accordance with the terms of the PPA or applicable law.

*** Central Electricity Regulatory Commission and State Electricity Regulatory Commission regulations governing renewable energy tariffs.**

The principal regulatory framework comprises the following:

1. Central Electricity Regulatory Commission (CERC) Regulations

The CERC has framed various regulations governing tariff determination for renewable energy projects, including:

(a) CERC (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations

These regulations prescribe:

- Normative Capital Cost;
- Debt-Equity Ratio;
- Return on Equity (RoE);
- Depreciation;
- Interest on Loan;
- Operation and Maintenance (O&M) Expenses;
- Auxiliary Consumption;

- Capacity Utilisation Factor (CUF);
- Useful Life of Projects; and
- Generic Tariff methodology for renewable energy projects.

The regulations are periodically revised to reflect technological and economic developments.

(b) CERC (Procedure, Terms and Conditions for Grant of Trading Licence and other related matters) Regulations and regulations governing inter-State transmission and ancillary services also impact renewable energy projects.

2. State Electricity Regulatory Commission Regulations

Each State Commission is empowered under Section 86(1)(e) of the Electricity Act, 2003 to promote renewable energy and determine tariffs for intra-State projects.

For projects situated in Telangana, the relevant Commission is the:

Telangana State Electricity Regulatory Commission

TSERC has framed regulations relating to:

- Procurement of power from renewable sources;
- Renewable Purchase Obligation (RPO);
- Determination/adoption of tariff;
- Open access for renewable energy;
- Net metering and distributed generation.

3. Tariff Policy and National Electricity Policy

The following Central Government policies guide both CERC and State Commissions while determining renewable energy tariffs:

- Tariff Policy, 2016;
- National Electricity Policy; and
- National Action Plan on Climate Change

4. Competitive Bidding Framework under Section 63

For most solar and wind projects commissioned in recent years, tariffs are discovered through competitive bidding under guidelines issued by the Government of India, such as:

- Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Solar PV Projects; and
- Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Wind Power Projects.

In such cases, the role of the Regulatory Commission is ordinarily limited to **adoption of tariff under Section 63**, rather than fresh determination of tariff.

Relevance to GST Changes

Neither the CERC Regulations nor the State Commission Regulations generally permit a Distribution Company to unilaterally reduce an already adopted or approved tariff merely because GST on certain equipment is subsequently reduced. Any adjustment can only be made:

1. in accordance with the **Change in Law** provisions contained in the Power Purchase Agreement;
2. pursuant to specific statutory or regulatory provisions; and
3. with the approval of the concerned Regulatory Commission, wherever required.

Accordingly, the principles of **sanctity of tariff, legitimate expectation**, and **promissory estoppel** assume significance, particularly where developers have established projects and made substantial investments based on the tariff prevailing on the date of the Letter of Award or execution of the Power Purchase Agreement.

A comparison between thermal energy and renewable energy in terms of production, cost and tariff is particularly relevant in the context of tariff disputes and renewable energy regulation.

Particulars	Thermal Power (Coal/Gas)	Renewable Energy (Solar/Wind)
Source of Energy	Coal, gas, lignite, oil	Sunlight, wind, biomass, small hydro
Fuel Requirement	Continuous fuel supply required	No fuel cost after commissioning
Capital Cost	Moderate to high	High initial capital cost
Operating Cost	High due to fuel, transportation and O&M	Low; mainly O&M expenses
Generation Pattern	Can generate round-the-clock (base load)	Intermittent; depends on weather conditions
Plant Load Factor (PLF)	70%–90%	Solar: 18%–28%; Wind: 25%–40%
Fuel Cost Escalation	Significant and recurring	Nil fuel escalation
Environmental Impact	High emissions and pollution	Environment friendly, negligible emissions
Useful Life	25–35 years	Solar: 25 years; Wind: 20–25 years
Tariff Structure	Generally variable with fuel price adjustments	Generally fixed for entire PPA period
Tariff Components	Capacity Charges + Energy Charges + Fuel Surcharge	Mostly single-part tariff
Risk Factors	Fuel availability, transportation, environmental compliance	Weather variability, grid availability
Carbon Emissions	High	Negligible

In this context, it is respectfully submitted that, while the Distribution Company (Discom) continues to procure and expend enormous public funds towards thermal power generation at tariffs substantially higher than those applicable to renewable energy, it is paradoxically seeking to reduce the tariff payable to the Solar Power Generators, who have established their projects by making substantial capital investments entirely at their own cost and risk.

It is pertinent to note that the tariff payable for thermal power generation is approximately Rs.6/- per kWh, whereas the tariff originally agreed and extended to the Solar Power Generators is only Rs.3.13/- per kWh. Despite the comparatively lower tariff and the significant contribution made by the renewable energy sector towards clean and sustainable energy generation, the Discom is now attempting to further reduce the tariff to Rs.2.98/- per kWh. Such an action is arbitrary, unreasonable, discriminatory and contrary to the very object of promoting renewable energy envisaged under Section 61(h) of the Electricity Act, 2003.

The Solar Power Generators, most of whom are farmers, ventured into these projects solely on the basis of the assurances, representations and tariff framework prevailing at the time of issuance of the Letters of Award and execution of the Power Purchase Agreements. Acting upon such representations, they invested their entire lifetime savings, raised substantial borrowings from financial institutions and created necessary infrastructure at their own expense. The proposed reduction in tariff, after the projects have already been established and commissioned, would not only impose severe and irreparable financial hardship upon the generators but would also subject them to immense mental agony, uncertainty and distress.

The impugned action of the Discom, if permitted, would defeat the legitimate expectations of the generators, violate the doctrine of promissory estoppel, undermine the sanctity of concluded contracts and seriously erode investor confidence in the renewable energy sector. Such arbitrary treatment meted out to small and marginal farmer-generators, who have acted in good faith upon governmental policies and assurances, is manifestly unjust, inequitable and violative of Articles 14 and 19(1)(g) of the Constitution of India.

16. In the above facts and circumstances, it is most humbly prayed that the Hon'ble Commission may be pleased to:

- a. protect the legitimate expectation of the applicants and uphold the principle of promissory estoppel by ensuring that the tariff prevailing as on the date of issuance of the Letter of Award is made applicable to the project throughout the agreed tenure;
- b. refrain from applying any revised or reduced tariff to projects for which Letters of Award have already been issued and in respect of which substantial investments have already been made; and
- c. pass such other order or orders as this Hon'ble Commission may deem fit and proper in the interests of justice, equity and good conscience.

Therefore, the applicants humbly pray that the Hon'ble Commission may kindly consider the above submissions sympathetically and pass appropriate orders in the interest of justice, equity and in furtherance of the objectives of promotion of energy.

It is therefore prayed that the Hon'ble Commission may be pleased to safeguard the interests of the existing Solar Power Generators who have invested substantial amounts based on the prevailing policy and tariff regime, and thereby uphold the confidence reposed by farmers and investors in the renewable energy sector.

Yours faithfully,



**For CHALMANI NARESH
(SOLAR POWER GENERATOR)
Group of Farmers**