

Objections on behalf of Solar Power Generator (SPG) / PPA holder under PM-KUSUM Component-A Scheme, against I.A. No. 4 in O.P. No. 24 of 2020 (TGSPDCL's petition seeking reduction of pre-fixed levelized tariff from Rs. 3.13/kWh to Rs. 2.98/kWh on account of change in GST rate)

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By email: secy-tgerc@telangana.gov.in

To,
The Commission Secretary,
Telangana Electricity Regulatory Commission,
Vidyuth Niyantran Bhavan, G.T.S Colony,
Kalyan Nagar, Hyderabad – 500045

Subject: Objections on behalf of Solar Power Generator (SPG) / PPA holder under PM-KUSUM Component-A Scheme, against I.A. No. 4 in O.P. No. 24 of 2020 (TGSPDCL's petition seeking reduction of pre-fixed levelized tariff from Rs. 3.13/kWh to Rs. 2.98/kWh on account of change in GST rate)

Respected Sir/Madam,

The undersigned is a Solar Power Generator (SPG) and a party to a Power Purchase Agreement ("PPA") executed with Southern Power Distribution Company of Telangana Limited ("TGSPDCL") under the PM-KUSUM Component-A Scheme, pursuant to the Letter of Award issued by TGREDCO and the tariff of Rs. 3.13/kWh determined by this Hon'ble Commission vide order dated 02.01.2021 in O.P. No. 24 of 2020. In response to the public notice dated 23.06.2026, the following objections are respectfully submitted for the Commission's kind consideration before the public hearing scheduled on 08.07.2026.

1. Preliminary Objections

1.1 TGSPDCL has no contractual standing to unilaterally seek a reduction of the base tariff

The PPA itself prescribes the procedure for invoking Change in Law. Article 13.1.1 of the PPA states that **"in the event of any decrease in the recurring/non-recurring expenditure by the SPG... on account of any of the events as indicated above, SPG shall file an application to the TGERC... for seeking approval of Change in Law"** and that, only on the SPG's failure to do so, TGSPDCL is entitled to withhold tariff payments until compliance. The Agreement thus contemplates that it is the SPG – not the procuring DISCOM – who is to bring a decrease-in-cost Change in Law event before the Commission, and TGSPDCL's remedy in case of non-compliance is to withhold payment of the *quantum of benefit*, not to seek a permanent re-fixation of the tariff order itself. TGSPDCL's present petition, filed in its own right to alter the base tariff, is accordingly not founded on the mechanism the Parties contractually agreed to, and is premature/not maintainable in the form presented.

1.2 The relief sought conflicts with the PPA's own mechanism for giving effect to Change in Law

Article 11.9.1 read with Article 13 of the PPA provides that Change in Law adjustments are to be given effect through a **Supplementary Bill**, raised and reconciled periodically (Articles 11.8 and 11.9), and not by amending the underlying fixed tariff determined under Article 9.1. Article 9.1.1 expressly fixes the tariff of **Rs. 3.13/kWh "at fixed price for the entire term of this agreement"**. The contractually sanctioned route for any Change in Law impact – including a tax-rate change – is therefore a supplementary, reconcilable adjustment trued up against actual impact, not a wholesale revision of the levelized tariff order for the entire 4,000 MW Component-A programme across the State for the balance of the PPA term. TGSPDCL's petition, by seeking to substitute Rs. 3.13/kWh with Rs. 2.98/kWh as a fresh "pre-fixed" rate, effectively bypasses Article 9.1 and Article 11.9 of the very agreement it seeks to enforce.

2. Substantive Objections

2.1 The tariff was structured as a composite, fixed, all-inclusive price — already absorbing tax-related risk

Article 9.1.1 of the PPA records that **"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."** This is a deliberate, bundled-tariff formulation. SPGs structured their project economics, debt sizing, and equity returns around a fixed, inclusive per-unit realisation for the entire term of the PPA. A downward re-opening of this composite figure — particularly on a uniform, State-wide basis rather than project-specific actuals — defeats the very purpose of a "fixed" and "inclusive" tariff structure that the Commission itself originally designed to ensure bankability and to attract individual farmer-investors (as in the present case) into the PM-KUSUM programme.

