

To

The Commission Secretary

Telangana Electricity Regulatory Commission (TGERC)

Vidyut Niyantran Bhavan

GTS Colony, Kalyan Nagar

Hyderabad – 500045

Subject: Objections to the proposed reduction of PM-KUSUM Component-A , PPA No. 379, dated. 17.07.2025 of Mrs. Mathukumilli Surya tariff from ₹3.13/kWh to ₹2.98/kWh and request for tariff enhancement.

Respected Sir,

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

I strongly object to the proposal to reduce the pre-fixed levelized tariff from ₹3.13/kWh to ₹2.98/kWh. On the contrary, considering the substantial escalation in project costs and financing expenses since the tariff was determined in January 2021, the tariff warrants an upward revision to ensure the financial viability of decentralized solar power projects.

My objections and submissions are as follows:

The tariff of ₹3.13/kWh was determined based on the capital cost, financing assumptions, and market conditions prevailing in 2021. These assumptions no longer reflect the present economic scenario.

The proposed reduction is primarily based on the reduction in GST from 12% to 5%. However, GST constitutes only a small portion of the overall project cost and cannot be treated as the sole basis for tariff revision.

The savings resulting from the GST reduction are marginal and are far outweighed by the substantial increase in other project costs over the last five years.

Tariff determination should consider the overall project economics and lifecycle viability rather than focusing on a single tax component.

Since 2021, inflation has significantly increased the costs of materials, labour, transportation, civil works, engineering services, and project execution.

Land development expenses, including site levelling, fencing, internal roads, drainage systems, and other infrastructure works, have increased substantially.

The prices of transformers, HT equipment, switchgear, cables, transmission materials, and grid evacuation infrastructure have witnessed considerable escalation.

Financial institutions now require higher promoter contributions and margin money, increasing the capital investment burden on developers.

Interest rates on project loans have increased compared to 2021, resulting in higher debt servicing obligations and financing costs.

Developers participating under PM-KUSUM are predominantly farmers and small entrepreneurs who do not enjoy the financial advantages or economies of scale available to large corporate developers.

PM-KUSUM Component-A projects are decentralized in nature and therefore involve relatively higher per-MW costs compared to utility-scale solar parks.

The entire responsibility and risk relating to project development, financing, construction, operation, maintenance, and generation performance are borne by the Solar Power Generator.

Operation and Maintenance (O&M) expenses continue to increase every year due to inflation, whereas the tariff remains fixed throughout the entire Power Purchase Agreement (PPA) period.

Insurance premiums, security expenses, equipment replacement costs, and theft prevention measures have increased considerably.

PM-KUSUM projects directly contribute to rural development, enhance farmers' income, and generate local employment opportunities.

Decentralized solar generation reduces technical losses, improves feeder-level efficiency, and strengthens the rural distribution network.

Such projects reduce the need for costly transmission infrastructure and associated capital expenditure by DISCOMs.

PM-KUSUM projects assist Telangana DISCOMs in achieving Renewable Purchase Obligation (RPO) targets and avoiding future regulatory compliance costs.

The cost of thermal power procurement continues to increase due to rising coal prices, transportation costs, and environmental compliance expenses, whereas PM-KUSUM provides clean, fixed-cost renewable energy for a period of 25 years.

Any reduction in tariff will adversely affect project bankability, delay financial closure, discourage investment, and reduce participation under the PM-KUSUM Scheme.

Regulatory certainty is essential for maintaining investor confidence. Downward revision of tariff after developers have made investment decisions creates uncertainty and undermines confidence in Government-supported renewable energy programmes.

The environmental benefits, reduction in carbon emissions, energy security, groundwater conservation through daytime power availability, and other socio-economic benefits of decentralized solar generation have not been adequately considered while proposing tariff reduction.

Telangana is witnessing increasing electricity demand, particularly in the agricultural sector. PM-KUSUM projects provide reliable daytime power close to agricultural loads, thereby reducing distribution losses and improving system efficiency.

Reduction of tariff may render several approved and proposed projects financially unviable, adversely affecting renewable energy capacity addition and delaying achievement of State and National renewable energy targets.

While the reduction in GST provides only a limited financial benefit, cumulative inflation, financing costs, and escalation in equipment and construction costs since 2021 have increased overall project costs by more than 25–30%. Therefore, reducing the tariff on the basis of GST alone is neither economically justified nor financially sustainable.

In view of the above facts and circumstances, 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. Protect the interests of farmers, small investors, and renewable energy developers participating under the PM-KUSUM Component-A Scheme and ensure continued growth of decentralized renewable energy in Telangana.

I sincerely request the Hon'ble Commission to consider the above submissions in the interest of renewable energy development, farmer welfare, investor confidence, and the long-term sustainability of PM-KUSUM projects in the State of Telangana.

Thanking you.

Yours faithfully,

(Mathukumilli Surya)

Solar Power Generator (Prospective)

PM-KUSUM Component-A

Solar PPA No. 379/2025-26

Vendicol Village

33/11 KV Shivampet Substation

Chowtkur Mandal

Sangareddy District

Telangana

Date: 17-07-2025