To

The Commission Secretary,
Telangana Electricity Regulatory Commission (TGERC),
Hyderabad, Telangana.

SUBJECT: Objections to the proposal of TGDISCOMs seeking reduction of PM-KUSUM Component - A tariff from Rs.3.13/kWh to Rs.2.98/kWh on account of reduction in GST rates.

REFERENCE: PPA No. 565, Dated 05-12-2025

The Objector respectfully submits as under:

1. **PRELIMINARY SUBMISSIONS**

The present application filed by TGDISCOMs seeking reduction of the approved tariff from Rs.3.13/kWh to Rs.2.98/kWh is legally unsustainable, contrary to settled principles governing competitive bidding, violative of vested contractual rights, and detrimental to investor confidence in the renewable energy sector.

The tariff of Rs.3.13/kWh was approved by the Hon'ble Commission and formed the basis for participation of Farmers under PM-KUSUM Component-A. Acting upon such approved tariff, Farmers submitted bids, furnished Performance Bank Guarantees, secured land, initiated financing arrangements and entered into binding Power Purchase Agreements.

The attempt to retrospectively alter the approved tariff after conclusion of the bidding process and execution of PPAs is contrary to law and equity.

2. **SANCTITY OF EXECUTED POWER PURCHASE AGREEMENTS**

The tariff of Rs.3.13/kWh has already crystallized into binding contractual rights.

The PPA executed between the parties is a concluded contract and governs the rights and obligations of both parties for the entire term of the project.

Neither the Electricity Act, 2003 nor the executed PPA permits unilateral reopening of the discovered tariff merely because one component of project cost is perceived to have changed.

Any post-contractual tariff reduction would amount to rewriting the contract between the parties.

3. **TARIFF DISCOVERED THROUGH COMPETITIVE PROCESS CANNOT BE REOPENED**

The tariff of Rs.3.13/kWh was not determined on a cost-plus basis.

The tariff was discovered through a competitive procurement process wherein bidders factored:

a) Capital cost of modules and equipment;

b) GST and other taxes;

c) Interest during construction;

d) Financing costs;

e) Cost of land acquisition and development;

f) Evacuation infrastructure;

g) Insurance and statutory compliances;

h) O&M costs;

i) Risk allocation and Farmer margins.

Once the bidder assumes these risks and quotes a tariff, subsequent fluctuations in individual cost components cannot be selectively extracted for tariff revision.

If reduction in GST is sought to be passed through to DISCOMs, then principles of fairness would require corresponding pass-through of all adverse cost variations suffered by Farmers, which has never been contemplated.

4. **DRAMATIC INCREASE ON EPC COST OWING TO SHARP INCREASE ON METAL PRICES**

Volatile geopolitical scenarios have seen dramatic year-on-year prices of all commodities and metals using the solar energy generation;

- **Silver Surge (Module Level):** Global silver prices have surged by **55.58% to 82.95% year-over-year (YoY)**, driven by massive green energy consumption and tight physical market deficits. After experiencing an extraordinary **130% explosion across 2025** and hitting an all-time high of **$121.64 per ounce (over ₹4,10,000 per kg in India)** in January 2026, global spot prices are trading between **$58 and $65 per ounce (around ₹2,22,000 to ₹2,35,000 per kg locally).**

Silver paste makes up a substantial portion of advanced N-type TOPCon cells. Massive silver market price spikes have added **$0.01 to $0.03 per watt** at the module manufacturing level. This factor alone adds **₹9 Lakh to ₹27 Lakh per MW** in incremental procurement costs for the EPC developer.

- **Copper (Cables & Electricals):** Global copper prices have experienced a year-over-year (YoY) increase of **42.07%**, climbing from roughly **$9,533 per metric ton to $13,543 per metric ton**. This massive price surge has significantly impacted the solar energy supply chain, adding intense pressure to project installation costs.

High domestic copper prices (over **₹1,260–₹1,300 per kg**) have directly inflated electrical components. Given that a standard ground-mounted **1 MW plant requires approximately 5 tonnes of copper**, the surge adds roughly **₹20 Lakh per MW** just to the electrical Balance of System (BOS)—driving a **10% to 15% jump in solar cables** and an **8% to 12% jump in inverters/transformers.**

- **Aluminum & Steel (Mounting Structures):** Aluminum and steel account for roughly **8% to 14% of the overall EPC stack (averaging ₹35 Lakh to ₹75 Lakh per MW).** Steady double-digit price gains in steel and aluminum over the past few quarters have pushed structural framing costs up by **₹5 Lakh to ₹8 Lakh per MW.**

Overall, in India, the year-over-year (YoY) impact on utility-scale and industrial solar Engineering, Procurement, and Construction (EPC) capital expenditure has shifted dramatically. Following a multi-quarter period of declining costs due to cheap imported components, the **all-in cost for a 1 MW solar project has surged by an estimated ₹30 Lakh to ₹50 Lakh per MW (a roughly 8% to 15% increase).**

As of mid-2026, building a **1 MW solar plant in India typically ranges between ₹3.5 Crore and ₹4.5 Crore** depending on technology choices, reversing the historic lows seen in late 2024.