2.2 Equal-sharing principle under the PPA is not reflected in the proposed revision

Even assuming, without conceding, that the GST rate change qualifies as a Change in Law event, Article 13.2.2 of the PPA stipulates that the **relief on account of an acknowledged Change in Law is to be "shared equally by both the parties."** The proposed revision to Rs. 2.98/kWh appears to pass through the entire computed differential to TGSPDCL/consumers, without demonstrating that only 50% of the financial impact has been factored in as contractually mandated. The Commission is respectfully requested to direct TGSPDCL to place on record the detailed computation showing equal sharing of the benefit, failing which the proposed figure of Rs. 2.98/kWh cannot be accepted as compliant with the Parties' own bargain.

2.3 No demonstrated nexus between the GST rate change and actual project-level cost impact

GST incidence varies by project depending on the timing of capital procurement, input tax credit already availed, EPC contract structuring, and the stage of execution of each individual SPG. A uniform, State-wide reduction of Rs. 0.15/kWh applied identically to all SPGs — including those who may have already completed major procurement at the earlier (12%) rate and availed corresponding input tax credit — would result in an arbitrary and disproportionate impact on individual generators, contrary to the **restitutionary principle** governing Change in Law relief, namely that the affected party is to be restored to the same financial position as if the change had not occurred — **no better and no worse**. A blanket, undifferentiated reduction risks placing several SPGs in a worse financial position than they would have been in absent the GST change, which is impermissible.

2.4 The tariff order dated 02.01.2021 predates the bid and PPA execution for the present SPG, and cannot be reopened on a generic basis

The PPA recitals record that the SPG was selected pursuant to EOI No. TG/PM KUSUM-A/24-25/00781 dated 22.01.2025, with the LOA issued on 11.06.2025 and the PPA executed on 13.06.2025 — all well after the original tariff determination of 02.01.2021. SPGs who joined the programme between 2021 and 2025 priced their investment decisions on the publicly known, Commission-determined levelized tariff of Rs. 3.13/kWh as a floor of certainty. Re-opening this figure now, on a retrospective and programme-wide basis covering all past and future SPGs uniformly, without distinguishing vintage of investment, capital structure, or actual tax incidence, is inconsistent with the principle of regulatory certainty that underpins investment in renewable energy and is liable to be tested project-wise rather than applied as a blanket figure.

2.5 Change in Law relief is not intended to operate as a periodic re-bidding of the tariff order

Article 13.1.1 itself **excludes "any change on account of regulatory measures by the TGERC"** from the definition of Change in Law. The original tariff of Rs. 3.13/kWh is itself a regulatory determination of this Commission. Permitting a regulatory tariff order to be revisited and recast as a "Change in Law" exercise — rather than treating GST adjustments as a pass-through item to be trued up periodically through Supplementary Bills as the PPA contemplates — blurs the line between the Commission's tariff-determination function and Change in Law compensation, and should not be allowed to result in a permanent downward re-fixation of the base tariff for the unexpired term of the PPA.

3. The Reduced GST Rate Cannot Be Applied Retrospectively or Without a Transition/Cut-off Mechanism

3.1 The GST rate reduction itself took effect only after a notified lag, and was not instantaneous even for GST purposes

As a matter of record, the 56th GST Council's recommendations (made on 03.09.2025) were notified by CBIC only on 17.09.2025 and made operative for goods and services only with effect from **22.09.2025 — i.e., 19 days after the Council's recommendation itself**. Even the GST law-maker recognised that a rate change cannot be given retrospective effect from the date of mere recommendation; it permitted a **defined notice/lag period** before the new rate became binding, and further allowed input tax credit already availed at the higher rate to be utilised for all supplies made up to the day immediately preceding the changeover (21.09.2025), without any requirement of unwinding past transactions. The same logic of a **defined, prospective cut-off — not an instantaneous or retrospective clawback** — must apply with equal force to the tariff under the PPA.

