

To
The Secretary
Telangana Electricity Regulatory Commission (TGERC)
5th Floor, Singareni Bhavan
Red Hills, Hyderabad – 500004

Subject: Objections to the Proposed Reduction of PM-KUSUM Tariff from ₹3.13/kWh to ₹2.98/kWh in I.A. No. 4 of O.P. No. 24/2020

Respected Sir,

We respectfully submit the following objections to the proposal seeking reduction of the tariff applicable to PM-KUSUM Solar Power Projects from ₹3.13/kWh to ₹2.98/kWh.

The tariff of ₹3.13/kWh was determined by the Hon'ble Commission through its Order dated 02.01.2021 after considering the prevailing project economics and capital cost assumptions. Acting upon the said tariff determination, we executed KUSUM-A PPAs Nos. 145/2025-26 dated 20.06.2025 with TGSPDCL and proceeded with the implementation of our 2 MW (AC) Solar Power Project.

The entire project—including procurement of equipment, execution of contracts, financial closure, bank borrowings, construction and commissioning—was undertaken based on the approved tariff of ₹3.13/kWh. The executed Power Purchase Agreement is founded upon this tariff, and all commercial and financial decisions were taken in good faith relying on the Commission's determination.

The present petition seeks to reduce the tariff solely on the basis of GST-related changes in solar module prices. With utmost respect, this approach is technically, economically and regulatorily unsustainable.

Tariff determination for a solar power project is based on the overall capital cost of the project together with financing assumptions, debt-equity ratio, return on equity, depreciation, operation and maintenance expenses and plant performance. GST applicable to solar modules represents only one element of the project cost and cannot be viewed in isolation.

Further, solar modules constitute only about 45% of the total capital cost of a PM-KUSUM solar project. The remaining project cost comprises mounting structures, inverters, transformers, HT equipment, AC and DC cables, aluminium conductors, switchgear, civil works, evacuation infrastructure, labour, transportation and financing costs.

Since the tariff was determined in 2021, the actual cost of establishing solar projects has increased substantially due to inflation, supply chain disruptions and global market conditions. During project implementation, we experienced significant increases in:

- Solar module prices (approximately ₹2–₹3/Wp during the procurement period);
- Inverter prices due to appreciation of the US Dollar;
- Steel, aluminium and copper prices;
- Transformer and transformer oil costs;
- Switchgear and electrical equipment costs;
- AC/DC cables and 11 kV conductor costs;
- Labour and transportation costs; and
- Interest During Construction due to delays in procurement and project execution.

These increases have had a far greater impact on the overall project cost than any savings arising from GST changes on solar modules.

If the Commission is of the view that project economics should be revisited due to changes in one component of the capital cost, then principles of fairness, equity and sound tariff determination require that all cost variations—both increases and decreases—be considered comprehensively. A selective review that recognizes only GST-related savings while ignoring substantial increases in other project components is neither balanced nor economically justified.

We also respectfully submit that the PPAs have already been executed based on the approved tariff of ₹3.13/kWh. The tariff forms the commercial foundation of the contractual relationship between the generators and TGSPDCL. Revising the tariff after execution of the PPAs would fundamentally alter the financial assumptions on which the projects were conceived, financed and implemented.

Banks and financial institutions sanctioned project loans based on the approved tariff of ₹3.13/kWh and the revenue projections under the executed PPAs. Debt servicing, cash flow projections, repayment schedules, Debt Service Coverage Ratio (DSCR) and project viability were all evaluated on this basis. The projects were not financed on the assumption of a tariff of ₹2.98/kWh. Any reduction in tariff at this stage would adversely affect project viability and place an unexpected financial burden on farmers and project developers who have already invested substantial capital.

More importantly, revising the tariff after farmers have acted upon the Commission's order creates regulatory uncertainty and undermines the legitimate expectations of stakeholders. The success of government-backed renewable energy programmes depends upon confidence that tariffs determined by the Commission and incorporated into executed PPAs will remain stable. Retrospective alteration of project economics would adversely affect investor confidence and discourage future participation in renewable energy initiatives.

The PM-KUSUM Scheme was introduced to provide assured and sustainable income to farmers while promoting decentralized renewable energy generation. The proposed tariff reduction, if accepted, would defeat these objectives by reducing project viability after investments have already become irreversible.

In view of the above, we respectfully request the Hon'ble Commission to:

1. Reject the proposal to reduce the PM-KUSUM tariff from ₹3.13/kWh to ₹2.98/kWh.
2. Uphold the sanctity of the executed Power Purchase Agreements.
3. Protect the legitimate expectations of farmers and project developers who invested based on the Commission's approved tariff.
4. Hold that any review of project economics, if considered necessary, must take into account the complete capital cost of the project and not merely the GST applicable to one component.
5. Pass such further orders as the Hon'ble Commission may deem fit in the interests of justice, equity and the successful implementation of the PM-KUSUM Scheme.

We sincerely request that these objections be taken on record and duly considered during the public hearing.

Thanking you.

Yours faithfully,

V. Subbaiah Choudary
PM-KUSUM Solar Power Generator