

BEFORE THE TELANGANA ELECTRICITY REGULATORY COMMISSION (TGERC)

Hyderabad

Objections/Suggestions on the Proposal for Revision of Tariff under PM-KUSUM Component-A

Submitted by:

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Solar Power Generator (SPG)

PPA No. 31/2025-26 dt.09.06.2025, and amendment dt. 22.12.2025

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Subject

Objections to the proposal for reduction of PM-KUSUM Component-A tariff from ₹3.13/kWh to ₹2.98/kWh and request for retention/revision of tariff based on prevailing project costs.

Respected Sir,

I respectfully submit this representation as a selected Solar Power Generator under the PM-KUSUM Component-A Scheme.

I strongly oppose the proposal to reduce the tariff from ₹3.13/kWh to ₹2.98/kWh. The existing tariff was determined in January 2021 based on project costs prevailing at that time. Since then, the economics of decentralized solar projects have changed substantially. Rather than reducing the tariff, the Commission may kindly consider retaining the existing tariff or revising it upward after assessing current market conditions.

Grounds of Objection

1. Tariff determined on outdated assumptions

The tariff of ₹3.13/kWh was determined in January 2021 based on capital costs, financing assumptions and market conditions prevailing at that time. Those assumptions no longer reflect current project economics.

2. GST reduction alone cannot determine tariff

The proposed reduction appears to rely primarily on the reduction of GST from 12% to 5%.

However, GST constitutes only one component of total project cost.

During the same period, costs of:

- Steel
- Copper
- Aluminium
- Electrical cables
- Transformers
- Switchgear
- HT equipment
- Civil works
- Labour
- Transportation
- Land development

have all increased substantially.

Therefore, the overall project cost has increased despite the GST reduction.

3. Increase in prices due to recent geopolitical developments

Recent geopolitical tensions in the Middle East, including the Iran-Israel conflict, have significantly affected global commodity markets.

Prices of copper, aluminium, steel and electrical equipment have increased, resulting in higher procurement costs for solar projects.

Since electrical cables, transformers and evacuation systems depend heavily on these commodities, project costs have increased further.

4. Increase in financing costs

Compared to 2021,

- Interest rates have increased.
- Banks insist on higher margin money.
- Loan processing has become more stringent.

Consequently, the cost of finance has increased substantially.

5. First implementation of PM-KUSUM in Telangana caused unavoidable delays

PM-KUSUM Component-A is being implemented for the first time in Telangana.

Developers experienced delays due to procedural requirements, approvals, financing processes and implementation activities during the initial rollout of the scheme.

Further, delays in loan processing and disbursement by banks, together with implementation-related timelines involving TGREDCO and other authorities, extended the construction period.

Despite these delays being beyond the control of developers, banks commenced charging interest immediately upon loan disbursement.

Accordingly, developers incurred substantial **Interest During Construction (IDC)** without any corresponding revenue generation.

This additional financing burden has significantly increased the effective project cost.

It would therefore be inequitable to reduce the tariff while ignoring these unavoidable financial impacts.

6. PM-KUSUM projects differ from utility-scale solar projects

PM-KUSUM projects are implemented mainly by farmers and small entrepreneurs.

Unlike large developers,

- no economies of scale exist,
- procurement costs are higher,
- financing is more expensive,
- developers personally bear construction and operational risks.

Accordingly, tariff determination should recognize these inherent differences.

7. Tariff comparison with other States

Several States have approved tariffs higher than the proposed tariff in Telangana for PM-KUSUM Component-A or similar decentralized solar projects.

State	Tariff (₹/kWh)
Assam	3.30
Rajasthan	3.14
Telangana (Existing)	3.13
Madhya Pradesh	3.07
Jharkhand	3.09
Telangana (Proposed)	2.98

The proposed tariff would place Telangana among the lowest tariff States despite higher current project costs.

8. Reduction will affect project viability

Reduction in tariff will:

- reduce project bankability,
- reduce Debt Service Coverage Ratio,
- reduce investor confidence,
- discourage farmer participation,
- delay renewable energy capacity addition.

Banks evaluate projects based on cash flows.

Lower tariff directly reduces loan eligibility.

9. Public interest

PM-KUSUM projects:

- reduce feeder losses,
- supply daytime agricultural power,
- reduce dependence on thermal power,
- assist DISCOMs in meeting Renewable Purchase Obligations,
- promote farmer income,
- contribute towards clean energy and climate goals.

These public benefits justify a viable tariff.

10. Principle of Regulatory Certainty

Developers applied under the scheme based on the notified tariff.

They have already:

- invested money,
- obtained loans,
- executed PPAs,
- commenced implementation.

Reduction of tariff after developers have committed investments creates regulatory uncertainty and adversely affects confidence in Government-backed renewable energy programmes.

Final Request:

In view of the above facts, I respectfully request that the Hon'ble Commission may kindly:

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 until a fresh cost assessment is completed.

C. Conduct a comprehensive benchmark study considering:

- inflation,
- financing costs,
- Interest During Construction (IDC),
- increase in prices of steel, copper, aluminium, transformers, cables and electrical equipment,
- current market conditions.

D. Consider revising the tariff to approximately **₹4.00/kWh**, or such tariff as the Hon'ble Commission considers appropriate based on current project economics.

E. Consider the financial burden arising from implementation delays during the first rollout of PM-KUSUM Component-A in Telangana, particularly where developers have incurred Interest During Construction due to factors beyond their control.

F. Consider tariffs adopted by other State Electricity Regulatory Commissions for comparable decentralized solar projects to ensure Telangana remains competitive in attracting renewable energy investment.

I respectfully request the Hon'ble Commission to consider these submissions in the interest of farmer welfare, renewable energy development, investor confidence and successful implementation of PM-KUSUM Component-A in Telangana.

Place: Bodhan

Date: 29-06-2026

Yours faithfully,

(Uppalapati Subbarao)

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