3.2 SPGs who have already invested, procured equipment, or commissioned their projects at the pre-existing (12%) GST rate cannot be equated with those who have not yet committed capital

Solar Power Generators who installed, or substantially committed to installing, their projects before the GST rate reduction came into effect (22.09.2025) did so by procuring panels, inverters, structures, cables and BOS equipment, and by availing EPC/financing arrangements, **at the then-prevailing higher GST incidence (12%)**. Their project cost, debt servicing schedule, and the return built into the levelized tariff of Rs. 3.13/kWh were all computed on that basis. To apply a uniform reduced tariff of Rs. 2.98/kWh to such SPGs with immediate or retrospective effect — without regard to whether they have recovered (a) their capital cost, (b) maintenance expenditure, (c) interest accrued on debt raised at the higher cost base, and (d) the proportional/notional profit margin embedded in the originally approved tariff — would amount to **unjust and discriminatory treatment as between similarly placed SPGs**, depending purely on the fortuity of their date of installation relative to the GST Council's recommendation.

This is directly analogous to the settled position under GST law itself in respect of anti-profiteering (Section 171, CGST Act, 2017): where a trader has already purchased goods/inputs at a higher rate of tax prior to a rate reduction, the benefit of the reduced rate is required to be passed on **prospectively, on fresh supplies/billing cycles, and not by recalling or unwinding goods already sold at the earlier price** — since requiring physical return of goods, reversal of freight, and unwinding of labour already expended would itself be commercially unreasonable and would not result in any additional benefit to the public; it would merely shift the timing of an already-assured benefit. The Hon'ble Commission is respectfully urged to apply the same principle: **the consumer/DISCOM benefit of the GST reduction is at most delayed, not denied**, by allowing existing SPGs a defined recovery window, whereas an immediate or retrospective cut would cause an actual, irreversible loss to such SPGs.

3.3 Proposed Cut-off Date and Transitional Mechanism

In order to balance the interest of consumers (who are entitled to the benefit of the GST reduction) against the legitimate reliance interest of SPGs who have already committed capital at the higher tax incidence, it is respectfully submitted that the Commission may consider directing as follows:

a. **Cut-off date for filing of claims:** All PPA holders/SPGs — including those who procured equipment/material at the higher (12%) GST rate but whose commissioning/installation was delayed for reasons beyond their control — shall be permitted to submit their purchase bills, EPC invoices and tax payment records evidencing GST paid at 12% to TGSPDCL/TGREDCO within a cut-off period of **ninety (90) days from the date of the Commission's final order** in I.A. No. 4 of O.P. No. 24 of 2020, to be eligible for continuation of the existing tariff for the transition period set out below.

b. **Prospective application for new claims/connections:** SPGs who do not hold such bills evidencing procurement at the higher GST rate, or whose projects achieve COD after the above cut-off date, shall be billed at the revised (reduced) tariff of Rs. 2.98/kWh (or such other rate as the Commission may finally determine) from their respective COD onward, without any transitional benefit, since no higher-rate cost would have been embedded in their project economics.

c. **Grandfathering/recovery period for existing SPGs:** SPGs who establish, to the satisfaction of TGSPDCL/TGREDCO, that their project equipment was procured and/or installed at the higher (12%) GST rate prior to 22.09.2025 (the effective date of the GST Council's rate reduction) shall continue to be paid the tariff of Rs. 3.13/kWh as prescribed under their respective PPAs for a further period of **two (2) years** from the date of the Commission's final order (or from the cut-off date referred to in (a) above, whichever the Commission deems appropriate), to enable such SPGs to recover their capital cost differential, maintenance expenditure, interest accrued on project debt, and the proportional/notional profit contemplated in the original tariff. On expiry of the said two-year period, the

revised/reduced tariff as finally determined by the Commission shall apply uniformly to all SPGs, including those covered by this transitional arrangement.

d. **No loss to either party, only deferral of benefit:** It is respectfully submitted that such a cut-off and grandfathering mechanism causes **no loss to TGSPDCL/consumers** — it only results in a time-bound deferral of a benefit that will, in any event, accrue to them at the end of the transition period — while preventing **irreversible and disproportionate loss** to SPGs (particularly individual farmer-SPGs such as the undersigned) who have already committed capital on the basis of the tariff assured to them at the time of bidding/PPA execution.