Not to mention, some of the active primary drivers of the price surge still continue to be in play with no foreseeable abatement any time soon.

1. **Severe Supply Shocks:** Major mine disruptions—including production drops in Chile and a catastrophic operation halt at Freeport-McMoRan's Grasberg mine in late 2025—have choked the global supply of refined copper, creating a severe market deficit.
2. **Cross-Sector Demand Squeeze:** The solar industry is competing for limited copper volumes against two other massively expanding sectors: **electric vehicles (EVs)** and **artificial intelligence (AI) data center power grids.** Clean energy transition sectors are seeing copper demand rise at a compound annual growth rate of **10.7%.**
3. **Macroeconomic Pressures:** Tariff uncertainties, strategic stockpiling following copper's addition to the U.S. critical minerals list, and high domestic infrastructure consumption have kept global futures elevated.
4. **GST REDUCTION DOES NOT AUTOMATICALLY TRANSLATE INTO TARIFF REDUCTION**

The petition proceeds on the erroneous assumption that reduction of GST from **12% to 5%** automatically results in proportionate reduction in tariff.

This assumption is fundamentally flawed because:

a) GST is only one component of project cost;

b) Project viability depends upon overall project economics;

c) Financing costs, land costs and implementation expenses remain unaffected;

d) Farmers have already committed resources based on approved tariff assumptions.

Therefore, tariff cannot be mechanically recalculated solely on GST reduction.

In fact, going by the present EPC market scenario, the tariff needs to be enhanced by **atleast 25%** to make a meaningful financial return on investments.

5. **CHANGE IN LAW CANNOT BE INVOKED SELECTIVELY**

The PPA contains a separate Change in Law framework intended to restore the affected party to the same economic position.

Change in Law provisions are compensatory in nature and not intended as a mechanism for reopening discovered tariffs.

The petition does not establish:

a) Actual project-wise benefit derived by each Farmer;

b) Whether such benefit has already been offset by other increases in project costs;

c) Whether financial closure assumptions have been disturbed.

Absent such exercise, blanket reduction of tariff is arbitrary.

Besides, the executed PPA expressly provides that the tariff of Rs.3.13/kWh is inclusive of all taxes, duties, levies and other statutory liabilities, as applicable from time to time as per Article 9 of the PPA. Therefore, any subsequent increase or decrease in such taxes has already been

contractually allocated between the parties and cannot constitute a ground for unilateral revision of the agreed tariff. Any attempt to reduce the tariff on account of a subsequent reduction would constitute a breach of the PPA.

Moreover, the PPA was executed after the GST regime had already come into force, and the parties consciously agreed to a tariff of Rs.3.13/kWh with full knowledge of the prevailing tax framework i.e., the DISCOMs have entered into an agreement after GST reforms came into effect.

6. LEGITIMATE EXPECTATION AND PROMISSORY ESTOPPEL

Farmers acted upon the representations of the State Government, TGREDCO, TGPSPDCL and the approved tariff order of the Hon'ble Commission.

Based upon such representations:

a) Land has been secured;

b) Project development expenditure has been incurred;

c) Financial institutions have processed funding proposals

d) Performance Bank Guarantees have been furnished;

e) Project implementation activities have commenced.

The doctrine of Promissory Estoppel squarely applies and prevents the procurer from altering the fundamental commercial basis of the transaction after Farmers have altered their position.

7. ADVERSE IMPACT ON PM-KUSUM OBJECTIVES

The Proposed tariff reduction will have serious consequences:

a) Erode investor confidence;

b) Increase financing uncertainty;

c) Delays project implementation;

d) Discourage participation in future renewable procurement programmes.

e) Defeat the objectives of PM-KUSUM.

Regulatory certainty is a cornerstone of long-term infrastructure investment and must be preserved.

8. PUBLIC INTEREST CONSIDERATOINS

The tariff of Rs.3.13/kWh is already highly competitive and contributes to:

a) Agricultural feeder solarization;

b) Reduction in subsidy burden;

c) Localized generation;

d) Reduction in transmission losses;

e) Achievement of renewable energy targets.

The marginal financial benefit sought by the DISCOMs cannot outweigh the larger public interest in preserving contractual certainty.

9. PRAYER

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

a) **Reject the proposal seeking reduction of tariff from Rs.3.13/kWh to Rs.2.98/kWh;**

b) **Hold that the tariff of Rs.3.13/kWh approved earlier and incorporated inti executed PPAs shall continue to remain valid and binding;**

c) **Protect vested contractual rights arising out of executed PPAs;**

d) **Pass such other order or orders as deemed fit in the interest of justice and equity**

Yours faithfully,

S Abhiram.