

To

The Commission Secretary,
Telangana Electricity Regulatory Commission (TGERC),
Vidyut Niyamtran Bhavan,
GTS Colony, Kalyan Nagar,
Hyderabad – 500045.

Subject: Objections to the proposed reduction of PM-KUSUM Component-A 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 PM-KUSUM Component-A Scheme.

I strongly oppose the proposal to reduce the pre-fixed levelized tariff from ₹3.13/kWh to ₹2.98/kWh. On the contrary, the tariff requires upward revision considering the substantial increase in project costs and financial burden since the tariff was determined in January 2021.

My objections and submissions are as follows:

1. The tariff of ₹3.13/kWh was determined based on cost assumptions prevailing in 2021 and does not reflect present-day market realities.
2. The proposed reduction is based solely on GST reduction from 12% to 5%, whereas GST constitutes only a small component of total project cost.
3. The benefit arising from GST reduction is marginal and cannot justify a tariff reduction of 15 paise per unit.
4. Solar project economics should be evaluated based on total project cost and lifecycle viability rather than a single tax component.
5. Since 2021, inflation has significantly increased the cost of materials, labour, transportation, and services.
6. Land development costs, fencing, internal roads, drainage systems, and site preparation expenses have increased substantially.
7. The prices of transformers, HT equipment, switchgear, cables, and evacuation infrastructure have risen sharply over the last five years.
8. Financial institutions are demanding higher margin money contributions, increasing the capital burden on developers.
9. Interest rates on project loans have increased, resulting in higher debt servicing obligations.
10. Small farmers and rural entrepreneurs participating under PM-KUSUM do not enjoy the financial advantages available to large corporate developers.
11. PM-KUSUM projects are decentralized projects with limited economies of scale and therefore require higher tariff support.
12. The entire risk of project execution, operation, maintenance, and generation performance is borne by the developer.
13. O&M expenses continue to increase every year, while the tariff remains fixed throughout the PPA period.
14. Insurance premiums and security costs have increased considerably due to rising replacement costs and theft risks.
15. Solar projects under PM-KUSUM contribute directly to rural development and farmer income enhancement.

16. Decentralized solar generation reduces technical losses and improves feeder-level efficiency.
17. PM-KUSUM projects reduce the need for expensive transmission infrastructure and associated investments by DISCOMs.
18. These projects help Telangana DISCOMs meet Renewable Purchase Obligation (RPO) targets and avoid future compliance costs.
19. Thermal power procurement costs continue to rise due to increasing coal, transportation, and environmental compliance expenses, whereas PM-KUSUM provides fixed-cost clean energy for 25 years.
20. Reduction of tariff will adversely affect project bankability and may discourage future participation under PM-KUSUM.
21. Regulatory certainty is essential for investor confidence. Any downward revision after developers have planned investments creates uncertainty and undermines confidence in government-backed schemes.
22. The environmental benefits, carbon emission reduction, energy security benefits, and social benefits of decentralized solar generation have not been adequately factored into tariff determination.
23. Telangana is facing increasing electricity demand and PM-KUSUM projects provide affordable daytime power close to agricultural loads.
24. Reduction in tariff may render many approved projects financially unviable and delay achievement of renewable energy targets.
25. The Commission may kindly note that while GST reduction provides only a limited saving, cumulative inflation and financing cost escalation since 2021 have increased project costs by more than 25–30%.

In view of the above facts and circumstances, I humbly 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. Consider revising and enhancing the tariff to at least ₹4.00/kWh to reflect current project costs and ensure financial viability.
- D. Protect the interests of farmers, small investors, and renewable energy developers participating under PM-KUSUM Component-A Scheme.

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

The Hon'ble Commission be pleased to reject the proposal filed by the State Discoms seeking a reduction in the tariff from ₹3.13/kWh to ₹2.98/kWh, as the proposal is contractually unsustainable, legally flawed, and contrary to the executed Power Purchase Agreement (PPA). For the following, among others, reasons:

- 1. The current tariff of ₹3.13/kWh was mutually agreed upon, finalized, and locked by both parties within the legally binding PPA.
- 2. The Discom seeks a downward revision to ₹2.98/kWh by citing a benchmark capital cost reduction (to ₹3.60 Crore/MW) due to a Goods and Services Tax (GST) rate cut from 12% to 5% under the PM-KUSUM scheme.
- 3. The reduction in the GST rate occurred prior to the execution of the PPA which was already taken in to consideration before execution of PPA.
- 4. a) The GST rate reduction was already in effect before the signing of the PPA. The impact of this tax structure was fully factored into the financial calculations, project bidding, and final negotiations by both parties at the time of executing the PPA.
b) A PPA is a legally binding contract. Discoms cannot unilaterally reopen or alter agreed-upon commercial terms, including tariffs, based on historical regulatory changes that occurred prior to the contract date.

- c) A 'Change in Law' clause under regulatory frameworks protects parties from unforeseen, subsequent legislative or tax alterations occurring after the contract execution. It cannot be invoked retroactively for tax amendments enacted before the PPA was signed.
- d) Altering the tariff post-facto upsets the financial closure, debt-equity ratios, and viability of the solar power project. This acts to the severe economic detriment of the generator who relied on the promised ₹3.13/kWh rate.

4. Prayer:

- Dismiss the Discoms' proposal for a tariff reduction to ₹2.98/kWh in its entirety.
- Direct the Discoms to strictly adhere to the terms, conditions, and the tariff rate of ₹3.13/kWh as finalized in the executed PPA.
- Pass any other order that this Hon'ble Commission deems fit in the interest of equity and justice.

Thanking you.

Yours faithfully,

Thanks & Regards,

CHANDRA SHEKAR. MEELA

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PPA number 31