4. Supporting Legal Principles / Precedents

1. **Energy Watchdog v. Central Electricity Regulatory Commission, (2017) 14 SCC 80** — The Supreme Court held that Change in Law relief is restitutionary in character: the affected party is to be restored, as nearly as possible, to the same economic position it would have occupied had the change in law not occurred — it is neither a windfall nor a penalty. Any restitution must therefore correspond to the *actual* demonstrated impact, not a notional or uniform recalibration applied indiscriminately across all generators.
2. **Appellate Tribunal for Electricity (APTEL) — line of orders on GST-related Change in Law** (arising after introduction of GST in 2017 across various State Commissions/CERC, including matters involving solar and wind generators and respective DISCOMs) — APTEL has consistently directed that GST-related Change in Law impact be implemented through **supplementary billing/periodic true-up mechanisms tied to actual incremental or decremental tax cost**, rather than by altering the base tariff discovered through competitive bidding or fixed by a Commission's tariff order. This is consistent with the mechanism already built into Articles 11.9 and 13.2 of the present PPA.
3. **Principle of sanctity of contract and regulatory certainty in renewable energy tariffs** — Tribunals and Commissions have repeatedly recognised that PPAs for renewable energy, particularly those involving small/individual generators (such as farmer-SPGs under PM-KUSUM), are entered into in reliance on long-term tariff certainty; unilateral or retrospective alteration of a "fixed" tariff midstream undermines the bankability objective that Section 61(h) of the Electricity Act, 2003 (promotion of renewable sources of energy) is designed to secure, and should be approached with caution and only upon individualised, verifiable evidence of cost impact.
4. **Principle against double benefit / unjust enrichment to either party** — Since the PPA (Article 13.2.2) mandates equal sharing of Change in Law impact, any computation that allocates the entire benefit of the GST reduction to TGSPDCL, without retaining the SPG's contractually due 50% share, would result in unjust enrichment of one party at the cost of the other, contrary to settled principles applied by APTEL and the Hon'ble Supreme Court in Change in Law matters.

5. Prayer

In view of the above, it is most respectfully prayed that this Hon'ble Commission may be pleased to:

- a. Reject, or in the alternative defer, TGSPDCL's prayer for a blanket reduction of the pre-fixed levelized tariff from Rs. 3.13/kWh to Rs. 2.98/kWh, and instead direct that any Change in Law impact arising from the GST rate revision be implemented strictly through the Supplementary Bill/periodic reconciliation mechanism already provided under Articles 11.8, 11.9 and 13.2 of the PPA;
- b. In the event any adjustment is found justified, direct that the same be computed on a project-specific, actual-impact basis, after affording each SPG an opportunity to demonstrate its individual cost position, and applying the equal-sharing principle under Article 13.2.2 of the PPA;
- c. Direct TGSPDCL to place on record the complete computation/working underlying the proposed figure of Rs. 2.98/kWh, including the methodology and assumptions used, for verification by stakeholders prior to any final determination;

d. In any event, direct that a cut-off date of 90 days from the Commission's final order be fixed for SPGs to submit proof of procurement/installation at the higher (12%) GST rate, and that such SPGs be permitted to continue billing at the existing tariff of Rs. 3.13/kWh for a further transitional/grandfathering period of 2 years thereafter, to enable recovery of capital cost, maintenance expenditure, accrued interest and proportional profit built into the original tariff, with the revised tariff applying prospectively thereafter and immediately to all SPGs achieving COD after the cut-off date;

e. Pass such other order(s) as this Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

These objections/comments are submitted without prejudice to any other rights and contentions available to the undersigned under the PPA, the PM-KUSUM Scheme guidelines, and applicable law, all of which are expressly reserved.

Thanking you,

Madda Mahesh

Date: 30.06.2026

Place: Hyderabad